

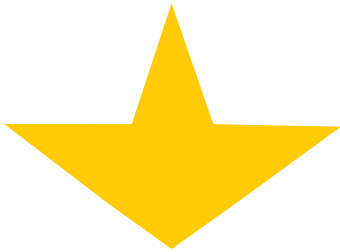


EU4Business



COUNTRY REPORT 2019

GEORGIA



WWW.EU4BUSINESS.GE

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[EXECUTIVE] [SUMMARY]

EXECUTIVE SUMMARY FOR GEORGIA:

2019 AT A GLANCE



As this difficult year draws to a close, we are proud to present the results of the EU4Business Initiative in this 2020 Country Report for Georgia. Despite the pandemic and its stark impact on business, the entire EU4Business team has worked tirelessly to expand the range of projects that we collect data on and we are pleased to say that we can now show the results that accurately reflect the entirety of EU support to SMEs in the Eastern Partnership, including Georgia.

WHAT SUPPORT DOES THE EU PROVIDE TO SMES?



Access to Finance (A2F):

- concessionary loans via national banks
- microfinancing for household businesses
- small grants to SMEs
- training staff at national banks to better serve SMEs
- training SMEs in financial literacy



Business Development Services (BDS):

- providing direct advice and training to SMEs
- training and capacity-building among national business support organisations (BSOs)
- establishing business incubators for start-ups
- developing business clusters for mutual support and development
- supporting governments in identifying new markets
- building capacities at export support organisations



Business Enabling Environment (BEE):

- promoting regulatory reform and best practices
- building capacity amongst policymakers and regulators
- encouraging public-private dialogue
- informing business about reform processes and rules/procedures

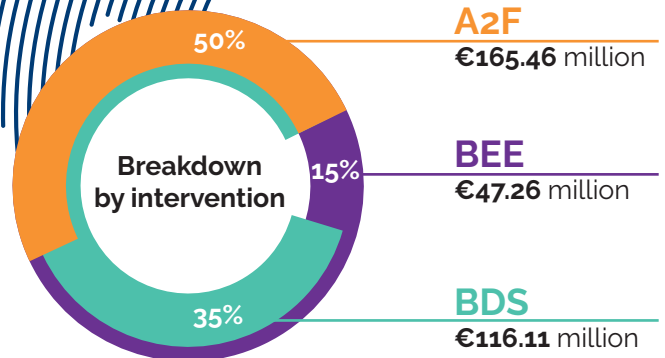
PORTFOLIO FOR GEORGIA IN 2019

47 projects

Total budget of EU
support in Georgia

€328.83
million

of which
€75.89 was
million disbursed

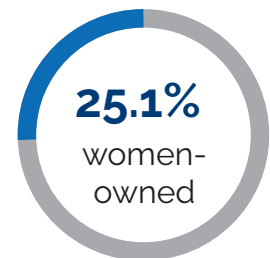


RESULTS OF EU SUPPORT IN GEORGIA IN 2019



36,234

SMEs supported



€3.4

billion

total turnover
of SMEs supported

€414.8

million

extra income
generated by SMEs

31,443

new jobs created

RESULTS OF EU SUPPORT IN GEORGIA IN 2019

116,949

employed in EU-supported SMEs



the average
SME supported
by the EU in Georgia

has

€90,000

in annual income



employs

3

individuals

WITH THE SUPPORT OF THE EU

these SMEs grew
on average by



+14.4%

more SMEs engaged
in exporting



+5.36%

expanded
their staff by



+36.8%

EU-supported SMEs
increased their exports by



+3%

For every
million euro
of EU support,

€1

million



an average of

110

SMEs
benefited



130

new jobs
were
generated



€7.4

million

increase in income
was recorded

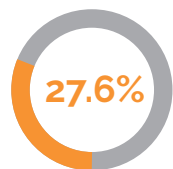
RESULTS PER PILLARS

ACCESS TO FINANCE (A2F):



2,956

SMEs received
loans and grants



women-owned

€237
million

total value of loans

€2.036
million

total value of grants

€89,977

average loan

9

partner financial
institutions supported

BUSINESS DEVELOPMENT SERVICES (BDS):

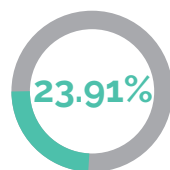


643

business support
organisations
improved their capacity

32,948

consultancy services
delivered to SMEs



women-owned

BUSINESS ENABLING ENVIRONMENT (BEE):



157

laws, policies and
regulations reformed

254

public-private dialogue
events held

143

government institutions
strengthened capacity

EU4BUSINESS COMMUNICATION

EU4Business communication activities have provided an ongoing continuous effort using a structured and targeted approach. Having set out an updated vision in our communication strategy, we aligned all processes to build a more structured system for communicating the EU4Business brand.



