



**SME Development  
Strategy of  
Georgia**

**20<sup>16</sup><sub>20</sub>**



**Ministry of Economy and Sustainable  
Development of Georgia**

**Annual Report of Action Plan  
2018**

SME Development

Strategy of

Georgia

20<sup>16</sup><sub>20</sub>

Annual Report of Action Plan  
2018

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## Introduction

The main principle of economic development of the country is the development and promotion of the private sector and accordingly, the economic policy of the Government of Georgia considers competitiveness of the private sector as the most important driving force for economic development.

Entrepreneurial sector, especially small and medium enterprises, plays an important role in the development of the economy and contributes to the sustainable and inclusive economic growth. Small and medium enterprises with the potential for employment growth and job creation, as well as with their contribution to economic development and growth, are considered to be the cornerstone of the economy of any country. A strong and well-developed small and medium entrepreneurial sector significantly contributes to the growth of export, innovation development, creation of modern entrepreneurial culture, and at the same time plays a special role in raising well-being of the country.

One of the important challenges for the Government of Georgia is the development and support for small and medium entrepreneurship. Consequently, the existence of united support policies and relevant strategies contributes to the strengthening of private sector competitiveness in the country, both in internal and external markets, which is based on the development of human capital, development of entrepreneurial culture, improvement of access to financial resources, innovations and R&D, etc. All these factors create a necessary condition for successful functioning of the economy.

## Resume

SME Development Strategy of Georgia (2016-2020) and the relevant Action Plan, developed by the Ministry of Economy and Sustainable Development of Georgia in close cooperation with the Organization for Economic Co-operation and Development (OECD) and with the support of GIZ, was approved by Resolution of the Government of Georgia on 26 February 2016 (Resolution N100 of the Government of Georgia, 26.02.2016). The draft strategy was successfully evaluated within the format of the Eurasian Competitiveness Roundtable within the OECD Eurasian Week (25 November 2015).

The strategy focuses on the basic principles of the “Small Business Act for Europe” and the best practices of the EU countries in terms of SME development policies. The Strategy includes the following **five main strategic directions** and the priority measures for their implementation.

## Strategic Directions:



In accordance with the Action Plan of SME Development Strategy, each strategic direction includes detailed actions that are important to implement for taking certain priority measures and therefore, achieving the goals set out in each strategic direction. In particular, **the Action Plan 2018 envisages implementation of 32 priority measures and 100 activities within 5 strategic directions**, including:

- ✓ The first strategic direction involves 6 priority measures and 20 activities.
- ✓ The second strategic direction includes 5 priority measures and 13 activities
- ✓ The third strategic direction includes 10 priority measures and 27 activities.
- ✓ The fourth strategic direction involves 6 priority measures and 33 activities.
- ✓ The fifth strategic direction includes 5 priority measures and 7 activities.

Objectives of effective implementation of SME Development Strategy (*increase of output of small and medium enterprises by average annual rate of 10% by 2020; by 2020 the growth of employment in small and medium enterprises by 15%; By 2020 productivity growth by 7%*)

(*Basic - 2013*)), based on the “GEOSTAT“ data, **are successfully completed** at this stage. In particular:

- ✓ Average annual growth of SME’s output was 14.4% in 2014-2017;
- ✓ The growth of employed in small and medium enterprises was 27.4% in 2017.
- ✓ Productivity growth of SME’s made up 11.1% in 2017.

## Monitoring the performance of activities defined by the Action Plan for 2018

Following the adoption of SME Development Strategy (2016-2020) and the relevant Action Plan, a high level **Coordination Group** (headed by the Minister) and a relevant **Working Group** (headed by the Deputy Minister) were created by order of the Minister of Economy and Sustainable Development of Georgia to monitor its implementation (Order N1-1/372 of the Minister of Economy and Sustainable Development of Georgia, 11.07.2016).

The Department of Economic Policy of the Ministry has developed a special form based on which the implementation of the activities set in the Action Plan is monitored, assessed and a relevant report is prepared.

Resolution N628 of the Government of Georgia (Resolution N628, 30.12.2016) on approval of the Monitoring, Reporting and Evaluation systems for governmental activities, envisages one of the most important elements in the monitoring and evaluation system - performance indicator.

According to the above, the Action Plan of SME Development Strategy includes relevant performance indicators, which is a kind of measurement evaluating whether the goal is achieved or not, or in some cases, the action is performed or not. Performance indicator is a quantitative instrument to evaluate a task performance or the quality of an activity. Strategy Action Plan includes 91 indicators in total. The indicators are distributed by strategic directions as follows:

- ✓ The first strategic direction - 20 indicators;
- ✓ The second strategic direction - 13 indicators;
- ✓ The third strategic direction - 27 indicators;
- ✓ The fourth strategic direction - 21 indicators;
- ✓ The fifth strategic direction - 10 indicators.

The activities of the Action Plan 2018 for SMEs defined as the priority measures in each of the strategic directions are as follows:

## I. The first strategic direction: Further improvement of legislative, institutional framework and operational environment for SMEs

### *The first priority measure*

- **Improvement of business closure and insolvency procedures**

One of the most important activities within the first priority measure is **to elaborate/ refinement a new draft law with the aim of improving the legal framework**. Therefore, in order to improve the insolvency procedures the Ministry of Justice of Georgia, in partnership with the Ministry of Economy and Sustainable Development of Georgia, the Ministry of Finance of Georgia and the German International Cooperation Society (GIZ), has elaborated a draft law of Georgia on “Rehabilitation and Collective Satisfaction of Creditors”. **Public discussions** were held on the mentioned draft law. Within the framework of cooperation with the German International Cooperation Society (GIZ), a report on regulation impact assessment was prepared for the draft law. The draft law of Georgia on “Rehabilitation and Collective Satisfaction of Creditors” shall be submitted to the Government of Georgia and Parliament for discussion.

The mentioned priority measure also includes **the description of the services provided by the “Business House” and the digitalization of the services to be provided**.

In accordance with the Government’s decree, this activity is coordinated by the Ministry of Economy and Sustainable Development of Georgia, the Executive Team of „Business House“ project, which actively cooperates with LEPL “Data Exchange Agency” and the ministries/agencies with relevant services. These activities are supported by the international donors UNDP, G4G, etc.

The activities such as the description, analysis and integration of the state services, as well as the creation of the web portal were carried out in connection with the above-mentioned. More than 50 state services of various state structures have already been processed during the reporting period. In particular, 5 services of the LEPL “Enterprise in Georgia”, 21 services of the LEPL “Public Register”, 14 services of the LEPL “Land Transport Agency”, 7 services of the LEPL National Agency of State Property, 1 service of the Business Ombudsman, 1 service of the Program Startup Georgia under JSC “Partnership Fund” and 4 services of the Ministry of Environmental Protection and Agriculture of Georgia have been described.

In addition, the services of these agencies were introduced and their availability for the business sector on a unified web portal was provided.

For more convenience so called “user friendly” interface has been provided:

- Switching of profiles (a user in its profile sees all the enterprises where participates and has an opportunity (within the authority) to address the state on behalf of the enterprise and/or as a natural person);
- Seeing of powers of attorney (if the director of any enterprise authorizes the user under a power of attorney, it will see this enterprise from its profile);

- Filtering of services by the rights (access to services according to the fact you act at the moment as a natural person or representative of an enterprise);
- Communication channel with public agencies - a user has the opportunity to address any state structure with e-mail (including municipalities);
- Digital signature and the ability to use a digital stamp electronically, and therefore, there is no need to submit in a tangible form;
- Once Only Service, which means that if you already use other state services and have digital formats, such as permissions, extracts, certificate, technical passports, etc., you don't need to submit, but the system will call the service itself.

Within the Public Service Digitization Project, the work on the development of the services of the LEPL “National Agency of the Public Registry” is very active. In particular, with the support of UNDP, the process of description, analysis and digitalization of 21 services related to “online” business registrations/changes has been carried out, which greatly simplifies/makes it possible for business to save time and make a request electronically. It is worth mentioning that among 21 services the last one, so called an Electronic Meeting Service is absolutely new.

#### *The second priority measure*

- **Expanding statistics of SMEs produced by renewed methodology**

The National Statistics Office of Georgia, in order to expand the statistics of small and medium enterprises produced by the renewed methodology, **has recalculated the statistics calculated by the old methodology for determining small and medium enterprises by the renewed methodology**. In particular, the total time series (since 1999) are recalculated.

#### *The third priority measure*

- **Improvement of enterprise statistics**

The National Statistics Office of Georgia has fully reflected the International Classification of Economic Activities (NACE Rev.2) in Business Register. According to the NACE Rev 2, the total time series data was calculated (until 2006).

The activities were implemented, which resulted in expanding the scope of enterprise statistics and introducing relevant researches. In particular, **the enterprises engaged in financial activities have been studied, the results of which are published** and the research is carried out with annual periodicity.

#### *The fourth priority measure*

- **Strengthening of the SME supporting institutions**

This measure is implemented by the Ministry of Economy and Sustainable Development of Georgia in close cooperation with its agencies - LEPL “Georgia’s Innovation and Technology Agency” and LEPL “Enterprise Georgia”. For the purpose of capacity building of institutions supporting small and medium enterprises, the agencies trained employees of relevant institutions. In particular, more than 50% of employees of LEPL Georgia’s Innovation and Technology Agency and more than 80% of employees of



the Agency Enterprise Georgia were trained in 2018. In addition, with the aim of **capacity building of the institutions supporting small and medium entrepreneurship**, the German International Cooperation Society (GIZ) organized a study tour in Latvia and Estonia to familiarize with the development of clusters and the best international practice of developing relevant policy. Within the framework of the visit, meetings were held with local ICT cluster representatives, where representatives of Georgian IT companies were invited together with the representatives of the LEPL Georgia's Innovation and Technology Agency and the LEPL Enterprise Georgia. The aim of the meetings was to share local experience and introduce EU programmes to create the first IT cluster in Georgia, which will be aimed at bringing Georgian companies to international markets. It is noteworthy that the representatives of the Agency upgraded their qualifications for the development of clusters and the development of relevant policies through participation in these meetings.

