

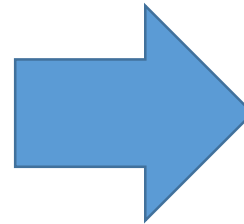


The European Union  
for Georgia

ENPARD: Support to Agriculture  
and Rural Development

# Overview on the access to Finance for Cooperatives

Juan Echanove, CARE USA, Nov 2016



**ISSET** MA Program in Economics  
Policy Institute  
International School of Economics at Tbilisi State University



# Coops financial needs



**Investments**

- Startup
- Expansion

- Land
- Infrastructures
- Production equipment
- Processing equipment

**Higher and punctual**

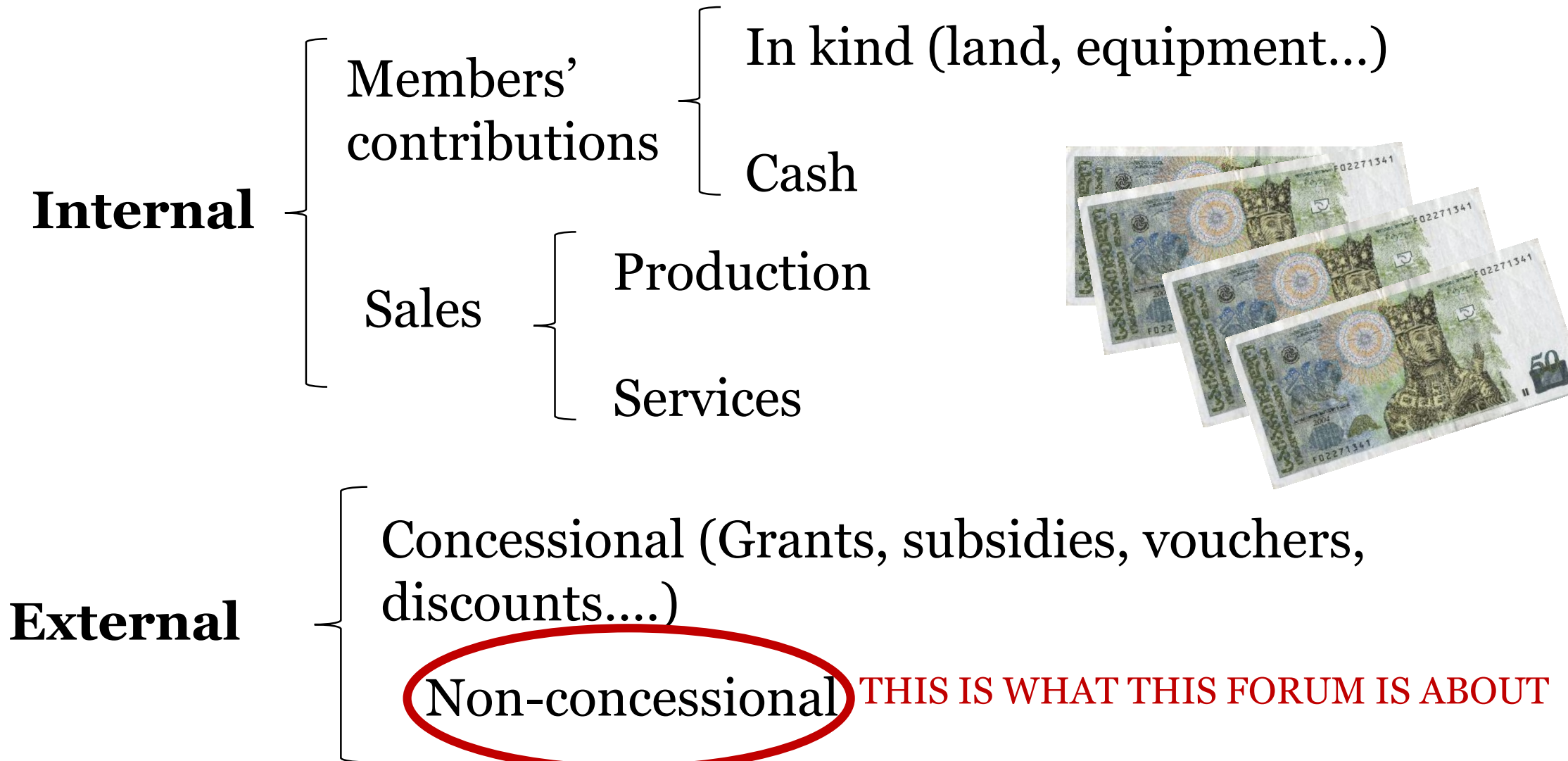
**Working capital** (running costs)

