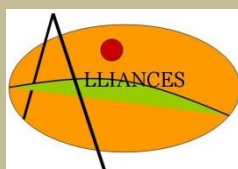


# Market Alliances Against Poverty in the Kvemo Kartli Region of Georgia



## ALLIANCES KVEMO KHARTLI



### FINAL STRATEGY

### SUBMITTED



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## List of Abbreviations

ABCO	Association of Business Consulting Organisations of Georgia
AI	Artificial Insemination
Alliances KK	Alliances KK
Alliances SJ	Alliances SJ
APLR	Association for the Protection of Landowners Rights
BDO's:	Business Development Officers
BEAT	Business Environmental Audit Tool
CENN	Caucasus Environmental NGO Network
CiDA	Civil Development Agency (Regional Georgian NGO)
CG	Caucasus Genetics
CNFA	Citizens Network for Foreign Affairs (formerly)
EC	European Commission
EIA	Environmental Impact Assessment
EMD	Emergency Management Department
FG	Farmer Group
FMD	Foot and Mouth Disease
GDCI	Growth Development & Continuous Improvement of your Business (company)
GEL	Georgian Lira (currency)
GIS	Geographical Information System
GIPA	Georgian Institute of Public Affairs
GTZ	German Technical Cooperation
HACCP	Hazard Analysis and Critical Control Points
HFA	Hyogo Framework for Action
IAAD	International Association of Agricultural Development
ICCN	International Centre for Conflict and Negotiation
IFC	International Finance Corporation
INGO	International Non-Governmental Organization
KK	Kvemo-Kartli
LLC	Limited Liability Company
M4P	Make Markets Work for the Poor Approach
MCC	Milk Collection Centre
MCG	Millennium Challenge Georgia
MDGs	Millennium Development Goals
MIA	Ministry of Internal Affairs in Georgia
MOU	Memorandum of Understanding
MOA	Ministry of Agriculture
MRD	Ministry for Regional Development
NFA	National Food Agency
OMC	Outcome Monitoring Concept
RDA	Regional Development Agency
SROI	Social Return on Investment
RSC	Rural Service Centre
SDC	Swiss Agency for Development and Cooperation
SIDA	Swedish International Development Agency
SJ	Samtskhe-Javakheti
UN	United Nations
UNFAO	UN Food and Agriculture Organization
USAID	United States Agency for International Development
USDA	United States Department of Agriculture

# 1. Overview of the Inception Phase

## Overview of Inception Phase Activities and Outcomes

The Inception phase began from February 15, 2011 based on the successful submission of the *Mercy Corps Market Alliances Against Poverty in Kvemo Kartli: Alliances KK Final Proposal* submitted on November 3<sup>rd</sup> 2010. According to the contract, the Inception Phase will be completed on September 14, 2011.

The inception phase provided the opportunity to begin the institution of the methods, procedures and instruments<sup>1</sup> developed in the SDC funded *Mercy Corps Alliances Against Poverty in Samstkhe-Javakheti: (Alliances-SJ)* which has been running since October 2008, but informed by and improved upon from the lessons learned<sup>2</sup> from the Mercy Corps and Springfield mid-term review. Both programmes are structured and their strategy based on the *Making Markets Work for the Poor Approach (M4P)* and use in depth market analysis to identify systemic market constraints in the key core markets (value-chains) of the dairy, beef, and in Alliances-KK, sheep and their supporting functions and rules. Based on in depth analysis, both programmes aim to address underlying market constraints using a facilitation approach<sup>3</sup> with key market players to leverage maximum impact on the target group of Small Scale Livestock Producers (SSLP's)<sup>4</sup>.

Phase One of the Inception phase was defined by office set up and logistics, recruitment, staff capacity building and training, the design and commencement of the Focus Group Survey and the commencement of two interventions: one in Artificial Insemination and the other into addressing overgrazing. Engagement with local government commenced in addition to a stakeholder analysis and preliminary discussions with them.

Phase Two was characterized by the arrival of the Programme Director (9<sup>th</sup> May), the ongoing implementation of the focus group survey, the SDC Governance workshop and SDC Donor visit, the market analysis, focus group survey data analysis and the completion of the livestock, DRR and Gender surveys, development of the GIS Mapping tool and production of maps, a three day external Facilitation and Monitoring and Evaluation in M4P workshop, the SDC Planning Platform for the preparation of the Final Strategy document for the Implementation phase, as well as managing ongoing inception phase interventions and the initiation of two new interventions.

Mercy Corps Alliances KK is in partnership with two well respected Georgian NGO's; International Centre for Conflict and Negotiation (ICCN) specialists in gender, ethnicity and conflict and International Association for Agricultural Development (IAAD) specialists in livestock.

## Inception Phase: I

### Recruitment

Recruitment for Alliances KK proved challenging. The background provided in Section 2 describes the diverse ethnicity of the project area, and in line with good governance principles of non-discrimination and transparency serious attempts were made to reflect this diversity in the programme staff. Adverts for positions were placed in Georgian and Russian, which is the *lingua franca* for Azeri and Armenian populations, both on national and local job websites and newspapers. Unfortunately applications from other ethnicities were non-existent, ethnic divisions in Georgia society being so entrenched as to prevent potential applicants from seeing the advertisement as relevant to themselves<sup>5</sup>. Eventually one Ossetian/Azeri member of staff who communicates in Russian was recruited. The programme also

<sup>1</sup> See Section 4 for a full description of the Alliances KK instruments

<sup>2</sup> See Section 4 for the Lessons Learned from the Mid Term Review

<sup>3</sup> See Section 4 for a description of the facilitation approach the key stone instrument of the M4P approach and both Alliances Programs.

<sup>4</sup> See Section 2 Goal: The Poor and their Context for a full description of the target group

<sup>5</sup> ICCN the Alliances KK partner is a specialist on conflict and ethnicity and have in depth research on these barriers in society which include education as well as cultural mores and values. More work could be done in future on improving representation of ethnic minorities in country programs.

recruited temporary Armenian and Azeri staff to help organize the focus groups. ICCN also has a full time female Azeri member of staff and IAAD has an Adjaran IDP member of staff. Women however are very well represented in key programme, as well as operational, staff. The programme also did have very good success in recruiting the majority of staff from the project area rather than Tbilisi, greatly strengthening the programme with their local knowledge.

Another key recruitment challenge was the withdrawal of the recruited Programme Director from the position who was due to start in mid-March, necessitating the recruitment of a new Programme Director who arrived in-country on May 9<sup>th</sup> 2011.

## Training

Training, ‘on the job’ training and staff capacity development is a founding principle of both Mercy Corps and of M4P programmes where high operational capacity of staff in carrying out facilitation with key service providers and market actors is essential. The foundations of what will be an ongoing programme of staff development were laid in the inception phase as detailed in table 1 below.

**Table 1: Trainings Carried Out by MC Georgia in the Inception Phase**

Training	Trainers	Dates	Comments
Mercy Corps HR, admin and procurement policies	Mercy Corps Operations manager, Finance and Compliance Director	18-Mar-11	Staff were acquainted with Mercy Corps policies, HR, administration and procurement, including the respective forms to be filled in every case presented
Basic M4P training	Mercy Corps Country Director, Deputy Programme Director	30-31 March 2011	The basic concept of the M4P approach was introduced to the staff members. Application of M4P concept to Kvemo-Kartli situation also was discussed. Training is based on translated Springfield centre materials.
Livestock breeding	IAAD experts	12-Apr	Livestock husbandry : animal health, nutrition and breed improvement
Gender and Governance mainstreaming	ICCN experts	05-Apr-11	Basic gender and governance concepts, SDC gender and good governance principles and their mainstreaming in M4P programme
Market and DRR surveys	Mercy Corps Country Director, Deputy Programme Director	12-Apr-11	The methodology of market and DRR surveys through focus groups. Specific questionnaires prepared for the surveys were also discussed
Disaster Risk Reduction	ICCN experts	29-Apr-11	Basic DRR concept, situation with natural disasters in Kvemo Kartli region and potential DRR measures
Mercy Corps Alliances-KK proposal and inception period plan	Mercy Corps Country Director, Deputy Programme Director	02-May-11	Alliances-KK proposal and inception phase plan were discussed in detail
Visit to Alliances-SJ program	Alliances-SJ staff	6-7 April 2011	Alliances-KK staff members visited Alliances-SJ programme sites and worked with their counterparts in Samtskhe-Javakheti region
Monitoring & Evaluation	Mercy Corps M&E coordinator	18-Apr-11	M&E activities, their importance and M&E in M4P programmes
Facilitating & Measuring Market System Change	All Alliances SJ and KK staff involved in interventions	1-3 June 2011	MC Mercy Corps Global Economic Development Advisor and the Mercy Corps Monitoring and Evaluation Advisor gave full 3 day training.

## Inception Phase 2: Research and Analysis

The key research activity and resultant reports used for the diagnostic and strategy formulation process conducted by Alliances KK were the *Market Analysis* and the *Focus Group Survey*. These were augmented by the research of the partner organisations, the *Gender Survey*, *DRR Survey* and *Livestock Survey*. Emphasis was placed on producing high quality research that would be used as the basis for further activities, in depth research and publication. As such all reports contain a methodology section detailing the rationale and activities for undertaking the research, Key Informant Interview tables, and fully referenced literature reviews and bibliographies. The Market Analyses and Focus Group Surveys are summarized below.

## **Market Analysis**

Key informant interviews were conducted with key market actors for the three value chains covered by Alliances KK i.e. Dairy, Beef and Sheep with focus on obtaining information and analysis on core markets, supporting functions and rules from May 13<sup>th</sup> to June 30<sup>th</sup>. These formed an important part of the Alliances KK Stakeholder Analysis. The interviews were conducted primarily *in situ* i.e. in the farms, fields, premises, offices, markets, shops and factories of the key informants in locations in the three municipalities, in the two key regional markets of Marneuli and Rustavi, the two main licensed slaughterhouses in Teleti and Natakhtari and in head offices in Tbilisi. The key document detailing this process is the Key Informant Interview Table in Annex 1 of the Market Analysis.

### *Review of Key Information Sources*

The following information sources were reviewed and utilized for the Market Analysis and the formation of this report, Alliances KK Focus Group Survey, Alliances KK Gender Survey, Alliances KK DRR Survey, Stakeholder Analysis, Key Informant Interviews, Government Publications National, Regional and Municipal level information, NGO UN Agency and Donor Publications, Media: Newspaper, Web and Television Reports.

*GIS Mapping:* Data gathered during the inception phase were also analysed and presented in maps as follows: Milk Collection Centre (MCC) Map for the project area, Cheese Producer Centre (CPC), Map for the Three Municipalities for the project area, Sheep and Cattle distribution and concentration maps. This powerful Geographical Information System (GIS) will continue to be developed to inform programme interventions and impact.

## **Focus Group Survey**

The Focus Group Survey was carried out between 27 of April to 10 of June, in 41 communities in the three municipalities of Dmanisi, Tetrtskaro and Tsalka the three municipalities covered by Alliances Kvemo-Kartli (Alliances-KK) in the Kvemo-Kartli region. The survey sample size constituted 68% of the 46 communities in these municipalities. Communities were chosen to reflect different livelihood zones, demographic groups, gender and ethnicity. Male and female Focus Groups were held at the same time by two male Alliances Staff for the male focus groups and two female Alliances Staff for the female Focus Groups. Refreshments were provided.

### *Ethnicity*

The ethnic make-up of each group was also noted to reflect the four major ethnicities in this area: Armenian, Azeri, Georgian and Greeks. The total ethnic compositions of the focus groups across the 3 municipalities were Armenian 16%, Azeri 15%, Georgian 64% and 5% Greek<sup>6</sup>.

### *Gender*

To provide gender disaggregated data a male and female focus group was held for each community. Out of 82 focus groups 41 were male and 41 female with a total of 213 males and 185 females participating across the 3 municipalities. On initially organising the focus groups in some communities, village reps expressed their doubt that any women would attend at all. As was evinced in the gender survey; women's participation in community meetings was severely restricted in comparison to men's, which can perhaps be ascribed to the fact that in the areas in which the survey took place, i.e. remote rural locations, men traditionally lead decision making in communal fora<sup>7</sup>.

### *Summary of the questionnaire*

The questionnaire was designed to obtain both qualitative and quantitative data and was orientated to capture data pertaining to service availability, market access and farm level information pertaining to the three value chains studied in the beef, sheep and dairy which form the focal points of the project interventions.

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<sup>6</sup> Alliances KK Focus Group Survey 2011.

<sup>7</sup> Alliances Gender Report (2011) ICCN

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## Developing Relationships

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### Alliances KK and Local Government

A meeting with the Governor of Kvemo Kartli<sup>8</sup> was held on May 23<sup>th</sup> attended by the Regional Director of the Swiss Development and Cooperation Office Mr Derek Mueller, National Programme Officer Ia Tsagareishvili, Alliances KK Programme Director Helen Bradbury and Alliances KK Deputy Programme Director George Sadunishvili. The Governor expressed his wholehearted support for the project both in agricultural market development and DRR and emphasized the diverse ethnicity of the region and articulated his vision for the development of the region in general and in regard to agricultural development. The Deputy Director of the Kvemo Kartli project George Sadunishvili met all three governors of these municipalities and Council Heads during the inception phase of the project (in April of 2011), the purpose of the meetings being to introduce the project objectives and the planning of further cooperation to the local government representatives including the formation of a project advisory committee<sup>9</sup>. The officials of all three municipalities have expressed a huge interest in the project. They have discussed key issues related to livestock, stated that the project plans fully meet the objectives of the local council in agricultural development<sup>10</sup> and offered the project representatives the resource of the village representatives for organizing the focus-group surveys. “*We maximally do and will support all those projects which contribute to agricultural development*” – The head of the Tsalka council Davit Machitadze said. The same spirit of cooperation was expressed during the meetings in Tetrtskaro and Dmanisi.

### *Formation of an Advisory Committee*

In the meetings the idea of an advisory committee was conveyed with the interested parties, the possibility of the formation of an advisory committee and its mandate was discussed. As a result of these meetings key stakeholders were identified, who have expressed their willingness to become members. This non-executive committee will help to provide verification of the overall strategy and provide advice on refining the vision and provide a layer of external governance in the programme that will facilitate productive engagement with local stakeholders. The 10-15 Members of the advisory committee will include: representatives of local government, regional government (perhaps from socio-economic development departments, Gambgibelis<sup>11</sup>/deputy Gangebelis national and international NGO’s and private sector representatives with interest and involvement in the beef, sheep and dairy value chains and related supporting functions and rules. The first meeting of the advisory committee is planned in August 2011 and will be organized by Alliances KK and ICCN. The status and goals of the committee will be discussed. Members will also be informed about Alliances-KK activities during the inception phase and plans for the implementation phase. Advisory committee meetings will be held tri-annually.

### Stakeholder Analysis

During the inception phase intensive meetings took place with the government representatives on the regional and municipal level, as well as market players involved in the beef, dairy and sheep value chains and their supporting functions and rules and the NGO and INGO community. Please see the *Stakeholder Analysis Table* and *Policy Dialogue* in Section 3.

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<sup>8</sup> The Kvemo Kartli Region is composed of 7 municipalities. The center of the region is Rustavi where the administration of the Attorney Governor of the President of Georgia, which supervises the local governments of all 7 municipalities is located.

<sup>9</sup> A two-stage structure is in operation at the municipal level: the legislative council and the executive board. The council elects and appoints a governor, arranges executive board meetings, and composes and manages the local budget; The meeting with the head of Dmanisi council Bakur Mgeladze and the municipality Governor Tengiz Mirotadze was held on 19<sup>th</sup> of April 2011. The meeting with the head of Tetrtskaro municipality council Giorgi Mestvirishvili and the municipality Governor Giorgi Daushvili was held 19<sup>th</sup> of April 2011. The meeting took place on 26<sup>th</sup> of April 2011 at the Tsalka council with the municipality Governor Revaz Shavlokhshvili, and later with the head of Tsalka council Davit Machitadze.

<sup>10</sup> Municipal Development Plans for each of the three municipalities were developed in 2009; published by the project “Strengthening Local and Regional Governance in the Kvemo Kartli Region” funded by the Swedish International Development Cooperation Agency (Sida) and implemented by the UN Development Programme (UNDP)

<sup>11</sup> Every municipality has a Gambgiaveli who is the head of the administration or Gambgioba.



### **Interaction with SDC: Governance Workshop, Donor Visit and Planning Platform**

The development of the relationship between Alliances KK and SDC has included the M4P Learning Event Governance Workshop in Tbilisi in May, the SDC visit to both Alliances Programmes shortly after and the Planning Platform in which Alliances KK presented its research, analyses and the development of its Programmes strategy to SDC representatives. Deputy Regional Director for the South Caucasus, Philipp Keller, National Programme Officers Ia Tsagareishvili and Beka Tagauri reviewed strategy and provided feedback and commentary on additional formats to add to the ‘prodoc’, recommendations to develop a greater clarity in the expression of project logic, vision and strategy including the development of Outcome level Results Chains and Monitoring Plans, and discussed timings of submission and for comments to the first draft.

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## **Existing and Opening Interventions**

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### **Caucuses Genetics**

Alliances-KK co-invested with Caucasus Genetics (CG)<sup>12</sup> to pilot a commercial model for their Artificial Insemination (AI) services in the project area. CG established the Kvemo-Kartli regional agency in the village Jorjiashvili of Tetrtskaro municipality, selected 5 pilot villages/service points in all three of the project municipalities and 5 AI practitioners who received training in AI by CG. The AI service points are equipped with appropriate equipment are regularly supplied by liquid nitrogen and have a supply of Brown-Swiss, Holstein and Jersey semen and carry appropriate records. Sales projections of 250 head of cows has been planned in 2011 and to date 71 cattle have been inseminated. Problems observed under the Alliances SJ programme are being observed in KK regarding the insemination success rate mainly attributable to the qualification and experience of the technicians. Several management factors have also been identified as potential constraints. As the sole existing private sector provider of AI in Georgia, Alliances KK will continue to facilitate CG however in conjunction with Alliances SJ will facilitate an external business review of CG and of the sector to examine internal constraints and whether any competition now exists in the market. More details can be found in Section 2 under Outcome 1.

