



**SME**

**Development**

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

**Georgia**

**Annual Report, 2020**

# **SME Development Strategy of Georgia**

## **2020 Annual Report of Action Plan**

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

© Implementation report on Action Plan represents the implementation of the relevant activities as of 2020, 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.

## ABBREVIATION

<b>ADB</b>	Asian Development Bank
<b>CIDA</b>	Civil Development Agency
<b>DCFTA</b>	Deep and Comprehensive Free Trade Agreement
<b>EBAN</b>	European Business Angels Network
<b>EDA</b>	Export Development Association
<b>EEN</b>	The Enterprise Europe Network
<b>EFQM</b>	European Foundation for Quality Management
<b>EPR</b>	Extended producer responsibility
<b>ETF</b>	European Training Fund
<b>GIZ</b>	Organization of International Cooperation of Germany
<b>G4G</b>	Governing for Growth
<b>ICT</b>	Information and communications technology
<b>IFRS for SME</b>	International Financial Reporting Standards for SME
<b>ILO</b>	International Labour Organization
<b>LLEL</b>	Life Long Entrepreneurial Learning
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>RIA</b>	Regulatory Impact Assessment
<b>R&amp;D</b>	Research and Development
<b>TA</b>	Technical assistance
<b>ToT</b>	Training of trainers
<b>TNA</b>	Training Needs Assessment
<b>TTPP</b>	Technology Transfer Pilot Project
<b>UNDP</b>	United Nation Development Program
<b>UNECE</b>	The United Nations Economic Commission of Europe
<b>USAID-PROLoG</b>	United States Agency for International - Development Rule of Law in Georgia
<b>WEP</b>	Women's Empowerment Principles

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## Summary

In 2016 *SME Development Strategy of Georgia 2016-2020* and the related action plan were developed by the Government of Georgia. The strategy is in full compliance with the basic principles of Small Business Act for Europe and envisages the best practice of EU countries with regards to SME development policy. The goal of the strategy is development of favorable environment for SMEs, improve their competitiveness and innovative opportunities, achievement inclusive and sustainable economic growth.

The strategy has set out the following targets to be achieved, including annual growth SME output by 10%, as well as growth of number of employees by 15% of and growth in productivity by 7% against baseline (2013).

The strategy 2016-2020 includes 5 key directions, such as further improvement of the legislative, institutional and business environment; Improvement of access to finances; Development of the competitive human capital, promotion of entrepreneurial skills and modern entrepreneurial culture; Export promotion and SMEs internalization; Facilitation of innovations, research and development (R&D) in SMEs. The mentioned strategic directions, in turn include relevant priority measures and actions.

**First strategic direction** envisages improvement of legislative, institutional and entrepreneurial environment for small and medium entrepreneurs. Within the framework of the mentioned direction during the reporting period Georgian Parliament adopted the law “On Rehabilitation and Collective Satisfaction of the Creditors’s Claims”. The platform “The State – Your Partner” ([programs.gov.ge](http://programs.gov.ge)) was developed, which brings state programs supporting to business together. For improvement provision of the services to the business the unified portal for e-services [My.gov.ge](http://My.gov.ge) was significantly enhanced, where the services of the public and private sectors are provided. Since January 1, 2020 Georgian Law “On Mediation” entered into force aiming to develop alternative instruments for dispute resolution. During the mentioned period, the mediation was introduced as a compulsory service in the city courts of Tbilisi and Rustavi and in the Mtskheta district court. “The National Strategy for Development of Official Statistics of Georgia 2020-2023” and the related Action Plan for 2020-2021 were developed and proved.

For expansion the scope of enterprise statistics, the National Statistics office of Georgia prepared and uploaded the statistical research of the financial corporations on its web-site. For strengthening of SME supporting institutions, the staff of the respective institutions were trained. Innovation and entrepreneurship technical assistance programs were implemented. Consultation service regarding e-commerce was introduced in the Georgian Chamber of Commerce and Industry. Online meetings were held within the platform for strengthening dialogue between public and private sectors. The meeting of DCFTA Advisory Council was held. The methodology of

regulation impact assessment (RIA) for adopting “Better regulation” system has been developed and approved, which is the technical guideline for RIA.

Fulfilment of the priority measures defined within the first strategic direction were evaluated in accordance with the “Performance indicators” considered by the action plan, while fulfilment of the strategic direction was evaluated in line with OECD recommended indicators.

**Second strategic direction** envisages further improvement of the access to the finances. The trainings for the entrepreneurs were conducted within the mentioned direction, including for improvement of financial education. New training module was developed for agricultural entrepreneurs. New financial educational platform, FinEdu.gov.ge was elaborated where the information on financial education is available. Online trainings on International Financial Reporting Standards (IFRS for SME) were conducted to support SMEs. The trainings on fund-raising issue were held for start-ups. Market Acceleration Program was developed as an additional mechanism for access to finances for the beneficiaries of the co-funding grant program. For capital market development the law of Georgia “On Investment Funds” was adopted. 4 meetings were held in public-private dialogue format prior to adoption of the mentioned law. The amendments were also made in the “Law of Georgia On Securities Market” for capital market development. Micro and small grant program was implemented within SME support considering funding more than 300 economic activities. In order to support innovations mini and co-funded grants were provided within the Access to Finance Program. The loans were disbursed within the Agro-Credit Program. Young entrepreneurs were funded within the program aiming at supporting young entrepreneurs. The Perennial berry gardens were grown within the program “Plant the Future”. Processing and storage enterprises were developed within the co-funding program. Cooperatives were equipped with tea processing equipment within the tea gardens rehabilitation program. Under the agro-insurance program the harvest of the agricultural crops has been Insured.

Within the framework of the second strategic direction the performance of the priority measures was assessed based on “Performance indicators” considered by the action plan, and the implementation of the strategic direction was assessed in line with the OECD recommended indicators.

**Third strategic direction** envisaged support to improvement of SME skills and promotion of the entrepreneurial culture. Under the mentioned direction the integrated vision for career planning and professional orientation was developed. “Development of Employment Support Services” the job-seekers were employed, including the persons with de activities considered under the “Action Plan for Introduction of the Lifelong Entrepreneurial Learning at all the Levels of the Education System (LLEL) 2019-2020” were implemented. It is mandatory to introduce entrepreneurship module for all vocational students in modular vocational programs ar state vocational education institutions. Vocational education programs were implemented to support dual vocational education. The legal acts regulating acknowledgement of non-formal vocational education were

approved. In 2020 the right for acknowledgement of non-formal education was obtained by two educational institutions in accordance with applied legislation. For supporting non-formal education programs online trainings were held. Pilot version for the online business incubator was developed. The EFQM success model was adopted with the support of the donor organizations. The educational materials and business literature are available on the web-site of “Enterprise Georgia” within the activities supporting entrepreneurship. For encouragement womens’ entrepreneurship the gender equality strategy and related action plan were developed. The activities supporting introduction of the “Green Practice “in the SMEs were implemented.

Fulfilment of the priority measures defined within the third strategic direction were assessed by the “Performance indicators” considered by the action plan, while achievement of the strategic direction was evaluated in accordance with the OECD recommended indicators.

**Fourth strategic direction considers** envisages export promotion and internationalization of SMEs. Within the direction awareness raising activities on DCFTA perspective and requirements were undertaken. The number of the metrology institute admitted records was increased. The international and European standards were adopted as the standards for Georgia. The accreditation of the energy management and audit entities was added to the energy management. The Web-site [www.dcfta.gov.ge](http://www.dcfta.gov.ge) is regularly updated with 23, 277 visitors only for 2020. The analysis of the sectors with the export potential was conducted and the prioritized export markets were defined. The research of the international markets conducted to identify demands on the markets for the priority products, including technical requirements.

Online trainings were held for the representatives of the accredited compliance assessment bodies. Export certification courses were conducted for development of the marketing skills in the enterprises. The Memorandums of mutual cooperation were signed within the international cooperation. The entrepreneurs were informed on the Enterprise Europe Network (EEN) advantages and the entrepreneurs were consulted on registration on the platform.

Performance of the priority measures defined within the fourth strategic direction was assessed by the “Performance indicators” considered by the action plan, while achievement of the strategic direction was evaluated based on the OECD recommended indicators.

**Fifth strategic direction** envisages support to innovations, research and development (R&D). The goal of the measures performed within the scope of the direction is to stimulate innovations in SMEs, development of the effective schemes for innovation and R&D funding and their commercialization. Many activities were held for promotion of innovations and technologies. The grants were provided within the innovative and technological grant programs, the projects were selected within the Technology Transfer Pilot Program (TTPP) and the project commercialization plans were approved. The informational web-site was developed for ICT programs. The pilot trainings were conducted for IT specialists. In accordance with Georgia’s National Strategy for



broadband network development 2020-2025, the state program for broadband development infrastructure has been launched.

Fulfilment of the priority measures defined within the fifth strategic direction were assessed in accordance with the “Performance indicators” considered by the action plan, while achievement of the strategic direction was evaluated by the OECD recommended indicators.

## Introduction

Pursuant to the Social-Economic Development Strategy of Georgia, “Georgia 2020”, economic policy of the Georgian government is based on three key principles. **The First Principle** is ensuring the rapid and effective economic growth focused on the development of real (Industry) sector of the economy, which will result in tackling existing economic problems in the country, creation of the jobs and overcoming poverty. The Second Principle pursues an inclusive economic growth policy, what implies comprehensive inclusion of the population in the process of economic development, well-being of every member of the society as a result of an economic growth, social equality and improved living conditions for the population. Rational use of the natural resources, environmental security and sustainability in the process of economic development is the **Third Basic Principle**.

In 2019 economic growth of Georgia achieved the highest level for the last seven years and consisted of 5.0%. In turn, in 2013-2019 the economy used to grow on an average 4.2% annually indicating sound development of the economy.

### The Profile of Georgia

Population, 2019	3,716,858
GDP in current prices, 2019	49.3 milliard GEL
GDP per capita, 2019	13,239.4 GEL
GDP real growth (% , y-o-y), 2019	5.0%
The export of commodities and services (% in GDP), 2019	54.8%
Import of commodities and services (% in GDP), 2019	63.7%
Unemployment rate <sup>1</sup> , 2019	17.6%

### Statistics for Small and Medium Entrepreneurship

SME % in total acting enterprises	99.7%
Share of SME in total employed, 2019	65.0%
Share of SME in total added value	59.3%

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<sup>1</sup> In 2019-2020 within the framework of the project initiated by the International Labor Organization, European Union and Eurostat, the fundamental changes were introduced in the labor force statistics methodology by Geostat. Introduction of a new standard considers re-qualification of the self-employed, in particular, according to a new standard the people employed in their domestic husbandry are not considered as self-employed, if they are not oriented on the market and mainly produce agricultural product (more than 50%) for their own consumption.

The key principle for the country's economic development is development and promotion of a private sector. The entrepreneurial sector, especially, SMEs play an important role in the economic development and contribute significantly in ensuring sustainable and inclusive economic growth. SMEs, having enormous potential in employment generation and job creation, as well as in fostering economic growth, could be considered as a key cornerstone of each country's economy.

SME development and promotion are one of the key challenges of Georgian Government. Accordingly, availability of comprehensive supportive policy and relevant strategy supports to strengthening of the private sector's competitiveness in the country, including at the internal and external markets, based on the human capital development, development of entrepreneurial culture, improvement access to financial resources, development of the innovations and researches, etc. All said is leads to successful functioning of the economy.

SME development strategy of Georgia (2016-2020) and the relevant action plan were developed by the Ministry of Economy and Sustainable Development of Georgia (MoESD) with financial support of European Union, in close cooperation with Organization for Economic Cooperation and Development (OECD) and GIZ. The strategy and related action plan were approved by the Government of Georgia on February 26, 2016 (Government resolution N100; 26.02.2016).

The strategy envisages the basic principles of the European Small Business Act, including the key principle of the Act "Think Small First" and the best practices of EU countries in the field of SME development policy. The importance of the existence and implementation of the SME development strategy 2016-2020 and its action plan is obvious for further development of SMEs, as efficient implementation of the strategy will contribute to SMEs development, growth and raise competitiveness. This is important both for employment growth and job creation, as well as for establishing a niche on local and international markets.

## **The SME Policy Index**

OECD with one of the priorities to support small and medium developed the "SME Policy Index" research methodology entrepreneurship together with ETF and IBRD, evaluating existing SME supporting policy of the country against "Small Business Act for Europe".

The SME policy index is published once per four years. „The SME Policy Index 2020“is the 3<sup>rd</sup> round of the following the research conducted in 2012 and 2016.

The SME policy index by the OECD assesses Georgia SME policy together with the Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Moldova and Ukraine).

OECD „SBA SME Policy Index 2020“ research is based on the evaluation to the components according to the 10 principles of the SBA - Small Business Act.

The rating assesses the Eastern Partnership States according to 12 components, which in turn is divided into 34 sub-components. The rating evaluates the countries by 1-5 scale in terms of SME policy.

Georgia achieved unprecedented success in the ranking for 2020. According to the report, Georgia's assessment, as well as the scores (compared to 2016 ranking) in all 12 components were improved, while it gained the highest scores in 9 out of 12 components among the Eastern Partnership countries. The rating evaluates the following 12 components: Institutional and regulatory environment; Entrepreneurial/operational environment; Bankruptcy and the second chance; Entrepreneurial learning and women entrepreneurship; Entrepreneurial skills; SME's access to the finances; State procurement; Standards and technical regulations; Internationalization; supporting services for entrepreneurship and start-ups; Innovations and green economy.

Pursuant to the OECD report, Georgia experienced the further progress and significant success due to more strategic approach to development of the small and medium entrepreneurship and implementation of targeted initiatives. According to the research, Georgia made the impressive steps in the field of entrepreneurial learning as well as improvement of the SME operational environment.

## **The Goal of the SME Development Strategy for 2016-2020**

- ✓ Development of favorable environment for SMEs;
- ✓ Enhancement of the competitiveness and innovative capacities of SMEs, which will lead to income generation and job creation resulting in inclusive and sustainable economic growth.

## **Key Objectives of the Strategy**

- ✓ Raising the competitiveness of SMEs at the local and international markets;
- ✓ Enhancement of the entrepreneurial skills and introduction of modern entrepreneurial culture;
- ✓ Support to modernization and technological improvement of the SMEs.

## **Target indicators for 2020** (*baseline – 2013*)

- ✓ Growth of SMEs output by average of 10% annually by 2020;
- ✓ Increase of the number of employees by 15% in SMEs by 2020;

- ✓ Productivity growth by 7% by 2020.

The strategy includes **5 key strategic directions and the policy-relevant priority measures**, developed based on the analysis of current economic situation as well as by consideration of the institutional and entrepreneurial environment analysis for SMEs, evaluations and recommendations.

### **Strategic Directions:**

1. Further improvement of legislative, institutional and entrepreneurial environment;
2. Improvement of access to the finances;
3. Support to development of competitive human capital, entrepreneurial skills and modern entrepreneurial culture;
4. Export promotion and support to SMEs internationalization
5. Support to innovations and research and development (R&D).

According to the SME development strategy action plan, each strategic direction includes detailed actions important for fulfilment of specified priority measures and therefore, to achieve the goals set in each strategic direction.

The target indicators set by the SME Development Strategy (Growth of SMEs output by an average of 10% annually by 2020; Increase of the number of employed by 15% in SMEs by 2020 and Productivity growth by 7% by 2020) have been achieved as following in accordance to “Geostat” data<sup>2</sup> :

- ✓ In 2014-2019 average annual growth of SME output is **13.2%**;
- ✓ In 2019, Growth of the employees in SMEs is **32%**;
- ✓ In 2019 productivity, growth was **14.2%**<sup>3</sup>.

The document is the report of Action Plan 2020 for „SME Development Strategy”.