With the aim of institutional strengthening of small and medium enterprises, the Chamber of Commerce and Industry of Georgia **supports the foundation of business associations**. During the reporting period, two associations were established with the support of the Chamber: Alliance of Beekeepers of West Georgia and Association of Kiwi Producers. The Chamber of Commerce and Industry of Georgia carries out the relevant procedures for the creation of association of companies producing packaging materials. The Association is being established within the framework of the project funded by the UK Good Governance Fund, implemented by the Chamber in partnership with PWC, which aims to ensure compliance of small and medium enterprises in Georgia with the European standards.

**In order to study and analyse international experience and practice**, the LEPL Georgia's Innovation and Technology Agency has studied the experience on innovations, technologies, business incubators/accelerators, innovation infrastructure and other topics of the following countries - Great Britain, USA, Belarus, Romania, Israel, Austria, Armenia, Azerbaijan, Slovakia, Bulgaria, France, Korea, Germany, Spain, Poland, China, and Singapore. In addition, MIT students shared their knowledge and experience in LEGO robotics, Little Bits, Arduino with Georgian trainers. It is also worth mentioning that the representatives of the Agency "Enterprise Georgia" had purposeful meetings with the representative of the Netherlands Enterprise Agency to share international experience and practice.

**Within the framework of the measure for assessment/research of the State Programme "Produce in Georgia"**, a technical task was developed to study evaluation results of the components for technical support of the industrial part and access to financing, which was implemented by an independent research/consultative organisation BDO Ltd, based on an open tender. The aim of the mentioned research was to demonstrate the efficiency of the components for technical support of the industrial part of the programme "Produce in Georgia" and the availability of finances, in particular: evaluation of the results achieved by the beneficiaries of the programme after their involvement in the project, as well as revealing a direct and indirect economic effect of the project both on the beneficiaries involved in the project, and various industries and the economy as a whole. The research was carried out at two levels: micro level - which implies a detailed economic and financial analysis of the beneficiary, determining the validity of the enterprise and macro level - which implies assessment of direct and indirect effects of the programme in the overall economic context. The results were evaluated based

on the data of the beneficiaries who have completed two years or more from signing a co-financing agreement with the Agency to assess their economic indicators (100 companies under assessment). The mentioned research, where the results are evaluated at micro and macro levels, was submitted to the Agency in December 2018.

**Regarding the offering of services tailored to the needs of small and medium entrepreneurship**, the Agency - LEPL Enterprise Georgia developed relevant changes to the governmental ordinance regulating the micro and small business promotion component. Priorities were also defined such as intellectual services, female entrepreneurs, start-ups, and business in rural areas.

The LEPL Innovation and Technology Agency has provided services tailored to the needs of small and medium entrepreneurs. In particular, the infrastructure for innovations has been arranged - 3 tech parks in Tbilisi, Zugdidi and Telavi. Access to FabLabs technics has been increased. The technical support of innovations and entrepreneurship was implemented, as well as mini and matching grants were issued within the component of financing availability.

The Agency organized monthly meetings within the startup beats, where successful entrepreneurs share their experiences with start-up starters. This contributes to the sharing of experiences, as well as the establishment of the start-up community.

The Chamber of Commerce and Industry of Georgia has launched following services to support small and medium enterprises, in particular, the service “Find a partner” that encourages Georgian entrepreneurs to seek the partner abroad and also the service that aims at placing offers of Georgian entrepreneurs within EEN European Entrepreneurs’ Networks. During the year the Chamber prepared and submitted 6 applications to the EEN. In April of 2018 year, within the EEN platform, a forum was held for entrepreneurs of Georgia and Poland, where participated 12 Polish and more than 70 Georgian companies. It should be noted that there is an active cooperation with the EEN Central Office to improve the EEN network operation and arrange additional trainings for employees of the Chamber, as well as the LEPL Enterprise Georgia and the LEPL Georgia’s Innovation and Technology Development Agency. The Chamber is also actively involved in organising of business forums by means of cooperation with the respective authorities and embassies of different countries, which facilitates internationalization of Georgian enterprises. More than 16 business forums were held in 2018, with participation of over 1000 companies. It is also worth mentioning that over 200 B2B meetings were held within the framework of those forums.

With the support of the PWC and funding of the British Good Governance Fund, the manufacturers of packaging materials within the project “Conformity Programme of Small and Medium Enterprises with the DCFTA”, implemented by the Chamber of Commerce and Industry of Georgia, have prepared technical manuals enabling entrepreneurs to make self-certification. Documents can also be used for the introduction of European standards in enterprises. In 2018 the second phase of the project was launched, within which the technical files introduced in several enterprises were rectified. In addition, a communication strategy for SME compliance programme along with the relevant action plan is being developed, which provides for approaches to sharing the experience of organisations producing packaging materials with small and medium enterprises in different sectors.

The Memorandum was signed during the reporting period between the Business Ombudsman and the Chamber of Commerce and Industry of Georgia **for the purpose of deepening cooperation between the institutions supporting small and medium enterprises**. The document aims to deepen cooperation between the parties and facilitate active communication between business subjects operating in regions and the Business Ombudsman with the support of the representatives of the Chamber.

During the reporting period, two memorandums on cooperation of the National Chamber of Commerce and Industry with the Georgian National Agency for Standards and Metrology and the Unified National Body of Accreditation - Accreditation Centre have been drafted. Based on the memorandum, the Chamber will more actively provide Georgian entrepreneurs with information about availability of European and international standards and internationally recognized certificates.

#### *The fifth priority measure*

- **Strengthening public-private dialogue**

The Ministry of Economy and Sustainable Development of Georgia has held quarterly sessions of the Private Sector Development Advisory Council with the participation of the representatives of public and private sectors **for the purpose of strengthening dialogue between public and private sectors**. Within the sessions, ongoing and planned reforms were introduced to the private sector and relevant discussions were held thereon. The issues raised by the private sector were discussed as well.

On the Chamber's initiative and within the framework of strengthening dialogue between the public and private sectors, a meeting with entrepreneurs of the Western Georgia under the name "Open Dialogue with Business" was held in Kutaisi in July of the current year. Within the framework of the event, the Ministers of Finance of Georgia and Economy and Sustainable Development of Georgia, together with the representatives of various state agencies, informed more than 300 entrepreneurs in Western Georgia on new tax regulations.

Georgian Chamber of Commerce and Industry together with the representatives of the Office of the Business Ombudsman of Georgia held meetings with entrepreneurs to support public-private dialogue format. The meetings were held in Tbilisi as well as in the regions. In total, there were held 8 meetings (Tbilisi, Gori, Kutaisi, Zugdidi, Ozurgeti, Batumi, Telavi, Akhaltsikhe), where about 400 entrepreneurs engaged in regional business participated.

In partnership with the Service for Accounting, Reporting and Auditing Supervision (SARAS) and Georgian Chamber of Commerce and Industry, 5 meetings in the private-public dialogue format were held in Tbilisi and regions, where more than 400 entrepreneurs took part.

In April-October 2018, the Chamber together with the State Procurement Agency and financed by the USAID project "Management for Development", implemented the project regional trainings on state procurement and awareness raising. A public-private dialogue within the project was held in five cities of Georgia (Batumi, Zugdidi, Kutaisi, Gori, and Telavi), which was attended by more than 200 entrepreneurs.

Georgian Chamber of Commerce and Industry has conducted an informational meeting within the project “Coordination Council of Dual Vocational Education” in the regions of Georgia and Tbilisi which was held within the project supported by the Reserve Fund of the President of Georgia. In total, 19 informational meetings were held, where about 650 representatives took part. The goal of the project is to promote the implementation and popularisation of Dual Vocational Education in Georgia. It should be noted that a consultation council of dual vocational education within the scopes of the second phase of the project was created with the Chamber involving representatives of state agencies and private sectors. The Council is an institutional platform for public and private sector dialogue which aims at raising public awareness of the vocational education system.

The Ministry of Economy and Sustainable Development of Georgia held meetings of the **Consultation Council working on trade issues and the DCFTA Consultation Council**, whose topics were determined in agreement with the private sector. In addition, the President of the Chamber of Commerce and Industry of Georgia was elected as the new chairperson at the sixth meeting of the DCFTA Consultation Group which was organised by the Ministry on 4 October 2018. The technical regulations on construction products, as well as the activities implemented within the DCFTA for 2018 and the latest achievements in DCFTA were discussed at the meeting.

#### *The sixth priority measure*

- **Establishment of a RIA system for priority economic legislation**

Within the scope of the measure, the Government of Georgia has carried out **an analysis of the RIA implementation process**, has developed a **RIA institutional mechanism** and prepared a legislative framework document. In addition, a document of Regulation Impact Assessment Concept and a technical manual of cost and benefit analysis have been developed.

In the process of institutionalization of the RIA system, the **trainings of public servants on the RIA** were conducted, including **raising knowledge and awareness towards the RIA SME Test**, with the support of the partners of the Government of Georgia - EU, German International Cooperation Society (GIZ), Governing for Growth in Georgia (G4G) and USAID.

The Ministry of Economy and Sustainable Development of Georgia has conducted internal training on the issues of Regulatory Impact Assessment (RIA) for the purpose of raising awareness and knowledge of employees.

## **Monitoring and Evaluation Results**

The first strategic direction includes 6 priority measures to be implemented in 2018 and 20 activities that are fully performed.