### **Overgrazing: Imprescon and Algateli**

Alliances KK leveraged the Inception Phase DRR and Governance support facility to provide part funding with the Eurasia Foundation to the “Minimizing environmental degradation caused by overgrazing in Tetrtskaro” project implemented by “Imprescon Partners Caucasus” LTD and Algateli, a local association. Overgrazing has been highlighted as a potential DRR issue in the project area and one which requires further research and analyses to formulate an intervention strategy. The project itself uses various techniques including direct seeding of improved grasses, controlled and rotational grazing and solar powered fencing to develop a model for potential replication in the project area. This activity provides an informative introduction and body of foundation data to a series of opening and potential interventions concerned with overgrazing, grazing quality and access to pasture. Overgrazing, DRR, and access to pasture interventions (essentially governance interventions) will be carried out under Outcome 3.

### **Assessing Overgrazing: Remote Sensing for KK and SJ**

Environment Systems Ltd, a UK company, has recently won an invitational tender for a Remote Sensing Survey of pasture land in KK and SJ to assess the impacts of overgrazing. This survey will form a key component of DRR activities under Outcome 3 and follows on from the Imprescon intervention funded under the Inception phase (see above) and is the opening intervention in a series of pasture and nutrition related interventions to ascertain the quality of pasture, the viability of interventions in hay making and machinery.

### **Ecomilk Shelguni**

An opening intervention financed through the *Inception Phase Investment Support Facility* has been initiated with EcoMilk Ltd producers of ‘Shelguni’ a patented high value smoked sulguni cheese which retails to high end outlets including Goodwill in line with the activities outlines in Outcome 2. Production had been severely hampered by their inability as new players in the market of making the links to famers in the regions producing the type of milk best suited to their cheese production, as well as lacking the money to invest in refrigerated transport which would ensure that the milk reached the factory in optimum

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<sup>12</sup> Alliances has been facilitating interventions with Caucasus Genetics since 2009.

condition. This situation had led to their backer in the US becoming unwilling to invest anymore in the company until production improved. The relationship with EcoMilk and Alliances-KK began in March when the Rustavi based company was discovered as part of the inception phase compilation of the *Directory of Players*. After an analysis of their constraints in the context of the wider market analysis a preliminary facilitation was made in linking EcoMilk to an unaffiliated MCC in Tsalka where they now source their milk. In July after preparation of an *Investment Plan* a *Grant Agreement* has been signed for the purchase of a refrigerated milk truck in which Alliances KK leveraged a 35% co-investment, including money released by the US backer on hearing of the improved supply and relationship with Alliances-KK.

## 2. Alliances-KK Strategic Framework

### The Alliances-KK Programme Area

The Alliances-KK target area covers three municipalities of Kvemo Kartli region: Tetrtskaro, Dmanisi and Tsalka. The population of Kvemo Kartli as a whole is at present about half a million people and from them, 45% are Georgians and 45% Georgian citizens of Azeri ethnicity. There is also significant representation of Armenian and Greek minorities. Table 2 below shows population statistics and ethnic composition of the three project municipalities and project area.

**Table 2: Table Showing Number of HH's, Population, Villages and Communities and Ethnic Composition by Municipality and Project Area**

Municipality	Number of households	Total Population	No Village	No Community	Ethnicity %				
					Georgians	Russians	Armenians	Azeris	Greeks
Dmanisi	9627	29105	55	16	28.87	0.65	0.68	68.7	1.1
Tetrtskaro	9252	27955	79	20	83.5	1.3	7.28	6.82	1.1
Tsalka	6337	22072	43	30	48.16	0.2	38.55	8.05	5.04
<b>Project Area</b>	<b>25216</b>	<b>79132</b>	<b>122</b>	<b>66</b>	<b>53</b>	<b>0.7</b>	<b>15.9</b>	<b>28</b>	<b>2.4</b>

**Note:** Alliances KK is targeting 20% of SSLP HH. 20% of the above total HH would be 5043 HH. Alliances KK is targeting 4,000 HH which reflects that not all households are SSLP's or are poor.

#### Livelihoods in the Programme Area

*Tetrtskaro municipality:* is located at an altitude of between 450 m above sea level in eastern part up to 1,400 m above sea level in the western part. In the low lying areas of Tetrtskaro there is good access to fertile land some of which is irrigated for the growth of cereals, vegetables and cut hay. Some of the main livestock transit movements from winter pastures in Kakheti to high summer pasture in Dmanisi and Tetrtskaro come through the municipality. The proximity of the municipality to Marneuli and Tbilisi markets mean that milk and dairy products are often sold direct from door to door in Tbilisi.

*Dmanisi municipality:* is located at about 1,000-1,300 meters above sea level. In the low lying areas of Dmanisi there is good access to fertile land some of which is irrigated for the growth of cereals, vegetables and cut hay. Dmanisi is along with Tetrtskaro the location of the summer pastures for Kakheti livestock. Located relatively far from main markets milk dairy and livestock are mostly sold from the home.

*Tsalka municipality*<sup>13</sup>: is located at about 1,400-1,700 meters above sea level it is a largely pastoral area with potatoes as the main cash crop. Tetrtskaro along with Dmanisi is the location of the summer pastures

<sup>13</sup> During Soviet times the majority of the Tsalka municipality population were Greeks, however a greater part of them (about 30,000 people) went for permanent residency to Greece. Though officially Georgians in Tsalka are 2,510 people, there is significant (8,000-10,000) of unregistered Georgian population living in the municipality. These

for Kakheti livestock. Located relatively far from main markets milk dairy and livestock are mostly sold from the home. Tetrtskaro along with Dmanisi have a higher percentage of Milk Collection Centres (MCC's) than Tetrtskaro due to the availability of pasture and sought after quality of milk.

From data obtained in the Alliances KK Focus Group Survey it was verified that, in the project area the main livelihoods are dairy (cattle), beef and sheep farming (in Dmanisi and Tsalka) and potatoes (particularly in Tsalka). Hay was also found to be a significant source of income in the three municipalities. The two main non agricultural livelihoods were considered by women to be working abroad and teaching by men.<sup>14</sup>

### **Coordination and Synergies with Relevant Development Projects**

Strategy development and implementation will take into account the various programmes of INGO's and international donor organizations implementing development projects in the project area and neighbouring regions. Mercy Corps participates in several donor and INGO policy dialogue forums and has a policy of ongoing coordination and dialogue with INGO's and donors. However several projects are of direct relevance to Alliances KK as they are active in the livestock sectors utilizing the market development approach; such as the SDC funded CARE Racha project, which whom Alliances SJ has implemented cross visits and which Alliances KK plans to emulate and the new SDC funded livestock market development project in Kakheti with whom Alliances KK anticipates the development of synergies and close coordination. CNFA is implementing the USDA funded Farmer-to-Farmer (FTF) Programme in Georgia facilitating sector-wide growth by providing volunteer technical assistance at each level of the chain. Alliances KK will seek to emulate the coordination of SJ where volunteer technical assistance was bought for free of charge to several clients of the project. In DRR, UNDP is implementing a capacity building programme seeking to make DRR a national, regional and local priority with an established, strong institutional basis for implementation. Coordination with this project (to include regional DRR Working Group participation in national fora) will prevent duplication of activities and strengthen DRR activities. Mercy Corps Alliances is anticipating a DANIDA development project in SJ in the livestock and potato sector and is participating in initial donor coordination and planning activities. Please also see Table 9: Stakeholder Analysis.

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## **The Poor and their Context in Alliances KK**

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### **Definition of the Target Group**

According to the Focus Group Survey, the poor in Kvemo-Kartli are small-scale livestock producers (SSLPs) owning up to 5 breeding female cows and/or up to 40 breeding female sheep. They have access to up to 2ha of agricultural land, and may also access some summer pasture. They are primarily livestock producers but will grow some potatoes and other crops to support this. They do not own machinery, and generally do not possess their own transport. Generally they produce primarily for home consumption, with surpluses being sold or exchanged. Overall, they earn less than 350 GEL per month. Participants identified that around 70% of households fall into this category.

### **Overview of the Agricultural Market & Dairy, Beef & Sheep Subsectors**

The relative importance of the agriculture sector (including hunting, forestry and fishing) in Georgia has declined significantly in the last 14 years. What once accounted for 30% of gross output now accounts for under 8%<sup>15</sup>. The main growth sectors have been public administration (2.6% to 10% over the same period) and construction (2.7% to 8.9%) together with smaller 1-2% rises across most other sectors. The rural population though has remained at around 47% having declined by around 1%<sup>16</sup>. Over 99% of all cattle

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mainly are migrants from West Georgia (Adjara and Svaneti), and they occupy the houses of the Greeks, who left in 90s, but do not own them officially.

<sup>14</sup> Other main non agricultural livelihood are public trading and shop ownership, driving, working in banks, building, mechanics, working in ambulance and security. Alliances KK *Focus Group Survey* 2011

<sup>15</sup> National Statistics Office of Georgia, 2010.

<sup>16</sup> Ibid, 2010.

are on what the Government of Georgia terms “family holdings”<sup>17</sup> which has not changed significantly in the last decade.

### *Dairy*

The average Georgian household consumes around 72Kg of dairy products annually which is mostly comprised of fresh milk and cheese (71% & 16% respectively). However when converting these figures to raw milk equivalent (RME) the importance of cheese is elevated, comprising 59% of total milk consumed<sup>18</sup>. Per capita consumption declined by over a kilo per head between 2003 and 2008, however the market is differentiating, with a wider variety of branded products available in shops (in urban centres). Larger firms are expanding the range and volume of products they produce with a likely displacement effect on traditional products sourced directly from small producers but opening up demand for raw milk.

Three lead firms dominate the market for liquid milk, yoghurt, butter and sour cream: Sante, Eco-Foods and Wimildan. In comparison with Samstkhe Javakheti, dairy production in the project area in particular Dmanisi and Tsalka is a well structured market based on much higher volumes of production in both milk and cheese. There are large MCC’s belonging to and/or supplying the lead firms supplied by numbers of villages but also privately owned smaller MCC’s for own production of cheese or for selling to larger cheese producing factories. A significant amount of operations even those without MCC’s and who are collecting direct from farmers, straddle the value chain from collection to processing to sale with wholesale outlets in Tbilisi. Imeruli is followed in importance by sulguni as the most important cheeses for and makers of higher value cheese vac packed labelled and selling at a premium to higher end outlets such as varieties of smoked sulguni who source milk in the project area are in existence. This far the lead firms have concentrated on liquid milk but plan from this year to begin cheese production.

### *Beef*

Georgians consume around 16.6 kg of meat per person per annum<sup>19</sup> which is mostly beef, pork and poultry which is mostly beef (although a breakdown is not available). Overall meat consumption declined by around 1kg per head per annum between 2003 and 2008. Whilst consumption patterns are not changing dramatically with regards to the type of products purchased (i.e. raw meat as opposed to cooked or processed), the channels through which cattle are purchased and slaughtered are changing dramatically with more formalization and involvement of lead firms, which is leading to demand for higher quality beef animals.

Kvemo-Kartli has the country’s third largest cattle population (and the third largest dairy cattle population), is the second largest producer of meat at around 10,400 tonnes (dead weight) per year which is down from 14,700 in 2006, and largest producer of beef at 6,300 tonnes (down from 7,400 in 2006). Overall in terms of output, the beef sector is in decline across Georgia as a whole. The governance structure of the beef sector has is changing rapidly and dramatically with the enforcement of new food safety and traceability rules that mean that cattle will increasingly go through larger licensed abattoirs to be sold wholesale, instead of through small ones or back-yard slaughter by small butchers. This has already driven up prices by around 40-50% but demand has declined by around 60% according to butchers in Tbilisi. The overall long-term effect on demand for beef and on liveweight prices paid to farmers is not known. However the larger emerging lead firms such as Iveria meats (the largest abattoir and wholesaler), M-Group (high-end HoReCa) and Populi and Goodwill (supermarket chains) are progressing towards greater control of supply and looking towards developing their own farms or out-growers. With improvements in breeding through cross-breeding with beef breeds such as Welsh Black or Angus, small farmers may attract much higher prices for their cattle through their superior weight and conformation, especially when combined with improved grass-based diets.

### *Sheep*

No official sheep meat consumption figures were available during this assessment. Domestic demand for sheep is highly seasonal among Georgians, confined mainly to Easter time when it is used to make a dish called *chakapuli* (with tarragon & sour plums). In addition sheep also have a ritual role for Orthodox Christians (the predominant religion) who sacrifice them outside churches on saint’s days. Azeris however

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<sup>17</sup> A holding operated by a family or group of families without a formal agreement.

<sup>18</sup> Department of Statistics of Georgia. 2009. Statistical Yearbook of Georgia: 2009

<sup>19</sup> Department of Statistics of Georgia. 2009. Statistical Yearbook of Georgia: 2009.

regularly consume mutton and lamb and there are specialist sheep butchers and mixed sheep and cattle butchers who cater for this demand. Export demand has surged since 2008 and now constitutes a major market for sheep. Demand for wool appears to be very low, and is in decline with only 1,800 tonnes produced annually in the country with Kvemo-Kartli vying with Kakheti for the region producing the most

The sheep market is much thinner than that of beef and dairy, with no real lead firms and a large number of small producers feeding into small butchers and a poorly connected export market to the Arabian peninsula and Azerbaijan. Domestic demand is highly seasonal with Easter being the peak demand, and limited mostly to the Muslim Azeri community. However the sheep market does have some interesting characteristics such as a large annual transhumance from Kakheti to Kvemo-Kartli and Tusheti along ancient transit routes, and the use of lambs for ritual purposes among the predominantly Georgian Orthodox community. In contrast to beef and dairy, the potential in the sheep market lies in export and potentially through developing the wool sector and improving breeding practices.

### **Key Systemic Market Constraints Affecting the Target Group and Key Market Players**

The market survey and analyses described in Section 1 Inception Activities led to the following diagnostic of the key systemic market constraints affecting the target groups and key market players in the project area. The classification of key systemic constraints in the supporting functions and rules of the dairy beef and sheep core markets and the systemic constraints of the core markets themselves form the basis for the identification of the entry points for potential opening interventions.

The systemic constraints in the supporting functions and rules as diagnosed in the market survey and analysis process are outlined below and will be the primary focus of interventions developed under Outcome 1 and, in relation to land tenure, Outcome 3. The systemic constraints limiting or preventing small scale livestock producers from engaging fully in the markets for dairy, beef and sheep as diagnosed in the market survey and analysis process are outlined below and will be the primary focus of interventions developed under Outcome 2.

#### *Systemic Constraints: Supporting Functions*

Low outreach & quality of financial services constrains growth and efficient functioning of SMEs serving farmers and buying their products. Farmers currently spend a lot of time and money simply paying utility bills and collecting payments; buyers of milk face difficulties in servicing payments in cash.

An overall lack of awareness of incoming food-safety laws and their implications of dairy and beef value-chain actors stems from an overall lack of initiative of the NFA, and partly of private sector consulting firms.

*Poor village road connections*<sup>20</sup> to some areas leave farmers cut off from some agricultural services and inputs (vets, seeds, machinery etc). Inadequate and expensive livestock transport gives rise to relatively high transaction costs for farmers and traders. High cost is partly related to poor infrastructure (long journey times; wear and tear). The quality of transport is inadequate as trucks are not converted for livestock and do not have loading, or divisions to prevent injury.

*Weak vet services* including for vaccination, arise from an overall lack of demand for anything but drugs for farmers to administer themselves, which is not permitted. Licensing of vets is still in a state of confusion. Inadequate availability of machinery services for hay making arising from high replacement and investment costs in new machinery of for new entrants.

*Weak media & information services* means that farmers have little or no formal access to information to aid decision making such as market prices, vendors of services and inputs, buyers and sellers of products and on new production techniques.

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<sup>20</sup> Alliances KK lacks the capacity and remit for road renovation however interventions under Outcome 2 will include improvements to the transport vehicles themselves often addressing suitability for purpose, e.g. refrigerated trucks, livestock vehicles with dividers and ramps, which increase efficiency and productivity. As part of an inception phases intervention; co-financing for the purchase of a refrigerated truck has doubled capacity and reduced journey time from 5-6 hours to 2-3 hrs for the company.

*Access to pasture is restricted* to a degree by uncertainty over tenure due to some sales by the government i.e. privatization and a weakness in the mechanisms that would make information on ownership and sales available. Mediation services also have poor outreach. Quality of pasture may be poor in some places due to heavy stocking and poor grazing practices, although more investigations need to be conducted to verify this. Weak trade associations with weak outreach.

#### *Systemic Constraints Rules*

A lack of transparency and outreach by the National Food Agency on changes in the law and its impact on the dairy and meat sectors is potentially damaging to the industry. SMEs who need to be made aware and plan and implement changes to their businesses currently only have rumours to go on and are not preparing adequately. There is currently no livestock registration system which places limitations on traceability of meat products. In addition the NFA has little capacity to conduct veterinary inspections of cattle prior to sale (although this is in place for sheep export). There is uncertainty about pasture land tenure and access among rural residents and SSLPs which is not helped by a lack of outreach of relevant government bodies that are responsible. Monopolies, oligopolies and rent-seeking is a feature of the livestock and dairy sectors, but has recently emerged more strongly with developments in the rules around slaughter.

#### *Systemic Constraints in the Dairy Core Market:*

Inefficient coordination between private MCCs and dairy factories means that milk may be collected and not sold, leaving farmers unpaid. Lack of investment capital (expensive or unavailable credit) means that MCCs & small cheese factories are unable to expand, upgrade to higher standards, or diversify or invest in equipment and staff capacity building e.g. invest in appropriate transport. MCCs and smaller factories are not linked to sources of information and advice on dairy hygiene, and there is a reluctance to pay for such services as they are relatively expensive and they have yet to be made aware of the significant changes in the law governing their practices. Hence farmers also lack awareness of good practice and are potentially vulnerable to changes in market conditions.