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<sup>2</sup> Referring to statistical data of 2019 in the report was the result of the Geostat data publishing calendar according to which only 2019 data are accessible during preparation of the annual report. It should be noted that it is possible to see the statistics of the global pandemic impact only after accessibility on statistical data of 2020;

<sup>3</sup> *Methodology: SME deflated (GDP chain index) added value correlated to the number of the employed at SME.*

# 1. Improvement of Legislative, Institutional and Entrepreneurial Environment

## 1.1. Improvement of Business Closure and Insolvency Procedures

[1.1.1] According to the SME Development Strategy and related action plan, for better institutional and entrepreneurial environment improvement of business closure and insolvency procedures were defined. Government of Georgia submitted draft law “On Rehabilitation and Collective Satisfaction of Creditors’ Claims” to the Parliament of Georgia in 2020, which **was adopted** by the Parliament on September 18, 2020. The law fully will enter into force since April 1, 2021. Till the mentioned period, the Ministry of Justice, based on the law ensures issuing of all the subordinate legal acts required for preparation relevant ground for implementation the related activities by the representatives of the new profession - “insolvency practitioners”.

The law „On Rehabilitation and Collective Satisfaction of Creditors’s Claims” considers development of such legal environment, which includes effective encouraging mechanisms for rehabilitation and ensures ultimate protection of the rights and legal interests of all the creditors effectively and legally. Georgia’s insolvency system approximated to the best international practice by adoption of the law „On Rehabilitation and Collective Satisfaction of Creditors’ Claims”.

[1.1.5] Action plan of the strategy considers creation of the **e-platform of the services to be provided by the state**. The platform “State - your partner” (programs.gov.ge) was developed by the initiative of the government which unifies the state programs focused on business support. Its main goal is to simplify as much as possible and increase access to the state financial and technical assistance for those who would like to start business or enhance already existing enterprise.

„State - Your Partner” is based on single-window principle and inclusion in more than 20 service programs is possible from one space, in particular from 24 Public Halls and 81 public centers, as well as electronically by means of web-sites throughout entire Georgia.

For improvement provision of the services for the businesses, **unified portal for e-services, My.gov.ge**. was significantly expanded. Available e-services of public and private sectors are published on the web-site. One of the key advantages of the portal is access to different services by means of “a single-window principle”, from only one point. The informational and functional e-services, such as property, business, taxes, etc. are accessible on the portal.

## 1.2. Development of Legislative Framework Related to Mediation

[1.2.1] **Law of Georgia “On Mediation” which entered into force since January 1, 2020**, aims to support alternative means of dispute resolution. Mediation is one of the means for dispute resolution, when impartial party (a mediator) helps to the disputing parties in achievement

mutually acceptable agreement. The goal of the court mediation is to support access to the justice and increase effectiveness and on other hand, release the court from such kind of disputes, having the prospect of conclusion by mutual agreement. Agreement achieved by mediation is mandatory and is the subject to both voluntary and court execution. Compared to court hearing of the case, mediation is quicker, cheaper and flexible process.

Civil Procedure Code of Georgia defines the types of the disputes being subject of the court mediation, such as domestic, inheritance, neighbor, labor, property and non-property related disputes, disputes based on the loan agreement concluded with the bank institutions, MFIs and non-banking deposit institutions, etc. After evaluation of existing circumstances, the judges can transfer the case to a mediator within their discretion rights, including without consent of the parties. In case the private mediation has been applied for the same dispute and it was completed without result, it takes decision about transferring the case to a mediator by the agreement of the parties. The cases are heard by the mediators being the member of the Mediators' Association of Georgia.

In case of the court mediation the state fee consists of 1% of the dispute subject (instead of 3%), while in case achievement of the mutual agreement 70% of already paid state fee are returned to the plaintiff.

In 2020 court mediation became mandatory in Tbilisi and Rustavi city courts and in Mtskheta district court in Georgia. Since 2021 it is planned to introduce the court mediation throughout entire country.

**Pursuant to the Tbilisi City Court** decision 101 cases were given to the mediation, what if 3- times higher compared to the number of the cases received in 2019. The reason is availability of the voluntary mediation, as well as appearance of the compulsory mediation institute since January, 2020.

As for the cases categories heard by the mediation, in 2020 there were mainly the disputes related to micro-financial organizations and banking. There were the cases which were transferred to the mediation center based on the parties' will and agreement and referred to the mixed categories of the cases, like heritage, neighbor and other types of disputes.

In terms of dispute resolution, especially successful dispute categories were the labour, MFIs, bank and business-partnership related disputes in 2020. The total rate of the resolved disputes achieved 70%.

**According to the decision of the Rustavi City Court judge**, 19 cases were assigned to the court mediation in 2020. 14 out of the mentioned cases were domestic disputes, while 5 derived from the loan agreement concluded with the banking institutions of Georgia, MFIs and non-banking deposit institutions.

On 16 cases out of the 19 being subject to the court mediation, the mediator was elected based on the parties' mutual agreement, while the mediator was assigned by the head of the Mediators' Association on 3 cases in a consecutive way.

In 2020, 13 cases out of 19 being the subject of the court mediation were resolved based on the agreement of the parties (76.5%), 4 cases were returned to the court proceedings, while the court mediation procedures were continued on 2 cases. 29 court mediations were conducted on 17 cases being completed in 2020. During the mentioned period all the accomplished court mediation (17 cases) were completed within the 45 days, the term considered by Article 187<sup>5</sup>, Civil Procedure Code of Georgia.

Hearing of 5 cases out of 19 being the subject to the court mediation were held by means of the remote platform due to Corona Virus condition in the country.

**Mtskheta District Court received 20 mediation cases in 2020.** 6 cases out of 20 ones being subject to mediation completed by agreement of the parties, 10 were returned to the judge for renewal of the proceedings, and mediation court procedures were continued for 4 cases. The categories of the cases heard by the court mediation included labor, inheritance, neighbor and business disputes.

### **1.3. Improvement of the Enterprise Statistics**

[1.3.2] National Statistics office of Georgia (Geostat), with the support of UNDP and Swiss Government developed "The National Strategy for the Development of Official Statistics of Georgia 2020-2023" and related action plan for 2020-2021. The document is the strategic vision of the national system of statistics and ensures compliance with the EU statistics methodology.

The goal of the strategy is to define priority directions of the statistics development in Georgia. The strategy is the framework for the international cooperation, includes all the steps for data development process and meets the modern international standards.

The action plan for the strategy envisages conducting of the statistics for taking evidence-based decision, including improvement of the statistics coverage and provision of the new indicators, development of the national accounts, enhance of the business statistics coverage, development of the foreign sector statistics, etc.

**Within enterprise statistics coverage area enhancement and relevant studies planning** statistical research of the financial corporations of 2019 was conducted by the National Statistics Office of Georgia (GeoStat) in 2020, published on the office official web-site. The study includes the number of the enterprises involved in the financial services, the revenue structure of the enterprises, number of employees including from the gender perspective. The insurance companies, the bonuses earned by the companies, insurance loss (bruto), etc.



## 1.4. Capacity Building of SME Support Institutions

[1.4.1] Within the capacity building activities of **SMEs support institutions**, staff of relevant institutions were trained, including the representatives of Georgian Techparks and Innovation Centers, who have undergone the trainings for trainers (TOT) in the following areas: Lego & LittleBits, CorelDraw, Tinckercad and 3D printing by the **Georgia’s Innovation and Technology Agency (GITA)**.

The first educational IT-HUB was opened by GITA, StrategEast and EPAM. The project is implemented by the American Center StrategEast with cooperation of the software engineering leading American company EPAM Systems. The program considers training and employment of at least 100 starter IT specialists per year.

Within the framework of the mentioned events, the staff of the agency “Enterprise Georgia” conducted trainings for the employees of the public halls and public centers **for providing relevant consultations on the agency’s programs**.

**The Chamber of Commerce and Industry**, which is the largest business union in the country and the members are entrepreneurial entities and their unions, ensures protection of the interests of the private sector by the services and projects oriented on business needs and their development. The capacity building of staff (in total 12 staff, including 4 men and 8 women) was undertaken for introduction of new and improved services in the Chamber, including, certificate of origin, approval of force majeure conditions, resolution of domestic and international Arbitration and disputes, programs on access to the finances, legal consultations on the entrepreneurial problems, expert services, getting of code bars, etc.

[1.4.2] For institutional strengthening of small and medium entrepreneurship the Chamber of Commerce and Industry supports to establishment and strengthening of the business associations. During the reporting period, strengthening the business support intitutions/associations being the members of the Chamber board and others were provided.

[1.4.3] **Sharing experience in innovations, technologies, business accelerators, innovations infrastructures and others was implemented** by GITA from the following countries: UK, USA, Armenia, Uzbekistan, Croatia, Italy, the Republic of Belarus, the Republic of Turkey, as well as by the international accelerators, who have the cooperation experience with both developed and developing countries.

Within the multilateral cooperation, work on two projects has been completed and recommendations were developed for country and region sustainable development together with the United Nations Economic Commission for Europe (UNECE). The publications were published

on the web-site of the UNECE. The sub-regional Innovation Policy Outlook (IPO)<sup>4</sup> and the Innovation for Sustainable Development Review of Georgia (I4SDR)<sup>5</sup>.

[1.4.4] **For results assessment of the state program “Enterprise Georgia”** the project for development impact evaluation methodology for the agency shall be implemented in cooperation with GIZ and the pilot study conducted. Under the project framework the analysis, monitoring and evaluation department of the agency “Enterprise Georgia” participates in the project for capacity building. The local consultant is selected for cooperation with GIZ. The pilot study will be implemented in the second part of 2021.

[1.4.5.] To provide services tailored to the SME needs, one more geographical Lots, Tbilisi was added to the Agency’s micro and small grant program, which includes the possibility of funding for more than 300 economic activities. 26,299 entrepreneurs were registered for the participation in the micro and small grant program and 4,124 entrepreneurs overcame the first round. In addition, the interface of the online platform of the program was streamlined to make it more convenient and more automatized for users.

**GITA** implemented the **programs for technical assistance to the innovations and entrepreneurship** and mini and co-funded grants were disbursed within the framework of Access to Finance Program. The agency provides grants in the amount of 15, 000 GEL, 100, 000 GEL and 650, 0000 GEL grants. The small grant program of 15,000 GEL is the thematic funding mechanism by the aim to establish and support to development of startups. The applicants were selected within the program through open competition and based on set criteria, who will be funded in the field of the innovation and technology to create, test, upgrade or/and improve of the prototype. As a result, new technologies were launched, as well as existing ones were improved. Under 15, 000 GEL small grant program the competitions were held for providing prototyping and e-services. The goal of e-service grant is to support launching, testing or upgrading of such services which strengthens local e-services. The grants for e-service prototypes were given for funding such projects which were developed for solution of the significant public problems/challenges caused by the pandemic. In 2020 within the second grant program 373 applications were received, in total 23 project, including 12 projects for prototypes, 11 for e-service prototypes were funded.

Within the framework of the 100,000 GEL and 650,000 GEL co-funding grants were issued for development and use of the innovative products and services in Georgia having international potential and establishment of the innovative products and innovative enterprises through their commercialization. In 2020, 39 projects were funded under 100,000 GEL co-funding grant program while 10 projects received financial support under 650, 000 Co-funding grants.

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<sup>4</sup> [https://unece.org/fileadmin/DAM/ceci/icp/Capacity\\_building/IPO\\_launch/IPO\\_2020\\_FULL.pdf](https://unece.org/fileadmin/DAM/ceci/icp/Capacity_building/IPO_launch/IPO_2020_FULL.pdf)

<sup>5</sup> [https://unece.org/sites/default/files/2020-12/I4SDR\\_GEORGIA\\_2020\\_full\\_v4%28advance%20copy%29.pdf](https://unece.org/sites/default/files/2020-12/I4SDR_GEORGIA_2020_full_v4%28advance%20copy%29.pdf)

**Introduction of the e-commerce related consultation service took place** in the Chamber of Commerce and Industry of Georgia

Unified information regarding available state and donor organizations' projects and programs were uploaded on the updated web-site of the Chamber, including the projects supporting Industry and business, such as Micro and Small Entrepreneurship Support Program, EU4Business Grant Program, The Asian Development Bank support program for growth of the micro and small enterprises, supportive initiative for farm development, Film in Georgia, Credit-Guarantee mechanism, Industrial direction, etc.

[1.4.6] **For strengthening cooperation between SME support institutions**, the meetings were held with participation of the representatives of the "Enterprise Georgia", "Chamber of Commerce and Industry of Georgia", the department of relationship with the diaspora of the Ministry for Foreign Affairs and the State Procurement Agency by the coordination of the MoESD.

Under the direction around 25 meetings were held by the initiative of the **Chamber of Commerce and Industry of Georgia** held around 25 meetings where the representatives of Amcham, ICC, Bag and other organizations participated together with the state agencies.

## **1.5. Enhancing Public-Private Dialogue**

[1.5.1] Informing of the society on the planned and ongoing reforms and involvement of the stakeholders in the process facilitates the evidence-based policy planning and development. It highlights transparency and accountability of the government leading to efficiency and effectiveness of the reforms. **The platform for the public-private sectors' dialogue** has to be noted and online meetings were held and the draft law of Georgia "On Investment Funds" was discussed. The representatives of the governmental agencies, private sector, experts and donor organizations participated in the mentioned meetings.

[1.5.3] The eighth meeting of the DCFTA consultation group was organized online by MoESD, on December 21, 2020. The draft of the mid-term action plan 2021-2023 for implementation of DCFTA was discussed within the meeting. The draft plan was shared with the group member before the meeting, and during the meeting after presentation of the plan, the consultations were held based on the proposals and feedback of the group members. The representatives of the Georgian Employers' Association (GEA), Georgian Trade Unions Confederation, EU-Georgia Business Council, the Chamber of Commerce and Industry of Georgia, European Business Association and the platform of the Civil Forum of Eastern Partnership – Georgian National Platform participated in the meeting.

## **1.6. Establishment of Regulatory Impact Analysis (RIA) System for the Priority Economic Legislation**

[1.6.2] According to the law of Georgia “On Normative Acts”, Georgian government developed and approved **Regulatory Impact Analysis (RIA) Methodology** for development RIA institutional mechanism in 2020, with the support of Government’s partners - European Union mission in Georgia, GIZ, G4G and USAID. The methodology is the technical guideline for implementation of RIA evaluation and development of the relevant report.

### ***The Results of the Monitoring and Evaluation***

In 2020 therelevant “Performance Indicators” of the first strategic direction were fulfilled, including:

- ✓ *For improvement business closure and insolvency procedures the law of Georgia on “Rehabilitation and Collective Satisfaction of Creditors’ Claims” was adopted;*
- ✓ *E-platform on the services provided by the state is developed;*
- ✓ *Law of Georgia “On Mediation” came into force;*
- ✓ *The coverage of the statistical research of the enterprises was enhanced;*
- ✓ *The services oriented on the entrepreneurship needs were offered;*
- ✓ *The meetings for strengthening cooperation between the SME Supporting institutions were held;*
- ✓ *RIA methodology was approved.*

## Evaluation of Achievements of the First Strategic Direction

As a result of the activities under the first strategic direction the institutional, legislative and entrepreneurial business environment has been significantly improved.

### ❖ Investment Environment and Investments

Formation of the favorable entrepreneurial and investment environment, SME development and as a result job-creation is one of the main priorities of the country's economic policy.

Attracting the investments is extremely important for the countries, especially for developing countries, who are facing the lack of own capital. The investments influence on the economic growth dynamics, technological progress growth, effective use of labor resources, development of infrastructure in the country and other factors. In its turn, the investments create positive effect not only in the sector, where the investment is made, but also in the related fields. It is especially important for SMEs, where the investments support to production, productivity of the enterprises and as a result, facilitates the inclusive growth of the country.

In 2019 foreign direct investments (FDI) in Georgia against GDP is one of the highest throughout the region and European countries and consists of 7.5 percent. In 2016 the figure achieved 10.9 percent. The average FDI against GDP of the region countries (Armenia, Azerbaijan, Russia, Turkey, the Ukraine and Belarus) is 3.0 per cent.

In 2019 FDI in Georgia achieved 1,310.7 million USD. The highest share of the investment falls on the financial sector (20.8%), while total investment in the energy sector consists of 20%, while 9.7% comes on transport and communication sector.

In 2019 FDI in SMEs achieved 488.4 million USD which is 6.6% higher compared to the same indicator for the previous year. In 2019, the total share of FDI achieved 37.3%, what exceeds the indicator of 2018 by 2.2 %. During the mentioned period the share of FDI achieved 35.1%.

