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“FinExCoop: towards socially-inclusive and environmentally-friendly modernization of Georgian agricultural value-chains”



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FinExCoop AFD/EU: strategic goals

- FinExCoop is an EU-funded development project in agriculture implemented by AFD with a consortium led by the Frankfurt School of Finance and Management
- It mainly aims at promoting family farmers geared towards the market
- It has a Think long (agro-economic research, policy advice), Act short (mobilization of professionals for concrete experimental work and coaching of farmers) approach
- It combines three goals: better access to FINance, better technical support through EXtension services, better COOPeration among farmers



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The 4 main terms of the equation (1)

- Because of the “accelerating” impact of the war in Ukraine, **the chances of Georgia joining the EU soon have never been so big**
- **EU Common Agriculture Policy (CAP) remains the first EU policy in its budget.** But CAP is changing. From decoupled income support with limited constraints for farmers, it is becoming a Green CAP as part of the EU Green Deal. **In the future, EU subsidies to farmers will be geared towards the positive environmental externalities they generate.** Mitigation and adaptation to Climate change, produce more and better with less pesticides and mineral fertilizers, and protection of public goods (biodiversity, land, water). **Better management of Climate and other risks** is also becoming a key pillar of EU support



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The 4 main terms of the equation (2)

- The goals of the EU Green CAP are within reach because **we are globally experiencing a new agrarian revolution** combining smart digital agriculture, new agronomic practices in particular in conservation agriculture and organic farming after decades of intensive use of improved genetics including GMO, chemical fertilizers and pesticides, new vertical organization of value-chains from the field to the fork
- Despite solid support from the State and donors, the productivity of Georgian agriculture remains awfully low. One of the main bottlenecks is the lack of qualified staff. **Digital agriculture can be a way to deal with this constraint and to leapfrog by adopting today the green smart technologies the EU will make compulsory tomorrow**



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FinExCoop: smart and green FINance





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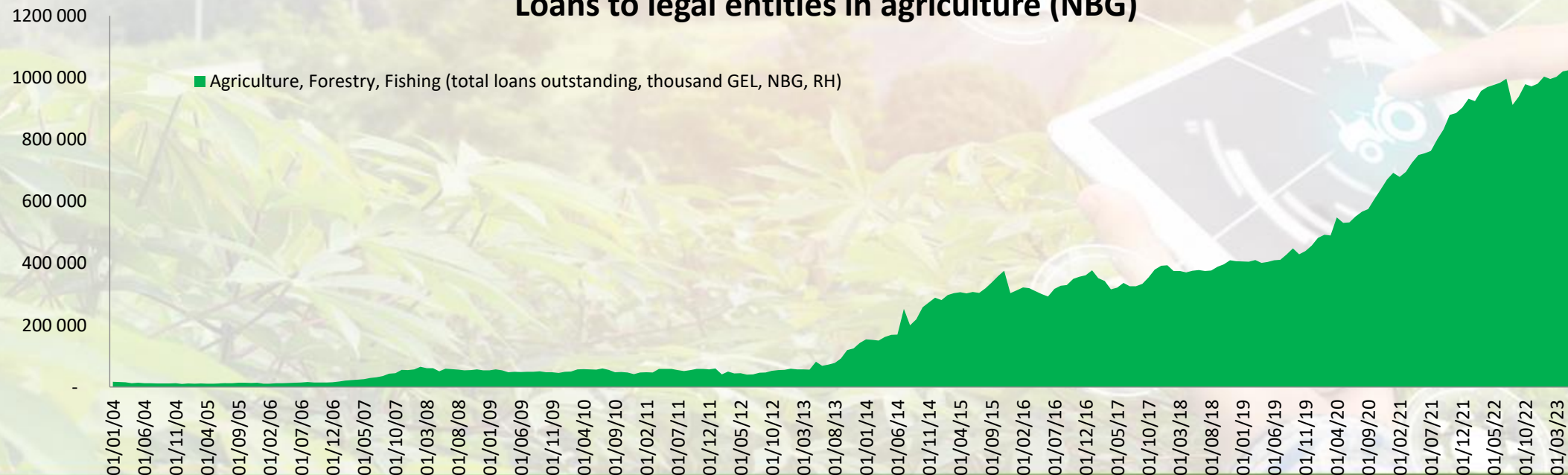
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Thanks to the crowding-in effect of MEPA’s co-investment subsidies and interest rate subsidies, there has been strong growth of credit to agricultural value-chains in the last decade. Even though farmers still consider access to credit as a major bottleneck, the ratio credit to agriculture/GDP in agriculture is now equivalent to that of Central European EU countries. Banks and MFIs have robust client assessment methodologies and portfolios.