The “Performance Indicators” corresponding to the first strategic direction, have been fully implemented in 2018, namely:

- ✓ a new draft law on insolvency has been elaborated;

- ✓ RIA has been carried out on the draft law;
- ✓ Public-private discussions were held on the draft law;
- ✓ The services to be provided by the “Business House” are described;
- ✓ The services to be provided by “Business House” are digitized;
- ✓ The data calculated by the old methodology has been processed through an updated methodology for determination of small and medium enterprises;
- ✓ The NACE Rev.2 version of the International Classification of Economic Activities is fully reflected in the Business Register;
- ✓ A statistical study of financial corporations, the results of which are published on annual periodicity, has been introduced;
- ✓ Employees have been trained to strengthen the institutions of small and medium enterprises;
- ✓ The number of newly established associations is increased;
- ✓ International experience on institutions supporting entrepreneurship has been shared;
- ✓ The results of the state programme “Produce in Georgia” has been assessed;
- ✓ The services tailored to entrepreneurship needs have been offered;
- ✓ Meetings of the Private Sector Development Advisory Council have been held;
- ✓ Meetings of the Consultation Council working on trade issues have been held;
- ✓ Meetings of the DCFTA Consultation Council have been held;
- ✓ An analysis of the RIA implementation process has been conducted and the relevant recommendation has been developed;
- ✓ Trainings and workshops in relation of the RIA and the RIA SME Test have been conducted.

## II. The Second Strategic Direction: Improvement of Access to Finances

### *The first priority measure*

- **Improvement of financial literacy**

LEPL Enterprise Georgia and the National Bank of Georgia organise **trainings for entrepreneurs and activities related to improvement of their financial education**, while the partners are the Ministry of Economy and Sustainable Development of Georgia and Ministry of Finance of Georgia.

In 2018, the LEPL Enterprise Georgia – Agency conducted trainings on finance-related issues for 1,094 beneficiaries within the Micro and Small Entrepreneurship Component of the State Programme.

The National Bank of Georgia has developed a financial education programme for micro and small entrepreneurs in the field of **financial education of micro and small entrepreneurs** in 2018 with the support of EFSE DF and the Export Development Association (EDA). Within the framework of the programme, a **manual** “Micro and Small Business Manual: Communication with Financial Organizations and Financial Solutions” and **an appropriate training module were developed**. Four trainings were conducted within the framework of the programme, in total for 80 micro and small entrepreneurs from Samtskhe-Javakheti and Kvemo Kartli regions. In addition, training of trainers (ToT) was conducted within which up to 20 active trainers were retrained. This manual, along with an auxiliary loan calculator and financial statements, is available for all interested parties free of charge on the website of the National Bank of Georgia.<sup>1</sup> During 2019, the National Bank of Georgia intends to continue training of beneficiaries and trainers and to work on capacity enhancement of stakeholders in private and public sector. In addition, in the framework of the programme it is planned to partially integrate a training module in different projects of Export Development Association, including the project “Consultation Service for Business Start-up/Expansion”, the target group of which is comprised of micro and small entrepreneurs working in tourism sector in Mtskheta-Mtianeti region. This project is implemented by the Municipal Development Fund of Georgia within the framework of the Regional Development Project (RDP3) with the support of the Government of Georgia and the World Bank.

### *The second priority measure*

- **Support SMEs for implementation of IFRS for SMEs in financial accounting**

This measure is implemented by the Service for Accounting, Reporting and Auditing Supervision in partnership with the Academy of the Ministry of Finance of Georgia.

In order to translate/edit Training Module of IFRS for SME, Governing for Growth (G4G) announced the bid in February 2018 on initiative of the Service for Accounting, Reporting and Auditing Supervision. The winner company became “Savvy Consulting” which translated the training modules.

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<sup>1</sup> <https://www.nbg.gov.ge/index.php?m=706&lng=geo>

In addition, **there were selected and then trained (TOT) local trainers for IFRS for SME. A target audience of IFRS for SME was also identified** and **trainings** were conducted for them in cooperation with the Academy of the Ministry of Finance of Georgia.

#### *The third priority measure*

- **Increase knowledge about fund-raising among SMEs**

In order to raise awareness of **funding for start-ups**, many activities were implemented by LEPL Georgian Innovation and Technology Agency. In particular, on 11 January 2018 a meeting was held between the head of Baku Business Factory and Georgian Startups; in February a meeting was held between the head of the Jewish investment company Frank Group and the Georgian Startups; On 20 March a meeting was held within the framework of Women Entrepreneurship Week, where the developer of Jewish Startup-EcoSystem shared the experience of Israel with the aim of strengthening the role of women in economic growth; within the visit of the founder of Belarusian technological company ENCATA in Tbilisi, during 23-27 April 2018, a training for Georgian start-ups was conducted within the projects “Co-funding grants for start-ups”, as well as the specially invited international trainers trained the contestants for a week for the final stage – to be presented before the International Investment Council.

#### *The fourth priority measure*

- **Attraction of SMEs oriented private equity funds and venture capital funds for start-up financing**

**The works focused on identification of funding oriented investment funds have been carried out**, in particular, negotiations with funds are underway, as well as a \$ 250,000 grant is initiated to participate in and attract venture capital.

One of the measures of this priority is to **support the meeting of start-ups and Investment Funds**. In 2018, the Innovation and Technology Agency organised a meeting of the Georgian Start-ups with the Jewish investor - Tal Catran. Meetings of Georgian start-ups with the head of the Jewish Investment Company, Elad Frank and the head of Baku Business Factory were also held. At the final stage of the Co-Financing Grants Programme of the LEPL Georgian Innovations and Technologies Agency, the finalist start-ups presented their own projects before the Investment Committee (1. Deborah Majidi – Member of IBM Capital-Investment Group; 2. Nat Jacobson - Co-founder and Partner of Sparklabs Global Ventures, with more than 60 investments; 3. Steve Goldberg - Executive Director of the following companies: DataRunway, Vident, Arcwave and CoWave Networks; 4. Dr. Joshua (Shuk) Gleitman - Senior Advisor to the World Bank in National Policy on Innovations, Senior Strategic Advisor to IF, Singapore’s Honorary General Consul in Israel since 1999; 5. Paul M. Joel - nationally recognized expert in national security and post-soviet issues, a serial entrepreneur; 6. Nicholas Zaldastan - His professional cooperation includes the Board of Directors of World Energy, Board of Directors of Allegro Multimedia, The Ivan and Sam Cancer Foundation. Co-chair of Tbilisi American Academy and Chairman of the Association of Georgians in the United States; 7. Natalia Pipia - for more than 14 years working in the field of technology and development convergence, actively cooperating

with start-ups all over the world; presently she is the Managing Director of Capital City Venture), who has revealed 18 winners.

In September 2018, with the support of the Austrian Ambassador Arad Benko, the start-ups (seven) participating in the Green Technologies and Agriculture Co-Financing Grants Programme of Georgia's Innovations and Technologies Agency visited Vienna and Graz to meet with the venture funds and Austrian start-ups. After the "Pitching Sessions" took place, Austrian partners became interested in two out of seven start-ups (Start-ups – "Mostati" and "Tractor").

With the assistance of the Ministry of Economy and Sustainable Development of Georgia and the consultant hired by USAID/G4G, **a draft Law on Investment Funds has been developed** and discussions with interested stakeholders have been held within the framework of workshops.

#### *The fifth priority measure*

- **Support to SMEs to increase access to finance through commercial banks and micro financial organizations (MFIs)**

In order to further improve access to finances within the state programme "Produce in Georgia", the following two directions have been added to the list of industries to be financed, based on the private sector needs: meat and poultry by-products included in the food sector and processing of food industry remains/waste and feed production.

Within the framework of the support of young farmers/entrepreneurs in rural areas, implemented by the Ministry of Environment Protection and Agriculture of Georgia, the programme "Young Entrepreneur" was initiated on 28 February 2018. In 2018, an agreement was signed with 98 beneficiaries within the programme. The total amount of the investment made up 11,011,072 GEL and the co-financing of the Agency - 4,280,376 GEL.

There were **round tables/discussions held between the parties to identify the obstacles in financing small and medium enterprises** for further reducing them. In total, five regional meetings were held with representatives of local small and medium businesses, attended by more than 400 participants, in particular, more than 80 participants from Lagodekhi, more than 80 participants from Telavi, more than 80 participants from Kutaisi, more than 80 participants from Rustavi, more than 80 participants from Batumi. Within the framework of the project, a meeting was held with the representatives of the hotel industry, attended by 40 participants.

The implementer of this priority is LEPL Enterprise Georgia and the partner is the Ministry of Economy and Sustainable Development of Georgia.

## **Monitoring and Evaluation Results**

The second strategic direction includes 5 priority measures and 13 activities. The five priority measures have been fully implemented during the reporting period.



In 2018 the “performance indicators” of the second **strategic** direction were implemented, namely:

- ✓ Trainings for beneficiaries were conducted within the technical support of micro and small entrepreneurship support component;
- ✓ A guideline was developed and trainings for entrepreneurs were held;
- ✓ A training module of IFRS for SME was prepared;
- ✓ A full group of trainers were selected and trainers were trained for IFRS for SME;
- ✓ A target audience was determined and trainings of IFRS for SME were conducted for target groups;
- ✓ Meetings were held on fundraising topics;
- ✓ Meetings were held between start-ups and Investment Funds;
- ✓ A draft Law on Investment Funds has been developed;
- ✓ Amendments were developed for further improvement of the direction of access to finances of the state programme Produce in Georgia;
- ✓ Roundtables/discussions were held to identify the existing obstacles in financing small and medium enterprises.

### III. Development of competitive human capital, entrepreneurial skills and modern entrepreneurial culture

#### *The first priority measure*

- **Identification of labour market needs for SMEs and development of relevant employment programmes**

To facilitate the implementation of qualitative research on the labour market, the Government of Georgia approved the State Programme for Promotion of Employment Promotion Services under its Resolution N11 of 11 January 2018. Qualitative research was carried out to identify in-demand professions and skills at the labour market within the framework of the programme. In total 269 employers were interviewed nationwide. An appropriate analysis was carried out, based on these interviews.