Our focus is on storytelling and putting quality of content over quantity.

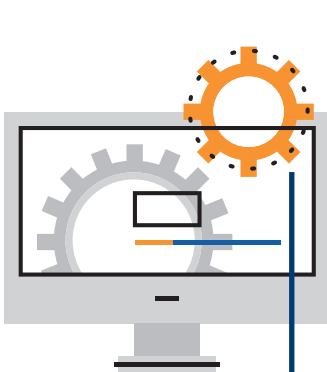
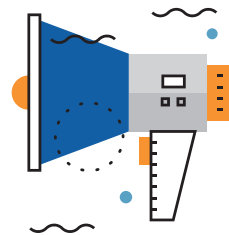
Since August 2019, we have prepared more than

60

success stories and news items

about EU support to Georgian SMEs that have been shared with the EU, our partners, and the press.

Our stories have gained wide coverage in the mainstream media in Georgia.



The number of visitors to the current EU4Business website grew

17.8%

over January-August 2020, compared to the same period last year.

MODERNISING OUR WEBSITE

We have revamped our website to better match the needs of our target audiences. In December 2020, we launched the main donor-oriented platform and six country SME-focused web pages, providing a one-stop-shop for SMEs to find information about EU support.

According to Google Analytics, we received

156,975

page views

85.3%

new visitors

The initiative has eschewed paid ads, focusing instead on promoting meaningful content.

CHECK OUT



the new SME-oriented EU4Business webpage for Georgia:

www.eu4business.ge



the updated donor-oriented main website:

www.eu4business.eu

IN RESPONSE TO THE COVID CRISIS

our team quickly launched
COVID business help pages
for all six countries under the
EU4Business Initiative in just two weeks.

We brought together recommendations
from the EU, governments and business.

CHECK OUT

the Covid-19 Information
Support Webpage for Georgia:
covid-19-georgia.eu4business.eu

Over May-August 2020,
we recorded more than

3,000 visits to these
Covid-19 pages



Since the pandemic
hit, we have issued
more than

25

Covid-19 Weekly
Alerts

that registered
a remarkable

40%

open rate

9%

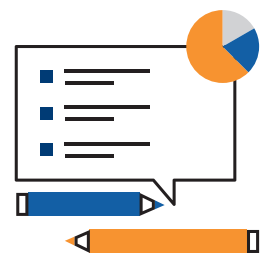
click rate

The number of
subscribers to our
digest has grown by

20%

since January
2020

To make sure that all messaging is consistent and cohesive so that a strong brand voice is established, we have upgraded the branding guidelines for the EU and our partners with easy-to-use templates and toolkits that each country will be able to adapt to its needs. The guidelines were presented to the EU, partners and projects at the beginning of 2021. Our information exchange guidelines have been widely communicated to make information flows more effortless and avoid unnecessary paper work and fully use the EU Digitool system to maximise cohesion.



Despite the challenges facing SMEs
in the EaP region, and indeed the
whole world, the EU's commitment
to supporting Georgian businesses
remains unchanged. With a new
and improved vision and approach,
EU4Business is ready for any further
challenges 2021 might present and
looks forward to reporting on yet more
positive results for this year.



Mark Hellyer
Team Leader



EU SUPPORT TO SMES IN GEORGIA LIN 2019

[PORTFOLIO OVERVIEW]



The European Union's support for SMEs in the Eastern Partnership is based on the joint policy between the EU and the EaP as set out in the 2020 Deliverables with top priorities, such as the regulatory environment, SME development, and access to finance.