#### *Systemic Constraints in the Beef Core Market*

There is an overall inefficiency in coordinating supply of live cattle from more remote villages arising from a lack of linkages between farmers and buyers, currently solved by the regional livestock market which leads to high transaction costs and poor welfare. In addition lack of appropriate transport, weighing and handling facilities means that livestock suffer poor welfare, decreasing their quality at slaughter and farmers have disadvantaged transactions due to lack of transparency and choice on pricing including the role of collusion and monopolies. All of this means that the market is not able to meet current rising demand through the formal channels which are emerging, due to new rules, as market leaders. Quality of the Caucus Mountain Cattle for Beef; the breed does not lend itself to the demands of the growing and changing slaughterhouses and wholesale markets as the margins are too small to cover the costs of more sophisticated operations which require economies of scale for profit.

#### *Systemic Constraints in the Sheep Core Market*

There is no licensed halal sheep abattoir in Georgia. The risk climate means that potential investors are very reluctant fearing powerful monopoly holders with close political links who may undermine their success. Breed quality for wool, uneven poor quality wool barring any export opportunities to Azerbaijan and Turkey and no processing beyond household level in country.

### **Market Drivers and Pro Poor Opportunities**

Alliances-KK market analysis also uncovered numerous pro-poor opportunities and market drivers which will be leveraged in the development of the potential opening interventions with key market players.

#### *Dairy Core Market*

The newly enacted food-safety law gives provision for “traditional” cheese manufacture and also cheese sourced from remote areas, however neither of these are well defined. If a definition could be agreed upon, production and hygiene standards could be developed and disseminated to enable SSLPs to continue to produce and sell cheese. The medium-high end HoReCa market is becoming increasingly interested in niche cheese products which could be sourced from small “traditional” producers (see above) and branded with an origin branding. M-Group are leading this at present. Sante and Eko-Foods are developing cheese plants in Tbilisi which will come on line in 2012 and expand their demand by 80t/d. Whilst current MCC

capacity could take this up, it does present opportunities for those who are within these catchment areas, for MCCs to expand their catchment areas and even for new MCCs to emerge. Currently although higher premiums are offered for winter milk, constraints in the form of lack of breeding management capacity and the price of the additional feed/housing required, have meant that take up has not spontaneously occurred or been promoted by the major dairy players. Therefore initial interventions will focus on capacity building of AI provision and an examination of constraints to the major feed input in the form of grassland and hay, whilst continuing to scan for emerging entry points in higher value markets such as winter milk which may form the basis of later interventions.

#### *Beef Core Market*

With rising demand for higher quality animals there is potential for the poor to upgrade their production through cross breeding with beef breeds leading to higher growth rates better finishing with better conformation animals which are more valuable for the market. Whilst at present the poorer farmers lack housing for fattening animals this might provide the incentive to invest in this and better feeding. Expansion of small regional abattoirs for slaughter to order and reduced transport costs and cost slaughter/kg/live weight potentially give the poor access to a higher quality market.

#### *Sheep Core Market*

Export demand for sheep is high and Georgia is well placed to engage in this market. There is potential to diversify into exporting chilled halal cuts that would also support the burgeoning hide trade. Some interest in developing the wool trade in Georgia and low price should give value addition potential<sup>21</sup> however breed improvement would be necessary for higher value products in a market that currently lacks service providers and technical know-how in key areas. Therefore initial interventions will concentrate on exported meat whilst exploring entry points for later potential interventions in the wool sector including markets for local wool.

### **Summary Market Analysis of the Main Opportunities for SSLP's**

As a final diagnostic in the development of the Alliances KK Strategy the main opportunities for SSLP's were identified.

The main opportunities for SSLPs lie in:

- Improving integration into the three value chains through improved operational efficiencies of purchase of products (reduced transaction costs)
- Improving quality of production by upgrading production (dairy hygiene, livestock conformation)
- Improving bargaining position through improved access to information
- Improved access to inputs and services, including financial services which reinforces ability to purchase inputs

Analysis of the three sub-sectors (Beef, Dairy & Sheep) conducted by Alliances-KK revealed that cattle ownership is highly prevalent, but sheep ownership is much more prevalent among the ethnic Azeri community. Hence changes in the beef and dairy market systems potentially impact larger numbers of SSLPs than in the sheep system. Table 3 below summarises the relevance of the core sector to the target group, the pro poor potential of development in the sector and the potential for improvement in the market.

**Table 3<sup>22</sup>: Summary Market Analysis**

	<b>Relevance</b>	<b>Pro-Poor Potential</b>	<b>Intervention Potential</b>
<b>Beef</b>	<b>High:</b> the majority of SSLPs have cattle & may sell an animal	<b>High:</b> the beef sector is formalizing and demand is growing and serviced mostly by SSLPs who sell calves into	<b>High:</b> focused on market-driven breed and nutrition improvements and improving efficiency of supply.

<sup>21</sup> A low value local market for wool exists in Georgia, primarily for stuffing mattresses. Also traditionally carpets and other wool products were made in Georgia. Currently the market is very thin or non-existent for higher value wool products. Key informant and in-depth interviews revealed that wool is currently given away or sold for very low prices. Markets are extremely localized and based on household processing and use. Wool sent for analysis by one interested party revealed that quality is sub-standard for current higher value products and for export and breed improvement is necessary. Only one commercial entity is known to be commencing trials in sheep breed improvement.

<sup>22</sup> Table developed according to the criteria for development of the Strategic Framework *in Making Markets Work for the Poor Operational Guide*

	into the beef market once per year	the supply chain for abattoirs and butchers.	
<b>Dairy</b>	<b>High:</b> the majority of SSLPs own cattle and consume, sell or exchange dairy projects	<b>High:</b> overall demand for dairy produce is not growing but the market is differentiating so that production form one segment will displace others. Dairy companies are sourcing more fresh milk from Georgia and branding accordingly.	<b>High:</b> the existence of numerous MCCs and processing entities that are running under capacity with large demand drivers means that SSLPs can step-up. Potential for origin branding & differentiation to pass on premium pricing.
<b>Sheep</b>	<b>Medium:</b> mainly relevant to the Azeri population.	<b>Medium:</b> small sheep producers can step up production fairly quickly in response to market driven demand.	<b>Low:</b> interventions mainly focused in developing exports of live sheep and, potentially, chilled cuts driving demand and potentially raising farm-gate prices and increasing sales: limitations are placed through competition with other supply chains such as Australia.

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## The Goal of Alliances-KK

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**Goal:** *To contribute to poverty alleviation and the transition to a durable market economy for the livestock sector in the Kvemo-Kartli region of Georgia.*

### **Anticipated Impact of Alliances-KK on the Poor**

*Alliances-KK aims to reduce income poverty of 20% of small-scale livestock producers (4,000 households) in Kvemo-Kartli through a 10% increase in incomes<sup>23</sup> arising from livestock production (cattle and sheep). This will be achieved by engaging market players in addressing systemic market constraints that currently prevent them from participating in markets fully and on favourable terms, and providing information and market-driven incentives for them to invest in improving productivity in a way that also benefits these market players.*

This target is an estimate of what the programme believes is achievable based upon the market analysis conducted in the Inception Phase. We estimate that a total of 4,000 households will access at least 1 improved service (and will endeavour to avoid double-counting where possible). Income from livestock enterprises will be elevated as a result of:

**Improved production:** an attributable increase in the volume of output of products from the farm.

**Improved productivity:** an attributable increase in quality and/or quantity of production relative to the inputs. In the case of Alliances-KK this will relate mainly to improving time efficiency as well as reducing production and transaction costs.

**Increased productive asset value (net worth):** an attributable increase in the value of productive assets. E.g. cattle through improved breeding.

### **Transition to a Durable Market Economy: Market Sustainability**

The sustainability matrix below gives an overview of the current situation in the market. At present the private sector performs and pays for the majority of market functions; however SSLPs have poor access to the majority of these and on unfavourable terms. **The future vision of a more sustainable and better functioning market sees these players strengthening their legitimate roles in the market and being more inclusive of SSLPs.** Thus Alliances-KK sees its role squarely in facilitating improvements in the performance of current actors, enabling them to broaden their outreach to SSLPs, improve coordination and communications and upgrade the quality of their products and services in compliance with consumer demand and regulations. The future market will be broader, with players utilizing more supporting services such as business advice such as food-hygiene consulting, and deeper with stronger more formal linkages between actors in the value-chains.

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<sup>23</sup> Including value of relevant productive assets and in-kind income arising from efficiency savings such as time savings.



**Table 4: Sustainability Matrix Current Situation in Alliances KK Markets**

Market Function	Who Performs?	Who Pays?
<b>Core Market</b>		
Milk, Meat & Sheep Production	Private Sector (Small, medium & large farmers)	Private Sector
Milk Collection	PS (integrated & private MCCs)	PS & NGOs (establishment costs)
Dairy Processing	PS (Households, Small-Med-Large Processors)	PS
Animal Slaughter	PS (small butchers & large abattoirs)	PS, Govt (cheap loans)
Meat butchering and wholesale	PS	PS
Retail	PS	PS
<b>Supporting Functions</b>		
Food Safety Consulting	PS (6 companies)	PS & Donors/NGOs
Development of Food Safety Consulting Capacity	IFC & EC	IFC & EC
Artificial Insemination Services	PS (Caucasus Genetics)	PS & NGOs (Alliances) & Govt (NSA in planning)
Machinery Services	PS, Gov	PS & NGOs (establishment costs)
Media	PS and Gov (online regional news)	PS, Gov (subsidies to newspapers) & NGOs
Veterinary services e.g. vaccination	PS and Gov	PS & Gov
Financial Services	PS	PS
Road Upgrading	PS	Gov't & Donors
<b>Rules</b>		
Food Safety and Hygiene Inspections	NFA	Gov
Livestock Registration	NFA (Gov) for the system PS for the tagging	Gov PS (possibly some NGOs)
Disease notification and controls	Ministry of Ag, NFA some Private vets	Gov
Animal quarantine & Inspection (export)	PS & NFA (Gov)	PS
Access to Land & Mediation Services	Gov & NGOs	Gov & NGOs
Monopolies, Oligarchies & Cartels	PS	Gov & PS

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## The Purpose of Alliances KK

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**Purpose:** *to enable the livestock market system to function more inclusively of small-scale livestock producers in Kvemo-Kartli resulting in improved productivity, incomes and resilience to livelihood shocks.*

### Livestock Market System Vision

The purpose describes Alliances-KK overall vision of *an improved livestock market system that is more inclusive of small-scale producers—the poor—built through successful outcomes as described below.* Purpose level indicators and targets refer to **increased growth, and access to markets and services, with increased income of SSLPs who rely upon them as the result.** The targets are realistic and achievable based on Mercy Corps experience in Alliances-SJ and our knowledge of the Kvemo-Kartli region. The overall efficiency of the programme is reflected in the social return on capital invested (SROI) target of 20% to be leveraged through activities; meaning that facilitated **interventions will yield 20% in benefits to the target group over and above their cost to the programme.** The sustainability of the programme is reflected in the fourth indicator: *% of Alliances-KK supported entities/interventions where revenue exceeds costs for new/improved practices by the end of the programme, or where there are indications that they are likely to over a realistic timeframe,* and reflects the fact that for the improved business practices to continue they must be financially viable for the private sector entity concerned. In addition it realistically assumes that there will be a natural attrition rate of interventions.

Improved awareness of DRR structures at the household level will attest to the viability and relevance of the institutions supported by interventions in DRR and local governance and interventions will be gender

sensitized based on ongoing analyses. All purpose level indicators and outcome-level data will be gender disaggregated to ensure that women's access is monitored and actions taken where appropriate to improve it. The overall vision responds to the main market drivers and pro-poor opportunities described above. The Outcomes describe the key improvements in growth and access that are required in order to unlock the pro-poor potential of the market, the activities are the key tactical focus areas of intervention and potential opening interventions the opening practical steps for bringing about the desired market system changes.

Alliances-KK's vision is in line with the IFC's analysis (2009) which scored Georgia's meat and dairy industry 2.7/5 for competitiveness, 2.5/5 for attractiveness to investment and 3.5/5 for impact on income and jobs<sup>24</sup>. The major obstacles lay in production, especially stemming from weak supporting functions (nutrition, vet services & breeding), competition from imports from more efficient producers, and a lack of infrastructure such as larger abattoirs and phyto-sanitary standards. However the market has changed rapidly since then with the enactment of the food-safety law in January 2011, and the emergence of several large abattoirs. With this come potential market incentives for small farmers to invest in improved inputs and services and increase their incomes. Table 5 below shows the indicators and predicted targets for Outcome 1.

**Table 5: Purpose Level Indicators and Targets**

Purpose level Indicators	Target
% of households benefiting directly and indirectly through improved services & markets	20% (4,000 households)
% increase in income (from sales, reduced production & transaction costs, increased net worth and employment) of households from livestock production	10%
Increase in productivity per hour worked in livestock production & sale	1,000 HHs save 5 hours per month
% of Alliances-KK supported entities where revenue exceeds costs for new/improved practices by the end of the programme, or where there are indications that they are likely to over a realistic timeframe	90%
% of households with improved awareness of local Disaster Risk Reduction (DRR) institutions	40% (8,000 households)
Social Return on Investment from Alliances Co-Investments	20%

The above targets are aggregated estimates for Outcomes 1 & 2 and result from the Inception Phase market analysis of what the programme believes is achievable over a 2.5 year timeframe and reflect the **enterprise-level changes** expected as a result of the changes in the market systems brought about by the programme. We estimate that 4,000 households will improve their access to services and markets through a 20% increase in the overall geographical coverage (number of villages) of targeted services focusing on the more remote and challenging communities, for example:

- AI services are expected to increase from 5 to at least 10 communities
- An additional 1,000 SSLPs will benefit from access to enhanced newspaper products

Improved productivity will result mainly from time and cost savings for SSLPs arising from accessing liquid milk markets (time saving from cheese making), accessing mobile technology for receiving dairy payments and paying utility bills (time and transport cost savings), and improved coordination and transport in livestock selling (time and transport cost savings).

Alliances-KK has the ambition to create sustainable change in the targeted market systems which means that changes in the business practices of Alliances-KK partners must ultimately be economically advantageous for them or they are unlikely to continue. This desire is reflected in the target of 90% of supported entities where revenue exceeds costs for new or improved business practices by the end of the programme. Recognising that the timeframe is short and that some interventions will come later, Alliances-KK will also analyse the trajectory of the revenue and associated costs in order so ascertain whether a positive balance will occur over a realistic timeframe.

<sup>24</sup> International Finance Corporation (IFC). 2009. Georgia Sector Competitiveness Overview.

The durability of the target markets is also reflected in the target of 8,000 households with improved awareness of local DRR institutions. Given the experience from Alliances-SJ in facilitating the creation of these institutions in local government, then assisting them to access communities this target is realistic. Communities who are aware of the existence and activities of such institutions will be more likely to know where to go in the event of a natural disaster or who to contact if they see opportunities for mitigating them. Such institutions are likely to focus resources on the most vulnerable communities such as those experiencing recurrent floods in Dmanisi, or livestock disease outbreaks in Tetrtskaro.

Social Return on Investment (SROI) is Alliances-KK's bottom line and is the aggregated cost of the interventions divided by the benefits to SSLPs (income, assets, time) expressed in percentage terms. The overall performance target of 20% SROI for the programme's market development endeavours takes into account the 35% leverage of co-investment from partners.

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## **Outcomes<sup>25</sup>, Outputs and Activities (Proposed Opening Interventions)**

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The Outcomes of Alliances-KK are **the result of market-system changes** brought about through systemic interventions. The proposed opening interventions for each outcome, listed below the Outputs, have been identified through preliminary engagement with stakeholders who are the potential partners of Alliances-KK (see Stakeholder Analysis) and market research and analysis (see Market Analysis, Focus Group, Gender, DRR and Livestock research) and are at various stages of negotiation and development. There will be a staggered approach to their implementation influenced by conditions in the market and the development of the relationships with the key players involved. In some cases the potential of these proposed opening interventions may not be realized or the intervention redesigned according to the ongoing relationship with the stakeholder and market conditions. It is predicted that those involving the changing legislative environment and the interface with government, for example, will entail longer lead times and preparation.

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### **Outcome One: Increased outreach, information dissemination and quality of target services to SSLP's; enabling SSLP's to make informed decisions on animal health, breeding and nutrition.**

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Outcome One addresses key weaknesses in key **Supporting Functions**; that is constraints to the delivery of services and inputs to core market players for sheep and cattle meat and dairy production. Alliances-KK will facilitate the development of appropriate and affordable access to quality animal health, breeding and nutritional inputs and services for Small Scale Livestock Producers (SSLPs). This will be achieved by assisting providers to address key weaknesses in their business practices which prevent them from accessing this large and important market and will be in part achieved through facilitating access to Business Development Services (see Facilitation of Business Development Services) through local, national and if necessary foreign providers with a view to strengthening long-term delivery and access of these services. Alliances SJ currently works with several organisations with national outreach (e.g. ABCO and GDCI) who provide support to business model development and strengthening of service ranges and will continue to engage with suitable providers in structuring long term BDS solutions.

Access to information raises awareness of important rules and provides an important bridge between market development, governance and DRR, enabling farmers to make informed commercial decisions, be informed of changes in local self-government and be aware of and take appropriate actions in response to risks arising from natural hazards. Alliances-KK will work with market actors to ensure that women have equal access to products and services and are able to realize their full market potential.

**Governance under Outcome 1:** Mainly concerns governance between private sector actors in issues between market players associated with core transactions and focuses on the key governance principle of efficiency in assisting providers to address key weaknesses in their business practice.

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<sup>25</sup> Outcome Results chains can be found in Annex 3.