Within the framework of the Identification of Professional Intentions (Professional orientation) of job seekers, the Government of Georgia approved the State Programme for Professional Training and Retraining of Job Seekers by Resolution N76 of 12 February 2018. In total, 2,908 job seekers were involved in the Training-Retraining Programme 2018, out of which 2,871 participants completed the full course.

Within the framework of the activity for further improvement/development of the State Programme for Professional Training and Retraining and State Programme for Development of Employment Support Services, in total (as of December 2010) 1,888 job seekers have been employed in 2018, including: 876 job seekers were employed within the Professional Training and Retraining State Programme, within the mediation services – 482 job seekers; within the employment forums – 371 job seekers; within the internship component - 95 persons, within the employment support - 35 persons with disabilities; within the subsidy component - 29 persons, including 27 persons with disabilities.

During 2018 employers were actively involved in various components of the programme, in particular 782 employers were involved in the mediation services, 14 employers – in the subsidy component, 234 employers participated in forums, 269 employers – participated in qualitative research, while 43 employers were involved in internship component.

In 2018, 1,479 job seekers participated in group consultations at municipal level, while individually were consulted 16,275 job seekers.

These activities were implemented by the Ministry of IDPs, Labour, Health and Social Affairs of Georgia, in close cooperation with the Ministry of Education, Science, Culture and Sport of Georgia and the Ministry of Economy and Sustainable Development of Georgia.

#### *The second priority measure*

- **Training Needs Assessment (TNA) of SME**

The further project based on TNA hotel industry research was carried out by the LEPL Enterprise Georgia Agency in 2018.

Within the framework of the measure, the Agency has conducted research on Support of Cooperation between Education and Business in the hotel industry. Within the scope of the survey, a meeting between the companies working in the tourism and hospitality industry and representatives of higher education institutions was organised.

*The third priority measure*

- **Introduction of Life Long Entrepreneurial Learning (LLEL) at all levels of the education system**

In order to introduce LLEL in the education system, the Unified Strategy of Education and Science 2017-2021 and the relevant action plan have been approved in which entrepreneurial learning components as separate activities are incorporated at all levels of education, starting from pre-school education. Subject standards of primary and basic levels were updated, which envisages development of basic entrepreneurial skills in pupils. In particular, entrepreneurship issues are integrated into the new subject of the primary cycle “Me and the Society”. There is a separate direction “Initiative and Entrepreneurship” in the subject “Citizenship” at the basic level. At secondary levels, within the revised curriculum, entrepreneurial issues are presented in the Civic Education Subject Programme. A standard of selective subject - “Entrepreneurship Basis” has been also developed which is intended for the 11<sup>th</sup> grade and a guideline is designed according to the standard.

In addition to school education, raising awareness about entrepreneurial skills and development of labour skills is also reflected in extracurricular programmes. In particular, 1,800 pupils of Georgian public schools have participated in summer camps in different directions: sport, art, science and entrepreneurship (development of labour skills). The latter was attended by 400 pupils.

Since 2018 Georgia participates in the programme initiated by the British Council “Creative Spark”, which facilitates the development of entrepreneurial education in higher education institutions of Georgia in cooperation with British universities. Within the competition announced in the same year, 5 projects with the participation of Georgian universities in the international consortium have been financed.

In addition, in 2018 “A descriptive survey of entrepreneurial education in the professional education system” was carried out with the support of the United Nations Development Programme, based on which a working version of the detailed plan of business teaching in vocational education is developed. In total, 15,035 students (including 8590 men and 6445 women) were enrolled in **Module Educational Programmes** (with the mandatory competence for Entrepreneurial Modules) within the enrolment in state professional education institutions in the fall of 2017 and the spring and fall of 2018. All enrolled students passed the mandatory module of entrepreneurship. In order to improve the quality of entrepreneurship training in institutions implementing vocational education programmes, a new

project, funded by the US Embassy, has been launched from September 2018, aiming to pilot the teaching methodology based on entrepreneurial ideas.

This priority measure provides for **organising sessions of an interagency working group for the purpose of implementing LLEL in the education system**. On 14 February 2018 and 8 June 2018, two sessions of the interagency working group were held, which were also attended by representatives of the European Education Fund (ETF). Both meetings were dedicated to the development of entrepreneurial skills in the education system, in particular the issues on integration of digital and entrepreneurial competences in the curriculum. The UNDP and the Ministry of Education, Science, Culture and Sport of Georgia have presented “Descriptive Research on Entrepreneurial Education in Vocational Education System” and a detailed plan of entrepreneurial teaching in vocational education. Also, in July 2018, the Ministry of Education, Science, Culture and Sport of Georgia and the European Education Foundation (ETF) organized an extended meeting with representatives of NGOs working on entrepreneurship issues, and government agencies, with the participation of the representatives of secondary, higher and vocational educational institutions where ETF introduced the European Entrepreneurship Framework Document (EntreComp) to participants.

#### *The fourth priority measure*

- **Development of entrepreneurship-oriented VET system**

**This priority measure envisages the involvement of small and medium entrepreneurs in the professional education council and thematic groups (macro level)**. Members of the National Professional Council of Vocational Education (Decree No. 2599 of the Government of the Government of 22 December 2016) are Associations/Unions of Employers. The Board consists of six members representing the Association of Employers of Georgia, NNLE Small and Medium Enterprises’ Association, NNLE Association of Women Employers of Georgia, as well as the representatives of NNLE Federation of Producers of Georgia. The members of these unions are also involved in the work of the Council’s thematic working groups. These actions are implemented by the Ministry of Education, Science, Culture and Sport of Georgia.

A Dual Vocational Education Advisory Council was created in the Chamber of Commerce and Industry of Georgia with the support of the Administration of the President of Georgia (August, 2018), which is composed of representatives of both public and private sectors. The Council is an important institutional platform for dialogue between public and private sectors aimed at raising public awareness of the vocational education system. The Council promotes the introduction of a work-based teaching method and supports its popularisation with private sector and vocational education institutions. Information meetings with entrepreneurs and vocational educational institutions have been held for better integration into the professional education of entrepreneurs: in Tbilisi, Gori, Kutaisi, Ozurgeti, Zugdidi, Batumi, Akhaltsikhe, Rustavi and Telavi for promotion of work-based education. The meeting was held in 9 cities. These meetings were completed by a conference where gained results were summarized.

The Ministry of Education, Science, Culture and Sport of Georgia is implementing measures **to facilitate the participation of entrepreneurs in drafting/development of vocational qualifications (mezzo level)**. For the purpose of promoting compliance between vocational education and labour market, 11 field boards operate in the LEPL National Center for Educational Quality Enhancement, each of them consisting of no less than 7 and no more than 9 members. The employers and/or their associations are represented in the board which are the party to the Social Partnership Tripartite Commission defined by Resolurion N258 of 7 October 2013 - three members. The Association of Employers nominate 33 persons as the board members, including 27 persons from entrepreneurial staff. During the reporting period, 12 sessions of field board have been held in 6 directions of the vocational education (health care, social protection, information communication technologies, services field, engineering, agriculture, industry) where, in total, 38 professional standards, the framework document of 16 professional education programme with modules, as well as three block of modules were discussed there. As a whole, representatives of 27 entrepreneurial entities were involved in the process of discussing/perfecting vocational education programmes, as well as professional standards for awarding 11 professional qualifications with participation in field boards.

In the process of development of vocational qualifications the methodology has been introduced, which envisages integration of entrepreneurial skills in the framework documents of professional educational programme or integration of learning outcomes/competences in independent modules and/or professional modules. The methodology defines a mean of verification (checklist) for the availability of entrepreneurship competences/learning outcomes/modules, and the validity process provided with the appropriate procedures on the basis of review and recommendation of the field councils. Presently, entrepreneurship learning outcomes are integrated in all the fifty-nine (90 field spheres / vocational qualifications) framework documents of Vocational Education Programme/Vocational Education Standard.

**Spring enrolment of 2018 in order to introduce work-based learning approach in vocational education** was implemented, within which the enrolment by dual approach was announced for the following programmes: fruit-farming (kernel fruit/seed crops/nut crops), culinary art, catering services, hotel services, and road construction. It is noteworthy that during the spring enrolment of 2018, the road construction dual programme was announced for the first time. For the autumn enrolment of 2018, the construction direction by dual approach was added to rail, tourism and agriculture directions. Within the autumn enrolment 2018, enrolment based on dual approach was announced on the following programmes: beekeeping, railway track construction, railway track monitoring, railway power supply, rolling stock, rail transportation, fishery (fishery in farming), culinary art, confectionery, motorway construction, viticulture and winemaking, stone works, painting works, water supply system, catering services, electric railway rolling stock, railway transport signalling, centralization and blocking, control of locomotives, production of meat and meat products, locksmith-plaster, tile worker, water supply and sewage systems, electricity, welding, installation of plasterboard structures.

In the summer of 2018, the first intermediate exams were conducted for the beneficiaries of dual programmes, where the representatives of the Chamber of Commerce and Industry of Georgia were involved alongside educational institutions.

The LEPL Georgian Innovation and Technology Agency, Ministry of Education, Science, Culture and Sport of Georgia and the organisation “EUHack” organised a competition of industrial ideas (**a professional education hackathon, booster**) with the involvement of professional students/alumni. On 25-29 June 2018, an event “Vocational Education Hackathon” was held in Techno Park. Students of 14 state vocational education institutions were participating in the hackathon, who had created high tech and/or innovative products on the basis of fablabs.

The Start-up Booster was conducted, which meant 5-day intensive trainings specially designed for the vocational institutions to improve and develop ideas created at the hackathon. Participants have undergone intensive trainings for creating a business model and preparing a presentation for investors.

Participants have received information on the existing platforms that will help them get funding.