- Inputs (seeds, petrol...)
- Services (maintenance...)
- Employees' salaries


**Smaller and regular**

**Risk management** (e.g. insurance, savings)

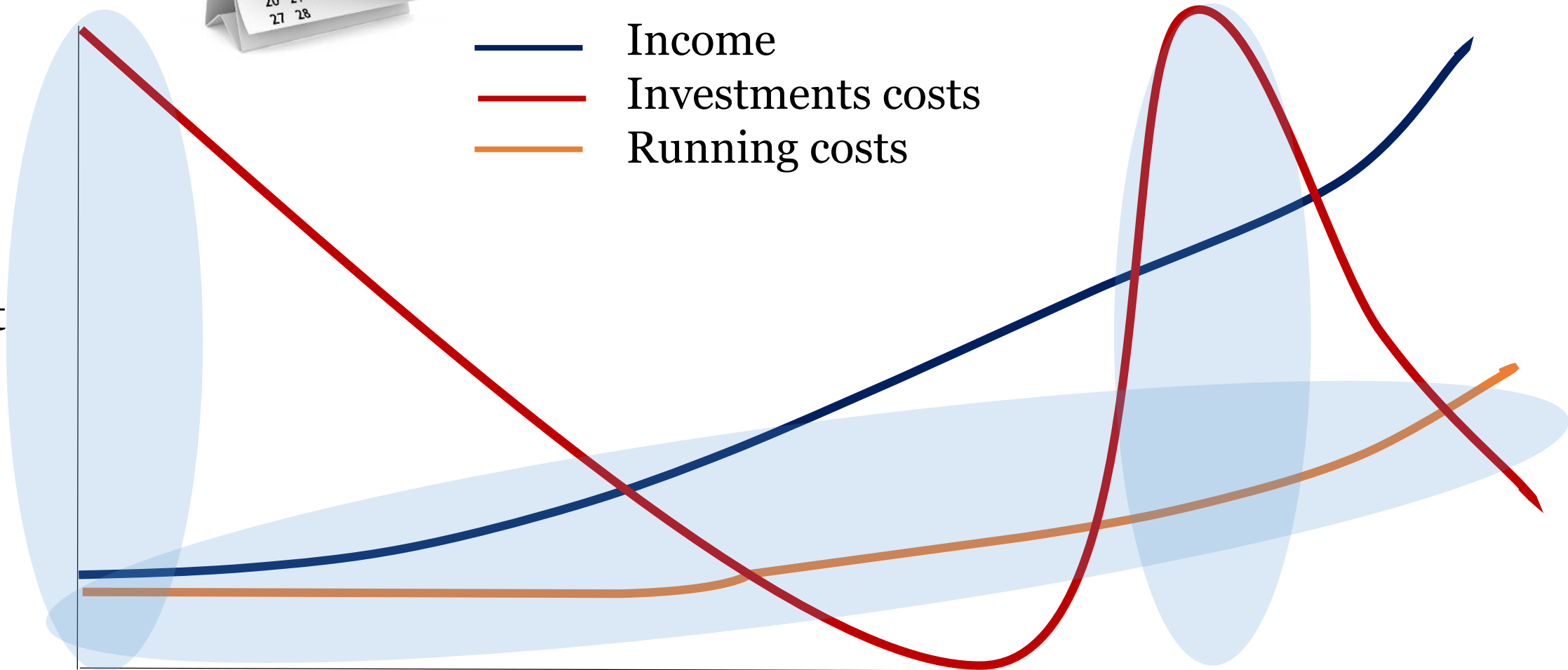
# Coops income sources





-  Income
-  Investments costs
-  Running costs

Amount

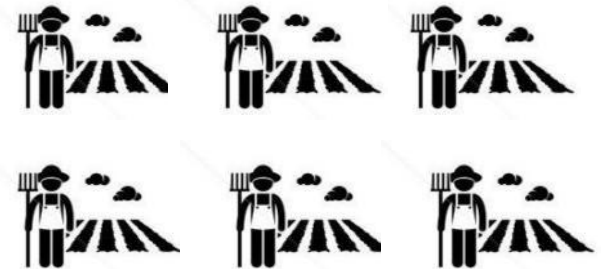


Time

Types	Who is financing?	What for?
External investment	Investors	Investments
Loan	Public bank	Investments and working capital
	Private bank	Investments and working capital
	MFI	Working capital
	SACCOs, credit unions	Working capital