**Vision of an Improved Market System under Outcome 1:** SSLPs are able to access appropriate services and inputs and make informed decisions on animal health, breeding and nutrition. Improved business practices & outreach of, animal health input & service providers, livestock breeding service providers, nutritional input & service providers, agricultural media & information providers, financial service providers so that they can access wider SSLP markets with affordable and appropriate products. Table 6 below shows the indicators and predicted targets for Outcome 1.

**Table 6: Indicators and Targets for Outcome 1**

Indicator	Target
% increase in number of communities covered by target services	20%
% increase in number of SSLPs accessing target services & information (Men/Women)	50%
# service providers with improved business practices/acumen & outreach to SSLP markets	50

Alliances-KK anticipates a broadening of the outreach of the targeted services over a baseline that will be established with the partner during the intervention design phase, with an overall increase of 20% in the number of communities covered, focusing on expansion into remote areas. At least 50 private sector actors will be engaged, increasing the number of SSLP customers served by 50% (gender disaggregated).

**Output 1.1: Facilitated improvements to business practices and outreach of animal health service & input providers to access wider SSLP markets with affordable, appropriate and quality products**

Alliances-KK has identified several key players (private vets and vet pharmacies) in the value chain for veterinary drugs and services and will facilitate improvements in their business practices which address their low outreach into the large SSLP market. One of the main reasons that drugs and vaccines are expensive is that they are being purchased frequently and in small quantities from Tbilisi leading to proportionally high unit transaction costs and opportunity costs resulting from lost income. Vets are not proactive in marketing their services and products and their outreach can be improved by better informing their clients.

*Opening Intervention// Activities*

- *Investigate potential for the strengthening of information to veterinary medicine suppliers and linkages to vaccination services.* Alliances-KK will engage with these players and coordinate with the local branches of the NFA to identify weaknesses in the supply chain for drugs to vets, and embedded information. This will include information about vaccines and vaccination to sync with activities for addressing animal disease under DRR in Outcome 3. They will then be engaged in addressing these, linking them to sources of information and resources to improve their supply chain.

**Output 1.2: Facilitated improvements to business practices and outreach of livestock breeding service providers to access wider SSLP markets with affordable & appropriate products**

There are five active artificial insemination practitioners, and perhaps three or more who have been trained yet are not operational. All of these are, or have been, supported by donor-funded interventions (GRM & ACF) and are currently operating under Caucasus Genetics (Georgia's only commercial AI provider) under an Alliances-KK opening intervention. Alliances-KK will look for opportunities to improve sheep and cattle breeds through access to higher performance rams and bulls and AI. This will include analysis of the traits which the market (including export) and farmers desire, and the current supply chains for improved breed stock and why they are not functioning efficiently. Again, experience in Samtskhe-Javakheti with a pilot bull replacement scheme<sup>26</sup> implemented through facilitation with Caucasus Genetics will be utilized.

<sup>26</sup> Caucasus Genetics identified farmers in remote villages (those where AI was not possible) who had bulls which were shared between several families, linked them with the slaughterhouse who bought the unimproved bulls, and provided a service to find an improved bull that included vetting, registration and transport. Alliances-SJ invested in the cost difference between the improved and non-improved bull. Once improved calves are born this will transition to marketing the service with bull owners and associated families investing in the cost difference.

### *Opening Intervention/s/Activities*

- *Strengthen Caucasus Genetics' AI services including their business management (with an emphasis on the inclusion of women) and) and diversification into beef and sheep improvement.* As well as continuing the activities initiated in the inception phase, detailed on page 5, Caucasus Genetics will be assisted with conducting market research and business planning, then proceed towards improving organization of service delivery, marketing and training and equipping new practitioners. This will also include tailoring their trainings and marketing materials to be more sensitive to women<sup>27</sup> who form the bulk of their end-users, and educating customers in better recognition of the signs of heat and handling cattle before and after service. In all Alliances-KK anticipates at least a doubling of the number of villages served by AI services (from 5 to 10) and an expansion to 1,000 cattle served annually with at least 50% of these belonging to SSLPs.

*Note on Risk and Risk Mitigation:* CG represents the only viable partner providing commercial AI services at the present time in Georgia, this however does expose the intervention to a degree of risk if CG disengages, becomes a disincentive to other providers or the search for and engagement with other potential providers or is unable to provide a satisfactory service. CG is highly sought after by development programmes as an implementing partner whose funding potentially undermines the development of CG as a fully commercial market player. These risks will be mitigated by ongoing market intelligence to identify other potential actors in the AI market and a policy of ongoing capacity development in the sector for the benefit of end users and the carrying out of a business review of CG to improve management and service delivery in the programme area.

### **Output 1.3: Facilitated improvements to business practices and outreach of nutritional input & service providers to access wider SSLP markets with affordable & appropriate products**

Small-scale livestock production systems are predominantly grass-fed (rangeland, aftermaths and hay). Winter feeding is mostly hay with some by-products and occasionally fodder beet and cereals. Therefore improvements in this system will be the focus of interventions especially in enabling cost and time efficiencies in haymaking through access to machinery services (formal and informal; private and government), and market-driven ways of informing farmers and enhancing their access to nutritional inputs such as seeds of fodder crops (e.g. fodder beet), and molasses/mineral blocks which, together with endoparasite control, improve the efficiency of ruminant digestion of high roughage diets. Farmers with higher performing beef and dairy animals (as a result of improving breeding) may benefit from investing in feeding concentrates in response to market demand and prices.

Apart from a few agricultural machinery service providers (private and government) who have several tractors and a variety of equipment, the majority of machinery services such as mowing and baling are provided by small individual entrepreneurs and farmers who have one old tractor and a limited range of equipment. In addition farmers in some areas own equines and oxen which are used to transport hay but not in mowing. Expansion of services is limited by high capital costs and poor access to affordable finance. Alliances-KK will work to identify existing formal and informal providers, examine their current business models and the practices of their customers and look for leverage points from the perspective of creating the highest cost savings with the minimum investment for the cost efficiency of hay making. In addition, the current market for by-products and concentrates will be assessed to find opportunities for improving efficiencies towards improving winter feeding and fattening (especially for spring-born lambs for the live export market to the Middle East for Eid).

*Note:* There is no contradiction between the reported overgrazing<sup>28</sup> and improving efficiencies in hay production and marketing. The land utilized for hay and that utilized for grazing are different, the pasture land tending to be on the higher pastures and the hay land on flatter land nearer homesteads. Alliances KK does not intend to 'expand hay area' but to focus on improved efficiencies in production and in the informal rules surrounding the local hay markets and hay production on existing plots.

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<sup>27</sup> See P32 for an elaboration of what was found regarding women and AI in the Alliances KK Gender Survey 2011.

<sup>28</sup> Alliances KK and SJ are undertaking the Remote Sensing Study, see pages 5 and 24, to assess the impacts of overgrazing.

#### *Opening Intervention//Activities*

- *Analysis of grassland feed resources i.e. grazing and hay, including assessment of hay market, and investigate and facilitate links to machinery service providers.* Alliances KK in conjunction with SJ will conduct a survey to establish the 'nutritional value of grassland and hay, as a precursor to later interventions focussing on feed improvement. Relevant national university departments will be contacted and international expertise engaged where necessary. Alliances-KK will also conduct further market research into the hay market and identify and engage with key players such as machinery retailers and operators. This will inform further interventions aimed at incentivizing investment in improved haymaking machinery such as discounting through machinery retailers and linking to MFI hire-purchase products. The inception phase revealed the presence of a machinery provider in Bolnisi currently supplying to the project area who expressed interest in expanding their sales area and provision of hay making equipment. Potential for strengthening coverage across both Tsalka, Ninotsminda and Akhalkalaki (Alliances SJ) municipalities<sup>29</sup> will be pursued.

#### **Output 1.4: Facilitated improved access of SSLPs to appropriate information on agricultural practices, market prices, DRR and local self-government**

Access to formal media is low and there are no sources of information on agriculture or market prices etc. Alliances-KK will focus on improving information supply through the value-chain, either as a marketing tool or to help SSLPs access a market, e.g. through improving hygiene of milk production. This will be achieved through facilitating access of these market actors to good sources of information and advice and in incorporating information-based marketing into their business practices. Other market related information may be passed through the value chain from buyers to producers, particularly with regards to specifications, quality and delivery of live sheep for the export market which has only emerged over the last few years and of which many farmers are unaware. Alliances-KK will also engage existing media players in examining means in developing local agricultural media or/and facilitating the expansion of distribution of products produced in other areas (such as Southern Gates from Samtskhe-Javakheti), as well as the development of market price systems for the main commodities such as live animals and cheese<sup>30</sup>. Alliances-KK will also work with local government to improve their dissemination of agricultural and DRR related information. On the agricultural side this may be in particular reference to the obligations of market actors with regards to food-safety compliance; e.g. veterinary inspection prior to sale of livestock and registration of food-processors which are becoming more rigorously enforced. In DRR, this will be in the form of awareness-raising on certain natural hazards, climate change risks, and preparedness and mitigation activities in vulnerable communities (i.e. how climate change may impact the pasture land in Kvemo Kartli).

#### *Opening Intervention/s*

- *Engage with local newspapers and online resources to assist them in identifying demand for, and improvement of, agricultural offerings with possible linkage to Southern Gates newspaper in SJ.* Alliances-KK will hold discussions with the main local newspaper companies and assist them in identifying demand for a diversified product. It will examine online resources and possibilities for information dissemination in-line with internet availability in the project area. Discussions will be held with Southern Gates to examine modalities of micro-franchising model whereby their agricultural product is incorporated into Kvemo-Kartli newspapers.

#### **Output 1.5: Facilitated improvements to access to financial services for Dairy & Meat Value-chain SMEs & SSLPs**

The vast majority of SSLPs are unbanked and conduct their transactions in cash, posing problems for those who sell products and services to them and buy products from them. In addition SSLPs spend time and money servicing simple payments of utility bills and repaying micro-loans in person through banks. A study conducted jointly between Mercy Corps and Open Revolution (MobiPay) revealed large potential to

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<sup>29</sup> Neighbouring municipalities in the same agro-ecological zone with the same ethnic predominantly Armenian communities.

<sup>30</sup> Throughout, experiences will be drawn from the Alliances-SJ program where a local newspaper *Samkhretis Karibche* (Southern gate) has been selling an agricultural supplement to their newspaper product, and the Akhaltsikhe Livestock Market is collecting and disseminating weekly market price data on a purpose made database and website.

expand their mobile banking product into Kvemo-Kartli and they have recently begun doing so in other rural areas with the assistance of the IFC.

*Opening Intervention/s/Activities*

- *Facilitate expansion of MobiPay into Kvemo-Kartli.* Building on feasibility work conducted in partnership with Mercy Corps which demonstrated the substantive cost benefits to farmers of mobile banking, Alliances-KK will co-invest with Open Revolution in expanding the feasibility study, and developing an investment plan and work plan. This will culminate in co-investment in expansion of the MobiPay product into rural Kvemo-Kartli if it is found to be feasible with the expected impact on and benefits for SSLPs.

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**Outcome Two: Market Access & Terms of Trade are made more advantageous for small-scale livestock producers**

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Outcome two is the main area of **Core Market** intervention and works with important cross-cutting **Rules** related to food-hygiene and governance. Alliances-KK will conduct extensive, ongoing market intelligence, assessment and analysis. In the process of engagement with market actors such as intermediaries and processors, Alliances-KK will identify leverage points for enhancing access to meat and dairy markets for SSLPs through facilitation, co-investment and improving governance to improve their terms of trade. In the early stages this will likely focus on enhancing the existing capacity to handle and process dairy products and livestock in response to main market drivers to the benefit of SSLPs. Facilitation in key supporting functions of marketing and business development will assist these entities in refining their businesses to capitalise on emerging markets. Finally, these entities will be linked to food-hygiene consultants (mainly GDCI) so they are aware of and plan for the introduction of new **Rules** by the government, and downstream entities which may impact their businesses. By improving these practices they may access important new markets with safer products and retain their existing markets. Alliances-KK will link this to activities under Outcome 3 in order to support local government in making market actors, civil society and SSLPs more aware of existing and new rules in food safety.

**Governance under Output 2:** Governance under Output 2 concerns both governance between private sector actors (value-chain governance) and governance between market payers and government institutions mainly in the form of the NFA. The key SDC good governance principles of efficiency and transparency are addressed by focussing on definition, clarity and preparedness for SSLP’s and service providers in the increased regulatory environment for dairy and meat production and the interpretation and facilitation between the NFA and the beneficial translation of the laws from national level to service provider and SSLP levels.

**Vision of Improved Market System under Outcome 2:** The dairy and meat sector is growing, diversifying and differentiating and allowing more advantageous access and terms of trade for SSLPs. Dairy & meat value chain actors are able to grow, differentiate and diversify by accessing supply from SSLPs more efficiently and cost-effectively, in a manner which adheres to food-safety & hygiene and management standards and best practices.

**Table 7: Indicators and Targets for Outcome 2**

Indicator	Target
• % reduction in transaction costs of SSLPs	10%
• % increase in volume & value of trade of SSLPs through supported/compliant entities	20%
• # of processing & intermediary entities integrating food safety compliance into business planning & practices	10

Alliances-KK foresees a 10% reduction in transaction costs for the 4,000 target SSLPs arising from improved coordination, transport and time savings. A 20% rise in the volume of trade will be achieved through anticipated rises in demand for liquid milk through formal lead-firm channels as they differentiate into new products, and an increase in liveweight of cattle as a result of improved breeding. In addition the programme envisages at least 10 firms integrating food-safety compliance into their planning and practices

bringing them into compliance with new legislation and safeguarding the incomes of the SSLPs who supply them.

**Output 2.1: Increased awareness & adherence of value-chain actors to food-safety, hygiene and management standards and best practices facilitated.**

Good hygiene and efficient management go hand in hand in well managed dairy and meat handling and processing businesses. Georgia has passed legislation, the 2005 Law on Food Safety, which aims to bring the country in line with the EC and this was enacted in January 2011 with immediate impact on the meat sector. Alliances-KK will capitalize upon the good relationship with GDCI developed by Alliances-SJ and reinforced during the inception phase of Alliance-KK, through which Georgia's first comprehensive dairy hygiene manual and accompanying software were developed, and several Good Management Practice assessments (GMP) were conducted. Alliances-KK will facilitate further strengthening of GDCI in marketing their services (especially their full GMP and lighter GMP assessments with bundled manual and software), and ensure that all food-processing actors undertake such an assessment as a standard due-diligence tool that will provide a roadmap for upgrading their production towards compliance with the law.

Alliances-KK will also link this with Outcome 3, working with the NFA to define "traditional" cheese production as described in their legislation for *Relaxed Legislative Environments for Small Scale Producers*<sup>31</sup> and partner with GDCI in developing and disseminating relevant guidelines to market actors as to how to qualify for this status, as well as assisting local government in disseminating appropriate and relevant information to local government, food-processors and SSLPs on general food-safety obligations and rules. In addition the programme will work with the NFA in assisting them to introduce their cattle registration scheme which is a meat traceability measure, and will involve private sector service providers as yet undetermined but likely to be vets.

*Opening Intervention/s/Activities*

- *Facilitate the outreach of GDCI's GMP & GMP-lite products for dairy value-chain actors with manual & software support.* The FSH manual developed in SJ has been completed and is ready for roll out. Alliances KK will assist GDCI with developing a marketing plan, and rolling out these products with introductory discounts in line with IFC's recommendations for eligible applicants in the Alliances-KK area. GMP Lite is a lighter version of the full GMP assessment, it offers a good entry point for smaller SME's/processors who may not be able to afford or require a full GMP survey. Sections from the manual will be adapted for use with GMP Lite and which are more appropriate for smaller SME's processors including summarized key points on photocopyable cards available in all the languages of the project area..
- *Work with NFA & PS to assist in the development and expansion of cattle registration.* In contrast to cattle registration schemes that have been proposed in the past Alliances KK seeks to position itself as a facilitator in the project area of the planned national roll out of the scheme presently under development by the NFA, the exact timing of which is not yet known. This facilitation would take the form of policy/strategy dialogue with the NFA to ensure the inclusion of SSLP's and the sustainability of the end benefits, with the potential to assist in developing roll-out of scheme with private sector actors and NFA.
- *Work with NFA & Local govt to define "traditional" cheese production & develop & disseminate a set of guidelines for these producers with GDCI.* In examining the National Food Strategy, Alliances KK sees the 'Reduced Regulatory Environments for Small Scale Producers'<sup>32</sup> as an opportunity to safeguard and enhance the livelihoods of SSLP's in the project area leveraging the growth in the national market for higher end local and regional produce. In preliminary discussions with the NFA interest was expressed in the AOC system of labelling (Appellation D'Origine Controlee) Alliances KK will further engage with the NFA & GDCI in defining these, including the demonstration of successful practice elsewhere (e.g. Switzerland) via a study tour, and developing compliance guidelines for eligible small processors and SSLPs.

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<sup>31</sup> See Annex 4

<sup>32</sup> See Annex 3 *Allinces KK Market Analyses* 2011.



## **Output 2.2: Increased volume and value of trade and efficient and cost-effective access to meat and dairy products for intermediaries and processors from SSLPs facilitated.**

Dairy and meat processors and intermediaries face challenges which limit their capacity to expand and reach new markets and therefore increase their supply of raw materials and products from SSLPs (milk, unpackaged dairy products and live animals). These entities provide scale and access to markets which would otherwise not be available for SSLPs and are therefore key leverage points for achieving improved income for SSLPs through increased prices and reduced transaction, production and opportunity costs. Additional income may then be reinvested in additional inputs and services thus creating a *virtuous circle*.

Alliances-KK is well acquainted with most livestock and dairy intermediaries, and meat and dairy processors through key-informant discussions conducted during the inception phase. A number of systemic constraints and pro-poor opportunities have been identified which create expanded market access, increased prices and/or cost savings for SSLPs through strategic co-investments and linkages to downstream markets. Some of these interventions will link directly with Activity 2.1 as improved hygiene may enable entry into new and premium markets and mitigate their risk of closure (and loss of market access) due to enforcement of the law. Others may be related to improving efficiency of collection, storage and handling of raw materials and products, or expanding processing capacity.