With the support of UNDP, active work was implemented in the direction of improving Forum/Platform “Partnership for Knowledge”.

#### *The fifth priority measure*

- **Increase in access to informal education**

Based on the concept of recognition of non-formal education developed by the Ministry of Education, Science, Culture and Sport of Georgia and relevant methodology, piloting of recognition of non-formal education was implemented on 3 programmes.

The new Law of Georgia on Vocational Education entered into force in October 2018. In accordance with the new methodology, **a new rule for recognition of non-formal education has been drafted**, which will be approved after the final revision/refinement of the project.

**Within the framework of non-formal education programmes in Tbilisi and regions**, a project “For Internet Development” has been implemented within the framework of the project, free trainings were conducted in digital literature and electronic business in 6 regions of Georgia: Shida Kartli, Kvemo Kartli, Kakheti, Mtskheta-Mtianeti, Samtskhe-Javakheti and Samegrelo. In total, 50 meetings (trainings) were held in 37 municipalities, attended by about 1,000 people. Three of them were held on the base of innovations centres (in Zugdidi and Choporti) with 50 participants.

#### *The sixth priority measure*

- **Provision of Technical Assistance (TA) for SME**

This means **providing technical support within the state programmes**. Within the reporting period, six beneficiaries benefited from the technical assistance component of the Agency “Enterprise Georgia” within the state programme.

**Two training programmes were developed** by the Agency “Enterprise Georgia” **in cooperation with partners**, in particular, within the framework of the series of master classes “Develop Your Business” and the programme “FDI/MNC-SMEs Linkages”, trainings for the representatives of local small and medium business have been prepared, based on business review questionnaires.

To facilitate the improvement of skills for small and medium business representatives in the tourism industry, the National Tourism Administration of Georgia, within the framework of Technical Assistance conducted the following trainings in 2018: 1. “English language courses” (Tsqaltubo, Kutaisi); 2. “Tax Code and Financial Statements” (Stepantsminda, Telavi, Signaghi, Lagodekhi, Marneuli, Tetrtsqaro, Tsqaltubo, Ozurgeti). 3. “Hygiene and Food Safety” (Tbilisi, Mtskheta, Telavi, Lagodekhi, Tsqaltubo, Stepantsminda, Tianeti, Gori, Kaspi, Khashuri); 4. “First Aid” (Tbilisi); 5. “Skills Training for Disabled Persons with Disabilities” (Tbilisi, Mtskheta, Kutaisi, Batumi, Telavi, Zugdidi, Stepantsminda, Tsqaltubo, Borjomi); 6. Foreign and internationally experienced trainers trained active guides “Training of Trainers”, which was conducted by an international trainer of the World Federation of Tourist Guides Association (Tbilisi). 7. A training “In Management Skills” was conducted for managers of accommodation facilities in Kakheti region and Tbilisi; 8 “Marketing and Sales Support” (Mtskheta, Telavi, Tsqaltubo, Stepantsminda, Tianeti, Gori, Kaspi, Khashuri); 9. “Wine and Culinary” (Tbilisi, Gori, Kutaisi, Tsqaltubo, Borjomi, Martvili).

**EFQM** – the Chamber of Commerce and Industry of Georgia has completed the final stage of introduction of perfection model **for the promotion of success model**. Within the framework of the project, the services of the Chamber of Commerce and Industry have been systematized in accordance with the international standards and appropriate guidelines have been prepared. Activation of the model promotion activities among business organizations is planned as well.

#### *The seventh priority measure*

- **Development of educational component on the website of the Agency “Produce in Georgia”**

In order to develop educational component, **educational materials - business literature** has been posted on the website of the Service Centre for Entrepreneurs and LEPL Agency “Enterprise in Georgia”.

#### *The eighth priority measure*

- **Expanding Service Portfolio for Business Service Centre for entrepreneurs**

Stakeholders are actively consulted in the Service Centre for Entrepreneurs. Within the framework of the Agency “Enterprise Georgia”, the Service Centre is fully functioning, which **has expanded its service portfolio** and provides any interested party with detailed information on state programmes.

The number of consultations carried out between 1 January and 30 November 2018 in the Service Centre for Entrepreneurs amounted to 20 423, including:

- Calls - 11,056 (54%)
- Online Chats - 6,243 (31%)
- E-mails - 2,418 (12%)
- Visits - 706 (3%)

For the purpose of informing the population living in the regions, the Service Centre was opened in Batumi on 17 August 2018, which will issue consultations about the Agency's services and state support programmes.

#### *The ninth priority measure*

- **Encouragement of female entrepreneurship**

LEPL "Enterprise Georgia" and LEPL "Georgian Innovation and Technology Agency", in partnership with the Ministry of Economy and Sustainable Development of Georgia, is implementing **projects for promoting women's participation in state programmes**. A draft amendment to the governmental Resolution on Micro and Small Business Support Component has been prepared, which encourages women entrepreneurs as one of the priority.

According to the data of 10 December, within a small grant programme of 5,000 GEL, in total, 20 women entrepreneurs received grant (for organizing prototypes, travel and events) from the LEPL "Georgian Innovations and Technologies Agency"; Within the "Co-Financing Grants for Start-ups", 3 start-ups were awarded grants at amount of 100,000 GEL (which are the heads of these start-ups). In addition, a 2-day programming camp - WomenTechmakers - for girls aged 14-16 years was held to study the basics of programming.

In order to promote women entrepreneurship within the state programme "Produce in Georgia", a special criterion has been developed by the Agency "Enterprise in Georgia". The above criterion provides the favoured promotion of women start-ups, which in turn contributed to the increase of the number of beneficiary women in this state programme.

**To facilitate the development of women entrepreneurship**, a Sub-Council for Women's Entrepreneurship Promotion under Private Sector Development Advisory Council was created. The relevant changes have been made in the Statute of the Private Sector Development Advisory Council in order to establish the sub-council. **During the reporting period, the meetings were held** where women entrepreneurs - the members of the sub-council and the representatives of the Association for Women's Economic Empowerment took part.

For the purpose of promoting women entrepreneurs, during the reporting period the Chamber of Commerce and Industry of Georgia held a National Business Forum for Women, which was attended by 300 women entrepreneurs of all regions of Georgia.

#### *The tenth priority measure*

- **Promotion of green practices among SMEs**

The Ministry of Environmental Protection and Agriculture of Georgia shall implement **measures to enhance and raise awareness of the subjects subordinated to the process for the introduction of the Expanded Producer Responsibility (EPR)**. The Swedish International Development Cooperation Agency (SIDA) with the support of the Swedish Environmental Protection Agency (SEPA) within the ongoing project "Capacity building for the implementation of waste management integrated system



and support for the necessary measures in Georgia for 2017-2020”, in particular, within the framework of hazardous and biodegradable waste management, as well as the Expanded producer Responsibility (EPR)”, a study tour was held in Stockholm, Sweden, which aimed to fully inform the state structures and private sectors for introducing the EPR Principle, as well as enhance active involvement in the process, sharing experience and future cooperation. Representatives of 7 large business organisations participated in the above-mentioned study tour together with the representatives of public sector.

A study visit was held in Athens, Greece for representatives of public officials and local authorities regarding the European Directives and current model in connection with the Expanded Producer Responsibility under the EU funded project.

In addition, information and consultation meetings are undertaken within the framework of ongoing EU funded projects for the purpose of raising awareness of the subjects subordinated to the Expanded Producer Responsibility.

**For the purpose of consulting entrepreneurs in waste accounting and reporting to ensure efficient work of the electronic waste database**, a national waste management system for waste accounting/reporting and waste collection/transportation/storage has been created. The obligation to carry out accounting-reporting and electronic registration entered into force on 1 January 2018. There are 570 organisations and about 25 000 forms of transporting hazardous waste that are registered in the electronic waste management system.

Representatives of the Department of Waste and Chemical Substances Management provide through telephone and electronic communication daily consultations with each entrepreneurial entity whose activities are related to waste management.

In total, 97.8% of the requirement for passing **courses of environmental managers** has been satisfied in 2018. The course was attended by 45 people.

## Monitoring and evaluation results

**The third strategic direction includes 10 priority measures and 27 activities, in total. All the 10 top priority measures and 27 activities were implemented in 2018.**

The “Performance Indicators” of the third strategic direction have been implemented in 2018, namely:

- ✓ Job seekers who are beneficiaries of the programme have been retrained;
- ✓ Employers were involved in the teaching process;
- ✓ The programme beneficiaries have been retrained and employed, including vulnerable groups;
- ✓ The study was conducted to introduce LLEL in the education field in order to reveal potential needs and challenges;
- ✓ TNA has been implemented in the field of hotel industry;
- ✓ The LLEL implementation report in the education system has been prepared;
- ✓ The entrepreneurship module has been passed by vocational students;

- ✓ Two meetings of the working group have been created for the implementation of LLEL;
- ✓ Representatives of small and medium enterprises are involved in the Vocational Education Council and thematic groups;
- ✓ Reports and minutes of sectoral councils have been developed;
- ✓ A new programme has been introduced based on a work-based teaching approach;
- ✓ Competitions for industrial ideas have been organised;
- ✓ A forum/platform for exchange of information between parties has been created;
- ✓ Training programmes have been conducted in Tbilisi and regions, based on Innovations Centres;
- ✓ Technical assistance has been received under the Business Incubator Project;
- ✓ Technical assistance has been implemented within the state programmes;
- ✓ The activities of EFQM for the promotion of success model have been implemented;
- ✓ The website contains educational materials and business literature;
- ✓ The Service Centre of Entrepreneurs has provided entrepreneurs with services, has held lectures/seminars, and offered consultations as well;
- ✓ For the purpose of introducing the Expanded Producer Responsibility (EPR), meetings have been held to enhance and raise awareness of the subjects subordinated to the process;
- ✓ Consultations and meetings have been held for entrepreneurs for waste accounting-reporting;
- ✓ Requirements of applicants interested in courses for environmental managers have been satisfied.