### ❖ Institutional Environment

**The World Bank's Worldwide Governance Indicators (WGI)** estimate 214 countries in 6 areas of governance, such as **Governance effectiveness; Quality of regulations;** The right to expression and accountability; Political stability and combating violence; Rule of Law and Control of Corruption.

In 2019 compared to 2012, Georgia's score improved in all indicators. In 2019 compared to 2012, Georgia's score improved in all indicators and Georgia took the 49<sup>th</sup> place by 76.92 score. The indicator has been improved for the last 8 years, both score of the country and the ranking.

Governance effectiveness is based on assessments of the degree of independence of public and civil services and their freedom from political pressure. Also, the degree of reliability of the government in developing, implementing and producing such policies.

The “Government Effectiveness” index analyzes and evaluates areas such as bureaucracy, quality of infrastructure, quality of education, bureaucracy, efficiency of public governance, efficiency of asset utilization, integration of civil services, public governance, favorable business environment, trust in government and more.

Georgia ranked 82.96% out of 100% of ratings in the “Quality of Regulations” indicator and ranked 37th in 2018 in the world. It should be noted that compared to 2012, Georgia's position in this indicator improved its rank by 18 points.

The index of “Regulation Quality” combines assessments by the government policy aimed at stimulation of private sector development as well as the development and implementation of regulations by the government. The indicator analyzes and evaluates, including areas such as the burden of government regulations, the effect of taxes, business start-up procedures, investment and financial freedom, the country's investment profile and more

**“The Global Competitiveness Index”** of the World Economic Forum measures the macro-economic environment quality in the countries, the state of the country’s public institutions and the level of the technological readiness. The index analyzes the factors playing the important role in the country for development of the business environment and are important in terms of productivity growth and competitiveness. The index examines strengths and weaknesses of the country, identifies the priorities for facilitating implementation of the institutional reforms.

In 2019 Georgia’s rating in the World Economic Forum’s Global Competitiveness Index was 60,6 0,8 scores more compared to the result of 2017. Georgia's scores have improved in areas such as institutions, infrastructure, ICT adoption skills, skills, financial system, market volume, business dynamics, and innovative skills.

## ❖ **Insolvency**

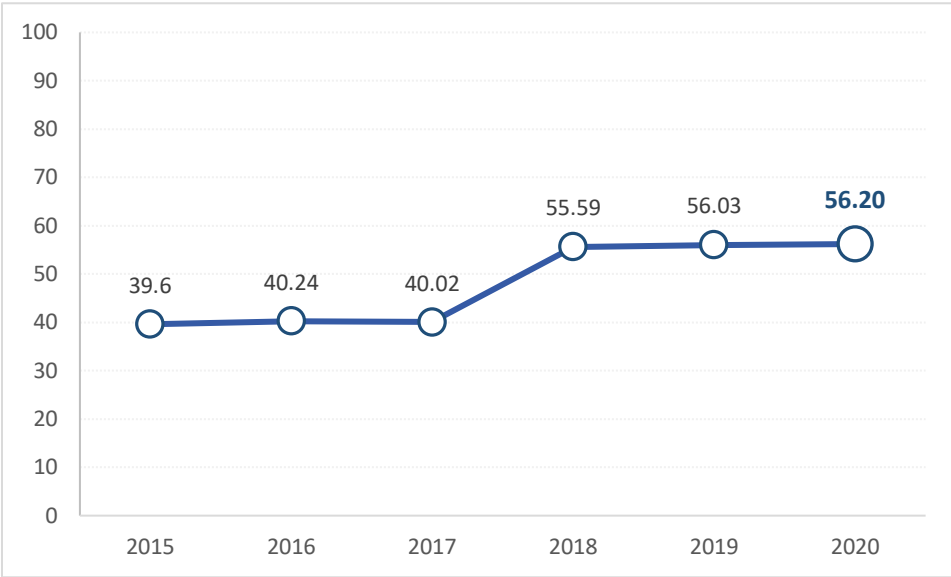
Insolvency is one of the indicators of the World Bank “Doing Business” which evaluates 190 countries around the world in terms of time, cost and insolvency procedures required to complete an insolvency or rehabilitation process, as well as the effectiveness of the insolvency system.

The new draft law of Georgia “On Rehabilitation and Collective Satisfaction of Creditors’ Claims” was elaborated in 2019, which incorporates the best principles of the world practices today. In 2020 the law has been adopted; Accordingly, execution of the law will significantly improve business rehabilitation or closure procedures in Georgia.

In turn, the amendments in the law of Georgia “On Insolvency Proceedings” made in May, 2017 are important. As a result of this reform, the rights of both the debtor and the creditor (s) were further strengthened. In particular, according to the amendments, the debtor is entitled to apply for both rehabilitation and bankruptcy; Any creditor may file a claim for insolvency; The process of insolvency proceeds with the supply of essential goods/services for the continuity of the debtor's business; Damage to the creditor shall be deemed to be a transaction by the debtor or other action resulting in the impairment of the trusteeship (including the sale of the trusteeship or part thereof, or alienation at significantly lower market value, debt forgiveness, etc.); The creditor and / or the creditors' meeting may request financial information about the debtor at any time; Both the creditor against whom the judgment is rendered or any other creditor may appeal the judgment of the creditor.

The aforementioned legislative changes and its implementation have a positive impact on the assessment of Georgia by the World Bank “Doing Business” rating. Specifically, in 2017 Georgia's DTF score accounted only to **40.02**. As a result of the legislative changes, in 2018 Georgia's score (DTF) improved significantly and reached 55.59 points. According to surveys for 2019 and 2020, the country's rating scores improved further, reaching **56.03** and **56.20**, respectively.

*1. Georgia’s score in the insolvency indicator of the “Doing Business” rating.*



## ❖ Mediation

EU-Georgia Association Agreement obliges Georgia to develop an alternative mechanism for dispute resolution, especially, mediation and arbitration and establish favorable conditions for their application. Adoption of the law “On Mediation” ensured fulfilment of the international obligations on the one hand and availability of the alternative means of dispute resolution on the other hand, supports to reducing the cases for overloaded court by the civil disputes and completing the cases within the period set by the legislation.

In 2020 in total 140 cases, including banking, MFIs and non-banking deposit, labor disputes, inheritance, neighbor and business type disputes were transferred to the mediation by the Tbilisi, Rustavi and Mtskheta court. In total for 2020, the rate of the resolved disputes was 64%.

In 2020 all the court mediations were completed within 45 days term considered by article 187<sup>5</sup> of the Civil Procedure Code of Georgia.



## 2. Improvement of Access to Finances

### 2.1. Improvement of Financial Education

[2.1.2] National Bank of Georgia (NBG), with the support of the European Fund for South-East Europe Development program (EFSE/DF) and Export Development Association (EDA) developed **Financial Education Program for Micro and Small Entrepreneurs** in 2018. Within the program, the online training module was established and 2 online trainings were conducted by participation of around 50 participants in 2020, while the record of the training and the materials were sent to 250 registered persons.

For supporting agricultural entrepreneurship, the National Bank of Georgia developed a new **financial education program**. Financial education training module and the practical guideline “Get better financial decisions” were developed specially for farmers. The program was implemented in cooperation with European Fund for South-East Europe Development program (EFSE/DF) and with involvement of Civil Development Agency (CIDA). Within the program, CIDA’s experts conducted pilot Training of Trainers (ToT) for raising of financial awareness of agricultural sector’s consultants and trainers, the pilot training was conducted for the entrepreneurs directly involved in agriculture. The awareness raising video clip was produced for the farmers within the project.

The simulative games “Business simulations for micro entrepreneurs” and “Farmers’ Game” for micro and agricultural entrepreneurs were adapted in Georgian with the support of NBG and the “Saving Banks Foundation for International Cooperation”(SBFIC) and the training of trainers (ToT) was conducted.

NBG developed the new financial education platform - **FinEdu.gov.ge** within the financial education national strategy. The information on the financial education is available on the portal, including useful consultations, calculators, publications, brochures, thematic guidelines and blog.

### 2.2. Support to SMEs in Introducing International Financial Reporting Standards for Medium-sized Enterprises (IFRS for SME)

According to the law of Georgia “On Accounting, Reporting and Audit” the standards for the accounting, financial reporting, management reporting, payments to the state was adopted in Georgia.

Accounting and financial reporting standards include, among others, IFRS for SMEs which are intended to for the second and third category enterprises.

[2.2.5] IFRS for SME program has been implementing by the initiative of the Service of Accounting, Reporting and Auditing Supervision under the Ministry of Finance of Georgia since 2018. The goal is to raise qualification of the accountants, finance managers and other concerned parties.

The training was conducted by the trainers re-trained with the support of the USAID funded project – “Governing for Growth” (G4G) and World Bank and is based on the IFRS fund license agreement. Within the program in total 1,400 people are retrained. Successful implementation of the project was supported by the donors, WB, EBRD funding and inclusion of professional organizations and business associations. Noteworthy that the mentioned activity is ongoing for 2021 and the donors traditionally continue supporting the project.

### **2.3. Raising the knowledge of small and medium entrepreneurs in fund raising issues**

[2.3.1] **The training on fundraising issues was conducted for start-ups** within the program **Investment Readiness**. The program was organized by GITA and EU.

### **2.4. Raising Private Equity and Venture Capital Funding for SMEs and Startup Businesses**

[2.4.1] **For facilitating communication of the foreign angel and venture investors of Georgian startups to the mentors (organizing pitching session and B2B meeting) the additional mechanism for the access to the finances on the Market Acceleration Program** was developed by the Economic Security Program for the co-funding grant program beneficiaries. The Impact Hub Tbilisi together with the Embassy of Netherlands developed joint program and selected 6 Startups under the Startup Fellowship Orange". The program ensures 4 months membership for the selected startups, (use of working space for 24/7, individual consultations, establishment contacts with the industry professionals/experience sharing); The international auditing company “Nexia TA” elaborated also special tariff and provided in some cases free consultations on the taxation and financial issues for the co-funding grant beneficiaries; “Ernst and Young” created capacity building program “Development of the accounting policy oriented on the startup business model and training for the entrepreneurs”.

[2.4.2] Development of the new legislative frame for the investment funds plays an important role in the capital market development and supports to development of the **small and medium entrepreneurship as well as to the establishment and implementation of the flexible fundraising mechanisms**. As the main source of the business funding is the bank loan which may not have been accessible in some cases, after investment funds establishment on the market the entrepreneurs have the possibility to get funding from the mentioned funds. The importance of the mentioned becomes more obvious for development of the capital market due to the need for the funds on the private capital and risky/venture capital, oriented on the funding and will ensure access to the alternative capital. By enactment of the law the investment funds will be able to be established in Georgia, implementation full-scale investment activity and policy. One of the most

useful types for such investment strategy will be the registered investment fund, and the only informed investors will be able to buy its unit based on the private offer. It will enable funds to implement more diversified investment policy, including investing in more risky assets as well.

[2.4.3] By the new law **"On Investment Funds" which is based on the international key principles and best practice was adopted on July 14 of current year by the Parliament of Georgia.** During preparation UCITS (2009/65/EC Directive of July 13, 2009 by the Euro Parliament and Council), as well as the requirements of the directives of the Managing Companies of the Assests of Alternative Investment Funds (AIFMD). In addition to adoption of the Georgian law "On Investment Funds" the amendments were introduced in the Tax Code, in particular, the taxation regime of the investment funds activities, which is based on the world best practice.

**Market players, the working group and Parliament Members participated in the Public-Private Sectors Dialogue (PPD)** for introduction of the key provisions and principles of the draft law on Investment Funds to wide audience, the goal of the second meeting was introduction of the edited draft law which considered all the remarks and comments collected during the mid-term additional meetings with the market participants. The meetings were attended large investors from the co-investment fund, as well as risky/venture capital investors, like Alliance Group.

In January 2020 the draft law was registered in the parliament, though due to pandemic driven restrictions and announcement of the state of emergency the third and fourth PPDs were conducted online in Spring and Summer.

Some problems were discussed on the draft law within the mentioned meetings, the opinions were shared and solved. During the last PPD the general feedback of the private sector on the final edition of the draft law was introduced to the Parliament leading committees and project authors. The Ministry of Economy and Sustainable Development of Georgia and National Bank of Georgia discussed all the positions and remarks and based on the certain argumentation considered part of them.

The law was improved significantly based on the opinions and remarks made during Public-Private Dialogue. The subordinate draft laws of the mentioned law and the compliance table with the EU directives were also prepared. Important opinions were expressed by the World Bank, Bank Association, Business Ombudsmen's office, the Ministry of Justice and other market players before the registration of the draft law in the Parliament. Noteworthy that most of the recommendations and remarks presented by the budgetary office of the Parliament, by the committees of the legal issues and sector economy and economic policy were considered and it helped to improvement of the law. Various measures are planned for support of investment fund activities the most important is awareness raising on investment funds, not only for those who are willing to start **small and medium-size entrepreneurship, but also for any concerned persons.**

**The amendments were made in the law of Georgia “On Securities Market” for capital market development on June 29, 2020.** Due to the amendments in the regulatory framework of the securities significantly was upgraded and the transparency framework of the public securities issuers, in particular, the important demands were defined for submitting and publishing of the periodic financial and insider information and purchase of the significant shares of the issuers. The law defined the concept of the insider information and the actions, which are considered as unlawful disclosure of inside information, trading using inside information and market manipulation were restricted. The rules of public emission prospectus were simplified by the implemented changes as well. The amendments were made with regard to the privatized enterprises, within which such an enterprise is no longer considered as an accountable enterprise, and accordingly, is exempted from the certain requirements. The changes serve to introduction of the protection of the investors’ interests and establishment of transparency standards being the key pre-conditions for development of the capital market. As a result of the changes confidence in the capital market will be increased, which in turn supports to the connection between the investors and producers. The reform will have a long-term result for the development of SMEs, in particular, it serves to the support of fair competition, transparent standards, access to diversified finances sound capitalization. As much the capital market will develop, more diversified financial instruments will appear and the risks and profitability appetite will be diversified, what will lead to the interest of the SME by comparatively risky profiles. The entrepreneurs themselves will have desire to grow their own business, sale, merging or to other possibilities.

It is noteworthy, that **working on the new strategy for capital market development has been started with support of ADB in 2020 within which improvement of the mechanisms of start-ups and SME fundings is one of the components.**

Developed capital market is the cornerstone for the modern and flexible funding. It ensures access to the finances at any development stage of the company . In order to ensure access to the streamlined and alternative finances through investors, it is essential to have a mechanism, which will be able primarily to find entrepreneurs and investors, link them, build trust and relationships between them based on the best international practice. It can be implemented by means of different platforms (such as so-called crowdfunding or by means of peer-to-peer lending platforms), by permission of the registration exceptions of the securities, as well as by development/standardization of the simplified drafts of the agreement between the entrepreneur and investors/ and introducing financial technologies (FinTech).

In the frame of the Capital Market Development Strategy working group meetings were planned with participation of the experts. One of the main goals of the aforementioned meetings will be evaluation of the problems on access of finances and identification and support for their solutions.

In addition, various activities are conducted periodically for awareness raising on the issue, in particular, **in October 2020, webinar about fund raising and alternative funding ways with**

**support of the private capital funds were conducted.** The goal of the capital market development strategy is establishment of the developed capital market and accordingly, support to SMEs, Introduction of the modern/alternative mechanisms of funding (whether it is private/venture capital funds attraction support, introduction of the securitization mechanism, Crowdfunding and startup development or other mechanisms).

Introduction of the coordination mechanisms within the reform is planned with ultimate involvement of the private sector and implementation of the specific knowledge and awareness raising programs. Finally, together with development of the capital market, which will provide access to the capital to the entrepreneurs (including SME) and introduce flexible mechanism, which will connect with the investors seeking for the different risks and profitability. As a long-term result we will have more effective allocation of the capital in the economy.