### *Opening Intervention/s/Activities*

- *Improve coordination & welfare of livestock supply through support to village-based intermediaries (transport, holding, quarantine).* Alliances KK will identify and assist livestock intermediaries in improving their linkages and coordination with markets for livestock. This could include co-investing in relevant handling and transport infrastructure to improve welfare, reduce costs and improve transparency over liveweight and price in transactions with SSLPs.
- *Facilitate commencement of operations of small/medium scale licensed local slaughter house and conduct a feasibility study into small-scale halal sheep abattoir* to broaden licensed local slaughter options in the project area at a reduced cost/kg liveweight<sup>33</sup> which allows access to markets in Tbilisi and elsewhere as the law on slaughtering is rolled out. An initial entry point has been identified as a small scale slaughterhouse ‘Shula’ near Marneuli who has invested in modern facilities. Operations have not been commenced operations due to uncertainty over the changing legislation however the slaughter house is licensed to issue required paperwork (Form 2). The feasibility of a small-scale halal sheep abattoir will include ‘Shula’ who has facilities for sheep slaughter and look at other potential entry points to assist key sheep players (traders, exporters & farmers) in decision making and investment planning around a small halal sheep abattoir.
- *Co-invest in upgrading transport and processing infrastructure of key dairy processors and intermediaries.* This is in response to a demand driver for additional high quality milk from medium and large processors. This has been ongoing with EcoMilk Ltd, whom Alliances facilitated to contact unaffiliated MCC’s in the project area. Co-investment in a refrigerated truck has led to increased capacity and efficiency. The implementation phase identified the MCC’s, cheese processors and key players with whom this type of facilitation could be extended. On confirmation of the implementation phase notification of potential clients can be made.

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## **Outcome Three: Local government has enhanced capacity to support the growth of a robust and durable agricultural sector which is more resilient to natural disasters**

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Communities in Kvemo-Kartli are vulnerable to a variety of natural hazards. The area has seen seismic activity in the past, but more recently hail storms, floods and landslides have impacted the population. Another indirect impact of natural disasters is evidenced by the large Svanetian population who were displaced from their native Svaneti by floods and landslides earlier this decade and settled locally. There is also the increasing threat of climate change that may alter the tenor of agriculture in the future and high reported incidence of rangeland degradation, and land-related tensions arising from a lack of clarity over ownership and access. In addition animal disease outbreaks and their potential impact both on livelihoods

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<sup>33</sup> Compared to Teleti and Naktaktari slaughter houses currently the two slaughter houses issuing Form 2 required for sale of meat in Tbilisi.

and the human health have been identified as a DRR issue in KK. At the time of writing Anthrax has broken out in the project area with two fatalities amongst the human population to date. Investigations by programme partners have revealed that carcasses are being buried insufficiently, near water courses or high traffic areas, that infected meat has been sold into the food chain, that quarantines have been weakly imposed and that there are shortages of vaccines as well as an obvious unawareness amongst farmers of the dangers to human health. In the annual livestock migrations diseases such as FMD are spread and amplifying factors include an underfunded regional NFA responsible for vaccinations and disease notification, lack of signage, conflict over grazing and watering on route and lack of dedicated watering places where measures could be taken to reduce the spread of transmissible disease ,

At present, there are weak linkages between local government, agricultural market actors and communities. Businesses and communities report that they need greater support from local government and that they receive comparatively little in the way of public services worth paying taxes for (healthcare, schools)<sup>34</sup>. Likewise, local government officials do not feel they have much direct contact with those they serve. The Ministry of Agriculture is currently developing a new strategy for agriculture with an anticipated rise in budgetary allocation. With these commitments and an already heightened role of the National Food Agency, Alliances-KK seeks to work with relevant national and local bodies including the regional and municipal representatives of the NFA to strengthen their legitimate roles in delivering upon their strategy and engaging in a productive dialogue with the private sector in improving the competitiveness of the sector and helping them to become the market facilitators of the future. Alliances-KK will help to create fora for dialogue to occur on agricultural matters between the departments of Agriculture (including the national service for veterinary, food-safety and plant protection) and Environment, local agri-businesses.

Outcome three seeks to promote **good governance**, DRR and the **competitiveness** of the agricultural sector and as well as with a strong emphasis on **gender** and the participation of women in decision making, It will also address important **Rules** around land access and ownership. The Outcome will tackle the underlying cause of vulnerability to natural hazards and animal disease: a lack of awareness and coordination among those responsible in regional and municipal government that leads to an overall lack of awareness and preparation at the community level. In Samtskhe-Javakheti, Alliances has facilitated the development of municipal DRR working groups, linked to the central government's newly created Regional Emergency Management Department (under the Ministry of Internal Affairs) as well as the Departments of Agriculture and Environment. Alliances-KK will replicate and build upon this strategy, creating synergies between the two regions. These bodies will be strengthened to undertake community disaster risk assessment and mapping, identify priorities and respond through interventions which improve awareness, preparedness and mitigation of disasters which impact agricultural livelihoods. As an integral part of the facilitation process Alliances-KK will seek to create opportunities for dialogue and facilitation of now mandatory gender activities in local government such as the issue of gender-sensitive budgeting.<sup>35</sup> Also the Association for the Protection of Land-Owners Rights will be engaged in assisting local and regional government in improving transparency and outreach of information over land tenure and privatization to communities. This proposed activities will be supported by co-investment from the Alliances-KK DRR, Governance and Gender Support Facility.

**Governance under Output 3:** Governance under Output 3 is based on governance between market players and government institutions, engaging with government in the form of the local municipalities under DRR and gender and in improving transparency in land tenure and pasture access. The key programme governance principle of transparency is very strongly addressed under Outcome 3 in the improvement of the quality and process of delivering information through government to both female and male SSLP's.

**Vision of Improved Market System under Outcome 3:** Local Government has enhanced capacity to support the development of a more robust and durable agricultural sector. Local Gov't & Civil Society representatives have the capacity to support the identification of DRR priorities & embed this process of preparation, planning and mitigation of natural disasters. Relationships are improved between market actors & local government in promoting growth in agricultural value chains.

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<sup>34</sup> Key informant interviews with market players, Rapid assessment, June 2010, Kvemo-Kartli.

<sup>35</sup> 'Law on gender equality', adopted by the Parliament of Georgia on 26 March, 2010.

**Table 8: Indicator and Targets for Outcome 3**

Indicator	Target
Frequency of consultation fora between local government & # of agricultural market actors to address livestock sector priorities	30 agricultural market actors participate biannually
# of joint public/private sector agricultural initiatives	2
# of village representatives with increased awareness of local DRR mechanisms	50
# of quality disaster risk monitoring & outreach (preparedness & mitigation) measures implemented	12
% Female representatives engaged in consultation in DRR Action Plans	25

The targets for Outcome 3 reflect the programme’s desire to see the public and private sector engaged in a healthy dialogue, jointly working on improving competitiveness with at least 30 local actors participating, and developing at least 2 joint initiatives. In DRR, at least 50 village representatives will have improved awareness of DRR mechanisms through contact with the DRRWGs and 12 DRR measures will be implemented, ensuring that women are involved in the process.

**Output 3.1: Development of capacity in local government and civil society representatives to support identification of DRR priorities and embed the process of preparation, planning for and mitigation of natural disasters facilitated.**

Alliances-SJ has engaged successfully with the newly created Regional Emergency Management Department as well as with Municipal Government to create and strengthen DRR Working Groups on the municipal level. These working groups are beginning to take on the role of more formal monitoring and disaster risk mapping and reporting and identification, planning and implementation of DRR projects. Alliances-KK will seek to create and strengthen similar bodies and work systemically to reduce the underlying cause of vulnerability to natural hazards and animal diseases; that of poor organization and coordination among those who *are* responsible for DRR and those who *could* take on this responsibility. This will involve facilitating basic training in DRR through national NGOs, consultants and companies with experience in this field, building capacity in disciplines such as Geographical Information Systems (GIS) for disaster risk mapping as well as physical capacity in transport and IT equipment to be able to reach communities and manage data. The aim is to facilitate the access of the DRR working groups to these services so that they build relationships which can endure beyond the timeframe of the programme. Alliances-KK will be linked strongly to the Georgia DRR coordination meetings as Mercy Corps currently attends and contributes to the bi-monthly meetings organized by UNDP in Tbilisi which is building towards a National DRR Platform.

*Opening Intervention/s /Activities*

*Support the establishment & capacity building of DRRWGs & their coordination with the Regional EMD.* These will be established in order to institutionalize DRR in local government. Once established, follow-up interventions to develop formal monitoring, disaster risk mapping, reporting, identification, planning and implementation will be formulated.

**Output 3.2: Development of improved relationships between market actors and local government in promoting growth in agricultural value chains facilitated.**

Local government is a part of the fabric of the business environment and has legitimate roles to play (e.g. livestock registration, food-safety rule enforcement and business registration). Since government bodies will be an enduring entity, they naturally form a part of a sustainable vision for the Alliances-KK programme and may be future market facilitators. Alliances-KK will engage with local government representatives such as those from the departments of Agriculture, Environment, Regional Development and Infrastructure, and Economic Development and facilitate development of their capacity to engage with local agribusinesses. This may utilize Mercy Corps’ own capacity drawn from experience of training in M4P together with the M4P operational guide which was translated into Georgian as well as other materials such as ‘Getting to Yes’ on negotiation. Alliances-KK partner ICCN also has extensive experience in local government capacity building and could be trained as a trainer for the above trainings. In addition, there is a potential partnership with the Association for the Protection of Land-Owners Rights in assisting the outreach and transparency of information on land ownership and privatization.

### *Opening Intervention/s/ Activities*

- *Work with Association for Protection of Land-Owners Rights to Improve Land Cadastre Outreach to SSLPs Via Regional, Municipal & Village Level Government & Media.* Alliances-KK will work with the APLR to foster greater transparency and efficiency of information sharing at the community level on land privatization and ownership in order to mitigate disputes and facilitate SSLP access to pasture. Alliances KK intends to facilitate the relationship between ALPR and the local municipalities, whose responsibility it is to manage access to and levy fees for use. ALPR, who has local offices in Marneuli and Akhaltsikhe, high technical capabilities and knowledge concerning land mapping, cadastre and land laws<sup>36</sup> can help facilitate the provision of information to land users through the local municipalities. Communities still believe that ‘communal grazing land’ to which they have free rights to graze still exist, according to current land laws this is not however the case<sup>37</sup>, improving the farmers knowledge (including of their right and entitlements) through the provision of information through the Local municipality of the situation which is currently confused and subject to rumour and resentment will improve their ability to utilize it and plan their livestock husbandry. Local municipalities will benefit from fees collected which will provide the incentive to continue the provision of information and may lead to further interventions in the form of provision of facilities e.g. watering points.
- *Conduct a Remote Sensing Survey to estimate the impact of overgrazing and the historical quality of rangeland to inform pasture management & planning.* Alliances-KK and SJ has tendered this research out and Environment Systems Ltd, a UK company has won the tender, (See page 5 for more details). This will be the first study of its kind in Georgia and will answer the central questions around the impact of grazing on the quality of rangeland. It will triangulate information from National data and the Alliances KK Focus Group survey and include stakeholder interviews in its ground truthing exercises. This information will be used to inform national and local government and land-users, and will aid the design of possible future interventions.

## **3. Strategic Subcomponents and Transversal Themes**

### **Synergy and Coordination Alliances KK and SJ**

The geographical spread represented by the two SDC funded Alliances projects in Kevmo Kartli and Samtskhe-Javakheti represent an opportunity for synergy and leverage in key areas of market intervention intellectual, social and institutional capital. The two programmes are designed with the same strategy to address the same core markets, although each project responds to the market specifics of their respective regions. DRR is addressed in both programmes and gender and governance are transversal themes in both programmes. Section 4 outlines the instruments and tools and management systems developed under Alliances SJ that will be utilized by Alliances KK. The following points below summarized further points of synergy collaboration and potential opportunity between the two. Annex 5 provides the information in detail. The synergy between the two programmes itself reflects internal application of good governance principles.

1. *Transfer and sharing of experience:* Mercy Corps has initiated cross visits between the staff members of Alliances-KK and Alliances-SJ as well as shadowing of opposite numbers which will take place in August
2. *Data comparison and data sharing* including GIS.
3. *Coordination Mechanism:* Regular meetings with involvement of the Country Director and Alliances-KK and SJ Programmes Directors. During these meetings programmes management informs each other regarding the implemented and planned activities, meetings with key stakeholders and market players. Through these meetings activities are coordinated efficiently and overlapping avoided

<sup>36</sup> Information that it highly specialized and fragmentary although some of it is in ‘the public domain’ and requires interpretation and resources such as good internet access etc to utilize it.

<sup>37</sup> All land is either owned by the government or owned by private individuals/landlords, some municipalities where they have purchased land and some CBO’s formed mainly by BP during pipeline construction.

including interactions with key market players e.g. Large dairy companies sourcing milk from both regions.

4. *Collaboration with key government stakeholders*, leveraging good collaboration and relationships e.g. Alliances-KK has established good working collaboration with the Ministry of Agriculture and National Food Agency. The meetings with them will be coordinated with Alliances-SJ and information will be shared regarding the outcomes of the meetings.
5. *Facilitate of information dissemination concerning new legislation* through interventions in both in Kvemo Kartli and Samtskhe-Javakheti regions.
6. *Land tenure and pasture access intervention* can be leveraged across both regions to address the transparency of information available at municipal level through the facilitation of a national NGO<sup>38</sup> dealing in land issues with offices in both regions and with local municipalities. A package of interventions related to land will be co-jointly undertaken; including a feasibility study of hay making and machinery and the quality/i.e. digestibility of native pasture species are planned across both programmes. The remote sending TOR for assessing overgrazing cross both programmes is already in process., which has long-term experience of dealing with the land ownership issues and has offices in Marneuli and Akhaltsikhe to address this problem.
7. *Identification of other interventions that will profit from the synergies* derived from the neighbouring project regions include leverage with Lead firms in the dairy sector such as Sante, Eco Foods and Wim-bil-dan in the financial services sector with Mobipay and AI, breeding management with Caucuses Genetics<sup>39</sup>.
8. *Monitoring and Evaluation* M&E activities will be conducted by the coordinator, who shares his working time between two programmes and ensures utilization the same M&E measurement systems, adapted to M4P approach for both programmes. Where possible the two programmes will develop and use common metrics.
9. *Experience of Alliances-SJ* is being utilized in Kvemo Kartli region, ensuring that existing capacity and linkages are utilised, expanded, developed and rationalized across both programmes.
10. *Partnerships* Both Alliances programmes are partners in with local NGOs, mainstreaming governance and gender in Kvameo Kartli and Smatskhe-Javakheti area as well as coordinating DRR activities. ICCN in Kvemo Kartli and SCCSF in Samtskhe-Javakheti. Close coordination of activities will be facilitated between these two NGOs, ensuring similarities of the approaches, constant information sharing and coordination of the activities.

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## Governance

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Governance in Alliances KK is addressed on the environment/programme level; including more overt governance programming with key government stakeholders and as a transversal theme at the intervention levels, as well as at the institutional/internal level. Narrative descriptions of the key transversal themes that characterize and are addressed by opening interventions are discussed below, alluded to in Section 2 and are highlighted in the Results Chains. The rationale behind the selection of the key principles in Alliances KK are discussed below as well as mechanisms for ensuring the five good governance principles for internal programme governance. Our relationship with key government stakeholders, Mercy Corps Alliances participation in policy dialogue and coordination and our stakeholder analysis are detailed in the external governance section below. In addition the SDC Governance TT Matrix and Checklist were utilized in the Strategy design and can be found in Annex 7.

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## Key Governance Principles in Alliances KK

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### **Governance in M4P:**

Alliances KK has two understandings of governance as a transversal theme in the M4P project environment:

- Governance between private sector actors: that is in issues between market players associated with core transactions
- Governance between market players and government institutions: that is in issues between market players associated with supporting functions and rules.

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<sup>38</sup> Association of Protection of Land Owners Rights (APLR)

<sup>39</sup> These synergies are not expected to be as relevant to smaller SME's as their activities are naturally localized.

Governance at both of these levels are of high importance in the project and in the dynamic and increasingly regulated environment in livestock husbandry that has been analyzed by the project governance is of ever increasing importance. The key governance principles as they relate to the project interventions are identified and discussed below.

### **Project Environment: Intervention Level**

At the intervention level the key governance principles being addressed are Efficiency and Transparency. Outcome 1 and 2 address the theme transversally as well as overtly and focus on governance between private sector actors as well as the juncture between market players and legislation. Outcome 3 addresses the governance between market players and government institutions. It is more overt in dealing directly between market players and local municipalities and includes gender inclusion in the decision making processes and governance in DRR.

In discussion at the SDC M4P learning Event held in Tbilisi in May 2011, it was agreed that the principle of Efficiency could be applied to all the projects there present as a guiding principle i.e. goal and targeted outcomes of market development projects in the agricultural sector. In addition to this principle the projects were then encouraged to identify the one or two main governance principles that described the main constraints to be met in the project area. In Alliances KK Transparency has been identified as the key constraint. In a rapidly changing legislative environment the project is seeking as a common theme throughout many of its interventions to reduce the risk through the lack of transparency in legislative implementation, of market exclusion of service providers and SSLP's or exclusion from an improved participation in key decision making in the following key areas :

- Lack of transparency in *the supply and sale of livestock and dairy products* e.g. pricing, weight: SSLP's and small scale producers are often at a great disadvantage in the sale of their products as they have no price comparison mechanism or competition for the sale of their products. All the transaction power lies in the hands of the buyer. This also extends to areas such as live weight measurements for cattle where measurement is by eye and conducted by the buyer.
- *Increased regulatory environments in dairy, beef and sheep core markets:* The Alliances KK Focus Group Survey revealed the whole scale lack of knowledge of the regulations and legislation now coming into force and a lack of transparency in their implementation in; Food Safety and Hygiene in meat and dairy, veterinary controls and forms in slaughterhouses and livestock registration. Farmers are left in fear of 'what might' happen to them with no knowledge of when or why this 'might' happen.
- *Land Tenure and Access to Pasture:* The Focus Group survey revealed that sale of 'communal pasture to private owners' is the key constraint to pasture access and limits cattle ownership, there is no transparency at a municipal level about ownership, legal entitlements, areas, management or fees.
- *Gender Strategy:* The gender survey revealed the lack of knowledge of a new Gender Strategy for gender equality that is mandatory at the municipal level which properly enacted could significantly improve the role of women in rural decision making and tackle the exclusion of women in decision making and participation at communal and municipal levels.