**THEREFORE, THE EU IS FOCUSING
ON THREE TYPES OF INTERVENTIONS:**



**Access to
Finance
(A2F):**



**Business
Development
Services
(BDS):**



**Business
Enabling
Environment
(BEE):**

47

projects provided
support to SMEs
in Georgia in 2019



with a total budget of

€328.83

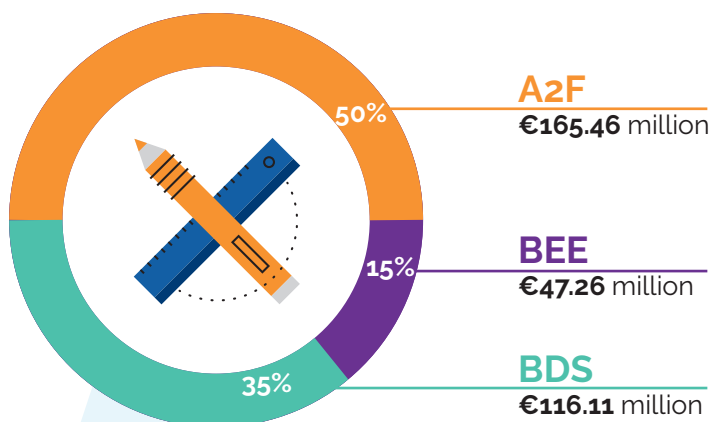
million

* This is the total value of contracts being implemented rather than disbursements in 2019.

[BREAKDOWN]

BY INTERVENTION

Breakdown of Active Projects
in Georgia by intervention
(total regional and bilateral)
in 2019

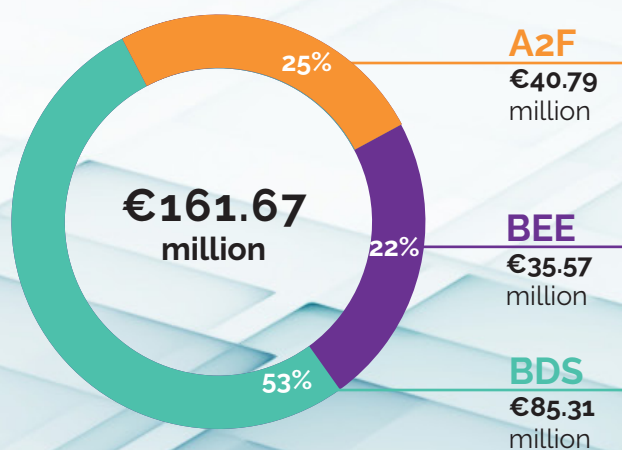


€328.83
million

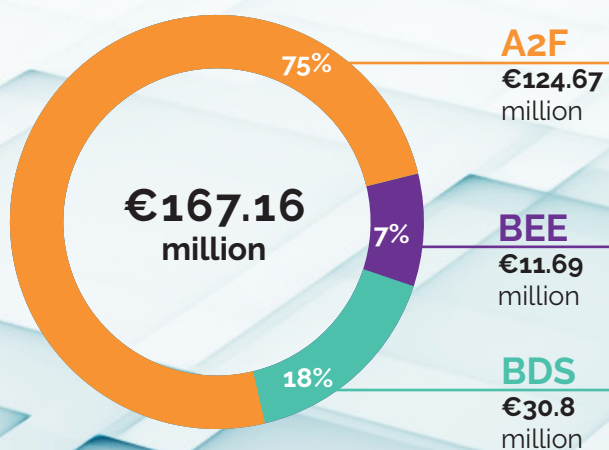
49%
of total budget

51%
of total budget

Breakdown of Active
Bilateral Projects in Georgia
by Intervention in 2019



Breakdown of Regional
Projects in Georgia by
Intervention in 2019



OVERVIEW

BY TYPE OF INTERVENTION

ACCESS TO FINANCE (A2F)

A2F is the largest area of EU intervention to support SMEs in Georgia.

A total of
€165.46
million

in EU support was allocated to unlock access to finance in Georgia in 2019*



7 major specific support instruments:

A1

Capped Loss
Recovery

A2

Interest
Subsidy

A3

Targeted
Assistance (TA)
to PFIs

A4

Capped
Guarantees

A6

SME Incentive
Grants (linked
to loans)

A7

Grants
to SMEs

A8

Structured
Funds

* This is the total value of contracts being implemented, not disbursements in 2019.