## **2.5. Support to Small and Medium- Entrepreneurship to Increase Funding from the Commercial Banks and Micro-Finance Institutions**

In the frame of the industrial part of the program “Enterprise Georgia” the period of the co-funding of the loan and leasing was increased till 36 months, the minimum loan amount and the minimal cost of the leased subject was reduced till 50,000 GEL, the maximum cost was increased till 10 million GEL. Within the updated decree in total 286 agreement was signed, including 155 new loan, 131 restructured/refinanced one. One agreement was signed within the transitive conditions. For 2020 within the program framework 25 million GEL was transferred. Total investment of the new programs consists of 350 million GEL.

Within the program 52.8 thousand of GEL was given to seven beneficiaries as technical assistance.

**The goal of the Credit-Guaranteescheme** is to support SMEs which fail collateral requirements for the loan. After introduction of the changes in the program, during the reporting period 174 agreements were signed (including, new loan 154, restructuration/refinancing-20). The number of the approved loan within the scheme is 148.5 million GEL, including 121.8 million GEL is the collateral amount provided by the Agency.

**In the direction of the Agricultural small and medium entrepreneurship**, the projects of **LEPL Rural Development Agency** within the cofunding (subsidies) of startup or development of SMEs by the state should be highlighted, such as, Preferential Agrocredit Project, the program for supporting young entrepreneurs, the program “Plant the Future”, Co-financing program for storage and processing enterprises, Tea Plantation Rehabilitation Program and Agroinsurance program.

✓ Preferential Agrocredit Project, the purpose of the project is to support of the primary agricultural production, processing, storage and realization enterprises by means of ensuring the physical and legal persons to the cheap and accessible funds. The project enables the primary

agricultural producer, processing and storage-realization enterprises to get preferential agricultural credit/lease from the financial institutions for fixed and current assets. During the reporting period **7,152 preferential loans were disbursed within the frame of the project. The total budget for the year achieved 74,762,500 GEL**<sup>6</sup>.

✓ **The purpose of the Young Entrepreneurship Development Program** is to support development of the young rural entrepreneurs and their inclusion in the business and investing in the agricultural production/realization chain. Within the Program, during the reporting period 39 young entrepreneurs were funded. The budget amounted to 2,020,511 GEL.

✓ **The program “Plant the future” includes targeted funding for growing perennial berry gardens**, in particular allocation of the targeted financial support for the beneficiaries to purchase seedlings of the perennial berries, organizing dripped irrigation system or/and the materials for growing garden. Within the framework of the program **“Plant in future”**, during the reporting period 1,189 beneficiaries (including 428 for garden component, 734 for berry crops with 100% funding sub-component, 8 for seedlings and 8 for organizing the hail protecting system, 16 for organizing dripped irrigation system, 24 for organizing wells, 2 for perennial crops in the garden, plantation, young plant substitution component for the vineyard) and 1 for purchase of spraying equipment were funded. During the reporting period, the budget comprised 21,179,959 GEL.

✓ Co-financing Program for Storage and Processing Enterprises – Processing enterprises co-funding project envisages to provide financial and technical assistance to the companies (including agricultural cooperatives) interested in establishment of the new processing enterprise in the municipalities and rehabilitation of the non-operating enterprises; Geographical diversification of the processing enterprises; Improvement of the conditions for establishment agricultural cooperatives, development of the raw material market and increase of income by the rural population. The goal of the co-funding project of Storage enterprises is the financial support to the legal persons (including agricultural cooperatives) interested in establishment of new storage facilities, Support to primary agricultural product standardization; Facilitate of an effective cooperation, Organizing additional infrastructure for storage the crops for the farmers; Support to the storage facilities to establish a service provider and standardization of the storage infrastructure. **Within the framework of the storage and processing enterprise co-funding project**, during the reporting period 1 processing and 9 storage enterprises were developed, total spent budget achieved 9,227,171 GEL.

✓ **The purpose of the Tea plantations Rehabilitation Program** is effective use of existing tea plant potential, support to production growth of the local tea (including bio tea), as a result increase of self-sustainability and export potential, as well as rehabilitation of the state and private wilding tea

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<sup>6</sup> Remark: Due to the peculiarities of the preferential agrocredit the reporting month data are available only for the 21th of the next month. Accordingly, the report includes the data of 10 months of 2020 (01.01.2020-31.10.2020)

plantations. During the reporting period, within the mentioned program rehabilitation of the 168ha of tea plantations took place. The budget spent was 23,078 GEL.

- ✓ **Agroinsurance program** aims at development of the insurance market in the agricultural sector, support to agricultural activities, maintenance of income for the persons involved in the mentioned sector and reduction of the risks. Within the frame of the agricultural insurance program, the beneficiaries can insure around 5 ha land plot and 30 ha land in case of grain. During the reporting period the agricultural harvest insurance by 9.141 beneficiaries was provided and 7,999,999 GEL budget resources was applied.

### **The Measures applied against the Crisis of COVID-19 Pandemics**

The joint state policy was established for the last years, which priorities and directions are oriented on long-term economic growth and development. Though the pandemic of 2020, which appeared significant threat and difficult challenge for the global economy, made certain changes in the agenda of the Georgian Government's economic policy and became necessary to take the immediate and long-term measures.

Within the second phase of the anti-crisis plan of the Government, for overcoming the problems caused by the loss of income due to the pandemic and mitigation of the harm driven by the crisis, the **"Targeted State Program for Mitigation Impact Caused by the Infection (COVID-19) of the New Coronavirus (SARS-COV-2)"** was elaborated and approved by the Resolution N286 of Government of Georgia as of May 4, 2020.

The authorized persons for getting compensation were defined under the targeted state program, which were harmed during the coronavirus epidemic/pandemic. The program refers to the individual entrepreneurs, entrepreneur natural persons having the status of a small business and taxpayer natural persons who had the economic activities or/and income from the economic activities, as well as natural persons with the micro-business status who assigned the status of the microbusiness till April 1, 2020 and do not get funding from the budget.

**The Service for Accounting, Reporting and Auditing Supervision, during Covid-19** translated/elaborated the supporting guidelines for accountants and auditors which are available on the official web-site of the service.

- ✓ Guidelines related to COVID-19 <https://www.saras.gov.ge/ka/Home/Covid19Guidance>
- ✓ Rent concession due to COVID-19 <https://www.saras.gov.ge/ka/lfrs/Pdf/564>

In addition, the online meetings were organized by the service, within which the issues related to COVID 19 impact were discussed with the participants of the meeting. The service ensured provision of the information required to the employed in the financial sector remotely.

## ***The Results of Monitoring and Evaluation***

In 2020, the “Performance Indicators” of the second strategic direction were achieved, including

- ✓ *Trainings were held about relationship with financial organizations and financial decision-making issues for micro and small enterprises;*
- ✓ *New educational program was elaborated for supporting development of the agricultural entrepreneurship and new financial educational platform was established;*
- ✓ *Trainings on IFRS for SMEs were conducted for target groups;*
- ✓ *The meetings on the fundraising topics were conducted;*
- ✓ *The meetings with startups and foreign risky capital investors were held;*
- ✓ *The public-private discussions about draft law “On Investment funds” were provided;*
- ✓ *The law “On Investment Funds” was adopted by the Parliament of Georgia;*
- ✓ *Preferential credits were disbursed on the persons engaged in agricultural activities;*
- ✓ *Young entrepreneurs were funded in the field of agriculture.*



## Evaluation of the Second Strategic Direction

Access to the finances is crucial for development of the business, increase in productivity, enhancement of the export coverage and accordingly for achievement of investment growth in economy.

For today, one of the key challenges for development and growth of small and medium-size entrepreneurship is access to the finances in Georgia. In order to support SMEs and startup business the government of Georgia actively develops and introduces supporting instruments, aiming to provide capacity building of SME, access to the financial resources, strengthening their export potential and support to access to markets, development entrepreneurial potential and innovative ecosystems, technical modernization of Georgian companies and support to their productivity as a result.

### ❖ Access to Finances

Analysis of the credit portfolio of the financial institutions is crucial in terms of access to finances. According to the National Bank of Georgia, the positive growth dynamics of lending has been observed. In 2019 the SME lending flows achieved 6,626.9 million GEL, 38% higher than in 2016 and it amounted to **32% of the total loans**.

**The positive growth dynamics were also observed considering an exchange rate effect. In particular, the growth rate of loans (stocks) given to SMEs, achieved 6,962.5million GEL, what was 37,3% of the total business loans and compared to 2016 its growth rated in 57.4%.**

The positive trend was indicated in terms of reduction of the market interest rates. In 2019 compared to previous years, the interest rate on the SME loans still reduced till 10.76% and it equaled to 12.38% in 2016.

Noteworthy, that in 2019 the lowest difference was revealed for the last 3 years between the interest rates of the loans disbursed to the SMEs and large enterprises (according to the flows) and it equaled to 2.14%. During the mentioned period this situation was the result by the interest rate reduction on all kind of loans on one hand and by the more decrease of the interest rates on SME loan flows compared to large enterprise loans on the other hand.

### ❖ World Economic Forum “The Risks of Doing Business”

World Economic Forum “Global Competitiveness Index” (GCI) evaluates the country competitiveness and analyses the factors which are important for development of the business

environment in the country and is important in terms of productivity and competitiveness. The index reviews the strengths and weaknesses of the country, identifies priorities for supporting the implementation of political reforms. The study explains competitiveness as the unity of the institutions, policies and other factors defining the productivity level of the country.

World Economic Forum also separates the issues being the obstacle factor for the competitiveness according to the respondents and evaluates risks related to the Doing Business. Risk assessment is based on the annual "Executive Opinion Survey" made by the organization researchers.

The World Economic Forum offers the interviewed respondents the assessment of such risks, which makes important problems in the different regions of the world during Doing Business. Noteworthy, that in 2017 according to the report unqualified labor force, access to the finances, inflation, low level of labor force ethic and awareness, as well as innovative capacities, etc. are the key challenges in terms of competitiveness in Georgia. Access to the finances was highlighted as the second most crucial issue.

World Economic Forum evaluates 5 major risks in the "Doing Business risks 2020", such as economic, geopolitical, environmental, public and technological ones, which in turn include 30 sub-categories being challenging for doing business in the country.

According to the report of 2020, 47.5% of interviewed respondents in Georgia indicates the conflict between the states as the key problem, while 30% mentioned the failure of the national governance as the second problem and 27.5% names unemployment or partial unemployment as a problem.

Thus, based on the results of **2019 and 2020 studies, access to the financial instruments in Georgia is not indicated as the key challenge for Doing Business.**

### 3. Support to development of competitive human capital, entrepreneurial skills and modern entrepreneurial culture

#### 3.1. Identification of Labor Market Needs and Development Relevant Employment Programs

[3.1.1] To identify labor market needs and skill demands on enterprises, the Ministry of Economy and Sustainable Development of Georgia has conducted the “Survey of Business Demand on Skills 2020”, with the aim to identify the needs for human capital skills by the enterprises and considering of which will facilitate to reduction of the disbalance between demand and supply of skills on the labor market and to increasing economic efficiency of use of skills.

The Survey represents the number of the employees and the changes in the workforce for 2018-2019 by occupations (in accordance with the major and minor groups of International Standard Classification of Occupation – ISCO 08), by classification of economic activities, (NACE rev.2), regions, enterprise size, achieved level of the education (secondary, vocational and higher) and gender.

The report identifies the problems of employment by occupational groups. The study analysis what are the sources based on which the enterprises recruit personnel, what are the skills lacking by the job-seekers and what are the measures taken by the enterprises for development workforce skills. The research studies also the opportunities of recruiting new staff by occupational groups, the number of available vacancies, the growth and reduction trends in demand of workforce by occupational groups and their causes, the employment rate of the people with vocational education in the enterprises, forms of the cooperation between vocational institutions and the companies, their attitude towards vocational education, the trends of employment of the foreign citizens by occupational groups in the enterprises and thereasons for their employment, the attitude of the enterprises towards the first-time job seekers.

The MoESD conducted the **survey of Business Demand on Skills** for the first time in 2017. The study methodology was elaborated in line with the guideline prepared by the European Training Fund, methodology and instruments were discussed as a result of the close cooperation with the state agencies (the Ministry of Education, Science, Culture and Sports of Georgia; the Ministry of Internally displaced persons from the occupied territories, labour, health and social affairs of Georgia, National Statistics Office of Georgia).

In 2018-2019 the surveys on enterprise demand on skills were conducted by the MoESD, which studied the tourism and construction sectors (“Survey of labour market demands in Tourism Industry” , “Survey of labour market demands in the Construction Industry”).

The study is publicly accessible and is available on the labor market information system web-site [www.lmis.gov.ge](http://www.lmis.gov.ge).

The MoESD prepared “**Labor Market Analysis of Georgia 2020**”. Current trends of employment and unemployment issues in the country from the sectoral, age, gender and regional perspective are analyzed in the report. It studies the labor market demand component and defines main sectors where especially high economic activity is expected for coming years, which in turn is one of the key preconditions for the employment growth in these sectors. In addition, the report includes analysis of the vacancies announced by the private employment agency (hr.ge), as well as by the State Employment Agency (worknet.gov.ge). The report reviews the studies of existing surveys of Georgia’s labor market. At the end, the findings and recommendations are presented, including the challenges faced by the labor market in Georgia and vision on demand on the workforce.

[3.1.2] The Ministry of Education, Science, Culture and Sport in partnership with EU developed the **vision of the career planning and professional orientation** within the entrepreneurship component in the Career education policy. The activities for career planning and professional orientation were implemented for capacity building of the consultants, methodological and training materials were developed.

72 persons were consulted in individual career planning and professional consultations in the service centers of the State Employment Agency.

Due to pandemic-driven restrictions, the **State Program for Professional Training, Re-training and Raising Qualification of jobseekers**” of the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia implemented with delay. 11 educational institutions were registered for participation in the program. Since December 2020, 442 job-seekers started study in 5 out of the mentioned above. The study process will be completed in the first quarter of 2021. One of the employers, the social enterprise, “Kodala Ltd “ (Tbilisi) was involved in the internship component, where 19 interns have internship which will be completed in the first quarter of 2021.

The law on vocational education obliges the **Ministry of Education, Science, Culture and Sport** of Georgia to approve the strategy for professional orientation, consultations and career planning in the formal education. The activities have been started for development of the mentioned document in 2020 by the facilitating the technical assistance project of EU ,.

[3.1.3] The Ministry of Internally displaced persons from the occupied territories, labour, health and social affairs of Georgia implements the state programs “**Vocational Training-retraining and raising qualification**” and “**Development of employment support services**”. **The employment consultants provided service to 12 persons with disabilities** (Tbilisi - 5, Adzharia - 3, Guria - 2, Shida Kartli - 2) within the frame of the mentioned programs. 9 vacancies were found for the

people with disabilities (Tbilisi - 6, Adzharia - 3); 72 job-seekers were trained for individual career planning and professional consultations (Tbilisi - 58, Imereti - 10 and Shida Kartli - 4).

[3.1.4] The Ministry of **Internally displaced persons from the occupied territories, labour, health and social affairs of Georgia** actively provided consultations of job-seekers on employment opportunities and services. **Individual consultations was provided to 3,024 job-seekers** (Tbilisi - 1 179, Adzharia - 433, Guria - 396, Imereti - 32, Kakheti - 217, Samegrelo-Zemo Svaneti - 436, Kvemo Kartli - 14, Shida Kartli - 281, Mtskheta -Mtianeti - 36).

## **3.2. Training Needs Assessment of Small and Medium Enterprises**

[3.2.1] Agency “Enterprise Georgia”, together with the support of European Training Foundations (ETF) has developed a Training Needs Assessment (TNA) concept and relevant mechanisms (including questionnaire) and training needs assessments were conducted for small and medium-sized enterprises. Two sectors (paper production and printing, as well as hotel sector) were identified for implementation of pilot project study, within which the representatives of different businesses participated. In addition, TNA results analysis was implemented and the instruments were improved.

In 2020 the training needs assessment was conducted with the representatives of food and beverage products and textile sectors for assessment needs for training and key challenges. The qualification of the labor source was listed as a key problem by the respondents.