## IV. The Fourth Strategic Direction: Export Promotion and SME Internationalization

*The first priority measure*

- **Raising awareness on perspectives offered by DCFTA and DCFTA requirements**

**In order to increase awareness of DCFTA perspectives and its requirements, the Memorandum was signed with EPRC.** This activity is implemented by the Agency - LEPL “Produce in Georgia”.

During 2018, Georgian Chamber of Commerce and Industry has conducted 49 trainings **throughout the reporting period to raise awareness about DCFTA.** More than 1100 entrepreneurs received consultation in information centres of the regional DCFTA in 2018.

With the aim of facilitating small and medium business development and internationalization, Within the project “Small and Medium Entrepreneurship Development and DCFTA in Georgia” of the German International Cooperation Society (GIZ), a Cluster Development Support Project has been implemented and is being under construction. At the first stage the project envisages the development of policy towards the establishment of clusters in Georgia and at the second stage - the formation of clusters. Through joining Clusters it will be easier for Georgian companies to enter and establish themselves at the global market. Within the framework of the project, several meetings were held between the representatives of the Ministry of Economy and Sustainable Development in Georgia and European experts in 2018. In addition, on 11-15 June of 2018, an experience sharing programme in ICT cluster formation for the Georgian side, including representatives of ICT SMEs, was implemented in Latvia and Estonia, where meetings were held with Latvian and Estonian ICT Cluster member-companies and Clusters Managers, representatives of the Ministry of Economics and Communications of the Republic of Estonia, etc.

**The measures for the expansion of network of DCFTA Information Centres** were taken, in particular, presently, four Information Centres within the Georgian Chamber of Commerce and Industry have been operating – in Gori, Batumi, Kutaisi and Zugdidi.

Since 2017 and in 2018 as well, the measures for raising awareness and **providing information to entrepreneurs with quality national infrastructure** (metrology, standards, and accreditation) are actively implementing developing. Within the EU Twinning Project “Support of Georgian National Agency for Standards and Metrology for further implementation of the EU-Georgia DCFTA requirements”, the meetings were held with the representatives of the Local business sector in the municipalities of Telavi (17.05.2018) and Zugdidi (19.06.2018) in order to share Georgian and European experience in the field of standardization and metrology. Within the project, a public lecture on “Benefit of Standards” was also held for students in the Agency. With the purpose of raising awareness about the scope of accreditation and conformity assessment the Georgian Accreditation Centre conducted a meeting with representatives of the business sector interested in the field of accreditation within the framework of the event dedicated to the International Day of Accreditation (08.06.2018).

On 22-23 February of 2018, a training on “ISO 50001-Energy Management Systems” was conducted with the support of Georgian National Agency for Standards and Metrology and the United Nations Industrial Development Organization (UNIDO), as well as the Georgia’s Innovation and Technology Agency (GITA). The organisations engaged in energy-efficiency, energy sector and persons interested in these issues have participated in the mentioned meeting.

LEPL Georgian National Agency for Standards and Metrology is implementing **the expansion of range of quality infrastructure services and fields for entrepreneurs and interested persons**. In particular, in accordance with the “Standards Programme” of Georgia, in total 1756 standards have been registered as the Georgian standards (as of 10 December 2018), including:

- ✓ **SST ISO** (International Standard) - 99;
- ✓ **SST EN** (European Standard) - 1591;
- ✓ **SST ISO** (Georgian Standard, Georgian Version) - 12;
- ✓ **SST EN** (Georgian standard, Georgian version) - 9;
- ✓ **ETSI EN** (Standard of European Telecommunication Standards Institute) - 40;
- ✓ **SST IEK** (International Standard) - 4.
- ✓ **SST BS** (Great Britain Standard) - 1.

International assessment of the sampling laboratories of the Institute of Metrology was held in Georgian National Agency for Standards and Metrology of Georgia on 01-03 October 2018. It should be noted that in 2014 the Agency has achieved international recognition in three directions: electric measures, mass and temperature. In 2018, the international recognition range has expanded significantly both in the existing fields and new directions: **geometry (length measurements), mass and its associated values (mass, low volume, and pressure), temperature and humidity, electric measures, and ionizing radiation**.

It is important to note that the Deep and Comprehensive Free Trade Area Agreement between Georgia and the EU provides for the existence and development of internationally recognized national infrastructure and its one of the most important elements – metrology in the country in accordance with the best practice. It should also be noted that access to metrology services recognized at the international level facilitates the growth of the country’s export potential and the penetration of national products into international markets since the calibration and measurement certificates issued in Georgia are recognized internationally, which is of utmost importance for increase of competitiveness of Georgian products. Enterprises, labs, and other interested people will not have to send measuring means abroad as these services are already available in Georgia. This will save their expenses (calibration costs, transportation, customs and other expenses), which, in its turn, will contribute to the improvement of productivity.

Two regional roundtable workshops (in Ambrolauri Municipality on 22 February 23 and Kutaisi on February 23) **within the framework of a public-private dialogue on DCFTA** were held dedicated to the implementation of liabilities under the DCFTA. The event was organized and implemented by the Ministry of Economy and Sustainable Development of Georgia with the support of the European project “Supporting the Association Agreement”.

The DCFTA **website** [www.dcfta.gov.ge](http://www.dcfta.gov.ge) is regularly updated, in particular: the trade statistics has been updated by the monthly data of 2018; the draft legislative acts projects in the spheres of sanitary, phytosanitary and trade barriers have become public for comments; interested persons has been assisted in relation of the incoming questions via mail indicated on the site. It should be noted that in 2018 the number of visitors **to the site** has significantly increased and made up 20,239 visitors.

“Georgian Post” offers an open electronic platform to entrepreneurs engaged in electronic commerce, through which any interested person, including small and medium entrepreneurs will be able to conduct e-commerce within the country and export own products.

### *The second priority measure*

- **Support for entrepreneurship in adaptation to DCFTA requirements**

**Analysis of export potential of small and medium enterprises by fields** is intensively underway in recent years. An export preparedness test has been developed and modified in terms of products and services.

The Ministry of Economy and Sustainable Development of Georgia has analysed the sectors having export potential for identifying new sectors, in particular, a local market demand of trade partner target countries has been studied, new positions and relevant export markets have been revealed, where potential products are available. In addition, active work is underway to identify new sectors and products.

At this stage the following sectors **with export potential** are identified: toys; furniture; shoes; bags and accessories; children’s clothes. Individual and group meetings were held with the representatives of the above sectors to determine the needs in term of conformity with the DCFTA requirements. In total, more than 90 beneficiaries took part.

The LEPL Agency “Enterprise Georgia” has been developed **the following support tools** on DCFTA issues: organizing/co-funding international exhibitions, trade missions and conferences; The export guideline has been developed; An export preparedness test has been modified; Various types of educational activities have been implemented, including: Export Managers’ Certificate Course, where 68 persons participated; and a free master-class series “Develop Your Business” - Over 700 participants attended the master classes.

Free veterinary measures (anti-aphthovirus vaccination, animal identification and restoration, etc.) were carried out within the activity of developing support tools (technical, financial) and within the framework of the Sub-Programme “Animal Health and Identification – Registration” by the Ministry of Environment Protection and Agriculture of Georgia, which supports farmers employed in the field of animal husbandry;

**Trainings were undertaken for entrepreneurial entities**, within which more than 250 beneficiaries completed the export readiness test.

### *The third priority measure*

- **Support SMEs in export promotion**

In 2018 the active work was undertaken **in the direction of identifying the priority export markets by products**. 30 priority export markets (14 EU states, 13 countries of Asian-African region, Turkey, USA, Canada) are defined. In accordance with the results of 2017, the analysis has been updated with regard to the requirements of the consumer market imports of these countries and, respectively, the list of products has been updated for which these markets are attractive export markets. This event is implemented by the Ministry of Economy and Sustainable Development of Georgia.

In order to stimulate export, the Ministry of Economy and Sustainable Development of Georgia actively **studies international markets for market demand and priority products to identify the requirements of these markets, including technical requirements**. An annual statistical analysis (38 countries) of the target countries has been completed within the mentioned event, and the analysis of the import market of other important trading partner countries has also been prepared. In addition, the list of existing development and new potential export products is determined.

**In terms of providing information to entrepreneurs with regard to the requirements of export markets (including technical requirements)**, LEPL Agency “Enterprise Georgia” organized meetings and trainings, in particular, the meetings were held with the representatives of the textile industry in Kutaisi, which was attended by 40 participants; The meeting was held in Tbilisi with representatives of design and textile industry, which was attended by 45 beneficiaries; 15 beneficiaries participated in the meeting with the companies producing toys in Tbilisi; Within the event, individual consultations were provided to more than 150 beneficiaries; The meeting was held in Lagodekhi with local entrepreneurs which was attended by 60 beneficiaries; A training on “How to Sell in Europe” was held in Tbilisi, where 70 beneficiaries took part.

For the purpose of popularization of the portal Tradewithgeorgia, a presentation was held in three cities of Georgia: Telavi, Zugdidi and Batumi.

**In order to support marketing and promotion in international markets**, the export preparedness test has been developed and modified both in terms of products and services. As we have already mentioned, more than 250 beneficiaries have completed the export readiness test.

**In order to identify the needs of marketing skills in selected enterprises**, consultations with entrepreneurs have revealed the need for development of specific marketing skills, resulting in conducting masterclasses in branding, public relations and integrated marketing communications and marketing. Up to 240 interested people took part. These activities are carried out by LEPL “Enterprise Georgia”.

**In order to identify the products/ services produced in enterprises for the promotion in the international markets**, an individual meeting was held with 150 beneficiaries, while more than 100 beneficiaries participated in the field meeting.