THE SEVEN SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR ENABLING ACCESS TO FINANCE IN GEORGIA ARE DEFINED BELOW:

A1

Capped Loss Recovery

This is a risk sharing instrument in the form of a grant that the EU provides to an IFI. This grant is used by the IFI to partially cover the loss that any PFI, such as a local bank, would carry as a result of SMEs not repaying part or all of its loan. In this way, the PFIs feel more comfortable and are willing to use the credit lines from IFIs to lend to SMEs. However, the EU grant only partially covers the potential loss that PFIs could claim. The recovery of loss covered by this EU risk sharing instrument is generally up to 10% of the total loan

portfolio of the respective PFI (total value of the loans disbursed by the PFI from the respective credit line of the IFI) and generally up to 50% of each individual sub-loan. This actually means that if an SME does not pay back the loan to the local bank, the EU grant for capped loss recovery can actually cover half of the loss of the bank. In this way, the local banks are more willing to disburse loans to SMEs which are generally perceived as high-risk borrowers.

A2

Interest Subsidy

This instrument is a grant given by the EU to IFIs in order to lower the cost of their loans to SMEs in the EaP. The grant provides interest subsidies of up to 10%, which is applied to the regular interest

rate, with which the IFI lends to PFIs and further on to SMEs. The purpose of this instrument is to lower the final cost of finance for SMEs in the EaP.

A3

TA to PFIs

This instrument consists of technical assistance to PFIs in the form of consultancy services, mentoring, and specialised training. The main effect of this instrument is that the PFIs (local banks and microfinance institutions) become more

familiar with the modus operandi of the big IFIs, with the characteristic of their credit lines, their reporting requirements, as well as to the standards regarding financial and risk analysis of the potential borrowers.

A4

Capped Guarantees

This instrument consists of a guarantee given to IFIs in order to lower the risk of lending to SMEs via local PFIs through guarantees to reduce collateral requirements of SMEs. This is a guarantee that enables improved access to finance through the reimbursement of a portion of the loss caused by the SME portfolio. These guarantees are generally capped

at up to 25% of the total portfolio of the respective partner financial institution and to generally 70%-80% of each individual sub-loan. In the case of the DCFTA facility phase, 1 EIB/ EIF the guarantee was 25%/70%, for EIF COSME support the guarantee was 50%/70%, for DCFTA facility phase 2 the guarantee was 25%/80%.

A6

SME Incentive Grants (linked to loans)

This instrument is different from regular grant schemes as the incentive grants are not given directly to SMEs as a "pure grant". The SME signs a loan contract from one of the credit lines of the IFIs via the PFIs. After the loan is disbursed, is a verification process to check if the loan was used for the purpose listed in the business plan or feasibility study and

of the other pre-conditions for the loan disbursement. Once the verification report confirms compliance, a part of the loan is transformed into a grant, so that the total "cost" of financing is lowered. The most common incentive grants are between 10% and 15% of the loan value as it is the case for the EBRD DCFTA facility 1 and 2.

A7

Grants to SMEs

These grants are non-reimbursable and generally modest in value in order to support as many SMEs as possible. In general, SME grants are disbursed in order to target specific economic development goals such as development in rural areas,

poor communities, or a response to various types of crisis. These grants are usually disbursed through Non-governmental Agencies (NGOs) with links into the targeted communities.