*Note on Governance Principles:* Given the ethnic and gender complexities of the area the governance principles of Participation and Non Discrimination must be taken into account. However at this stage of the programme as available and accurate information is so opaque, addressing Transparency forms the first step in addressing these two key governance principles and in achieving the programme objectives. In terms of the target communities the programme assessed that lack of information and Transparency on vital topics such as FSH Laws and pasture access is a barrier and threat to all livelihoods across all ethnicities of SSLP's in the project area and that access to improved services and market access and terms of trade (two of the main objectives of Alliances) will not be hampered by ethnicity and discrimination. In addition in dealing with gender Non Discrimination and Participation will be addressed as key foci see Page 35 & 36 for more discussion on *Gender and Ethnicity* and *Gender and Governance*, to ensure the inclusion of all women. As a programme Alliances KK is highly aware of the principle of Non Discrimination and makes all efforts in programme implementation to ensure that project benefits are accessed by all ethnicities. The Focus Group Survey for example was successful in ensuring that all ethnicities in the project area were included in the process. Also see Non Discrimination in the Internal Governance section below.

### **Project Environment: External Governance**

Alliances KK has placed a priority on establishing good relationships with key government stakeholders with influence in the project area, which includes the establishment of an Advisory Committee comprised of government, community and private sector actors for a measure of external governance from non executive stakeholders for the shaping and monitoring the vision of the market and the tactics employed, and to ensure that the Alliances-KK vision of the market is in line with what is needed and anticipated. These meetings will take place tri-annually.

In addition order to strengthen Alliances-KK work in governance and to better understand the work of other NGOs in the region Alliances-KK will work with Kvemo Kartli governor's office to coordinate biannual meetings with all NGOs in the region and the governor's office. Alliances-KK will also coordinate quarterly meetings with NGOs working in the livestock sector in the Alliances project area. This mechanism is established and works efficiently in Samtskhe-Javakheti region.

### **Institutional/Internal Governance**

*Accountability:* Accountability towards beneficiaries regarding outcomes and accounts is mainly achieved through the publication of results in the form of the website, newsletters, donor reports and briefing reports to local and regional government and the in-built contractual clauses with clients and partners which will ensure improved 'terms and conditions' for end users. In addition Alliances KK has formed an Advisory Committee (see p4) comprised of key stakeholders from public and private spheres to provide a greater measure of external accountability. In terms of downwards accountability towards end beneficiaries vs donors; the project must balance accountability to end beneficiaries with the light touch/low visibility approach considered integral to the market development approach. However ongoing monitoring and the calculation of the SROI (see page 37-38) mean that the internal mechanism is in place to allow the ongoing monitoring of the impact of programme interventions. Internal decision making is organized through a clear management structure and use of participatory meetings and tasking to ensure internal feedback mechanisms for inclusion in decision making.

#### *Transparency*

Stakeholders can access the programme through the web site, programme publications, the network of local government relationships that have been developed and the local office which includes the partner organisations. Internet and a local media will be used for information dissemination in order to support transparency (and efficiency) and inform potential partners and a population about tasks and goals of the programme. Information posters will be released in communities for those who do not have an access to these resources. This method was successfully implemented in the Alliances SJ. Relationships with key stakeholders across all spheres in the project area have been developed and nurtured through the implementation stage. Alliances KK in its role as facilitator is constantly aware of the need for transparency in its dealings with national and local government, the private sector, SME's and local and national NGO's whilst maintaining low visibility and avoiding becoming a market player. The Advisory Committee will also facilitate transparency at the local and regional level. The programme client relationship involves negotiation for the development of transparent dealings between the client and their suppliers i.e. SME's or Farmers.

#### *Participation*

Alliances KK relies on close participation between staff to optimize the facilitation process. Meetings, training fora and public information points, e.g. for reference or processes, are integrated into office life. The opinions of the staff recruited locally are valued as providing grass roots insight and an iterative process is adopted for decision making with staff consulted, input gathered, decisions formulated and fed back for comment. In the implementation stage this has taken the form of staff involvement in Strategy Development and Programme design based on their field experience in implementing the Focus Group Survey's and Market Analysis from which they have added insight from the farmer level.

#### *Non Discrimination/Equality*

Alliances KK operates in an ethnically diverse region offering many challenges. These have been investigated in depth in the implementation phase including an in-depth look at Gender and Ethnicity in the gender and governance survey. Serious attempts were made to ensure representation of minority groups in

the staff with limited success (see a full description on page 1-2). The gender balance has however been successfully addressed with a positive balance in key technical/programme staff. Having recruited several women with backgrounds in gender/media/information the project staff are gender sensitive and the process of information sharing and debate is ongoing<sup>40</sup>.

### *Efficiency*

The final goal and outputs of the project are considered within the financial means of the programme; some quick win's made possible by knowledge gained from the Alliances SJ project in what and where to intervene have been balanced in the programme design with longer term outputs for effecting systemic change in the programme area. Ongoing training and participation mean that staff are developing the required skills to answer the constraints and challenges in the project environment analysed in the Inception phase. Risks have been examined and mitigation strategies formulated see P30. Finally the choice of partners exerts a crucial influence on the efficiency of a programme. The efficiency of the partners will be assessed in the design and measured in the monitoring of interventions.

### **Policy Dialogue**

A detailed explanation of Mercy Corps and Alliances involvement can be found in Annex 10. An ongoing principle of Mercy Corps policy is the active participation in coordination groups and platforms, created to discuss and formulate policy relevant to programme interest. In the case of the Alliances Programmes this relates to the development of a vision regarding the agricultural policy in Georgia.

*Policy Developments in the Agricultural Sector: this is crucial as the Ministry of Agriculture is currently working on the development of strategy of the agricultural sector in Georgia. In 2011 agriculture has been openly declared to be one of the main priorities of the government and the development of the respective strategy is very important part of this process.*

*Responding to Dynamic Legislative Change* In January 2011 adopted the comprehensive food safety strategy. Changes have been made and are envisaged in the veterinary law. All these changes have been significantly affecting agriculture as part of the Georgian economy and particularly the livestock sector. In the current circumstances of dynamic changes in legislation and government policies, related with agriculture, it is crucial that donor agencies and international organizations, involved in this sector have regular discussions to formulate the joint and coherent position, which then will be conveyed with the government. Therefore several special platforms have been created with participation of key stakeholders in the agricultural sector and Mercy Corps is active participant in these meetings.

### *Mercy Corps Involvement in Policy Dialogue*

Mercy Corps coordinates with all main key donors, local and national NGO's and government representatives on an ongoing basis but two specific platforms of policy dialogue in agriculture are currently in operation which gives Mercy Corps opportunity to share information regarding its experience with other stakeholders. Firstly to formulate the joint approaches together with other international and local non-governmental agencies how to address the essential agricultural (particularly, livestock breeding) issues in Georgia, and secondly to effectively communicate this with the government and parliament representatives and through this affect the policy making process in the agriculture sector of Georgian economy.

*EU Coordination Meetings* The most important forum for the policy dialogue is the regular coordination meetings on agriculture, initiated by EU delegation and French embassy. It takes place bi-monthly at the EU delegation and all key donors including USAID, EC, SDC, SIDA, KfW and the Czech embassy as well as international and local organizations Mercy Corps, CARE, GRM, ACF and Oxfam amongst others who fund and implement agricultural programmes are part of these platform. Key representatives of Ministry of Agriculture also regularly participate in these meetings. Five sub-sector working groups in which Mercy Corps participates were set-up according to the five declared objectives of upcoming National Agricultural Strategy. Improved competition through private sector development, Improved

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<sup>40</sup> As well as upholding and encouraging staff members to make proper use of their entitlement to maternity leave, the first paternity leave (for which there is no word in Georgian) was taken in Mercy Corps Georgia under Alliances KK in July 2011.



capacity of institutions and stakeholders involved in agriculture, development of food production chains, development of rural infrastructure and food security.

#### *Legislative Platform on Agriculture and Food Safety Issues*

Mercy Corps is an active participant in the *Legislative Platform on Agriculture and Food Safety Issues*. This platform is organized and chaired by NGO Business and Economic Centre and takes place quarterly. The goal of this platform is to strengthen the legislative dialogue concerning agriculture and food safety issues to support Georgia in meeting its EU commitments. This platform provides an excellent opportunity to discuss different aspects of agricultural policy and existing legislation as well as to propose certain changes in the legislation and government strategy of agriculture. The Business and Economic Centre has its office in the building of Parliament of Georgia, has good working relationships with the different governmental bodies on the central level and ensures wide participation of Members of Parliament, committees' staff, Prime Minister's office representatives, international organizations and experts in the meetings. Mercy Corps, again, is one of the active members of the policy dialogue framework of this platform and articulates opinion regarding different important aspects of agriculture and food safety issues, discusses them with the parliamentarians and government representatives, together with other stakeholders who can initiate certain necessary changes in the legislation.

#### *Key Points of Policy Dialogue Specific to Alliances KK*

The following points refer to key points of policy dialogue that have become apparent during the inception phase. Further points may arise, should this be the case they will be referred for discussion to SDC. Please refer also to P11 *Coordination and Synergies with Relevant Development Projects* and *Annex 10<sup>41</sup>* which contains a full description of Mercy Corps' involvement on policy dialogue related to the Agricultural sector (in addition to the information provided above).

- The winter pastures of the sheep which migrate to KK are located in Kakheti. The one functioning scouring and wool processing plant in Georgia is located in Kakheti. Coordination with the new SDC Kakheti Programme will be essential and offers considerable up-scaling potential in sheep related initiatives. Initiatives involving Caucuses Genetics should also be programmed across all three (Alliances KK, SJ and Kakheti) for maximum out-reach and potential.
- Coordination with NGO's like Heifer International offer scope for complimentary projects e.g. breeding bulls.
- The National Environmental Agency very interested in our rangeland research and our upcoming pasture quality research. The Agency has stressed how valuable this research is to Georgia and wants to partner with Alliances on this and to extend the research to Georgia as a whole, awareness of this could be increased among donors for potential support for the National roll out of this initiative.
- Gender in Local Governance: (see p37 for more details) the absence of awareness or implementation of mandatory elements of the Gender Equality Law passed in 2010 by local authorities offers the opportunity for creating a new working framework which includes the involvement and active participation of women in local decision making at a municipal and community level. In an M4P context and as part of the discussion of how systemic market change can be said to affect women directly, this can be seen as seeking to change the rules of the environment in which we are operating and that by increasing women's meaningful participation we increase the likelihood of them benefiting from systemic change. Alliances will pursue this objective as part of its strategy across the municipalities of the program areas however promotion of a broader awareness of this activity and the benefits to be derived of up-scaling to other municipalities through the programmes of other donors in Georgia would be of considerable value.
- Good communication and advocacy of Alliances initiatives with the National Food Agency will be essential for the outreach and up-scaling potential of many of the interventions and in spreading awareness of these issues to other donor funded agriculture projects in Georgia.

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<sup>41</sup> This includes a description of *Policy Dialogue Ongoing Status and Participation* and a description under *Donor Coordination* of the new department who will be coordinating donor and NGO activities.

## Stakeholder Analyses

An important component in developing and aiding the integration of Alliances KK into the project environment and key to the project's accountability has been the stakeholder analysis. The following are the main stakeholders in the market systems that Alliances-KK will work and coordinate with strongly.

**Table 9: Alliances-KK Stakeholder Analysis**

Stakeholder	Interests & How Affected by Market Weaknesses	Capacity & Motivation to Bring About Change	Proposed Actions to Address Stakeholder Interests
Small-Scale Livestock Producers	Produce 99% of domestic meat and dairy products. Disadvantaged though small transaction sizes and unfavourable business environment.	High motivation, very low capacity	See below
Private Vets	Weak access to affordable drugs and information	Low business acumen and market focus. Some motivation.	Start upstream with pharmacists to improve information. Identify main vet change agents to start with.
AI Practitioners (some also vets)	Deliver AI. Lack of coordination of supply & links to input supply & training. Lack of marketing.	Motivated to build small franchises of CG, but need CG support to do this.	Work through CG to expand & support.
Caucasus Genetics	Georgia's only commercial AI Supplier. Weak organization of supply, & overall management	High capacity in AI but low business acumen. Pressure from govt & NGOs to deliver free services. Highly motivated	Work with them to identify and address business management & organization, & expand & diversify quality service delivery
Vet Pharmacies	Supply SSLPs directly & Vets; sales restricted by poor linkages and low use of bundled information	Interested in growing sales and improving service	Work to identify weaknesses in supply to vets & links to information
Newspapers	Low readership and high dependency on donors/govt	Some desire to diversify and respond to farmer demand for information	Work to identify market potential for agricultural content & link to sources.
MobiPay	Market disrupting mobile finance technology enabling farmers to make & receive payments in remote locations.	High motivation and capacity but lacking information on rural market and investment capital.	Joint research; co-investment if proven viable & impact on SSLPs.
GDCI	Market leaders in food-safety consulting. Constrained by processor's lack of awareness of benefit and willingness to pay for advice	High motivation and capacity but need to be able to discount price initially to drive demand	Work with them on marketing through awareness raising on new law & discount initially in line with IFC
IFC	Donor & advisor in food-safety and rural finance	High motivation and capacity but not focussed on SMEs	Coordination, especially over food-safety advice price point
Livestock Intermediaries & Exporters	Source, buy, transport & sometimes fatten, export cattle & sheep. High search & transaction costs.	High motivation but low capacity. Reluctance to invest in infrastructure they may not directly control such as fixed corals & scales	Work to identify options & other potential stakeholders.
Slaughterhouses	Provide entry point for SSLPs. Currently restricted by volume and quality of supply of beef animals.	High motivation but low capacity (current focus on growing sales & integrating supply)	Incorporate into interventions with intermediaries
Livestock transporters	Transport livestock; mostly informal & with un-converted trucks for generic goods.	Some are motivated to improve level of service & have greater intermediary role	Investigate options for upgrading & expanding outreach & improving coordination

Large dairy firms	3 lead firms control majority of formal dairy product supply	High motivation & high capacity	Coordinate & bring in to activities around hygiene
Small-Medium dairy firms	Collect & process milk into various dairy products. Lack awareness of new laws and lack capacity to upgrade & expand	High motivation but low capacity	Work to address capacity issues & link in with hygiene interventions
MCCs	Act as bulking intermediaries for milk. Have little knowledge of or access to hygiene standards, & suffer from lack of coordination with buyers	High motivation but lack capacity (capital)	Investigate co-investment options to address capacity issues and improve hygiene
National Food Agency	Responsible for enforcing vet, phyto-sanitary and traceability measures	Motivated since being re-organized. Lacks capacity and links to market	Link to GDCI & work on standards & outreach Outcome 2. Work with Municipal NFA departments under DRR Outcome 3 and Vet Interventions in Outcome 1.
Regional & Municipal Government	Responsible for implementing government policy in localities. Weak coordination with central government; do not see themselves as service providers.	High motivation & good collaboration but lack capacity	Coordinate & reinforce legitimate roles
EMD	Are tacitly responsible for DRR but do not have access to resources & training.	High motivation on response, but lack of awareness on preparedness measures	Educate in DRR & build capacity
APLR	Advocate for rights to land access.	High motivation but lack capital	Investigate co-investment options to collaborate with national and local govt on outreach of information on land ownership
ABCO	Some delivery of Business Services but weakened by high donor dependency and lack of willingness to pay for services.	High motivation but lack capacity & commercial drive	Strengthen commercial delivery of BS to program clients (Investment Plans, Marketing etc).
CARE, GRM, Cida <sup>42</sup> , FAO	Have various development programs ongoing in area	n/a	Coordinate where activities overlap

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## Gender

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Gender will be addressed as a transversal theme in Alliances Kvemo Kartli. Ensuring the equal access of women to services, inputs and markets in Alliances KK is a key aim of Alliances Kevmo Kartli. The programme seeks to build on the research outcomes and lessons learned from Alliances SJ programme and improve the targeting of interventions to ensure the inclusion of women. Alliances KK's implementing partner ICCN will under the management of Alliances KK continue to identify sector related gender issues and identify entry points for gender sensitized interventions that will ensure the ongoing inclusion of women and the relevance of Alliances KK programming to women SSLP's. To ensure this, the following points of focus have been developed:

**Gender and Ethnicity:** The Alliances KK project area is ethnically diverse with Armenian, Azeri and Greek population and distinct Adjara population (among others) in the Georgian population and r ICCN provides expertise in gender implementation and research unparalleled in Georgia. They are also the leading NGO dealing with conflict negotiation and ethnicity. Gaining a greater understanding of the

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<sup>42</sup> Civil Development Agency: Regional NGO based in Rustavi engaged in capacity building in local self governance, media and civil society activities.

complex interactions between gender and ethnicity is essential to structuring more inclusive interventions<sup>43</sup>.

ICCN conducted a separate Gender Survey in addition to the disaggregated data collected in the Focus Group Survey which went deeper into decision making in the household and community, participation, motivations, and preferences and opinions of the women in the target area through the lens of ethnicity. It also looked closely at governance and gender strategy at a municipal level. For example the research into decision making and the division of labour in livestock husbandry showed significant differences in issues such as tasks undertaken and participation in decision making between women of different ethnic groups. On the most fundamental level many Azeri and Adjaran women are not allowed to leave the house unless accompanied by a family chaperone or without express permission of a family male whereas interestingly the high rate of female headed Armenian households due to men working in Armenia and Russia has led to greater independence and decision making power in these communities.