About 250 beneficiaries took part in educational activities and informational meetings organised by the LEPL Agency “Enterprise Georgia” **with the aim of developing the relevant marketing/popularisation tools.**

**In order to improve marketing/popularization skills in selected enterprises,** LEPL Agency “Enterprise Georgia” conducted a certificate course in export, which includes marketing modules. In total, 68 beneficiaries participated in this course. In addition, a master class series “Develop Your Business” was organized within the framework of the sub-measure where more than 700 beneficiaries participated.

In 2018, with the support of the Agency “Enterprise Georgia” 184 beneficiaries have participated in 23 international events in the following directions: food, beverages, textile industry; toy industry; electronic goods (lights); ICT sector; jewellery industry; architecture and design; business consulting.

#### *Fourth priority measure*

- **Support for entrepreneurship in establishing international trade relations**

**In terms of establishing international relations,** LEPL Agency “Enterprise Georgia” has conducted 23 international events and resulted in participation of 184 business entities in international activities organized and co-financed by the Agency. In terms of financial view point, an agreement and/or contract of 32 000 000 USD have been concluded.

To promote the entry of small and medium entrepreneurs to the foreign market, in 2018 LEPL Agency “Georgia’s Innovation and Technology” has signed 5 Memorandums with the following organizations: Korea Techno Unions (Korea), Frank Group (Israel), Minsk City Technopark (Belarus), Technological Entrepreneurship Union (Poland), and Baku Business Factory (Azerbaijan).

**An effective participation of entrepreneurs in EEN has been actively promoted** this year. With the support of the LEPL Agency “Enterprise Georgia”, business offers from 8 Georgian companies have been placed to the Platform of European Entrepreneur’s Network (EEN).

One profile of the Georgian company – “A Georgian manufacturer of LED lighting solutions is looking for agents, distributors and wholesalers” - POD Reference: BOGE20170627002 has been registered at the Platform by the LEPL Agency “Innovations and Technologies”.

In order to promote the involvement of Georgian entrepreneurs in the network of European entrepreneurs, Georgian Chamber of Commerce and Industry carried out the following activities: 1. Three Regional Meetings were held with entrepreneurs: in Rustavi, Telavi, and Gori, 2. 20 applications were prepared in Georgian, and six of them were sent to place within the EEN network. It should be noted that Georgian Chamber of Commerce and Industry is actively engaged in **informing entrepreneurs about the exhibitions abroad**, via e-mail or other online services, including information placement at the Chamber’s website. During 2018, Georgian Chamber of Commerce and Industry informed entrepreneurs about participation in 54 international exhibitions/forums.

**In order to promote start-ups in international events,** the LEPL Agency “Georgia’s Innovation and Technology” has been financed 14 start-ups for participation in the international event within the

framework of a small grant programme of 5000 GEL. Georgian start-ups are taking part in the international accelerator/incubator (Startup - Papu, Optio AI, Treepex). In addition, Georgian start-ups have participated in the following international events: on 10-14 October 2018 in Frankfurt Book Fair; on 5-9 November 2018 in the web-Lisbon Summit, etc.

On 7 November 2018 in Shanghai, China a Memorandum of Understanding was signed between Innovations and Technology Agency and BGTA (Chinese corporate-backed accelerator), according to which a free working area was allocated for Georgian Start-ups in the BGTA Accelerator.

The LEPL Agency “Enterprise Georgia” **has identified commercially attractive** four entrepreneurial sectors: toys; furniture; shoes, handbags and accessories; children clothes.

Within the frames of the event, **preparation of development oriented research of identified sectors** has been determined. For this purpose, the LEPL Agency “Enterprise Georgia” studied the potential of producing shoes, handbags and accessories in Georgia. In addition, in 2018 the LEPL Agency “Enterprise Georgia” carried out studies on the potential of producing automotive parts, as well as the BPO (Business Process Outsourcing) Sector Development Potential Studies in Georgia.

#### *The fifth priority measure*

- **Promotion of Responsible Business Conduct (RBC)**

**In order to promote Responsible Business Conduct (RBC) in the entrepreneurial sector**, this year a Memorandum of Understanding was signed between the LEPL Agency “Enterprise Georgia” and Civil Development Agency (CIDA). This memorandum will significantly facilitate the popularization of RBC in the entrepreneurial sector.

Within the above mentioned event, the representatives of 30 beneficiary companies of the state programme “Produce in Georgia” have participated in meetings and trainings of the **Georgian Network and Corporate Social Responsibility Club of the United Nations Global Competition**.

In partnership with the Ministry of Economy and Sustainable Development of Georgia and with the support of the European Union, the Centre for Strategic Research and Development of Georgia (CSRDG) launched Annual Competition for Corporate Social Responsibility in 2018 – Georgia’s Responsible Business Competition **Meliora** (which means in Latin “the best”).

In total, 41 companies participated in the competition with 76 implemented projects. The projects presented in the competition were evaluated by the leading foreign and Georgian experts, and revealed the most responsible and exemplary projects. The winners’ awards ceremony was held on 13 December 2018.

#### *The sixth priority measure*

- **Support for establishment of FDI-SMEs linkages**

With the aim of gathering information during the reporting period of 2018, a survey was carried out on enterprises and multinational brand hotels, established by direct foreign investments, as well as **on**



**their demand for goods/services** and in the first phase of the project FDI-SMEs Linkages. The pilot phase industry and Georgian and foreign companies, which will be involved in the project of linkages, have been selected on the basis of demand-supply as a result of the research.

Based on research on the FDI-SMEs Linkages project, **small and medium-sized companies have been identified which have the potential to become providers of goods and services to foreign partner organisations**. 14 local companies have undertaken training programmes. In addition, 25 international brand companies have been consulted and informed about potential of services and supply of local small and medium-sized companies.

The relevant measures were taken **to promote foreign investors and linkages between small and medium enterprises (SME-MNC)**.

These activities are carried out by the LEPL Agency “Enterprise Georgia”.

## Monitoring and Evaluation Results

The fourth strategic direction includes 6 priority measures to be implemented in 2018 and 33 activities that are fully performed.

The “Performance Indicators” corresponding to the fourth strategic direction, have been fully implemented in the first half of 2018, namely:

- ✓ Memorandum has been signed with EPRC;
- ✓ Activities have been implemented for beneficiaries to raise awareness on DCFTA perspectives and requirements;
- ✓ Entrepreneurs have been consulted on DCFTA requirements;
- ✓ More than 250 beneficiaries have been supported in terms of adaptation to DCFTA requirements;
- ✓ In the field of metrology, the range of internationally recognized services has been expanded and added new directions - geometry (length measurements), mass and its associated values (mass, small volume, and pressure), temperature and humidity, electric measures, ionizing radiation that will help to increase competitiveness of Georgian products and access to international/European markets;
- ✓ Companies have established international relations;
- ✓ The profile of Georgian companies on EEN platform has been registered;
- ✓ The Memorandum has been signed with the organisation CIDA for promotion of Responsible Business Conduct (RBC) in the entrepreneurial sector;
- ✓ Foreign potential investor companies have been consulted on partnership with local small and medium-sized companies and their real potential for supply of goods/services.

## V. Fifth Strategic Direction: Support for Innovations and Research and Development (R & D)

### *The first priority measure*

- **Stimulation of innovations among SMEs**

The mentioned priority measure has been taken by the Georgia's Innovation and Technology Agency. In 2018, trainings were held for development of innovative business skills in 6 regions of Georgia. **Within the trainings for raising awareness**, the Agency has created a manual "Guidelines in the Digital World" for small and medium enterprises, which were given to the participants of the training free of charge. In addition, about 200 local entrepreneurs were individually consulted to acquire e-commerce possibilities.

Within the World Bank's **Innovation Agent** Programme, **diagnostics of innovative processes in enterprises has been carried out in order to stimulate innovations**. In total, 5 agents have been trained and provided with the methodology and forms within the programme, who carried out diagnostics of more than 70 companies in the region. Then they developed recommendations to stimulate entrepreneurs towards innovations and research/development.

### *The second priority measure*

- **Elaboration of effective financing schemes of innovations and R & D**

In order to develop **effective financing schemes** of innovations and R & D, within the reporting period, and within the framework of Small Grants Programme of 5000 GEL, in total 299 project applications have been received. Within the framework of the programme, 98 projects were funded, including prototyping - 19 projects; Organising an event - 28 projects; Travels - 51 projects. The budget amounted to 360,318 GEL. Within the framework of co-financing grants, a contract has already been signed with 17 start-ups, with the total amount of financing 1,631,986.12 GEL. The events are implemented by the Georgian Innovation and Technology Agency.

### *The third priority measure*

- **Support for innovation and R & D commercialization**

In order to support innovation and commercialization, relevant activities were carried out by LEPL Georgia's Innovation and Technology Agency. In particular, **the concept of the National Centre for Transmission of Technologies** was developed by the Georgia's Innovation and Technology Agency under the 2nd component (Innovation Services) of the World Bank (GENIE).

### *The fourth priority measure*

- **Improvement of the ICT skills of SME's**

Georgia's Innovation and Technology Agency has conducted one-day trainings in Digital Literacy and Electronic Business, which was attended by up to 500 entrepreneurs. Each of them was given a free e-commerce training course voucher. It is planned to conduct a full training course in this regard.

The course "How to create a web site easily", having up to 100 beneficiaries is being conducted in Zugdidi, Rukhi, Baghdadi, Kharagauli, Gori, Kaspi and Choporti.

*The fifth priority measure*

- **Providing infrastructure for innovation (FabLabs; iLabs; TechPark; BroadBand; Computerization)**

The mentioned measure envisages **the creation and operation of technological and innovative centres in the regions**. During the reporting period the Centres of Innovations in Rukhi and Akhmeta and Telavi Techno Park were opened.