A8

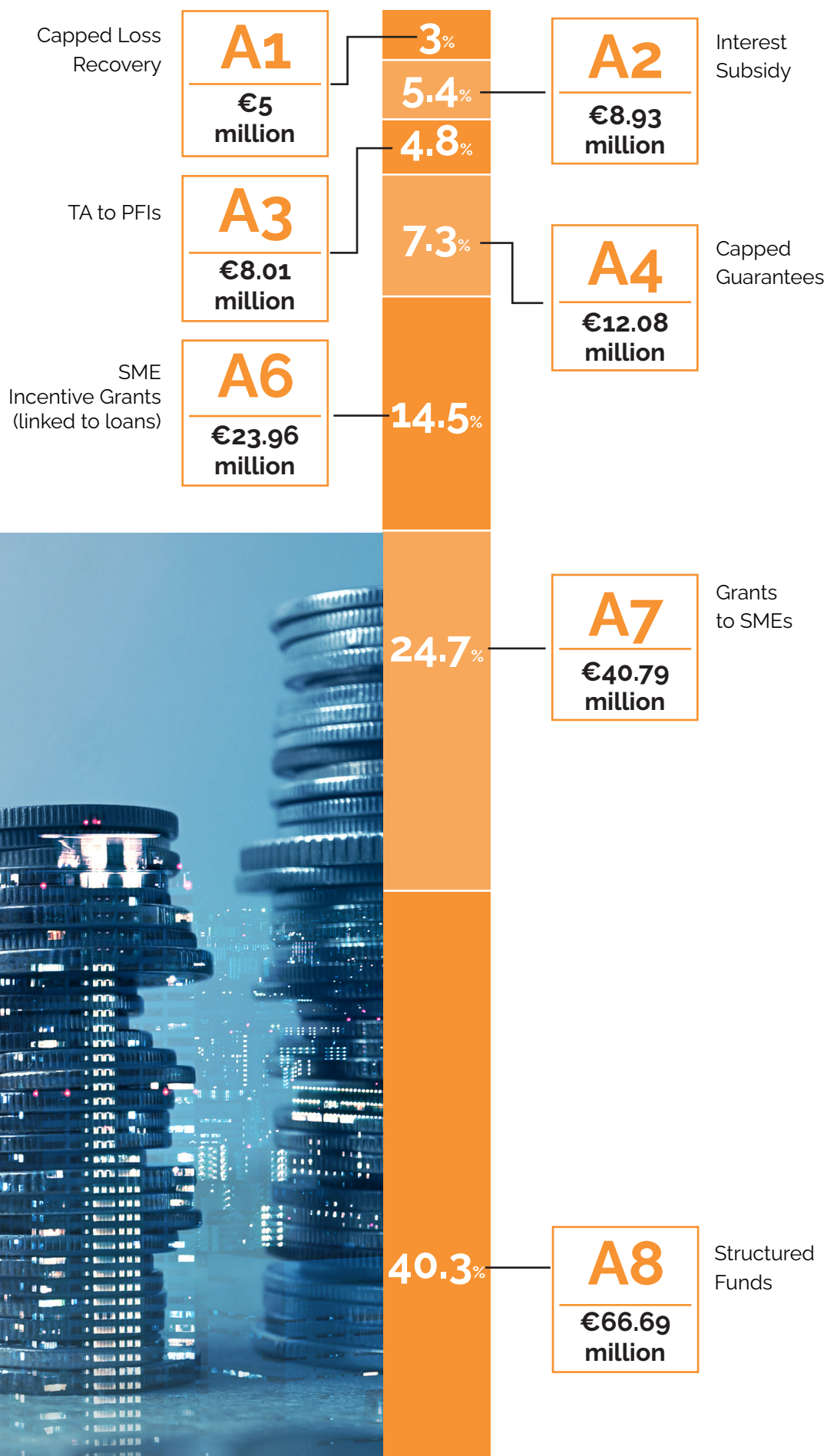
Structured Funds

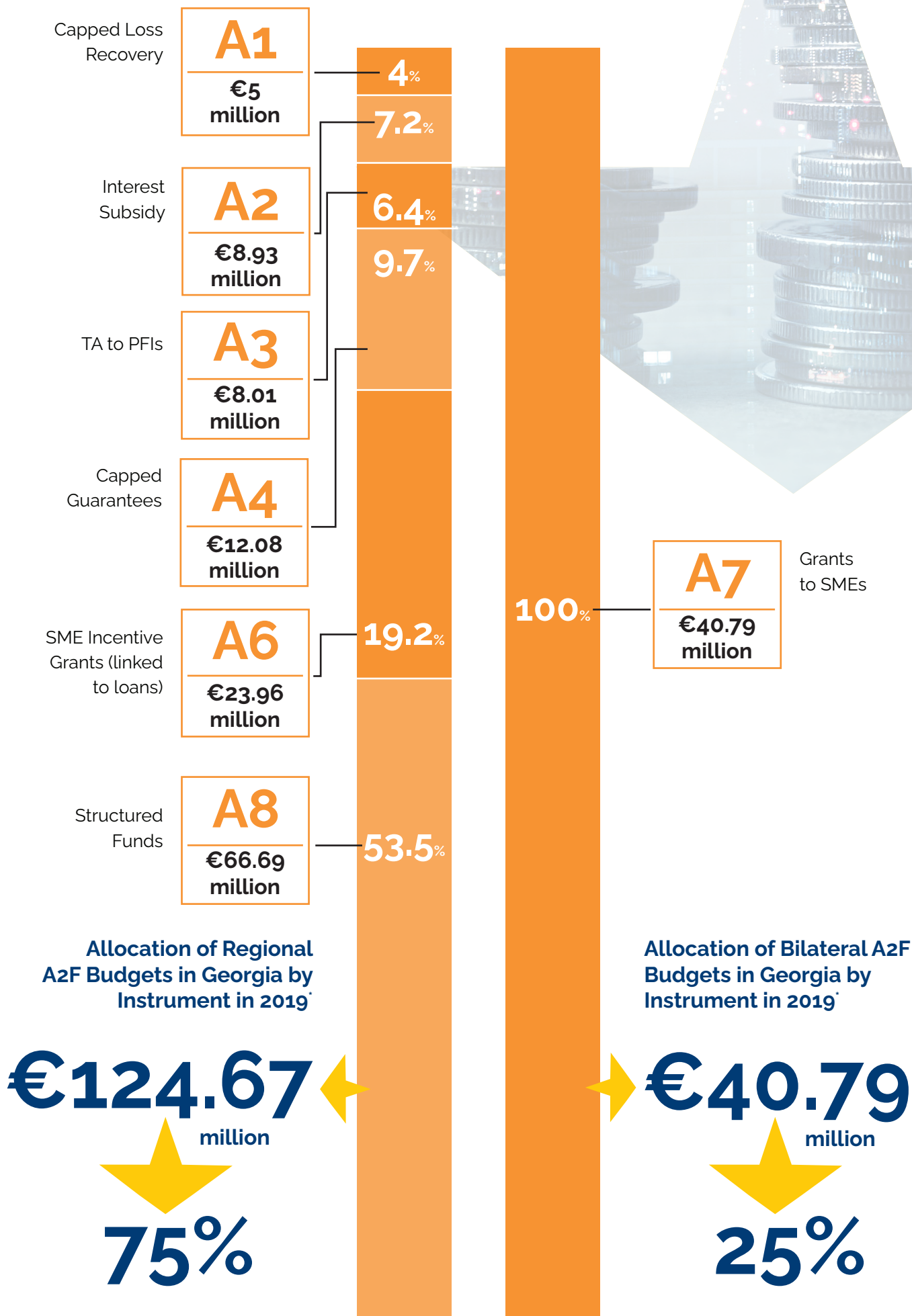
This direct finance instrument is implemented directly by EU participation as opposed to the risk sharing with IFIs. Typically, this involves direct loans or equity investment in a financial instrument or fund. As the EU does not have the

capacity to disburse direct loans to SMEs, this function is assigned to an intermediary. The most important EU investment in Direct Finance is shares in the European Fund for Southeastern Europe (EFSE).

Allocation of A2F Budgets in Georgia by Instrument

* There might be some round-off errors in some figures throughout the report





* There might be some round-off errors in some figures throughout the report

BUSINESS DEVELOPMENT SERVICES (BDS)

BDS is the second largest area of EU intervention to support SMEs in Georgia.

A total of

€116.11

million

in EU support was allocated to improving business development services in Georgia in 2019*

5

specific support instruments:

B1

Consultancy
Services for
SMEs

B2

Capacity
Building
among BSOs

B3

Incubators

B4

Clusters

B5

Trade
Information

² This is the total value of contracts being implemented, not disbursements in 2019.

THE FIVE SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR IMPROVING BUSINESS DEVELOPMENT SERVICES AND KNOWLEDGE TO SMES IN GEORGIA ARE DEFINED BELOW:

B1

Consultancy
Services for
SMEs

Through this instrument, the EU4Business Initiative aims to directly increase the knowledge and skills of SMEs in EaP countries through the direct provision (fully or part paid) of non-financial business services (these can range from basic start up and registration, accounting, marketing, input supply, technology

and product development, training and technical assistance, infrastructure support and advocacy). These services can be delivered through both international and/or local consultants, in both private firms/ individuals, and/or business support organisations.