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

[3.3.1] In order to support the process of introduction of Life Long Entrepreneurial Learning (LLEL), the Ministry of Education, Science, Culture and Sport of Georgia is implementing the "Action Plan 2019-2020 for the introduction of “Lifelong entrepreneurial learning at all levels of the education system” (LLEL). The action plan activities are unified around two main goals: creating an entrepreneurial ecosystem in the education system and improving entrepreneurial learning. In order to achieve these goals, 7 tasks and relevant activities were identified, including the assessment of the capabilities and needs of colleges in the framework of promoting the introduction of extracurricular entrepreneurial activities, the relevant sub-programs were developed, the development of entrepreneurial practices in schools has been introduced in collaboration with the United Nations Development Program (UNDP) and non-governmental organizations; Information campaigns were conducted to raise awareness of entrepreneurship education and to promote entrepreneurial activities, successful practices were shared between colleges, an entrepreneurial culture model was established for vocational educational institutions with the support of the ETF and UNDP, and pilot program was implemented in educational institutions.

[3.3.2] As a result of the Reform of Vocational Education (2014-2018), the vocational education system has shifted to modular education. Modular education programs are based on educational standards developed according to the standards of the profession. The profession standards developed by employers reflect professional duties, tasks and minimum requirements that must be met by a person with a specific profession.

Entrepreneurship module is compulsory for all vocational students studying on a modular vocational program at the State vocational education institutions. All authorized educational programs at the 3rd, 4th and 5th levels in the vocational education system must include the general module of "Entrepreneurship" (9 of the vocational education program framework documents do not cover the general module of "Entrepreneurship", although the framework provides: "The Framework Document covers the development of eight key competencies in the modules, learning outcomes and thematic components", including entrepreneurship"). Accordingly, the mentioned module for passing the qualification must be passed by a professional student and must be certified. More than 6,000 people are awarded with the professional qualifications each year.

In 2020, the educational process was suspended due to the epidemiological situation in the country, which was reflected in the number of graduates of vocational education programs. Accordingly, this year, as a result of completion of studies in state vocational education institutions, 1589 persons were awarded with professional qualifications. All of them have passed the compulsory entrepreneurship module.

LEPL Creative Georgia under the Ministry of Education, Science, Culture and Sport of Georgia, developed the entrepreneurial skills of students in various fields within the framework of the British Council „Creative Spark” grant program and developed the concepts of existing institutions and programs/projects, as well as new plans of management and business development strategies with the involvement of the students.

During the current period, LEPL "Creative Georgia" conducted mentoring sessions for students to develop their startups and improve business skills, trained students participated in the international startup competition, BIG IDEA CHALLENGE. One of the participants emerged as one of the finalists in a local competition. LEPL "Creative Georgia" selected regional cultural festivals, whose managers were delivered trainings of trainers on creative entrepreneurship . During the event, the participants enhanced their knowledge on creative event management tools and mentoring. They also developed the concepts, needs and development perspectives of their own festivals.

[3.3.3] In order to coordinate implementation of the Action Plan 2019-2020 for the introduction of Life Long Entrepreneurial Learning at all levels of the Education System(LLEL) approved by Order N857 dated 28 June, 2019, the Interagency Working Group meeting was held in November 2019 and December 2020. At the meeting, the members of the group presented information about the

implemented and planned activities in the field of entrepreneurial training. Their views regarding action plan activities were also discussed.

### **3.4. Development of the vocational education system oriented on entrepreneurship**

[3.4.1] In order to involve small and medium entrepreneurs in the Vocational Education Council and thematic groups, on August 6 of 2019, by the order of the Director of the National Center For Educational Quality Enhancement, the Rule on Establishment Performance for Professional Sectoral Council were approved. According to the order, the sectoral council of each direction includes employers and/or representatives of their association of the respective field. The purpose of the Council is to facilitate the formation and approval of professional standards and/or vocational education standards/modules relevant to the requirements of the local and international labor market. In November and December of the current year, Vocational sectoral councils were renewed and formed in accordance with the fields of study. At this stage, sectoral councils of 12 directions have been formed, which include 26 representatives of employers and/or their union of the relevant field.

[3.4.2] By the order N680/n of the Director of the LEPL National Center For Educational Quality Enhancement, dated August 6, 2019, vocational sectoral councils were established to facilitate the formation and approval of modules of professional standards and vocational education programs in line with local and international labor market requirements. In turn, in order to ensure the entrepreneur's participation in vocational qualifications implementation and development ( at mezzo level), employers of the relevant field and/or representatives of their associations were appointed as the members of the council.

The process of creating the standard of the profession was carried out entirely with the involvement of employers and business representatives. Entrepreneurs/employers validate the developed standard. Approval of the developed standard is carried out by the sectoral council, whose members are the representatives of the employers.

In 2020, 4 independent modules were developed and 2 programs were revised. Employee representatives were involved in the various stages of drafting these documents - revision, public hearings and sectoral council meetings. Namely: Georgian Photographers Association, Logistics Association, Chamber of Commerce and Industry, Gza LLC (from Adjara region), Rustavi Industry Group LLC, Batumi Seaport LLC, Batumi Port JSC, Batumi International Container Terminal LLC. At this stage, the general module of "Entrepreneurship" (update of the module) and the professional educational standard of "Aircraft technical service" (implementation of changes) have been initiated.

[3.4.3] In the vocational education system vocational education programs are implemented through a work-based learning approach.

According to the Law of Georgia on Vocational Education, the form of implementation of work-based training program (vocational education program, short-cycle education program,

vocational training program, vocational re-training program) provides for the achievement of some learning outcomes in this program in a simulated and/or real work environment, (Including through dual teachings). Accordingly, the number of these programs is increasing every year.

During the reporting period, an IT program was added to the list of programs on which the study is conducted in a dual approach. A total of 30 dual programs have been introduced in the system, in the implementation of which more than 50 private companies are involved. In 2016-2019, a total of 850 persons were enrolled in dual programs.

In 2020, 4 vocational education institutions gained the right to implement 13 vocational education programs with a dual (work-based) approach. In the current year, the enrollment in vocational education programs was carried out once and within the mentioned admission, 350 persons were enrolled in dual programs.

The Georgian Chamber of Commerce and Industry has introduced consulting services, for the preparation of short-term vocational education programs/training for potential implementers - for private companies. additionally, the business has already started using this service in September.

[3.4.4] In 2020 LEPL Creative Georgia - under the Ministry of Education, Science, Culture and Sport of Georgia, worked to develop entrepreneurial skills of students in various fields and with their involvement on the concept development of existing institutions/projects, on the elaboration of new plans on management and business development strategies within the framework of the British Council "Creative Spark" Grant Program.

In 2020, LEPL "Creative Georgia" conducted mentoring sessions for students to develop their startups and improve business skills, trained students participated in the international startup competition, BIG IDEA CHALLENGE. One of the participants, emerged as one of the finalists in a local competition.

In addition, the LEPL selected regional cultural festivals whose managers were trained as creative entrepreneurship trainers. During the event, cultural participants enhanced their knowledge of creative event management tools and mentoring. They also developed the concepts, needs and development perspectives of their own festivals.

In October 2020, as part of the Reconception project, a Student Entrepreneurship Camp (Boothcamp) was held, in which up to 25 students, with the help of mentors, developed concepts for the development of regional cultural festivals, which include offering and introducing new initiatives and business models. During the event, students gained knowledge and developed practical skills about entrepreneurial activities, using non-formal education tools. Within the framework of the same project, in December, LEPL Creative Georgia organized an online conference, during which the student teams presented business development presentations, the so-called Pitches elaborated during the student entrepreneurship camp.



[3.4.5] The development of the Knowledge Partnership (Knowledge Partnership) Forum is important for the exchange of information between the parties in the field of work-based learning. Work on the content and design of the work-based learning portal has been completed for the reporting period, and a registration form has been developed. In order to fully activate the portal, work is still underway to synchronize the databases of the site and the LEPL - Education Management Information System. The platform format envisages connecting the parties involved in the work-based learning process in one space, which will support process coordination.

[http://wbl.ge/view2/?fbclid=IwAR3irVBWcjm\\_10nrP4XJYIHbs3\\_rYdDfFfn2iWXGmiwFiQJVJD-pYZINj6A#](http://wbl.ge/view2/?fbclid=IwAR3irVBWcjm_10nrP4XJYIHbs3_rYdDfFfn2iWXGmiwFiQJVJD-pYZINj6A#)

In addition to the above, - creative industry staff of LEPL Creative Georgia developed a draft Georgian-language guideline on creative entrepreneurship, using a variety of training materials. The digital version of the document will be available for free at the beginning of next year to all interested individuals who want to gain basic knowledge how to start a creative business. The guideline is a kind of practical textbook that will help the readers to formulate and refine their ideas, and with the help of various exercises, to develop entrepreneurial skills and knowledge.

LEPL - National Center For Educational Quality Enhancement under the Ministry, carried out the following activities during the COVID-19 pandemic, namely:

Since March 2020, where possible, the Center has been conducting authorization, accreditation and monitoring visits semi-online, Council meetings have been arranged online;

In March 2020, the Center developed tips for institutions on the implementation of emergency courses in electronic mode and quality assurance of student assessments. Besides, a new page was added to the Center's website "Useful Resources" for institutions on e-learning issues (<https://eqe.ge/ka/page/parent/901/mkhardachera-covid-19-is-pirobebshi>), which was updated regularly;

Due to the pandemic situation caused by COVID-19, in the autumn semester of the 2020-2021 academic year, quality assurance and assessment of distance/blended teaching-learning remained as an active issues. Based on this, the LEPL - National Center for Educational Quality Enhancement initiated the development of criteria/guidelines for the evaluation of distance/blended learning, which would help higher education institutions to assess their own resources and identify strengths and weaknesses in the quality of distance/blended learning. It was implemented by a grant from USAID/PROLoG. An international expert competition was announced within the scope of the project (<https://enqa.eu/index.php/nceqe-georgia-launches-call-for-international-experts/>) and the selected experts developed distance/blended learning-quality evaluation criteria and guidelines. To this end, in September and October of 2020, the Center organized working meetings with the participation of international experts, representatives of higher education institutions and staff of the Center. The document, developed within the project will enable higher education institutions to define strategies for the development of distance and blended learning at the level of institutions and faculties. On the

other hand, the developed document will help the Center to identify the challenges at the system level regarding the quality of e / learning, to act as a facilitator to improve the quality of teaching and learning in this area, and to respond to some extent to the challenge of the social dimension of higher education - in particular access to education, from the perspective of quality assurance, which is one of the priorities of the 2020 Rome Communiqué for the member states of the Bologna Process.

### **3.5. Increasing accessibility to non-formal education**

In accordance with the new Law on “Vocational Education”, there is an opportunity to recognize the learning outcomes achieved within the framework of non-formal education at the level of vocational education.

Non-formal education is a part of a lifelong learning system that involves the acquisition of "knowledge and understanding", "skills" and/or "responsibility and autonomy" beyond formal education. Recognition of non-formal education enables a person to recognize the knowledge acquired in a non-formal environment, obtain full qualification (relevant state-recognized qualification document) or accumulate credits for future qualifications. The purpose of recognizing non-formal education is to validate the learning outcomes achieved beyond formal education for a person wishing to be admitted to non-formal education.

[3.5.1] Legal acts regulating the recognition of non-formal vocational education have been developed and approved (Order № 188/N of the Minister of Education, Science, Culture and Sport of Georgia, dated September 6, 2019; Resolution N459 of the Government of Georgia, September 20, 2019). The rules for recognizing non-formal education and the updated procedures are in full compliance with the recommendation of the Council of Europe and the European Parliament.

In order to promote non-formal education, the National Center For Educational Quality Enhancement has published information guidelines: "Guide to Recognizing Non-Formal Education", "Guide to Gaining the Right to Recognize Non-Formal Education" and "Guide for the Consultant Recognizing Non-Formal Education". The purpose of these guidelines is to assist those interested in recognizing non-formal education in the process of recognizing non-formal education, as well as the institution responsible for recognizing non-formal education. The guide provides information on the process and stages of recognition of non-formal education.

In 2020, the right to recognize non-formal education was gained by two educational institutions in accordance with the rules established by the legislation of Georgia - Public College LLC . Nataly Academy (Beauty Services) and Tegeta Academy LLC (field of Car Repair) within the right to implement Vocational Education Program/Vocational Training Program/Vocational Re-Training Program with the appropriate period. <https://eqe.ge/ka/page/static/873/araformaluri-ganatilebis-aghiareba>

[3.5.2] Within the framework of a joint project of the Georgia's Innovation and Technology Agency and the Laboratory of New Technologies - GeoLab, in order to promote non-formal education

programs, an IT training course in graphic design was launched in Tbilisi and in 9 regions of Georgia in July 2020, that lasted 11 weeks. More than 250 beneficiaries participated in the course.

The project "How to create a startup" was implemented by the Agency in 5 regions of Georgia. At the first stage, the project was hosted by regional centers in Telavi and Zugdidi, and at the second stage, in November and December, the project was hosted by Kaspi and Batumi Innovation Center and Technopark. The projects were attended by young people living in Kakheti, Samegrelo, Adjara, Guria and Shida Kartli regions - 10th, 11th and 12th grade pupils and students. The project aimed at popularizing the field among young people, introducing them world trends and promoting the implementation of their ideas. The following activities were carried out during the course: team work on the project, market research, preparation and presentation of product technical description, reviews and discussions of various business models, final presentations, etc. The project was implemented in cooperation with Kings Georgia and the course is led by leading and experienced trainers from Georgia who have many years of experience working with startups. The course is held online, and the summary meetings are held in regional techno parks. Up to 50 successful participants from each region were selected under the project.

The Agency, together with the Academy of Digital Industry, has implemented a new training program in 8 regions of Georgia and Tbilisi. Candidates registered and selected for the program attended the Social Media Management and Copywriting course.

It should be noted that the course was completely free and was conducted online, in a virtual environment. Within the scope of this course, students learned the basics of social media, using capacity of platforms, writing content strategy, generating effective content, speaking the right communication language, effective copy writing, the process of generating and implementing ideas. The course was successfully completed by more than 200 beneficiaries from 8 regions of Tbilisi and Georgia (Akhmeta, Gurjaani, Telavi, Lanchkhuti, Rukhi, Zugdidi, Kaspi, Batumi, etc.).

In December of the current year, the Georgia's Innovation and Technology Agency, in partnership with Novel Technology, conducted a 10-day training course on programming and technology basics in Racha-Lechkhumi region.

The aim of the 10-day Bootcamp was to raise the awareness of young people living in the Racha region, to stimulate their entrepreneurial skills and innovative thinking, and to promote future employment. Up to 50 successful young people from Racha region underwent intensive training course. Admission was completely free and it was led by professionals in the following fields: graphic design, artificial intelligence, freelancing, leadership, innovative entrepreneurship.

In response to the problems caused by COVID 19 in 2020, online trainings in digital literacy and e-commerce were conducted, which were attended by about 100 entrepreneurs from different regions of Georgia.

With the support of the International Labor Organization (ILO), trainings were held in regional technoparks called "Start and Develop Your Business", which was attended by up to 130 persons.

The Georgia's Innovation and Technology Agency, Enterprise Georgia and EPAM organized an event to promote the development of IT sector in Georgia.

With the support of the USAID “Growth in Georgia” project, up to 100 entrepreneurs in different regions of Georgia, who have undergone e-commerce training in the Agency, have developed their own websites with e-commerce functionality.

In order to promote equal social and economic conditions and opportunities in 2020, LEPL Georgia’s Innovation and Technology Agency, through Internet vouchers, connected up to 500 socially vulnerable families living in the mountainous settlements of Georgia through broadband Internet.

### **3.6. Ensuring technical assistance (TA) for SMEs**

[3.6.1] Within the framework of providing technical assistance to state programs, the Agency "Enterprise Georgia" provided technical assistance to seven beneficiaries of the Agency's programs in 2020, in the total amount of GEL 52,809.

[3.6.3] Georgia's Innovation and Technology Agency signed a partnership agreement with the American company "500 Startups", the winner of the international competition within the framework of the accelerator program. In addition, a tripartite memorandum was signed between the Agency “500 Startups” and the Bank of Georgia on the establishment of an investment fund on the basis of the accelerator program.

In May, a call for Startup applications was announced. Since June 16, as soon as the selection process was completed - startups began working intensively with 500 accelerator mentors remotely.