To provide relevant infrastructure for innovations, **the regions have been covered with high-speed fibre-optic main infrastructure**. In particular, internet is already available in 24 villages of Tusheti and 4 gorges, thus Tusheti population, entrepreneurs, and tourists have the opportunity to use modern information and communication technologies through many electronic services implemented in public and private sectors. Taking into account the increase of tourism potential of Tusheti, Tusheti entrepreneurs have already started placing their services on online platforms.

With the support of Georgia's Innovation and Technology Agency, a free training in electronic business was conducted and successful graduates were given free vouchers for internet access.

## **Monitoring and evaluation results**

The fifth strategic direction consists of 5 priorities and 7 activities that have been implemented within the planned activities.

The "Performance Indicators" corresponding to the fifth strategic direction, have been implemented in the first half of 2018, namely:

- ✓ Activities were conducted for the promotion of innovations in traditional industries;
- ✓ Diagnostics of innovative processes in enterprises has been implemented;
- ✓ Formation of financing schemes has been implemented;
- ✓ The concept of National Centre for Technology Transfer has been developed;
- ✓ About 500 business entrepreneurs have been trained in electronic business;
- ✓ About 200 entrepreneurs have been registered at international platforms of e-commerce;
- ✓ The innovations centres and hubs have been created.

## Implementation of obligations assumed under the Action Plan for 2018

Implementation report on Action Plan represents the implementation of the relevant activities **as of 2018**, as a result of the work of the Ministry of Economy and Sustainable Development of Georgia and its relevant agencies under the Ministry, as well as the responsible agencies listed in the Action Plan.

The report was developed by the Economic Policy Department of the Ministry of Economy and Sustainable Development based on the information provided by the responsible agencies/departments under the Action Plan.

### Conclusion

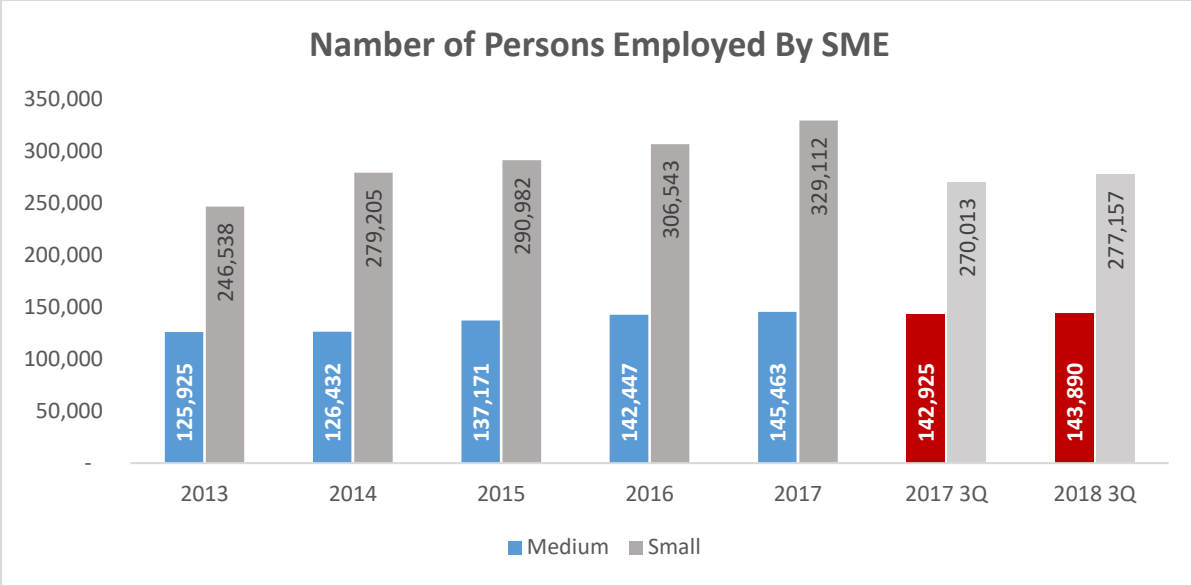
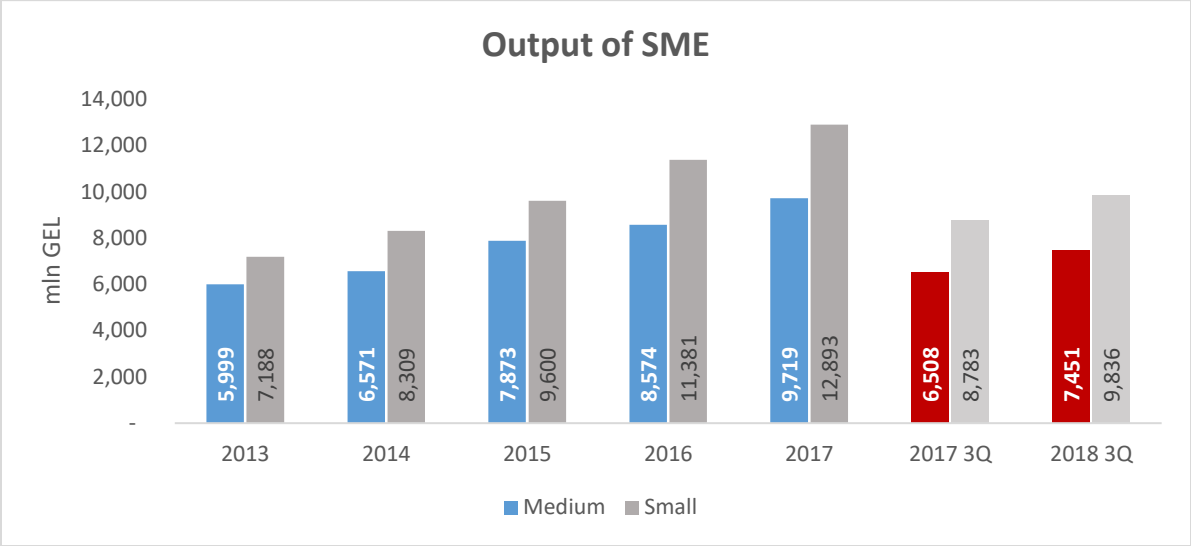
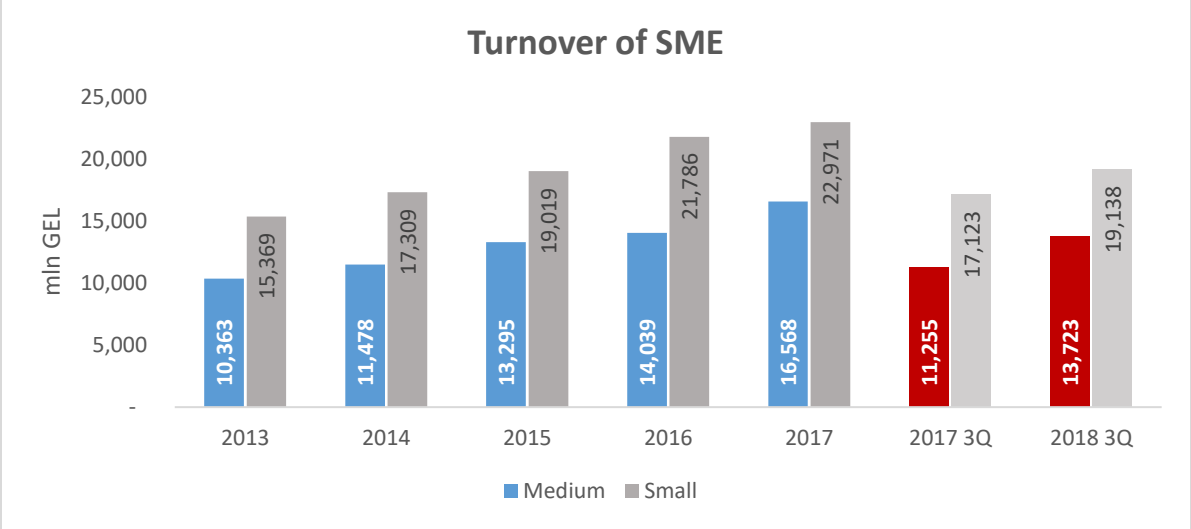
It is obvious that SME Development Strategy of Georgia for 2016-2020 and its relevant action plan has got special importance for the further development of entrepreneurship, as effective implementation of the strategy will help small and medium business development, as well as increase of its competitiveness, which is important for both employment growth and the creation of new jobs, as well as for introducing at local and international markets.

It is noteworthy that targets of effective implementation of SME Development Strategy of Georgia (*Growth SMEs output by average 10% annually by 2020; Growth of number of employees in SMEs by 15% by 2020; Productivity growth by 7% by 2020*), **are successfully completed** at this stage, based on the data of National Statistics Office of Georgia. In particular:

- ✓ Average annual Growth SMEs output is 14.4% in 2014-2017;
- ✓ Growth of number of employees in SMEs is 27.4% in 2017;
- ✓ productivity growth amounted to 11.1% in 2017.

It is also noteworthy that **the implementation of SME Development Strategy of Georgia was highly evaluated** by the OECD in the Round Table format of the Eurasian Competitiveness Programme conducted within **the OECD's Eurasian Week** performance on 19 November of 2018.

In the market oriented economies, SMEs are the main source of economic growth and employment. Small and medium enterprises in Georgia are also contributing greatly to the economic growth and development of the country and the dynamics of recent years has positive results. In particular, in 2017, the value added of small and medium enterprises amounted to 62% of the total value added of the business sector. Based on the data of the three quarters of 2018, turnover of small and medium enterprises amounted to 55% of total turnover, with the output of the enterprises totalling 59% and the number of employees in the third quarter of 2018 equalled to 63% of total employed people.



## Recommendations

- SME Development Strategy and relevant Action Plan should be more precise in terms of budgetary issues regarding needs of donors' support;
- The action Plan should include information on possible risks related to implementation of the activities and priority measures envisaged under the strategic directions by the action plan;
- Targeted indicators determined by the strategy, should be assessed and adjusted if necessary.