



The European Union  
for Georgia

ENPARD: Support to Agriculture  
and Rural Development

# Drivers of Sustainability of Agricultural Cooperatives: Worldwide Experience

## ENPARD I Consortia Joint Closure Event

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# ENPARD Georgia – Supporting Agricultural Cooperatives

☐ More than **280** Agricultural Cooperatives supported by ENPARD Georgia;

- **Initial Investment:**

- **GEL 13.6 Million** was invested by **ENPARD** and **GEL 4.4 Million** co-financed by cooperatives as of initial investment (**Total: GEL 18 Million**).

- **Additional Investment:**

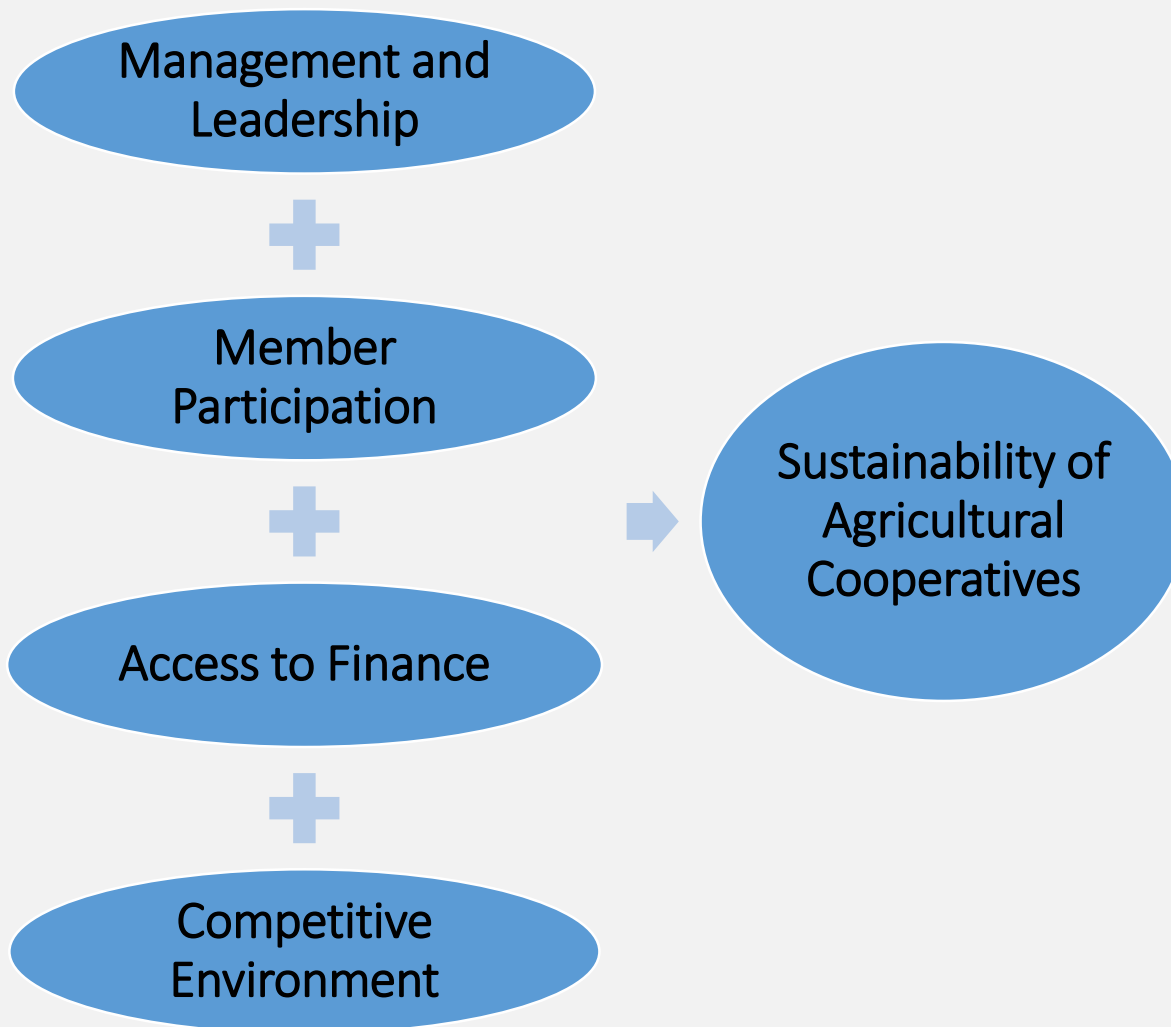
- **GEL 8 Million** was invested by cooperatives during last four years.

- In Total, roughly **GEL 26 Million** was invested in those cooperatives (GEL 92 Thousand per COOP)

# Sustainability of Agricultural Cooperatives – big question-mark for today [?]

- *Although significant progress has been made in the establishment of agricultural cooperatives, **SUSTAINABILITY** is a major challenge for these cooperatives;*
- *Especially when ENPARD's cooperative development component ends this year;*
- Not all those newborn cooperatives will be successful, and their sustainability depends on many factors...

# Drivers of Sustainability of Agricultural Cooperatives



# Management and Leadership

- **Ag. COOPs encounter various managerial problems:**
  - Poor financial management;
  - Poor risk management;
  - Lack of marketing;
  - Failure to delegate and train cooperative members (inadequate training, extension and education programs);
  - Etc.
- **Note:** Some studies have found that managing cooperatives is more challenging compared to managing private firms, because of the **complicated decision-making process in cooperatives** – meaning, the one-member one-vote system (however, it's more democratic).

# Member Participation (I)

- **The activities that encompass member participation:**
  - Attending meetings;
  - Serving on committees;
  - Hard-working in cooperative activities (production, processing, etc.);
  - Etc.
- As Munkner notes (2015): **“co-operatives are good as their members make them”**.
  - However membership **loyalty** and **commitment** depend on cooperatives’ ability to meet members’ needs and demands;
  - Satisfied members are less likely to be free riders (Birchall, 2012; Munkner, 2012).

# Member Participation (II)

- “members that understand or are familiar with the co-operative values are more likely to promote the inclusion of, often marginal, groups such as **women** and **youth** within cooperatives enterprises.” [Smith, Puga, & MacPherson (2005) and Majurin (2012)].

# Access to Finance

- Credit
- Revolving fund
- Loan guarantee fund
- Contract farming
- Leasing
- Insurance
- Associated member
- Etc.

➤ Finance is viewed as more than just another resource such as labor, land, equipment and raw materials (Rahji, 2000).



# Competitive Environment

- Product & market diversification
- Value chain development (marketing and agro-processing)
- High technologies and innovative new approaches
- Government policy (legislation, programs, taxation policy, etc.)
- Etc.

# **• How Can We Contribute to the Sustainability of New-born Georgian Cooperatives?**

- Let's share the lessons we have learned during the ENPARD project (last four years) and make recommendations for the further development of agricultural cooperatives.

# References

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# Thank you!

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