Loans to legal entities in agriculture (NBG)





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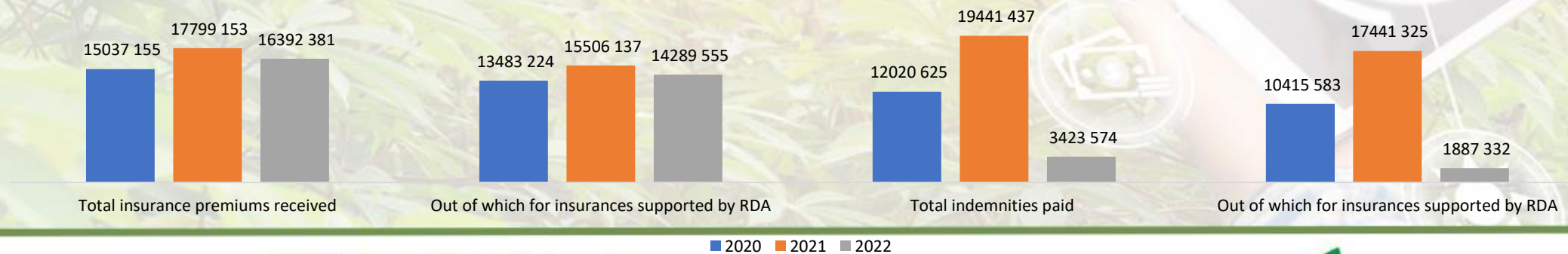


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Contrary to credit, agricultural insurance has not really taken off yet despite MEPA's subsidies which have recently increased to 70% of premiums. As MEPA is now also providing interest rate subsidies for seasonal crop finance, we expect banks to be promoting crop insurance in a more proactive way. To reduce transaction costs, management risks and moral hazards, Georgia should focus on insurance of the future which is parametric/index-based. It will greatly facilitate reinsurance abroad.

FinExCoop is working on the piloting of parametric insurance in Georgia

**Development of agricultural insurance in Georgia
(current GEL, Georgian Insurance Regulatory Agency)**





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FinExCoop: smart and green EXTension





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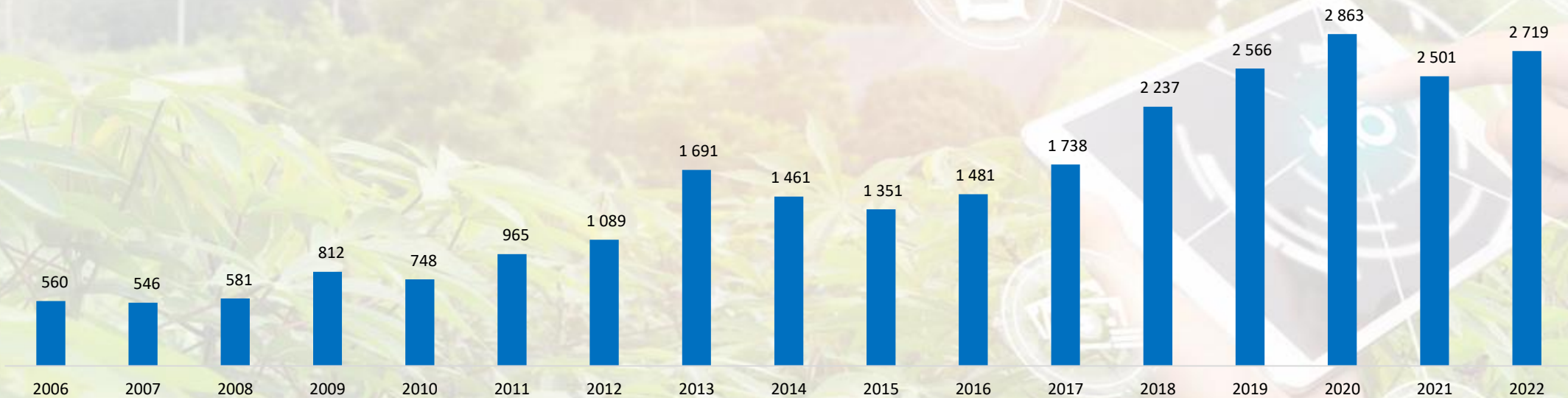


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While the EU Green Deal plans for a reduction by 50% in the consumption of pesticides by 2030, their use in Georgia has strongly increased until 2020.

Total consumption of pesticides (t, GeoStat)