Revolving fund	Coop members	Working capital
Loan guarantee fund	Private bank	Investments and working capital
Contract farming	Agro processor	Working capital
Leasing	Agro dealer	Equipment
Insurance	Insurance Company	Risk management

# Some examples....

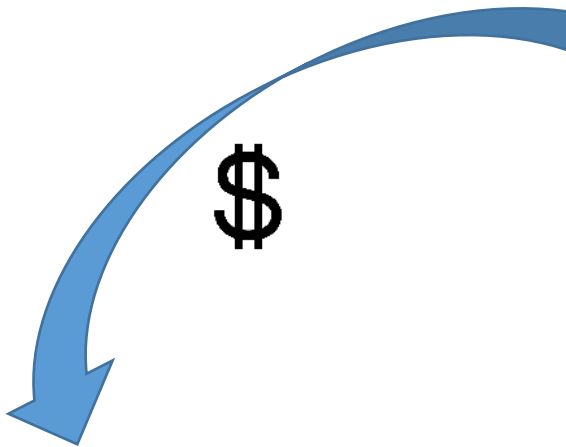
## The **co-operative**



# FIs coop lending vs SACCO



**FI coop lending**



The **co-operative**



The **co-operative**

**SACCOs**





# Contract farming

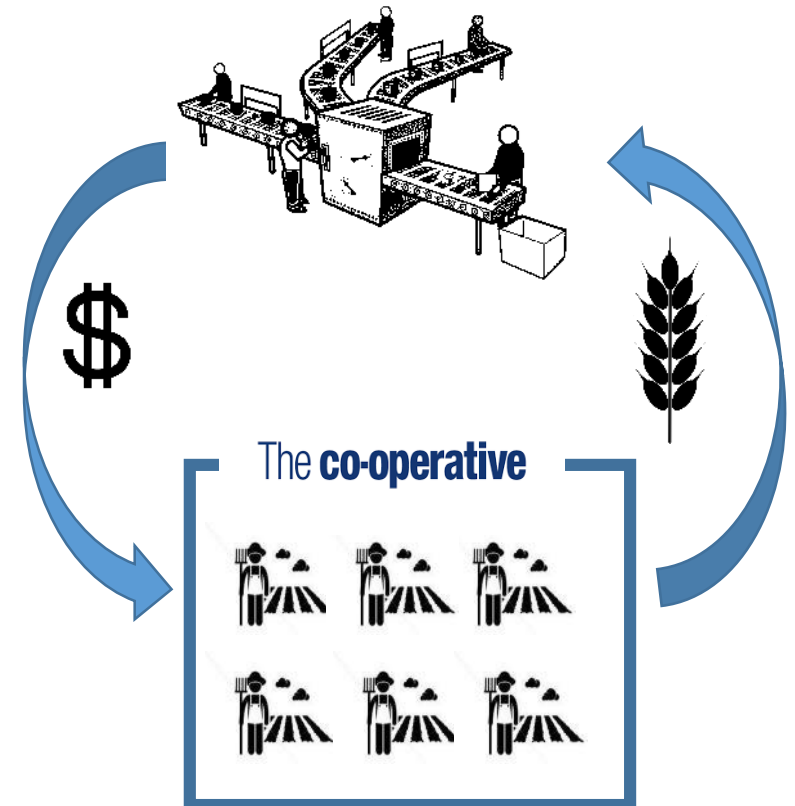
Credit provided by traders/processors for coops willing to sell to them