**Gender Disaggregated Data:** A major lesson learned from the Alliances SJ programme has been the need to collect gender disaggregated data from the outset of the programme. This also translates to gender disaggregated indicators in the measurement plan. Gender disaggregated data ensures that a detailed understanding is gained of the context and roles of women in the sheep and cattle value-chains. Disaggregation of all data means that imbalances can be detected early and targeted facilitation of improvements in access occur when needed through the initial design of interventions and refinements in existing ones. The Alliances KK Monitoring and Evaluation and Research Officer will ensure that disaggregated data is adequately utilized through analyses and dispersed to relevant team members/ICCN for use in readjusting project interventions.

*Focus Groups:* In the focus group survey a male and female focus group was held for each community. Gender disaggregated data allows for the tracing of divergence in answers across gender, it shows the variation in perception according to gender, allowing for a comparison of responses between men and women. In addition to gender specific questions included in the survey male and female results are available for each question.. The composition of the focus groups by gender was out of 82 focus groups 41 were male and 41 female with a total of 213 males and 185 females participating across the 3 municipalities. It is interesting to note that on initially organising the focus groups in some communities village representatives expressed their doubt that any women would attend at all, and the male focus groups did tend to be larger than women's' which can perhaps be ascribed to the fact that in the areas in which the survey took place i.e. remote rural locations men traditionally lead decision making in communal fora<sup>44</sup>. In a deeper investigation in decision making and participation into community decision making fora in rural communities the ICCN Gender Survey showed that women's' participation in community meetings is severely restricted in comparison to men's' due to traditional mores and values related to the remit of women outside the home, lack of information, lack of invitation and lack of perception of the need for their attendance by both women and men. However the desire to participate was shown particularly in relation to matters concerning their livelihoods, opportunities for daughters and issues related to services for women in the community.

**Gender Sensitized Interventions:** Interventions must be designed and implemented and then assessed in a way that ensures the inclusion, where appropriate, of women. A key example would be AI provision. Women are mainly responsible for recognising when cattle are 'on heat' and a main constraint of AI provision is getting to cattle in time to perform a successful service. Women currently lack the knowledge, remit or means of communication to transmit this information to an AI technician, these links simply have not yet been made, and gender research in Alliances SJ and in the Alliances KK Gender Survey show that the highly sexualized and 'masculine' terms used in AI are one of many barriers to the inclusion of women. However women are interested in AI some have seen the benefits of improved breeds and stated that 'if professional women' were doing it then they could too. Some even remembered the use of and practiced

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<sup>43</sup> Through Mercy Corps' previous programmes we are aware that due to religion and ethnic traditions women in the rural Azeri communities are less educated (with a large percentage leaving high school after 8-9 class and then get married), perform heavier work (especially on the fields) and have less power in the decision-making in the family. Azeri women are also less involved in the social networks outside the family. It seems from the Gender Survey that Adjaran women are in a similar situation.

<sup>44</sup> Alliances Gender Report (2011) ICCN

AI themselves in the ‘kolkhoz’ in the soviet era. The gender mapping exercise showed the existence of four female vets in the project area who offer potential points of leverage. ICCN will provide the research and facilitation to ensure the gender sensitisation of interventions takes place.

**Gender and Governance:** The ICCN Gender Survey revealed almost no awareness or implementation of mandatory elements of the Gender Equality Law passed in 2010<sup>45</sup> interviews highlighted misperceptions of gender, and the alienation of gender in the agendas of the local authorities. Most were unaware of the new laws on gender equality which should create a new working framework where their involvement and active participation is very important in promoting the equal participation of women in local decision making e.g. gender budgeting. Under Outcome 3 ICCN will investigate good-governance principles and their application in the target municipalities in partnership with key gender stakeholders in key issues in DRR, livestock husbandry and gender.

**Gender Mapping:** A gender mapping exercise complete with Gender Key Contact Map has been conducted during the Inception Phase Gender Survey. Both exercises have provided invaluable information on the operational ‘gender’ environment in the three municipalities. Key contacts at municipal and community levels will be key in leveraging the participation of women in interventions on behalf of key service providers or local government or in the transmission of information or the provision of gender tailored recommendations as to how, when and where to best implement an intervention.

**SDC Gender Toolkit:** The SDC Gender toolkit and checklist has been utilized in the design of this document and has been and will be utilized for the design of interventions. This kit is a very useful tool for gender mainstreaming and covers a wide range of gender-related topics including gender analysis, gender household and community analysis, gender and monitoring & evaluation which will be applied in Alliances-KK. Annex 6 contains the Alliances KK Gender Checklist

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## DRR

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**Disaster Risk Reduction:** Integrating DRR programming will serve to strengthen the Alliances-KK project and seek ways to reduce the vulnerabilities of key stakeholders so that market linkages normally weakened or broken as a result of a natural hazard are more resilient and likely to continue in the future. In addition to activities under Outcome Three, Alliances-KK will mainstream DRR through adopting a do-no-harm approach to the environment by utilizing the Business Environmental Audit Tool (BEAT). Alliances-KK will address DRR in a systemic way by working with local government to address the root causes of community vulnerability to natural hazards; that of lack of coordination. This will be achieved through capacity building and facilitating the design and implementation of interventions through local government bodies. If potential hazards do emerge, Alliances-KK will assist clients in addressing them to lessen their risk.

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## 4. Operational and Financial Proposal

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### Implementation Strategy

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Mercy Corps, in collaboration with IAAD and ICCN propose the Alliances-KK programme in the region of Kvemo Kartli, in the municipalities of Dmanisi, Tetritskaro and Tsalka with the overall strategic goal to *contribute to poverty alleviation and the transition to a durable market economy for the livestock sector in the Kvemo-Kartli region of Georgia.*

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<sup>45</sup> “Gender Balance, non-discrimination in every sphere and creation of equal opportunities for men and women is one of the priorities of the Georgian Government.” These aforementioned aims are listed in the Georgian Law on Gender Equality Number 2844-IS dated 26 March 2010 and signed by the President of Georgia.” ICCN Gender Survey Report 2011

Alliances-KK has fully adopted *The Making Markets Work for the Poor* (M4P) approach in recognition of the fact that market-driven programming needs to be capable of dealing with diversity, dynamism and risk, with sufficient flexibility to be opportunistic and responsive to the context. Throughout Alliances-KK implementation, the market context will be continuously assessed in order to refine the intervention tactics in order to respond to changes within markets. A work-plan outlining the key activities and anticipated timeframe of the opening interventions is included in Annex 9.

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## **Guiding Principles of Alliances-KK**

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Alliances-KK has developed and will maintain a role as facilitator in the market, while at the same time avoiding becoming a market actor itself. In order to do this, Alliances-KK will therefore focus on working through and building up the capacity of existing actors. The guiding principles of Alliances KK implementation are low or in-visibility, a portfolio approach, entry=exit planning, adaptability and flexibility, constant market intelligence gathering, communication and knowledge sharing and facilitation.

### **Facilitation**

Facilitation can be described as the key means, tool and activity of implementation. Facilitation takes time, it involves the process of identification of key change agents in the market systems (largely undertaken in the implementation phase), building relationships and bringing them into the process of identifying systemic constraints and solutions directly relevant to their situation and addressing their key capacity and motivational needs in alignment with Alliances' pro-poor market system change agenda. Finally on achieving these steps Alliances can make an offer to the client which then becomes an implementable intervention, the terms and conditions of which are written in a contract.

This process is flexible and entrepreneurial, but is underpinned by a robust and accountable administration and monitoring process that has been developed and refined during the 2.5 years of Alliances-SJ. Please see the sections below for the framework, instruments and resources through which this is achieved.

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## **Implementation Phase Framework**

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The following steps describe the framework through which Alliances-KK will be managed and implemented, they have been informed by and are based upon the systems developed and experience gained from Alliances SJ and in particular from the Lessons Learned produced by the Mercy Corps Springfield mid term review of the programme. These are outlined in the side bar below.

### **Development and Implementation of Systems and Procedures**

Alliances-KK is based on the adaptation of relevant forms and processes of managing, implementing and monitoring systemic interventions from Alliances-SJ and appropriate technical support provided by Alliances-SJ staff and HQ technical teams. This has already included cross visits, training and 'shadowing' whereby KK staff spend time in SJ with their opposite numbers watching and learning and applying systems and tools in actual situations. Alliances-KK will also benefit from the intensive inputs<sup>46</sup> that have been made into the development of a robust and appropriate M&E system. This system is described in detailed in the *Monitoring and Evaluation* Section. It is also anticipated that the development and fine tuning of management systems, implementation tools and monitoring and evaluation will continue under Alliances KK in coordination with Alliances SJ Phase II to streamline these systems for greater efficiency.

### **Market Intelligence, Research, Assessment & Analysis**

This ongoing process is undertaken by all programme staff through engagement with market players and keeping up to date with secondary resource such as the internet, newspapers and television in order to identify new actors, trends and drivers. This information is shared openly and tracked in the Ideas Matrix and used to guide future interventions. Where necessary Alliances-KK will support clients in conducting

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<sup>46</sup> Including the in-country inputs of a Spring Field Consultant, the Mercy Corps Global Economic Development Advisor and the Mercy Corps Monitoring and Evaluation Advisor culminating in a *Monitoring and Evaluation in M4P Training* held for both Alliances Programs held in Betsy's Hotel over three days in June 2011.

their own market research to better inform their strategies and for Alliances-KK to utilise this information to make decisions. A main lesson learned in the Alliances- SJ programmes is that facilitation of clients in conducting market research to build their confidence in a new product is crucial in obtaining their support. Examples include Southern Gates newspaper to examine the potential market for a farmers supplement, and local input supplier RAS to identify potential demand for a franchised feed product.

### **Facilitation of Business Development Services**

Through Alliances-KK, existing local providers will assist clients with the development of investment plans, on-going business mentoring and training in topics such as marketing, finance training and market research. Alliances- KK believes that good business planning is a vital step in upgrading businesses and will require investment plans to be developed by any client receiving material or financial assistance over a \$3,000 threshold and will achieve this through referral mechanisms with existing, supported BDS providers. Business planning will be a useful exercise for the client as well as serving as a direct means of monitoring for Alliances-KK clients.

### **Design, Management and Implementation of Systemic Interventions**

#### *Systemic Programme Interventions*

Ideas for systemic programme interventions arise through market research, assessment, analysis and intelligence or when players have identified themselves through a speculative enquiry. On identifying these potential entry points or the niches for potential interventions in the market a key tool is the use of the *Ideas Matrix* which details the potential intervention, the rationale for it the status of the idea i.e. in progress, under consideration or low priority. This is updated on a monthly basis and forms the basis of progress reports at weekly meetings.

Interventions are based on a collaborative process of facilitation with market actors addressing the underlying causes of market dysfunction and on detailed market analysis. They employ the instruments including facilitated business development services, market intelligence, research, assessment, facilitated training and development the *Investment Support Facility* and the *DRR & Governance Investment Support Facility*. (see the Alliances KK Instruments section below).

Alliances-KK interventions have at their heart the *Intervention Plan* which is a document that incorporates market research, analysis of systemic weaknesses, potential and chosen systemic interventions, the role of the players, a budget, timeline and a monitoring and measurement plan. Accompanying this is a *Results Chain* which fits the intervention into the broader context of the *Outcome* and the other interventions underway as they impact the target group.

For a full depiction of the investment process; from ideas formulation to announcement and granting, please see the Investments Workflow Diagram in Annex 8 in addition to the information below.

#### *Process*

### **Lessons Learnt from the Alliances Samtskhe-Javakheti programme**

The design of the Alliances-KK programme is based on lessons learned from over nearly three years of implementing the Alliances-SJ programme which has yielded significant market system changes. The Mercy Corps, Springfield Centre, mid-term review with lessons learned and case studies of the Alliances-SJ programme were fully utilised when designing Alliances-KK:

1. *Structure*: Alliances-KK will be structured similarly to the Alliances-SJ as this has proven to be an efficient means of delivering an M4P programme. Alliances-KK has recruited local staff with where possible private sector experience as it is important to know how to negotiate with businesses and where a potential intervention might sit within a business context.

2. *Investment in capacity*: Mercy Corps' experience has shown that the key to embedding the approach is early investment in staff capacity. Extensive trainings for staff and partners were conducted in the set up phase of Alliances KK including use of the translated version of the M4P Operational Guide and an accompanying training course.

3. *Market intelligence, research, analysis*: Is ongoing process as the market continuously evolves. One of the key principles of Alliances in implementing systemic interventions is that of flexibility and adaptation: changing tactics according to changing conditions in order to achieve the objective. It is important for the program to remain nimble enough to respond to opportunities that crop up in a fluid market environment.

4. *Flexibility and inventiveness*: are essential in designing offers that appeal to clients; market players should undertake new roles or activities because they see long-term rewards for themselves, not because they are temporarily paid to do so.

5. *Advisory committee*: set up for shaping, monitoring and verifying and refining the vision of the market, the tactics employed and overall strategy. It will comprise of non executive local government and market to provide a layer of governance in the programme that will facilitate productive engagement with local stakeholders.

6. *Low visibility*: Low visibility is a sustainability mechanism by giving a position of power to local market actors and not undermining their markets or interests.

When players are identified (sometimes through an announcement or invitation), the first stage of the process is an *Application* which outlines the business idea and includes a headline budget stating the client's contribution. This may undergo a number of iterations before the programme agrees to proceed to the development of an *Investment Plan* (for investments over \$3,000) or with the intervention itself. Once Alliances is satisfied that the intervention is planned and the client is fully aware of their responsibilities, a *Grant Agreement* is prepared and signed. Grant agreements contain a number of conditions which are there to ensure that the broader aims of the programme are met through the activities of the client. A financial instrument, the *Investment Support Facility*, is used for co-investing in interventions with clients. Alliances-KK will leverage at least 35% co-investment for the sub-grants. Furthermore, the *DRR & Governance & Gender Investment Fund* will be used for supporting governance and DRR projects and ensuring the inclusion of women within them. The instrument will leverage co-financing from the government to address DRR issues in the region, facilitate capacity building of the local government and support DRR-related researches.

Mercy Corps Alliances is currently developing a Grants Manual which will be submitted to SDC for approval in the first quarter of the implementation phase. The Grants Manual contains detailed information of procedures, process and tools in the following sections (to date)<sup>47</sup>:

- Description of Alliances Investment Fund
- Eligibility Criteria (of different stakeholders for investment support)
- Funding and Payment
- Investments Fund Committee
- Investments Plan (Content and construction)
- SROI (Calculation of, Predicted, Ongoing and Use)<sup>48</sup>
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#### *Building Programme Client Relationships*

Successful interventions under Alliances-SJ have been the result of extensive research and analysis, sometimes involving the players themselves. The portfolio managers have to build relationships with these players and take time to understand the potential role of the intervention from the perspective of the market. The design of the intervention is a flexible process and will undergo several iterations as a more detailed picture of the market emerges and as negotiations with market players proceed towards a final offer. The relationship developed with EcoMilk Shelguni in the new intervention described in Section 1 is a good example of the importance of the Client Programme relationship.

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## Alliances-KK Instruments

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Alliances-KK will employ the following instruments in achieving the stated outcomes:

**Facilitated Business Development Services:** Alliances-KK will facilitate business development services through local, national and, where necessary, international providers with a view not only to provide temporary access through programme support but ultimately to strengthen local provision and demand. Mercy Corps has an established relationship with the Association of Business Consulting Organisations (ABCO) which also has an office in Marneuli and provide basic business planning and training such as financial management but are mainly donor-supported. Mercy Corps also has linkages with Tbilisi-based companies such as UGBC who prepared marketing plans for some Alliances-SJ partners. Alliances-KK will utilize Tbilisi-based companies more to strengthen local BDS providers than to deliver services directly as their services are generally beyond the economic reach of SMEs in the area. Foreign advisors will be utilized either where no in-country services are available (e.g. the rangeland remote-sensing study) or when they can be accessed at low cost such as through Mercy Corps' link with Challenges Worldwide<sup>49</sup> who provide expert volunteers to mentor and coach businesses. The type of services Alliances-KK envisages partners needing range from management consulting, business planning, business modelling and marketing.

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<sup>47</sup> Alliances KK and SJ will meet to develop and finalize the manual once the Implementation Phase is underway.

<sup>48</sup> Please see P37-38 for the description of the SROI in the M and E section and the method of calculation.

<sup>49</sup> <http://www.challengesworldwide.com/>



**Business Environmental Audit Tool (BEAT):** A simple environmental audit tool, developed under Alliances-SJ, will provide Alliances-KK clients with a framework to analyse their impact on the environment and potential impacts of natural hazards on their businesses. The aim of the BEAT is the checking and verification of business compliance against government regulations with regards to the environment and identification of businesses for whom a full Environmental Impact Assessment is necessary. The status of and any problems regarding environmental issues will emerge through use of a comprehensive checklist and criteria which are given in BEAT. The audits will be facilitated through a sub-contract to local environmental consulting provider Gergili Ltd who developed the BEAT with Alliances-SJ. Please see Annex 8 Investment Workflow Diagram for application of facilitated environmental assessment.

**Facilitated Training & Development of Clients, Partners & Stakeholders:** Alliances-KK will facilitate training of key actors, supporting functions providers and stakeholders, and local government representatives in M4P, business negotiation, DRR, good governance and gender mainstreaming to enable them to facilitate systemic market change in the future.

**Market Intelligence, Research, Assessment & Analysis:** This will be an ongoing process, with portfolio managers and IAAD advisors keeping abreast with market developments, coordinating with Alliances-SJ and communicating these through weekly meetings and knowledge-sharing tools developed by Alliances-SJ. Further elaboration regarding this component is provided under section 4.

**Investment Support Facility:** A financial instrument used for co-investing in interventions with clients where necessary. Strategic investments will be made through a comprehensive dialogue and the development of an investment plan facilitated through business service providers (see above). Alliances-KK will leverage at least 35% co-investment for the sub-grants: experience in Alliances-SJ shows that this can be achieved whilst not throwing up barriers for the participation of small agribusinesses. M and E and data collection for ongoing interventions will also be embedded in the interventions budget funded by the ISF.