A demo day was held at the end of the first stream program. The program defined two demo days - the first in real space with Georgian investors, partners and the press, and the second in the virtual - with foreign investors, partners and the press. 10 million GEL was attracted during the first streaming program;

Total revenue of 15 companies of the first cohort was \$ 1,000,000; First cohort companies attracted 118,000 customers; Facebook, Lyft, Procredit Bank, Liberty Bank, Visa, Dalood, Pagefly and others are the companies that became clients of the first cohort startups.

Foundation Bootcamp was conducted entirely virtually. The project started on November 16 and ended on December 11. The Remote Experimentation project was also launched in December and will be completed in January 2021. Approximately 5-10 startups selected under this project will continue the Growth Intensive program.

LEPL-Creative Georgia of the Ministry of Education, Science, Culture and Sport of Georgia, together with the Apolon Kutateladze Tbilisi State Academy of Arts, was actively involved in launching and developing a pilot version of an online business incubator on the basis of the

Academy. As part of the incubator program, LEPL staff held a number of meetings / presentations for incubator participants, they also were involved in the incubator management process.

[3.6.4] The EFQM Success Model was introduced at the Georgian Chamber of Commerce and Industry with the support of the German Society for International Cooperation (GIZ) and the EU project. The EFQM model is based on European values, which helps institutions to achieve success - the highest quality in all areas. The EFQM model aims to help international and local organizations, including public and private institutions, to improve their performance by using the EFQM model, which integrates quality components of ISO international standards. The European Foundation for Quality Management includes more than 30,000 European organizations working in 50 different sectors, which successfully use this model in their activities.

The Georgian Chamber of Commerce and Industry actively promotes the European Quality Management Foundation (EFQM) standards at forums and exhibitions, as well as through the Chamber's DCFTA Information Centers and regional chambers. As part of these activities, new members of the Chamber were informed about the benefits of the EFQM model.

### **3.7. Development of educational component on the website of the agency "Enterprise Georgia"**

[3.7.1] Within the framework of entrepreneurship support measures, LEPL "Enterprise Georgia" collects educational materials, business literature and publishes it on the website of the Agency. The agency, within the framework of the USAID Governance for Development (G4G) project, has developed an animated online training on basic export issues with Mindworth, combining 10 export-related modules, such as Export Potential Assessment, Georgia's Foreign Trade Policy, potential market research, market infiltration strategy and plan, best partner selection, incoterms, international negotiations and contracts, export product preparation, logistics planning, market maintenance and development. Online training provides a good opportunity for distance learning for those interested in exporting. At the same time, it makes it easier for a person living in the region to acquire knowledge and obtain the information they need remotely, without leaving home or office. The modules are posted on the "Enterprise Georgia" agency website, in the "Export" directory in the block "Online Training". Online training is accompanied by a PDF reading version. Link: <http://www.enterprisegeorgia.gov.ge/ka/export-management-fundamentals>.

### **3.8. Business Service Center service portfolio expansion for entrepreneurs**

[3.8.1] LEPL "Enterprise Georgia" offers entrepreneurs various services, including provision of library and computer operating space.

In particular, the Agency's service center is equipped with a variety of resources that enables entrepreneurs and those interested in economic activities to use the service center's infrastructure free of charge, such as access to electronic and print resources, a library containing

various types of business literature, and spaces for meetings/conferences. In 2020, 51,700 consultations/services were provided to the interested parties through telephone calls, visits and online chat.

### **3.9. Encouragement of female entrepreneurship**

[3.9.1] In order to promote women's participation in state programs, the Agency "Enterprise Georgia" developed a gender equality strategy and three-year action plan with the support and assistance of the UN Women project "Joint Efforts for Women's Economic Empowerment in Georgia". The aim of the strategy is to promote the implementation and integration of the state policy on gender equality within the the activities of the Agency. Among the key principles of the strategy is the strengthening and protection of gender equality, which implies the implementation of gender mainstreaming in the policy development, implementation and monitoring processes of the Agency. Within the framework of the mentioned measure, the collection and analysis of sex-disaggregated data in the agency will be improved, which will help to better define the different needs and priorities of women, men, boys and girls in the activities of the agency.

2 out of 15 beneficiaries funded by the Georgia's Innovation and Technology Agency under a small grant program were female beneficiaries. Under the 650,000 GEL co-financing grants, 2 out of 10 winning startups were female founders (major shareholders); Out of the 39 winning startups under the GEL 100,000 grant, 8 were female founders (major shareholders). With the support of the Agency, Georgia together with 5 countries (Armenia, Azerbaijan, Moldova, Belarus and Ukraine) is involved in the EU4Digital program "Promoting women in Technology". The main goal of the program is to plan a mentoring program for women. With the support of the Embassy of Israel, the Agency has organized a MASHAV webinar on topics: Women in Startups, Business Model for Beginners and Partners & Competitors.

An information session on the principles of women's empowerment was held on July 16 at the initiative of the Georgian Chamber of Commerce and Industry. The information session was conducted within the framework of the UN Women project "Joint Efforts for the Economic Empowerment of Women in Georgia" and aims to promote the active involvement of the private sector in the economic empowerment of women. The following activities were implemented within the project:

100 companies were trained to raise awareness of women's economic rights and opportunities;

15 companies have signed up for the introduction of the Women's Empowerment Principles - WEP (in addition to the above training, 13 companies have received additional training on a variety of issues, such as digital marketing and sales, project management, etc. - 84 employees have been trained);

Consulting services have been introduced at the Chamber, 5 staff members of the Chamber can advise companies on the development of a WEP implementation mechanism.

### 3.10. Promotion of "Green practices" among SMEs

[3.10.1] The "Extended Producer Responsibility (EPR)" defined by the Waste Management Code of Georgia came into force in December of 2019, which imposes the responsibility on producers and importers of specific products for the collection and treatment of specific wastes. In particular, they have an obligation to ensure the separate collection, transportation, recycling, recovery and environmentally safe disposal of waste generated by the product they place on the market.

In order to implement "Extended Producer Responsibility (EPR)", it is crucial to strengthen the capacity and awareness of those subject to the process. In order to raise public awareness, 5 information-educational banners were prepared and distributed through the Center's social network as part of the Extended Producer Responsibility (EPR) social campaign: General information on Extended Producer Responsibilities (<https://cutt.ly/Rf8pq2H>), tires (<https://cutt.ly/df8puxP>), waste oils (<https://cutt.ly/Wf8o7AO>), electrical and electronic equipment (<https://cutt.ly/af8przZ>), on waste management of batteries and accumulators (<https://cutt.ly/lf8i7Fr>) (access - 8,437 users of the social network). The Minister of Environmental protection and Agriculture of Georgia met with the representatives of the diplomatic corps, international organizations and the non-governmental sector on the latest progress and ongoing or planned measures on environmental legislation, including the Extended Producer Responsibility (EPR) (40 persons). Also, consulting and working meetings were held with the involvement of interested parties.

Within the framework of the ongoing EU technical assistance project at the Ministry of Environmental Protection and Agriculture of Georgia, with the involvement of international experts, the Ministry developed and the Government of Georgia adopted four technical regulations on May 25, 2020, such as: "Electrical and electronic equipment on waste management"; "Waste Oil Management" and "Tire Waste Management". Draft technical regulations have been developed on "the Management of Decommissioned Vehicles" and "the Management of Packaging Waste". In accordance with the adopted technical regulations, 4 registration rules were developed and approved by the Minister's orders on 31 August of 2020. An Extended Producer Responsibility register has been created.

[3.10.2] Regarding the electronic system of waste database, the Ministry of Environmental Protection and Agriculture of Georgia has an electronic waste management system since January 1, 2018, where activities related to waste management are registered, as well as annual waste accounting application forms, company waste management plans and hazardous waste transportation applications are submitted. The rules and conditions of waste management registration are determined by the Resolution N144 of the Government of Georgia, dated March 29, 2016.

[3.10.3] LEPL "Environmental Information and Education Center" provides an Environmental Manager training course on waste management, which aims to train and qualify the relevant staff

for companies in accordance with the requirements of the law and modern international standards – for the reporting period 40 participants passed the training Successfully.

## **Anti-crisis measures implemented by LEPL Enterprise Georgia within the COVID-19 pandemic**

In response to new challenges facing the economy due to COVID-19, existing state business support programs has been expanded (industrial part, credit guarantee scheme and micro and small business support - small grants). Programs to support small, medium and family-run hotel and restaurant industries, as well as programs to support tourism sector, event companies and mortgage credits, have also been launched.

The term of co-financing of the loan within the industrial part of the program "Enterprise Georgia" has been increased to 36 months, the minimum loan amount has been reduced to 50,000 GEL, and the maximum has been increased to 10 million GEL.

Under the loan-guarantee scheme, the amount of guaranteed loans increased from 70% to 90% of the principal amount on new loans, in addition to banks, microfinance organizations were added to the role of financial institutions, and commercial banks were allowed to restructure and refinance out-of-program loans. In the case of a restructured loan, 30% of the principal amount is guaranteed.

As a result of the changes in the micro and small grants program, the locations of business operations were expanded within the program (covering the whole country), the maximum amount of grant funds was increased from 20,000 GEL to 30,000 GEL. Also, the number of projects to be funded and the list of types of activities have increased significantly (more than 300 types of activities).

As a result of the pandemic, the program "Co-financing Mechanism to Support the Small and Family Hotel Industry" was launched to support and rehabilitate the most affected tourism sector. The program provides co-financing of loan interest for hotels. During the reporting period, 3,254 loans in this direction were co-financed with the amount of 45.6 mln. GEL.

A program called "Co-financing Mechanism to Promote the Restaurant Industry" was created. The program involves co-financing the interest rate of the loan and leasing project. Under this, 4.7 million GEL was transferred on 420 loans to 300 beneficiaries.

A program has also been set up to support the tourism sector, in particular to support International Air Transport (IATA) accredited companies and general sales agent companies. The program involves subsidizing the bank guarantee fee issued by the guarantor. Assistance was provided to 33 companies on 39 guarantees. A total of 243.6 thousand GEL equivalent has been transferred.



In addition, a program "Loan subsidy scheme received from the commercial bank by the organizers of events" was developed, within the framework of which 669.9 thousand GEL was transferred to 55 loans of 41 beneficiaries.

The Mortgage Support Program has been developed under the Construction Sector Support Program, which includes two components:

1. Guarantee mechanism;
2. Interest subsidy.

2,072 beneficiaries benefited from the guarantee mechanism during the reporting period, and 8,443 borrowers benefited from the interest subsidy mechanism. The volume of subsidized loans amounted to GEL 827.9 million, while the volume of guaranteed loans amounted to 230.4 million GEL.

Farmers and entrepreneurs involved in agricultural activities receive significant support from the state under the Agricultural Anti-Crisis Plan "Caring for the Village and Farmers".

According to 2020 data:

Within the state program to stimulate agricultural landowners, more than 246,800 farmers received accruals. The amount of the accrued subsidy exceeds 31.9 million GEL, of which more than 27.8 million GEL has already been cashed in specialized trade outlets. Accrual of agro scores continues.

Under the agro-diesel promotion program, more than 156,800 beneficiaries received agro-diesel discount cards up to 30,500 tons. Farmers who have already cashed in discount cards saved more than \$ 6.8 million GEL in total.

As of October 31, 2020, more than 17,000 policies have been issued under the agro-insurance program, more than 18,000 hectares of land are insured, which is 31% higher than in the same period of the previous year. The cost of the insured crop is more than 161 million GEL. The total insurance premium amounted to 13.4 million GEL, of which more than 8.4 million GEL is co-financed by the Agency.

Within the framework of the state program for modernization of the dairy sector and market access, 232 agreements were signed in Imereti, Kakheti, Samegrelo and Zemo Svaneti, Racha-Lechkhumi and Kvemo Svaneti, Samtskhe-Javakheti and Kvemo Kartli regions, state co-financing amounts to more than 15.6 mln. GEL, and the investment amounts to more than 21.6 mln GEL.

Under the preferential agro-credit program, the state fully covers the 6-month interest rate to finance the current costs of growing annual crops. 2,709 agro-loans were issued, the total amount of the loan exceeds 57.3 million GEL, amongst which the co-financing of interest rate by the Agency is more than 4.4 million GEL.

Within the framework of the agricultural production support program, 384 contracts have been signed, the state co-financing amounted to more than 9.6 million GEL, and the investment to be made is more than 20.1 million GEL. 252 beneficiaries were financed with the cost of 50% of agricultural machinery, while 130 beneficiaries were financed for the purchase and installation of fixed assets, for the arrangement and modernization of greenhouses, as well as for the purchase and installation of an irrigation system for annual crops.

In total, in the context of the agricultural anti-crisis plan, the following results have been achieved through the implementation of projects / programs:

The total number of beneficiaries who benefited from anti-crisis projects / programs was more than 425 thousand beneficiaries (farmer / owner of agricultural land), who received a total of 69.9 million GEL;

144.3 million GEL will be invested in agriculture;

Farmers / agricultural land owners received discount cards for agro-diesel up to 30.5 thousand tons;

Crop insurance of more than 161 million GEL was provided on an area up to 18,000 hectares.

In order to maximize the support of farmers, the state program "Support of the sale of non-standard apples" was launched, up to 50 thousand tons of non-standard apples were processed by 14 companies involved in the program. As a result, farmers earned more than 11 million GEL.

In 2020, up to 35,000 beneficiaries were exempted from paying for melioration services for up to 10 hectares. The amount of the benefit was GEL 3.9 million. In 2020, up to 42,000 beneficiaries were deducted from the \$ 8 million GEL debt generated by melioration services and water supply to pond farms.

The National Food Agency of the Ministry of Environmental Protection and Agriculture of Georgia, together with health professionals, has been developing and regularly providing business operators with recommendations for pandemic activities since March 13. In trade networks, the Agency continuously monitors the observance of hygiene rules; During the state of emergency, information was provided and checked at 5,520 facilities (catering establishments, markets, etc.).

## Results of Monitoring and evaluation

In 2020, the relevant "performance indicators" of the third strategic direction were implemented, namely:

- ✓ *"Enterprise Demand Survey on Skills" was prepared;*
- ✓ *Annual labor market analysis was prepared;*
- ✓ *An integrated vision of career planning and professional orientation was developed;*
- ✓ *State programs of "Vocational Training and Advanced Training" and "Development of Employment Promotion Services" were implemented;*
- ✓ *Job seekers were advised on employment opportunities and services;*
- ✓ *Program beneficiaries, including from vulnerable groups, were trained and employed;*
- ✓ *The relevant action plan was updated to introduce LLEL in the education system;*
- ✓ *Professional students have passed the Entrepreneurship module;*
- ✓ *2 meetings of the interagency working group established for the implementation of LLEL were held;*
- ✓ *Project-based teaching is piloted in state vocational institutions;*
- ✓ *Representatives of small and medium-sized enterprises are involved in the Vocational Education Council and thematic groups;*
- ✓ *Reports and protocols of sectoral councils were prepared;*
- ✓ *Vocational education programs were implemented in the vocational education system with a work-based learning approach;*
- ✓ *IT training courses were provided to support non-formal education programs;*
- ✓ *Training programs have been conducted on the basis of Innovation Centers in Tbilisi and the regions;*
- ✓ *Activities were carried out to popularize the EFQM - Success Model;*
- ✓ *A gender equality strategy and a three-year action plan have been developed to promote women entrepreneurship;*
- ✓ *Measures were taken to promote women entrepreneurship;*
- ✓ *Meetings were held to strengthen the capacity and awareness of the entities subject to the process in order to implement the Enhanced Producer Responsibility (EPR);*
- ✓ *Consultations and meetings were held for entrepreneurs for waste accounting.*

## **Evaluation of the implementation of the third strategic direction**

Increasing employment and reducing structural unemployment is one of the main challenges for the Georgian economy. At the same time, private sector development is the most effective mechanism for reducing unemployment and increasing employment. In order to implement an effective economic policy, it is important to analyze labor market of Georgia, study labor market demand trends and identify the challenges. At the same time, it is important to develop the right professional and educational policy and put it into practice, which plays a crucial role in reducing the imbalance between supply and demand in the labor market and reducing structural unemployment. Increasing the quality and accessibility of vocational education significantly contributes to the attractiveness of vocational education, which is an important way of personal and career growth and a contributing factor to employment.