## Pros....

- Farmers get access to inputs and market
- Buyers secure quality, reliability and good prices
- Limited transaction costs (e.g. lower appraisal cost)
- Less risk of deviation (part of the credit often is in kind)

## Cons...

- Not suitable for capital investment, only for working capital
- Farmers may fail matching standards
- Risk of side-selling by farmers or side-buying by buyers
- Not always 'fair' deal





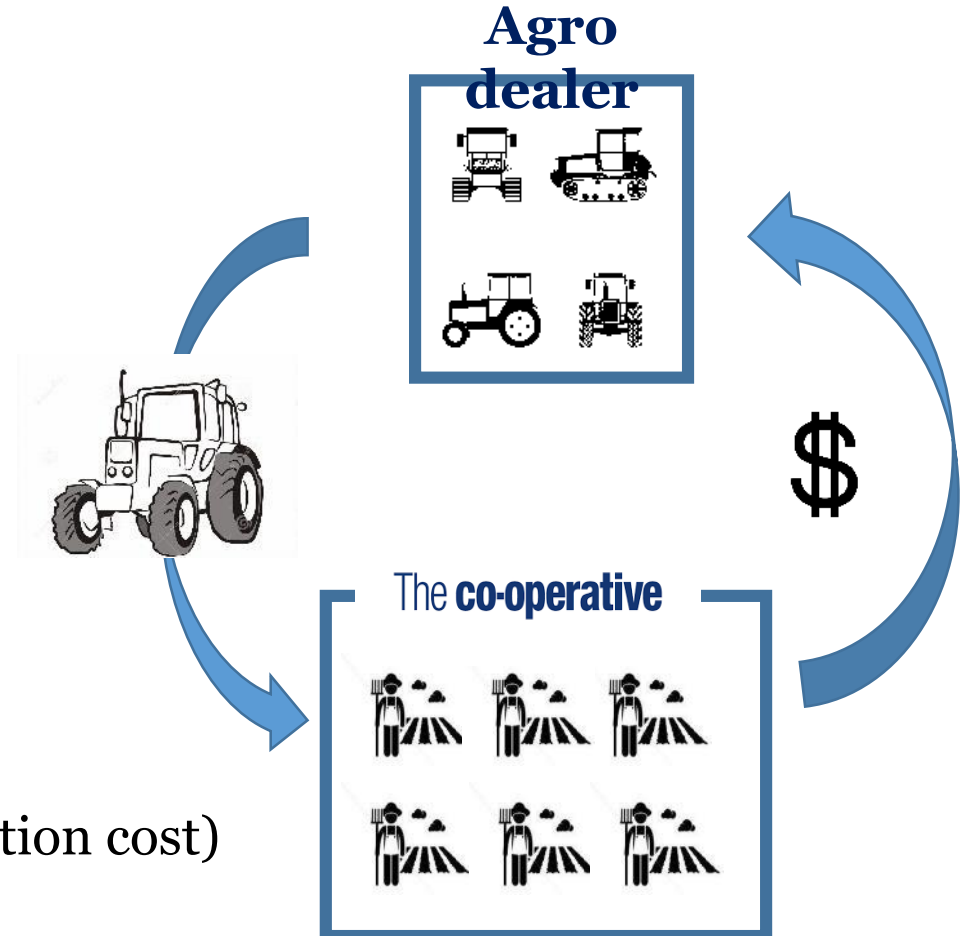
# Agro leasing

## Pros....

- Easy to understand
- No collateral needed (apart from the leased item)
- No need to buy
- Low risk of deviation
- Equipment manufacturers' access new markets

## Cons....

- Not suitable for specialized equipment (higher transaction cost)
- Legal environmental may not facilitate leasing
- Reposition may not be enforceable



## Conclusions





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# Thanks!

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