**DRR & Governance and Gender Support Facility:** A financial instrument used for supporting governance, gender and governance and gender and DRR interventions. The instrument will leverage co-financing from the government to address DRR issues in the region, facilitate capacity building of the local government and support DRR-related researches and ensuring the inclusion of women within these activities.

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## Monitoring and Evaluation

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### **Alliances KK: A Results Orientated Monitoring System**

The monitoring system has been developed in compliance with SDC's *Outcome Monitoring Concept* and the M4P approach and has three main components – results chain/impact logic<sup>50</sup>, the measurement plan and the outcome level indicators<sup>51</sup>.

*Results chain:* describes diagrammatically the changes that the programme expects to instigate in the market system through your intervention.

*Measurement plan:* shows precisely what is to be measured and how it is to be measured, and enables the tracking of whether these changes are happening.

*Outcome level indicators:* highlight and enable the measurement of progress of the key indicators for the whole outcome.

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<sup>50</sup> The M4P approach utilizes the term 'Impact Logic' and The donor Committee for Enterprise Development of which SDC is a member utilizes the term Results Chain. Alliances KK will utilize the term 'Results Chain'.

<sup>51</sup> The **M&E** team at headquarters helps to develop, implement, and refine Mercy Corps' overall ability to report quality information through: 1) A M&E technical assistance "*help desk*" – individual support to field and HQ teams on various M&E-related efforts including in-country support visits; 2) Development and dissemination of supporting *tools and resources* that can be broadly accessed across the agency.

## Monitoring and Evaluation Implementation

The M&E Team of the Alliances programme ensures the development and implementation of monitoring systems and plans for:

- measuring programme progress against objectives
- usage as an internal management tools
- informing interventions and learning
- feeding into and satisfying donor reporting requirements.

Management ensures that all project staff are cognisant of the project log frame and the resultant results chains and that they are involved in collecting and analyzing information relevant to the interventions and portfolios that are their remit.

The *Programme Log Frame* is translated into a *Results Chain(s)*<sup>52</sup> which will allow the identification of common and scalable indicators as means of verification across the various interventions. Clear design of the results chains enable timely and appropriate monitoring activities which are recorded in the *Measurement Plan*; a table containing specific indicators and the time schedule when they shall be measured, the means of their verification, baseline data, progress to date, data validation date and the person responsible for ensuring completion. A measurement plan is designed for each intervention with the timing of data collection established /intervention data collected from service providers is transferred to the plan<sup>53</sup>. The data contains disaggregated gender and ethnicity indicators.

A table of the *Outcome Level Indicators* which will aggregate key scalable indicators for each Outcome's intervention measurement plans is then developed. Indicators are key elements of the monitoring system showing the corresponding measurement for each title box of the results chain. All indicators are identified and agreed upon through the close cooperation with partners. Each indicator has a baseline, measured before starting the intervention and a predicted impact i.e. the expected measurable impact at the end of the intervention. A key guiding principle of the Monitoring System is that indicators are SMART (Specific, Measurable, Achievable, Relevant, Time bound) and can be validated by an identifiable means of verification.

*Note on Baseline Data:* Besides the data collected in the Market Analysis and Alliances Survey<sup>54</sup> process, Alliances KK will collect weekly data on wholesale and retail prices of cheese, dairy, beef and lamb and other relevant indicators; this data in addition to data obtained in consultation with the client will form the baseline data that is generated per intervention and entered into the measurement plan.

## Social Return on Investment (SROI)

A key element of quantifying the impact of an intervention is the Social Return on Investment (SROI). A SROI is the financial indicator used to show the benefits provided by service providers to SSLP's expressed in terms of additional income and time saved (monetised), increased sales, reduced transactions etc. The SROI enables the demonstration of progress achieved and attributable to the investment, defines the optimal share i.e. percentage % of our co-investment per intervention and timeline for the breakeven point of the co-investment. All alternative costs are taken into consideration while calculating SROI. Net benefits are then considered as the profit of SSLPs and calculations are done accordingly i.e. the classical ROI formula using farmer benefits as a profit is used. Two SROI's are calculated a Predictive SROI see below and ongoing SROI. Once raw financial data is received on-going financial calculations are made and a biannual SROI calculated per investment.

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<sup>52</sup> Alliances KK and SJ Results Chains are being brought into line in their design across both programmes with the DCED guidelines.

<sup>53</sup> An example would be the relationship developed with Alliances-SJ supported Mesketi Products slaughterhouse to assist them in improving transport. It was agreed, that this service would be free of charge for farmers selling livestock at the farm gate. As the intervention is implemented, the slaughterhouse provides Alliances SJ with data on volume and value of trade (disaggregated by gender and size of farm unit) on a monthly basis. When the intervention is underway, Business Development Officers update current status and next steps in line with the monitoring plan.

<sup>54</sup> Focus Group Survey, DRR Survey, Gender and Governance Survey, Livestock Survey

### *Predictive SROI as a Decision Making Tool*

Before starting an intervention a predictive SROI is designed based on the investment plan. The predictive SROI enables to define the optimal share i.e. percentage % of our co-investment per intervention and timeline for the breakeven point of the co-investment. It forms a main decision making tool in planning investments and setting targets, and is particularly useful when choosing between two or more similar Service Providers (e.g. high SROI's and close breakeven points, are regarded to be an advantage). It is designed based on the data provided in investment plans prior to starting the intervention.

### **Alliances KK Monitoring and Evaluation Team**

Alliances KK and Alliances SJ are creating an embedded Monitoring and Evaluation and Research Officer for each team who will be under the supervision of their relative Programme Directors and the Monitoring and Evaluation Coordinator. The M and E Officers will ensure the delivery of timely data from the project BDO's. They will also ensure that ongoing market analyses and supplementary research and data is analysed on an ongoing basis to provide the information necessary to readjust project interventions where appropriate. This will be particularly important in processing gender disaggregated data and designing gender sensitized interventions.

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## **Resources**

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### **Management & Technical Support**

Mercy Corps embodies excellence in managing market development programmes worldwide and is mainstreaming M4P into poverty-reduction programmes assisted through a corporate relationship with the Springfield Centre for Business in Development<sup>55</sup>. Currently in Georgia, five key staff members have attended the annual two week M4P training run by Springfield in Glasgow. This includes the Country Director, the two Programme Directors<sup>56</sup> the deputy Directors of both Alliances Programmes. These will be supported by an Economic Development Advisor from Mercy Corps' Global Technical Support Unit (TSU) who has direct M4P management experience from managing the Alliances-SJ programme, and the Senior Programme Officer for the Caucasus, Balkans, South & Southeast Asia, both of whom have attended the M4P training. Additional support can be provided by Diane Johnson and Sasha Muench of the TSU, both Glasgow alumni and who bring additional expertise in financial and non-financial services and market assessment and mapping. Extensive technical support will also be provided by the Alliances-SJ team.

### **Staff**

Alliances-KK will be structured similarly to the Alliances-SJ programme as this has proven to be an efficient means of delivering an M4P programme. Alliances-KK will be managed by an expatriate with strong management and M4P experience, she will ensure the coordination of Alliances KK with SJ and other relevant actors to maximize synergies and ensure the forward momentum of the programme the in line with stated Goal, Purpose and Outcomes in achieving sustainable systemic market change. The core team comprises of an the Deputy Programme Director/ Investment Coordinator who will ensure the day to day management of interventions and investments and the flow of information from the BDO's and other core member of the team; Business Development Officers managing specific portfolios in Animal Health, Nutrition and Breeding, Food Safety and Hygiene, Market Access and Access to Information and Grants Management, a Liaison Officer who will work closely with ICCN and the Information BDO and a Monitoring and Evaluation and Research Officer (see M and E section above). These staff will be assisted by IAAD and ICCN technical advisors for agriculture, gender and governance and by the IT officer. Where required, external consultants will provide additional technical input or training to support interventions i.e. specific DRR needs of local governance in GIS<sup>57</sup>. Alliances-KK has linked closely with the well established Alliances-SJ programme in neighbouring SJ, with cross visits and 'shadowing' of opposite numbers which is assisting new staff to become adept at the management of the M4P process. Any future

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<sup>55</sup> Includes the development of the 'M4P in Challenging environments' elective in Glasgow, action research, case studies, and organizational consulting for mainstreaming market development in Mercy Corps' strategic thinking.

<sup>56</sup>The Alliances KK Programme Director is attending the Springfield Course in Glasgow in July 2011.

<sup>57</sup> In the Inception Phase ICCN contracted Gergili an Environmental Services firm to help refine their DRR activities and report.

SDC M4P programmes will be the focus of coordination to facilitate improved economies of scale for some market actors and establish common metrics for impact measurement according to the OMC. Annex 4 contains the staff TOR's and Annex 5 shows the programme structure and coordination network.

### **On the Job Training**

The practice of 'on-the-job' training, which was instituted in the Inception Phase will continue throughout the Implementation Phase. A room in the Marneuli Alliances KK office has been designated and equipped as a 'training room' for ongoing trainings. These have included thus far a market mapping exercise training and regular M4P update trainings including Market Analysis and Report Presentation and Understanding the Development of Interventions as the inception phase has progressed. The need for the development of staff capacity is well recognized as imperative to the success in running M4P programmes. M4P interventions are complex and require in-depth understanding that is gained as experience and knowledge increase. International level training in the form of the Springfield Glasgow trainings and other international publications accessed by the Programme Directors on a theoretical level need to be transferred to the staff on the programmatic level. 'On-the-job' training will continue throughout the Implementation Phase to ensure that this understanding is developed throughout the team as a whole.

### **Office**

Alliances-KK will be located in Marneuli. Although not in the target area, it is strategically located adjacent and with good road links to all parts of the target area, enjoys good communications and importantly is the commercial centre of the livestock industry and where many market players are located.

### **Intellectual Property (IP)**

Mercy Corps has developed considerable IP in the translation of the M4P operational guide and accompanying training materials and in conducting trainings in Georgian. Additionally, there are formats, forms databases and geographical information systems which are employed in Alliances-SJ which can be rapidly modified for use in Alliances-KK. Mercy Corps also has rights to a robust set of tools and methods developed to train the principles first expressed in 'Getting to Yes', a course and accompanying training materials for improving business negotiation skills developed with Harvard Business School. Mercy Corps Georgia also has a licence to use TEAL a local area network based access to 147 agricultural journals from the University of Cornell (from their MANN library).

The Alliances-SJ facilitated research into consumer attitudes, awareness and preferences around food-safety and meat and dairy products in the Samtskhe-Javakheti region has informed the Alliances-KK for the inception phase particularly in the Market Analysis. The BEAT<sup>58</sup> developed under Alliances SJ will be utilized under Alliances KK and the Dairy Hygiene Manual developed with GDCI has been finalised and discussions are underway for rollout to relevant stakeholders under Alliances KK and SJ.

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## **Risks, Critical Assumptions & Mitigation Strategy**

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**Facilitation Approach:** Facilitation is inherently risky, and reliant upon the ability of the facilitating organization to analyze dynamic markets, identify and build sound relationships with private and public sector actors and engage them in the pro-poor market system change process. As such the success of the programme is dependent upon the cooperation of the actors concerned, which in turn is dependent upon the quality of the management process. If incorrect assumptions are made about the market, if relationships cannot be built and players do not cooperate in the process, the success of the programme is potentially compromised. However the rationale for using a facilitation approach is that it lays the foundations for large scale, sustainable pro-poor benefits in a way that other standard direct-delivery approaches do not: though the risks are higher, the rewards are too.

*Mitigation Strategy:* Mercy Corps' track record of designing and implementing M4P programmes in Georgia, and elsewhere, is testimony to our ability to manage facilitation. The investment in the development of a cadre of highly professional staff has already paid off through timely delivery of multiple high quality market research outputs, and the development of numerous relationships with market players

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<sup>58</sup>Business Environmental Audit Tool for use with clients to help identify potential hazards related to the environment and disaster risks which may impact the business.

during the inception phase. This will continue throughout the implementation phase, supported in-country by the management team and through strong linkages to the Alliances-SJ programme, as well as by Mercy Corps headquarters and the Technical Support Unit.

**Governance:** Several laws are being enforced of paramount relevance and importance to Alliances KK. In particular the Food Safety and Hygiene Strategy (including disease control and notification and animal registration), laws relating to Land ownership and the Gender Strategy. ICCN under Outcome 3 will be ensuring that local municipalities and key gender focal points are at least cognisant of the Gender Strategy and is assuming that existence of the Strategy at a national level will provide leverage at a municipal level in translating the strategy to everyday governance. Similarly much of the Alliances KK strategy is built upon securing the continuing access of SSLP's and service providers to the market by improving the transparency and participation of the governance related to these laws and information about them. The assumption of the programme is that the compliance according to laws will lead to market access and that information can be obtained and transmitted freely, however there is some risk that hidden influences including powerful monopolies and cartels in the market may exercise influence that means access/transparency could still be blocked despite what is written in law and despite regulations and compliance being met.

*Mitigation Strategy:* To mitigate these risks Alliances KK has undertaken relationship building with key stakeholders in government and private sector and civil society at a local and national level. In mitigating the influence of monopolies, competition will be encouraged and emphasis put on the availability of information in line with good governance principles. In addition, the synergy between the two Alliances programmes in stakeholders, partners and clients and the larger geographical area covering two regions of Georgia, has already lent a higher profile and greater leverage for advocacy.

**Environmental:** The main natural disasters, according to research undertaken by the Ministry of Environment<sup>59</sup> are expected in three target municipalities include: landslides, avalanches, flooding, washout of the river banks, occurrence of gullies, mudflows. In addition there is a risk that the activities of Alliances-KK clients will in some way damage the environment or contravene environmental regulations.

*Mitigation Strategy:* To mitigate the risk of a natural hazard impacting SSLPs and service providers in Kvemo-Kartli, Mercy Corps will continue to support local government to lead activities in DRR to increase awareness and preparation at the community level. In addition the Business Environmental Audit Tool (BEAT) will be utilized with all clients thus ensuring a do-no-harm approach is taken with regards to the environment, and measures can be taken to avoid environmental damage.

**Economic:** In 2008 two simultaneous factors resulted in dramatic economic decline: the South Ossetia War and the Global Financial Crisis<sup>60</sup>. The result was a dramatic withdrawal of foreign investment and consequently Georgian banks were unable to provide credit at an affordable rate. In addition external and internal market forces may adversely impact the programme by affecting the viability of the products the programme is working with. For example, the price and demand for liquid milk in Georgia is often affected by the price of powdered milk on the world market for which it may be substituted.

*Mitigation Strategy:* Without access to credit at a reasonable rate, investments by Alliances-KK may be required to reduce the financial risk of the client to invest in new or expanded services and products. Alliances-KK will facilitate the establishment of strong local agricultural entities as viable businesses and facilitate linkages with financial institutions. Alliances' ongoing market intelligence and analysis aims to track external and internal market forces in order to take evasive action if necessary. The price of powdered milk is remains low, however consumer preference for fresh milk and legislation which has meant better labelling of origins on packaging have bolstered the national market for fresh milk. The programme will continue to monitor the price of milk powder and consumer trends.

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<sup>59</sup> The Results of the Natural Disaster and Geological Processes in Kvemo Kartli Region in 2009 and Forecast for 2010

<sup>60</sup> <http://www.global-financial-crisis.org>

The cost of living is increasing in-line with global trends<sup>61</sup>. Livestock feed, transport and fuel are often cited as major expenditures and constraining factors for SSLP's. Global and national economic factors influence the purchasing power of farmers and their willingness to pay more for improved services and inputs.

*Mitigation Strategy:* The objective of the programme is to improve the accessibility of farmers to improved services that will provide a return that will co-investing and strengthening service providers helps mitigate the risks of farmers in purchasing better value for money services and inputs. New products and services designed will clients will often include a measure of discounting of prices of services and inputs to stimulate demand.

Another serious economic risk is an animal pandemic of diseases which seriously reduce productivity e.g. FMD or death e.g. Anthrax, resulting in a serious impact to SSLP's dependant on small numbers of livestock, there is no government compensation to farmers in Georgia for the death or culling of animals due to disease.

*Mitigation Strategy:* To minimize the risk of animal borne diseases in the future, Alliances-KK will facilitate actors in the animal health sector to support SSLPs with improved access to animal health services through more affordable vaccinations, information and awareness leading to better hygiene. Under Outcome 3 work with local government, the NFA and the placing of animal disease on the agenda of the DRR working groups will promote the development of strategies to mitigate infection and spread of disease.

**Political:** Mercy Corps does not view political instability as a high risk, but with Presidential elections planned for 2013 the political situation remains fragile.

*Mitigation Strategy:* To minimise the risk to Alliances- KK, Mercy Corps will continue to forge strong relationships with government, particularly at the local level and with other stakeholders.

**Social:** Mercy Corps will ensure that cultural norms especially those regarding women are respected. To minimize cultural insensitivity, Alliances-KK will recruit female staff within the programme team to ensure gender sensitivity. Furthermore, Alliances-KK will undertake targeted gender research to fully understand the roles of women in the sheep and cattle value chain, and disaggregation of data so that imbalances are detected early. Alliances KK is also aware of the ethnic complexity to be found in its programme area and the challenges these present.

*Mitigation Strategy:* ICCN has considerable expertise and awareness in ethnic issues in the programme area and this ensure ethnic sensitivity in the programming to mitigate risks of exclusion through ethno-centric assumptions or the development of conflict.

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## Financial proposal

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Mercy Corps has prepared a detailed financial proposal project implementation phase starting from September 15<sup>th</sup> until 30 November 2013. The financial proposal is based on the SDC standard project budget template. Please refer to Annex 2 of the application for Alliances-KK budget.

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<sup>61</sup>E.g. The inflation rate has gone from a low of 3% in 2009 to a current rate of 8.5%. [www.geostats.ge](http://www.geostats.ge)