### **❖ Vocational education and employment**

The goal of the vocational education system of Georgia is to create an unified space for lifelong learning, to promote the professional development of the individual, to train labor market-oriented, competitive, qualified personnel, to promote employment, including self-employment.

Access to vocational education has improved significantly in recent years. Since 2013, tuition at the state vocational education institutions has been fully funded by the state, and since the fall of 2019, private providers have been involved in voucher funding within priority areas. New colleges / branches were established, existing college infrastructure was upgraded, "integrated" programs were introduced, existing enrollment rules were changed, and etc.

In order to increase the participation of the private sector in vocational education, promotion of a dual education approach and the introduction of a public-private partnership model is underway. The number of programs implemented with a dual approach has increased. In 2020, 4 vocational education institutions gained the right to implement 13 vocational education programs with a dual approach. As a result of the development of the adult education system, vocational training / retraining courses have been launched within the framework of formal education, which are fully / partially funded by the state. The development of the system enabled, on the one hand, the private sector to be involved in the vocational education system and together with the educational institution and/or independently, to train staff, taking into account the needs of the labor market, and on the other hand, the system created an opportunity for the population to improve their skills and develop competencies in a specific direction. In 2020, 39 legal entities (including 16 - state, 23 - private) won the right to implement the vocational training / retraining program in 107 vocational training / retraining programs.

Within the framework of the reform, an entrepreneurship module was developed, which became mandatory for all professional students, in order to be compatible with the European Competency Framework (EntreComp). It was revised and the revised module was submitted to the LEPL National Center For Educational Quality Enhancement for further consideration and implementation.

In 2017, the Ministry of Education, Science, Culture and Sport of Georgia, in cooperation with the Georgia's Innovation and Technology Agency, established Innovation Laboratories (FABLAB) in 14 vocational colleges, which enhance the entrepreneurial and innovative thinking of professional students. In addition, with the support of the United Nations Development Program, the concept of introducing an entrepreneurial culture in vocational education institutions was developed. In 2020, a company was selected to support two pilot institutions (LEPL College "Iberia" and LEPL College "Modus") in developing and carrying out action plans for the implementation of the concept.

In accordance with the new Law on Vocational Education, there is an opportunity to recognize the learning results achieved within the framework of non-formal education at the level of vocational education. In 2020, the right to recognition of non-formal education was gained by two educational institutions in accordance with the rules established by the legislation of Georgia. It should be noted that one of the important indicators of the positive impact of the ongoing changes in the vocational education system is the employment rate of graduates of vocational programs and their successful integration into the labor market. The Ministry of Education, Science, Culture and Sport of Georgia regularly conducts a survey of graduates of vocational education programs (so-called Tracer Study). The survey is conducted once a year and examines graduates who have completed about 1 year of study at the time of the survey. The survey is based on a structured questionnaire, which is administered by computer-based telephone survey method.

According to the results of a survey conducted in 2019, the employment rate of graduates of vocational schools in 2018 was 62%, which is 2% higher than the previous year, and compared to 2013, the employment rate has increased by 20%. It is noteworthy that the epidemiological situation in the country has significantly slowed down the current economic processes, which has negatively affected the employment rate, including the employment rate of vocational college graduates. According to a survey conducted in 2020, the employment rate fell to 49%,<sup>7</sup> as for self-employment, the number of self-employed among 2019 vocational education graduates was 10%. This figure amongst graduates in 2017 and 2018 was 11%, and 8% in 2016.

### ❖ **Women's economic activity**

Women's economic empowerment is one of the most important ways to achieve gender equality, and access to economic resources is an important tool for economic empowerment.

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<sup>7</sup> 2020 survey interviewed graduates who completed their studies in 2019 and were awarded with a professional qualification.

Women's economic activity, in particular the female employment rate, is characterized by positive growth dynamics. In 2019, the number of women employed in small and medium-sized enterprises amounted to 197.9 thousand, which is 2.1% higher than the previous year, and compared to 2016, the growth rate of women's employment increased by 10.2%. Also, the share of employed women in the total number of employees in small and medium-sized enterprises has increased. The employment rate was 40.2% in 2019, compared to 39.5% in 2018.

## 4. Export promotion and SME internationalization

### 4.1. Raising awareness of DCFTA prospects and requirements

[4.1.4] In order to raise the awareness of interested parties, an updated website of the Accreditation Center has been prepared and launched, where interested parties can easily get information about accreditation, see the information about the activities planned by the Accreditation Center and receive comprehensive information about accredited bodies. [www.gac.gov.ge](http://www.gac.gov.ge)

The Georgian National Agency for Standards and Metrology, together with the Latvian Standard Authority (LVS) and the Tilde Corporation, implemented the project "Standardization as an Assistance to Rapid Response to the COVID-19 Pandemic Emergency in Georgia".

[4.1.5] As a result of active work in 2020 in the field of metrology, in the internationally recognized measurement fields, the number of recognized records of the Agency's Institute of Metrology has increased and amounted to 61 CMC records. In 2020, CMC records were recognized and published in the following areas - pressure, temperature measurements, length and electrical measurements, as well as small volume measurements. It should be noted that despite the limitations caused by the pandemic situation, as a result of significant expansion in the field of metrology - service areas and also internationally recognized areas, the Agency continued to provide services at the regional level (various organizations from Azerbaijan) in 2020 in the following areas: temperature, mass, humidity, small volume, pressure.

Access to international and European standards is one of the most important issues for businesses. As of 2020, a total of 18,476 international and European standards have been adopted as Georgian standards, of which ISO and IEC are 6807 standards, and European CEN / CENELC standards are 11,669 standards, including the so-called Harmonized European standards relevant to the approximation of the legislation set out in the annexes to the DCFTA TBT. It should also be noted that as of 2020, the number of Georgian language standards in Georgia is 152.

In the field of accreditation, accreditation of energy management certification and audit bodies in accordance with ISO 50003 has been added, while the accreditation area of inspection bodies has been increased in the areas of wireless networks, computer hardware, information technology and software inspections.

[4.1.6] The Georgian Chamber of Commerce and Industry, with the support of the GIZ (German Society for International Cooperation) and project "Small and Medium Entrepreneurship Development and DCFTA in Georgia" is developing consultation and training services related to the implementation of the Deep and Comprehensive Free Trade Area (DCFTA). Within the framework of this program, the institutional capacity of the Chamber of Commerce and Industry was also actively strengthened. The Georgian Chamber of Commerce and Industry consulted 50 beneficiaries, mainly small and medium-sized enterprises, on the DCFTA related issues.

In February of 2020, with the support of the Ministry of Economy and Sustainable Development of Georgia and the organization of the EU project "Support to the Implementation of the Association Agreement between the EU and Georgia - Phase II", an information meeting on DCFTA issues was held for media representatives.

In order to provide the correct information to the small and medium-sized business sector, the representatives of state agencies were provided with relevant information on the achieved progress, implemented, ongoing and planned reforms in the implementation of the norms of the agreement. During the meeting, the representatives of the successful companies, exporting to the EU, made presentations to the media on successful examples of trade with the EU.

[4.1.7] The website DCFTA.gov.ge continues to operate, where all documents and news related to the implementation of the DCFTA are published, as well as draft laws developed to fulfill the approximation obligations in order to receive comments. It is noteworthy that in 2020, the number of website visitors increased by 16% compared to the previous year and amounted to 23,277 visitors. Besides Georgia, the website visitors were also from the United States, Germany, Russia, China, Turkey and other countries.

## **4.2. Support the businesses to adapt to DCFTA requirements**

One of the priority directions of the agency "Enterprise Georgia" is to support export promotion and development. The goal of the program is to popularize Georgia's export potential, increase the competitiveness of Georgian products in international markets, increase the export volume of Georgian products and diversify Georgia's export markets.

Within the framework of the export promotion component, the Agency facilitates the participation of Georgian companies in international exhibitions, provides trade missions - plans, organizes and co-finances pre-B2B meetings for Georgian exporting companies in strategic and priority markets to diversify new partners and markets. The Agency facilitates the connection of Georgian companies with buyers interested in their products in accordance with the requests received from foreign markets. The agency provides information to entrepreneurs on export procedures in Georgia, such as description of export procedures, information on certificates required for export, setting tariffs for Georgian producers in specific markets, etc.

[4.2.1] In order to analyze the export potential of small and medium enterprises, in 2020 the Agency financially supported the participation of 68 Georgian companies in 10 international events and 9 online showrooms. During the registration process, each company filled the relevant application, based on which the agency performed the relevant analysis. The Agency collects and analyzes information on export operations carried out by beneficiaries in order to plan future projects and related activities.

[4.2.2] As a result of the analysis of potential export sectors, the following export potential sectors were identified in 2020 - animal food and snails. In this direction, the Agency held meetings,



studied the local market demand of the trading partner target countries, identified new positions, relevant export markets, on which these products have potential.

[4.2.4] The agency has developed support tools (technical, financial) to identify new export potential sectors and comply with DCFTA requirements. The export TA mechanism document developed by the Agency has been submitted to the Ministry for consideration. Its maximum volume is 10,000 euros equivalent in GEL.

[4.2.5] From January of 2020, the service for purchasing standards online (in PDF format) became available to interested parties through the electronic platform of the Georgian National Agency for Standards and Metrology.

In 2020, at the request of accredited organizations, the Accreditation Center organized 5 trainings, including three trainings on the topic - SST ISO / IEC 17020: 2012/2013 "Conformity assessment - requirements for the activities of different types of inspection bodies", and 2 trainings on SST ISO / IEC 17025: 2017/2018 "General requirements for the competence of testing and calibration laboratories". Due to the limitations of the pandemic, trainings were held online and were attended by 76 representatives of accredited conformity assessment bodies.

On September 24, 2020, a meeting of the Accreditation Technical Advisory Committee was held, where the procedural issue was resolved, the Chairman of the Technical Advisory Committee was elected, and the issue related to the field of the Accredited Examination Laboratory was discussed. The Technical Advisory Committee was attended by the persons selected accordingly.

At the Accreditation Center, on October 30, 2020, through the online platform, a meeting of the Accreditation Board was held, which was attended by the representatives of various business associations and associations of accredited bodies. The issues on the the activities carried out in the Accreditation Center in 2020 - the impact of COVID-19 on the accreditation process and the 2021 plans of the Accreditation Center were discussed during the meeting.

On December 17, 2020, at the initiative of the Accreditation Center and with the technical support of the Georgian Association of Automobile Inspection Centers, an online meeting was held between the periodic technical inspection centers and the management of the Accreditation Center. The purpose of the meeting was to discuss issues in the field of technical inspection and to further inform the representatives of the Association of Inspection Centers about the activities carried out at the Accreditation Center during 2020.

The Chamber of Commerce and Industry of Georgia organized trainings in various fields for the private sector during the reporting period, for which a total of 361 entrepreneurs were registered (including 254 women and 107 men).

### **4.3. Promotion of export of small and medium-sized enterprises**

[4.3.4] In order to support marketing and promotion in international markets, in 2020 the agency "Enterprise Georgia" developed new criteria for the selection of enterprises, which are better adapted to the requirements of small and medium-sized enterprises and are more complex. These criteria are used in the process of selecting enterprises for projects implemented under the Agency's programs.

[4.3.5] In order to identify the marketing skills needed in the selected enterprises, the agency "Enterprise Georgia" conducts export certification courses.

[4.3.9] In order to implement tools to support the export of a particular product / service, in 2020 the agency "Enterprise Georgia" consulted with stakeholders and provided information on the export of their products and exporting countries.

In total, during the year, the Export Department of the Agency continuously consulted up to 900 interested persons, both by phone and e-mail, as well as through individual and group meetings.

### **4.4. Support for small and medium-sized enterprises to establish international trade relations**

[4.4.1] In order to develop international cooperation, the Georgia's Innovation and Technology Agency is working on concluding Memoranda of Understanding, with the Czech Agency for Technology (TACR), the Ministry of Innovation Development of the Republic of Uzbekistan, the Ministry of Information and Communications of Bhutan. Additionally, an updated memorandum was signed with the Italian Association for Technological Innovation (COTEC).

Within the framework of international cooperation, the Georgian Chamber of Commerce and Industry has signed 5 memoranda of cooperation with partner chambers. In addition, the Chamber has assisted more than 30 companies in establishing cooperation and communication with foreign partners.

[4.4.2] The Enterprise Europe Network (EEN) is a platform for exchanging and linking specific business proposals between small and medium-sized businesses in the EU and partner countries. EEN creates new opportunities for Georgian companies to widely disseminate their business proposals in the EU market and attract relevant partners.

Following the launch of the DCFTA, Georgian companies have been able to use the new platform to widely disseminate their business proposals in the EU market and attract partners. The Enterprise Europe Network (EEN) serves the exchange of specific business proposals and establishes links between small and medium-sized businesses in the EU and partner countries.

The network of European entrepreneurs can be used by both exporters and importers. Exporters have the opportunity to find distributors in EU member states, while importers can become distributors in Georgia themselves.

EEN is one of the largest business and innovation support bodies in the world, bringing together 600 partner organizations and a wide range of entrepreneurial services in 60 countries.

The agency "Enterprise Georgia" has consulted with more than 10 interested entrepreneurs regarding the EEN platform.

The Georgian Chamber of Commerce and Industry informed the new members of the Chamber about the benefits of EEN. In 2020, five companies showed interest in registering in the EEN network, with one entrepreneur registering in the network. Georgian Chamber of Commerce and Industry launched the project "Open Dialogue with Business" in 2020. Within the framework of this project, 12 events were held throughout Georgia. In particular, informational meetings with business were held in Imereti, Kakheti, Samegrelo, Shida Kartli and Adjara. In total, the Chamber provided about 700 entrepreneurs and interested persons with the information on EEN.

Georgia's Innovation and Technology Agency is actively working to effectively involve Georgian startups in international networks. In this regard, the membership of the European Business Angels Network (EBAN) for Georgia's Innovation and Technology Agency is noteworthy, which means providing information and news to entrepreneurs through the channels of the Agency.

EBAN is Angel's European Investors Association, which brings together more than 150 member organizations from more than 50 countries. EBAN membership gives Georgian startups the opportunity to present their innovative projects to European investors, as well as facilitates European direct investment in innovation and technology, which will help Georgian startups become more global companies and enter the international market. EBAN provides a wide range of opportunities for startups, including webinars, trainings, seminars, masterclasses, pitching, bilateral meetings. Participation in the events gives startups the opportunity to meet investors, coaches, support agencies, which will allow them to develop their own start-up / business.

Georgia's Innovation and Technology Agency is actively working to effectively involve Georgian startups in international networks. Information and news are provided to entrepreneurs through the channels of the agency.

[4.4.4] The Georgian Chamber of Commerce and Industry provides information to entrepreneurs about international exhibitions planned abroad. The members of the Chamber were informed about up to 40 international exhibitions planned abroad.

[4.4.7] In the framework of the development of international trade relations, commercially attractive sectors are being actively identified and studies focused on the development of these sectors are being prepared. The Georgian Chamber of Commerce and Industry conducted a research on distance education and the development of the maritime sector.

In particular, the Business Research House of the Georgian Chamber of Commerce and Industry conducted a research on the benefits and challenges of using the e-learning system in Georgian higher education institutions. The research included not only a practical analysis of the situation in the country stipulated by the new coronavirus COVID-19, but also an analysis of the gaps in the legal framework governing e/distance education in the higher education system prior to the current situation. In addition, the research explores the potential costs and benefits of transitioning to distance learning for the state and higher education institutions.

The House of Business Studies has completed the first large-scale survey on maritime capabilities, online presentation of the survey was arranged on 27 October. The study assessed the problems in the field and, accordingly, prepared recommendations that will help increase revenues, the number of employees and income for people employed in the maritime sector in the country.