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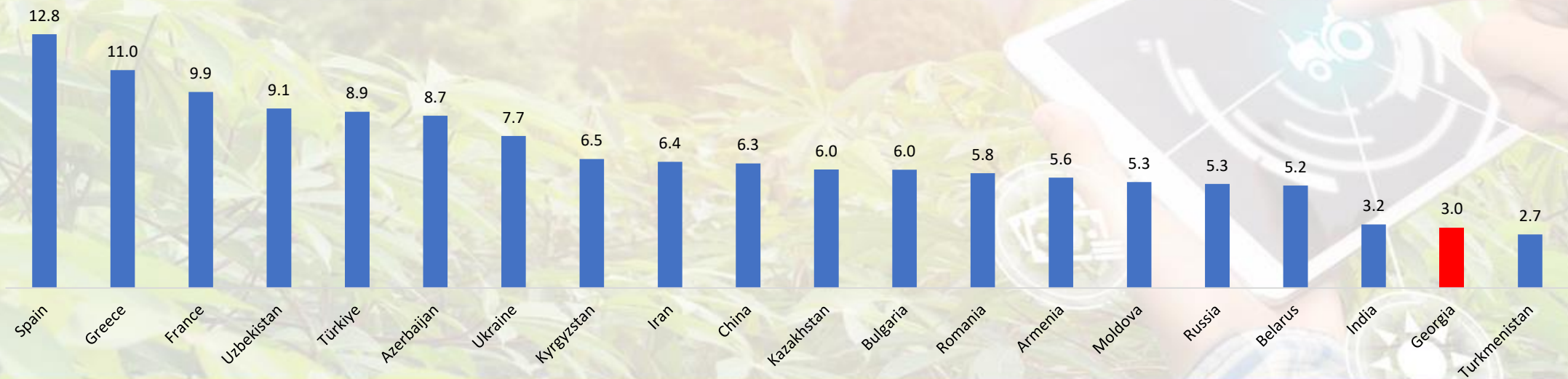
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Meanwhile, Georgian yields for most seasonal and permanent crops remain very low.

Yield of maize (t/ha, 2021, FaoStat)





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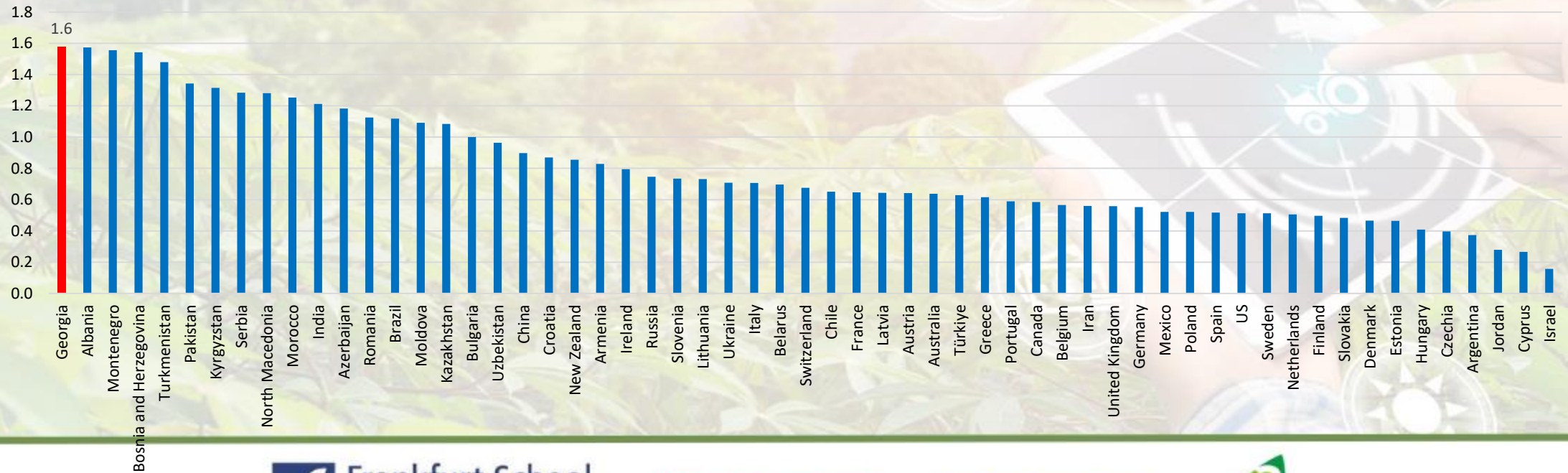
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It is the same for livestock. Very low yields of cows which account for 33.5% of agricultural output translate into very high GhG emission intensity.

Emissions intensity (kg CO₂eq/kg of raw milk of cattle, 2020, FaoStat)





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FinExCoop: smart and green COOPeration





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Cooperative development in Georgia has been until now largely unsuccessful as in other transition economies, mainly because it was too much top-down. But without cooperation between themselves as in Western Europe, family farmers will not be able to catch up with technological improvement in smart green agriculture. In strong partnership with MEPA, Parliament, GFA, and other farmers' organizations, **FinExCoop has been actively advocating the relaunch of a cooperative strategy focused first on the promotion of grassroots cooperative leaders.**





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Among the tools used by FinExCoop is **the training-by-working of a new generation of young Georgian professionals in cooperatives** geared towards green smart agri-value chains like Coopérative Laitière des Alpes du Sud in France, considering that in Western Europe and the US cooperatives are leaders in Smart Green Agriculture as “Concern for Community” is one of their 7 International Cooperative Alliance’s principles.





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THANK YOU FOR YOUR PARTICIPATION!
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