## **Results of Monitoring and evaluation**

In 2020, the relevant "performance indicators" of the fourth strategic direction were implemented, namely:

- ✓ *Meetings were held with entrepreneurs to raise awareness of DCFTA prospects and requirements;*
- ✓ *Beneficiaries were consulted about DCFTA issues;*
- ✓ *Services were offered in a new direction of measurements;*
- ✓ *The number of recognized records of the Institute of Metrology has increased;*
- ✓ *The website is operational and the awareness of entrepreneurs about DCFTA is increased;*
- ✓ *Trainings were organized by the Accreditation Center at the request of accredited organizations;*
- ✓ *Online Standards online purchasing service has become available to interested parties;*
- ✓ *Beneficiaries were supported to stimulate the export of small and medium-sized enterprises;*
- ✓ *Export certification courses were implemented to identify the needed marketing skills in enterprises;*
- ✓ *Memoranda of Understanding were signed within the framework of international cooperation;*
- ✓ *Consultations were provided to entrepreneurs interested in EEN;*

- ✓ *Commercially attractive entrepreneurial sectors were identified and surveys were conducted.*

## **Evaluation of the implementation of the fourth strategic direction**

The country's integration into the international economic space and the deepening of economic relations with trade partner countries are crucial for the country's sustainable economic development. This includes the development of bilateral, regional and multilateral trade relations, as well as preferential and free trade regimes. Effective implementation of the Association Agreement between the EU and Georgia, including the component of the Deep and Comprehensive Free Trade Agreement, involves modernization of the country in many areas and compliance with European standards. All this leads to the reduction of technical barriers to trade and the compliance of the product and services produced in the country with international and European requirements. As a result of the implementation of the measures defined within the fourth strategic direction, export indicators have significantly improved.

### **❖ Export promotion**

In recent years, Georgia's export has been characterized by a positive growth trend. In 2019, Georgia's total export reached a record high of 3,798.5 million USD, which is 12% higher than the previous year and 79% higher than in 2016.

In 2019, the export volume of small and medium-sized enterprises amounted to 1,859.9 mln. USD - 11% higher compared to the previous year and increased by 42% compared to 2016. In 2019, the share of export of small and medium-sized enterprises in total export amounted to 49%.

Export to EU countries continued to increase positively. In 2019, Georgia's exports to EU countries amounted to 819.2 mln. USD, which is 12% higher than the previous year and increased by 45% compared to 2016. In 2019, the share of export to EU countries amounted to 21.6% of total exports.

The positive export trends in OECD countries are also noteworthy. Export volume in 2019 was 814.8 mln. USD and accounted for 21.5% of total exports. It is noteworthy that compared to 2016, exports to OECD countries increased by 10%.

## **5. Facilitation of electronic communications, information technologies, innovation, research and development**

The aim of promoting innovative development in the country is to help the local population, start-ups and existing enterprises to use hitherto hard-to-reach technologies to develop their activities and gain knowledge in the field of innovation and technology, as well as entrepreneurship. Access to technology means progress, which plays a crucial role in the development of the country.

### **5.1. Stimulation of innovations among small and medium-sized enterprises**

[5.1.1] On the basis of the Technopark, in order to popularize innovations and technologies, 148 events were organized and co-organized by the Georgia's Innovation and Technology Agency, which was attended by about 3,656 people.

The agency also organized an online webinar "Startups and Business Strategies in the Corona Virus Pandemic".

Global Entrepreneurship Week (GEW) was co-organized by the agency. Global Entrepreneurship Week is the largest international project aimed at building an innovative entrepreneurial ecosystem, connecting ecosystem leaders, promoting entrepreneurship, and raising motivation for start-up entrepreneurs. More than 500 participants took part in the 1-week event.

### **5.2. Elaboration of effective schemes of innovation and R&D financing**

[5.2.1] 39 beneficiaries were funded under GEL 100,000 co-financing grant within the [Innovation and Technology Grant Programs](#), and 10 beneficiaries were funded under the GEL 650,000 co-financing grant. A small grant program was reformed and funding was increased from GEL 5,000 to GEL 15,000. A total of 23 projects were funded under a grant competition up to GEL 15,000, including 12 prototype projects and 11 e-services prototype projects.

### **5.3. Support for the commercialization of innovations and R&D**

[5.3.1] As part of the Innovation Institutional Capacity Building project, the EU-funded technology transfer pilot project commercializes research projects that meet market needs.

This involves selecting ideas with the potential for commercialization in collaboration with research institutes and their further commercialization. 9 projects were selected under the Technology Transfer Pilot Project (TTPP). Commercialization plans for selected projects were approved in January and March. During the visit of World Bank experts in January, the authors of the projects were consulted, the experts consulted with those who were not able to be selected for the project and explained in detail the reasons and ways for the future development of their

technologies. Due to the pandemic, all meetings have been held online since March. Also, the authors of the projects were interviewed and business managers were introduced online. Commercialization plans, framework and licensing /commercialization agreements, privacy agreements, technology and invention refinement agreements, etc. were developed for the selected 9 projects. 9 technologies were offered to potential foreign and Georgian industrial partners. Business offers were sent to more than 1,500 foreign companies. Negotiations are underway with several major companies with which privacy agreements are being concluded. Among the companies are large corporations such as AIRBUS, Airbus Helicopters, Naval Group, Total, BRASILCHOICE BIOECONOMY, MMC, URGO, Ajinomoto and others, which have expressed primary interest in the technologies offered by the Georgian party and several of them have negotiated various ways of cooperation in terms of refinement (research direction, testing direction), as well as commercialization (investment direction).

#### **5.4. Improvement of the application of Information Communication Technology (ICT) Skills in the sphere of entrepreneurship**

[5.4.1] An updated technical assignment for the ICT training program was developed and additional meetings were held with ICT training providers whose recommendations were reflected in the updated technical assignment. New courses have been added due to market demand.

An information type website was created for the ICT program, where a list of courses and a questionnaire for pre-registration were posted. A contract has been signed with a training provider to provide training and certification to 500 ICT specialists with internationally recognized certifications. In 2020, the pilot trainings of the IT specialist training program started, in particular, the selection of participants for the training was announced and a total of 580 participants were selected to undergo training in various fields. The project - "Youth tech club network" was launched with the funding of EuropeAid. The three-year project envisages the introduction of technology and coding clubs in schools. In total, it includes 100 schools in 8 regions. All regional centers are involved by the agency.

#### **5.5. Providing infrastructure for innovation (Technoparks, Innovation Centers, FabLabs; iLabs)**

[5.5.1] The Georgia's Innovation and Technology Agency ensures the creation of appropriate infrastructure for innovation. Technoparks and innovation centers established in Tbilisi and the regions are focused on developing the technology and innovation ecosystem in the country. Technoparks established in Tbilisi, Zugdidi and Telavi, and since 2020 in Batumi, Gurjaani and Kaspı have been accumulated with technological, educational and professional resources, which aim to promote the development of a knowledge-based economy.

By 2020, the Regional Innovation Centers in Kharagauli, Choport, Baghdati, Akhmeta and Rukhi are operating successfully, which in turn are the mini-technoparks and offer the same services locally on a relatively small scale as the Technoparks.

In 2020, the construction and renovation of Batumi Technopark, Gurjaani Innovation Center and Kaspi Innovation Center was completed. The new Technopark and Innovation Centers were also equipped with high-tech equipment for industrial innovation laboratories (Fablab), including 3D printers, 3D scanners, printer of the first PCB electronic boards in Georgia, milling and engraving machines, laser cutters, 3D programmable machine tools, robotics, furniture, computer equipment, audio equipment and other necessary inventory to enable local people, private companies or local governments to use hitherto hard-to-reach technologies to develop their business and to acquire the knowledge in the field of innovation and technology and of entrepreneurship. With the help of these devices and qualified consultants, it has become possible to create simple as well as complex and "smart" products in the regions. Prototyping, testing and even small-scale production are carried out in the fablab created by the Georgia's Innovation and Technology Agency. There are training centers within the Fab School in Tbilisi, as well as in the regional centers, where regular educational events on innovative business creation, commercialization, technology are held, in which different target groups are involved - pupils, students, startups or citizens with innovative ideas.

At the same time, in the technoparks, existing in Tbilisi and in the regions there is a common working space (co-working) for startups and so-called "freelancers", where it is possible, under certain conditions, to get a job to develop your own idea or startup. The space is equipped with all the conditions that contribute to the development of the startup.

Conference halls are available in all technoparks, as well as joint workplaces for companies and citizens and other services that create a unified ecosystem in the field of innovation and technology and promote the development of innovative ideas in Tbilisi and the region.

The development of a network of industrial innovation laboratories in Georgia is important for the development of the startup ecosystem. With the support of the Georgia's Innovation and Technology Agency, innovation laboratories operate at three locations - Geolab, GameLab Iliani and Siji MultiLab GIPA. Innovation labs help train specialists, create comfortable environment for generating innovative ideas, develop project management skills, and create startups based on innovation and technology. Innovation labs, created jointly with the private sector on the basis of 3 universities, stimulate the applied learning process, offer curricula to enhance mobile platform programming skills, develop computer games, enrich knowledge and skills in computer graphics and visual effects.

The laboratories are equipped with modern equipment, which together with the Georgia's Innovation and Technology Agency make a significant contribution to the process of organizing hackathons, makeathons, Olympiads and the creation of startups. Innovation labs provide a 24-



hour workspace for start-up companies and help attract additional investment in the startup ecosystem.

[5.5.2] One of the most important issues is to cover the regions with high-speed fiber-optic main line infrastructure. In accordance with the National Strategy for Development of Broadband Networks of Georgia for 2020-2025, the state program for the development of broadband infrastructure has been launched. Within the framework of the program, an open access network will be created in such populated areas, so called "Target geographical areas", where:

According to the Georgian National Communications Commission, there is no broadband infrastructure owned or used by operators, which is continuously connected to the operators' optical main lines;

The population is equal to or greater than 200 people;

Private companies do not plan to build broadband infrastructure in the next 3 years.

Within the framework of the program, the following will be provided throughout the territory of Georgia:

- Creation of an unified neutral fiber optic network;
- Development of broadband wholesale services in the target geographical area;
- Connection between any two access points of the created network.

The development of broadband infrastructure will allow private, especially small and medium-sized companies to provide services to the population where such service has not been available so far. Accordingly, 1064 settlements will be covered by the state Internet program, while 170,093 households (585,750 inhabitants) will have access to at least 100 Mbps, and administrative bodies and enterprises will have access to broadband Internet services with a speed of not less than 1 Gb/s;

At the current stage, for the implementation of the pilot part of the project, in Ozurgeti Municipality (whose main parameters are: number of settlements - 49, household - 8,516, population - 28 576) work has begun on detailed network design, which will reveal the exact network topology and start building the network.

With the support of the Government of Georgia and donors, a community internet network was built in the Pshav-Khevsureti and Gudamakari valleys. Up to 100 villages (496 families, 1291 permanent residents) were covered by the Internet.

In order to determine the needs of small and medium telecom operators, working meetings were held with the representatives of small and medium telecom operators, including the construction of a road on the Rikoti Pass, to ensure the proper functioning of the fiber-optic magistral of telecommunication companies, the work was underway with JSC Georgian State Electrosystem

(GSE) and the Ministry of Regional Development and Infrastructure of Georgia on the issues of fiber-optic main line reservation.

Resolution N60 of the Government of Georgia of January 10, 2020 approved the "National Strategy for Development of Broadband Networks of Georgia 2020-2025 and Action Plan for its implementation", prepared within the framework of the EU "Digital Market Harmonization" project HDM / EU4Digital, with the expert assistance from the World Bank.

Work continues with the World Bank on the implementation of the "Georgian National Strategy for Development of Broadband Networks 2020 - 2025", in order to implement its main directions, the "Log-in Georgia" project was launched with the World Bank. A loan of € 35,700,000 will be allocated for the project (The total cost of the project is € 71,400,000) and its aim is to increase high-speed internet access across the country. The project "Log-in Georgia" consists of three components: 1. Increasing access to broadband Internet; 2. Promoting the use of digital services related to high-speed Internet; and 3. Supporting the implementation of the project. By increasing the coverage of villages with high-speed internet and through training and capacity building programs across the country, the project will facilitate the use of digital services. The project will promote digital financial services and e-commerce, as well as e-government services. In addition, the project will support the development of distance learning and telemedicine. In addition, the project aims to improve access to broadband services by improving policies and regulatory frameworks to enable rural ISPs to provide competitive, high-quality Internet services at a low cost. At the same time, special measures will be taken in the target settlements to promote the use of the Internet and digital services by women, ethnic and social minorities and people with disabilities.

### **Anti-crisis measures implemented within the COVID-19 pandemic**

In accordance with the National Civil Security Plan, approved by the Resolution N508 of the Government of Georgia on September 24, 2015, by the order of the Minister of Economy and Sustainable Development of Georgia 241-1 / 152 on March 24, 2020, during the increased risk of new coronavirus and the state of emergency declared for the prevention of increased danger, the Special Staff of Communications and Communications of the Ministry of Economy and Sustainable Development of Georgia was established with the participation of the Ministry of Economy and Sustainable Development of Georgia, telecommunications and postal companies, including small and medium-sized companies; Within the headquarters, the representatives of the companies are constantly called for information about the condition and operation of their networks, as well as various problematic issues related to their operation. The management and the operational team respond immediately to these adjustments, provide effective coordination, on the basis of which companies are able to respond immediately to damages and delays. Accordingly, there were no significant delays in the provision of telecommunications and postal courier services throughout the country;

During the state of emergency, 561 electronic communications and postal companies, including small and medium-sized companies, were allowed to carry out economic activities, namely 331 persons authorized for electronic communications, 97 persons authorized for television broadcasting, 47 persons licensed for radio broadcasting and 86 postal courier companies.

Resolution N183 of the Government of Georgia, dated March 23, 2020 amended the Resolution "On Approval of the National Numbering System of Georgian Electronic Communication Networks", according to which a unified government hotline - 144 was launched to respond to the problems caused by the spread of the new coronavirus in Georgia.

## **Results of Monitoring and evaluation**

- ✓ *In 2020, the relevant "performance indicators" of the fifth strategic direction were implemented, namely:*
- ✓ *A number of measures were taken to promote innovation and science;*
- ✓ *"Co-financing Grant Program" and "Small Grant Program" were implemented;*
- ✓ *Technology Transfer Pilot Projects (TTPP) were implemented;*
- ✓ *An e-business training course was provided for entrepreneurs in the regions;*
- ✓ *Batumi Technopark has been established, construction of Gurjaani and Kaspi Innovation Center has been completed;*
- ✓ *Construction of fiber-optic infrastructure was carried out;*
- ✓ *Relevant measures have been taken to meet the identified needs of small and medium-sized telecom operators and broadcasting companies;*
- ✓ *"Georgian National Broadband Infrastructure Development Strategy and its Implementation Plan" was developed and approved.*

## **Evaluation of the implementation of the fifth strategic direction**

### **❖ Access to innovation and new technologies**

Access to innovation and new technologies is one of the most important issues for the development of small and medium-sized enterprises. As a result, increasing the competitiveness of enterprises is an important basis for the development of an economy based on knowledge and innovative technologies.

According to the National Statistics Office of Georgia, which assesses the share of innovations in the country's products, the introduction of innovative goods and services in the market, etc., the innovative development of small and medium-sized enterprises in Georgia is characterized by a positive growth trend. In 2019, the share of small and medium-sized enterprises in innovations brought to the market reached its highest level in the last 4 years and amounted to 20.5 %, which is 0.8 percent higher than the previous year. An increase was recorded compared to 2016 and 2017, the figures were 16.5% and 17.1%, respectively.

In 2019, the use of electronic invoices by small and medium-sized enterprises increased by 1.1 percent and reached 36.9 %. In 2015, it was only 31.8%, while in 2016 and 2017 it was equal to 33.3% and 34.5 %.

It is noteworthy that the e-sales rate has increased to a record level in recent years. In 2015, the share of small and medium-sized enterprises in total e-sales was only 10.8%, and by 2019, this figure was 38.2 %.

## **Fulfillment of commitments under the Action Plan for 2020**

The report on the implementation of this Action Plan represents the implementation report of the relevant activities envisaged by the Action Plan 2020 and carried out by the Central Office of the Ministry of Economy and Sustainable Development of Georgia and the agencies within the Ministry, as well as the agencies implementing specific activities under the Action Plan.

The report has been prepared by the Economic Policy Department of the Ministry of Economy and Sustainable Development, based on the information provided by the responsible agencies / departments responsible for the provision of information according to the Action Plan.