B2

Capacity
Building of
BSOs

This instrument aims at increasing the capacity of Business Support Organisations (such as Chambers of Commerce, SME associations, professional bodies, the Sector Trade Association, training institutes, etc) to deliver BDS

services to SMEs (whether members or not). The capacity building is achieved through mentoring, training trainers, advisory services and study tours to either enhance existing services, build new ones, or improve organisational structures.

B3

Incubators

The business incubator is an organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections.

The EU4Business incubators instrument generally shares the cost with the local

authorities where the EU bears the cost of refurbishment and cost-sharing arrangements for the running costs and/or service provision. One of the most important aspects related to this instrument is sustainability. As operation costs are high, the initial financial set-up is crucial for keeping the incubators viable after the EU4Business intervention ends.

B4

Clusters

This instrument involves group support to SMEs involved in the same field of activity but on different positions in the value chain or with common interests. The basis of the clusters approach is the

synergy of creating a more effective value chain within the cluster. The success of the SME cluster is tightly related to the level of value added in the respective field of activity.

B5

Trade
Information

The Trade Information instrument provides SMEs already exporting, exporting infrequently, or those interested in exporting with the range of information needed to move closer to exporting. This

instrument can include generating the necessary information (brochures, guides, market reports) or developing tools for covers market information, marketing guides and market access requirements.

BDS Portfolio by Instrument

* There might be some round-off errors in some figures throughout the report



59.3%

B1

**€68.88
million**

Consultancy
Services for
SMEs

33.2%

B2

**€38.52
million**

Capacity
Building of
BSOs

Incubators

B3

**€0.6
million**

Trade
Information

B5

**€1.39
million**

5.8%

B4

**€6.72
million**

Clusters

Regional BDS projects by Instrument in Georgia*

€30.8
million



27%

Consultancy
Services for
SMEs

B1
€29.9
million

97%

Capacity
Building of
BSOs

B2
€0.3
million

Incubators

B3
€0.6
million

Bilateral BDS projects by Instrument in Georgia*

€85.3
million



73%

45.7%

B1
€38.98
million

Consultancy
Services for
SMEs

44.8%

B2
€38.22
million

Capacity
Building of
BSOs

7.9%

B4
€6.72
million

Clusters

B5
€1.39
million

Capacity
Building of
BSOs

* There might be some round-off errors in some figures throughout the report

BUSINESS ENABLING ENVIRONMENT (BEE)

BEE is the third area of EU intervention to support SMEs in Georgia.

A total of

€47.26
million

in EU support was allocated to improving the business enabling environment in Georgia in 2019³



4 specific support instruments:

C1

Capacity Building among policymakers and regulators

C2

PPD (Public Private Dialogue)

C3

Regulatory Reform

C4

Information and Communication for SMEs

37.7%

C1

€17.81
million

Capacity Building among policymakers and regulators

27.2%

C2

€12.87
million

PPD (Public Private Dialogue)

25.7%

C3

€12.14
million

Regulatory Reform

9.4%

C4

€4.44
million

Information and Communication to SMEs

³ This is the total value of contracts being implemented, not disbursements in 2019.

THE FOUR SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR CONTRIBUTING TO A BUSINESS ENABLING ENVIRONMENT ARE DEFINED BELOW:

C1

Capacity Building among policymakers and regulators

Through this instrument, EU4Business interventions aim at strengthening the capacity of staff of various government to ensure better, more transparent, and open policies and regulations that affect business, whilst ensuring appropriate controls in the six Eastern Partnership countries. This can include making and

amending policies, laws and administrative procedures based on need and risk assessment. Through this instrument, the EU4Business interventions deliver direct advisory, mentoring services and study tours to the relevant staff involved in policy making.

C2

PPD (Public private Dialogue)

Public-private dialogue is an instrument for more inclusive and targeted policymaking. Specifically, it involves effective consultation and collaboration between

government and the private sector and/or its representatives, in order to achieve effective reform and administration of regulations that affect SMEs.

C3

Regulatory Reform

Through this instrument, EU4Business interventions support the EaP countries to improve the regulatory environment based on best practices and most often approximation (to align their SME-related legislations, rules and regulations with those of the EU).

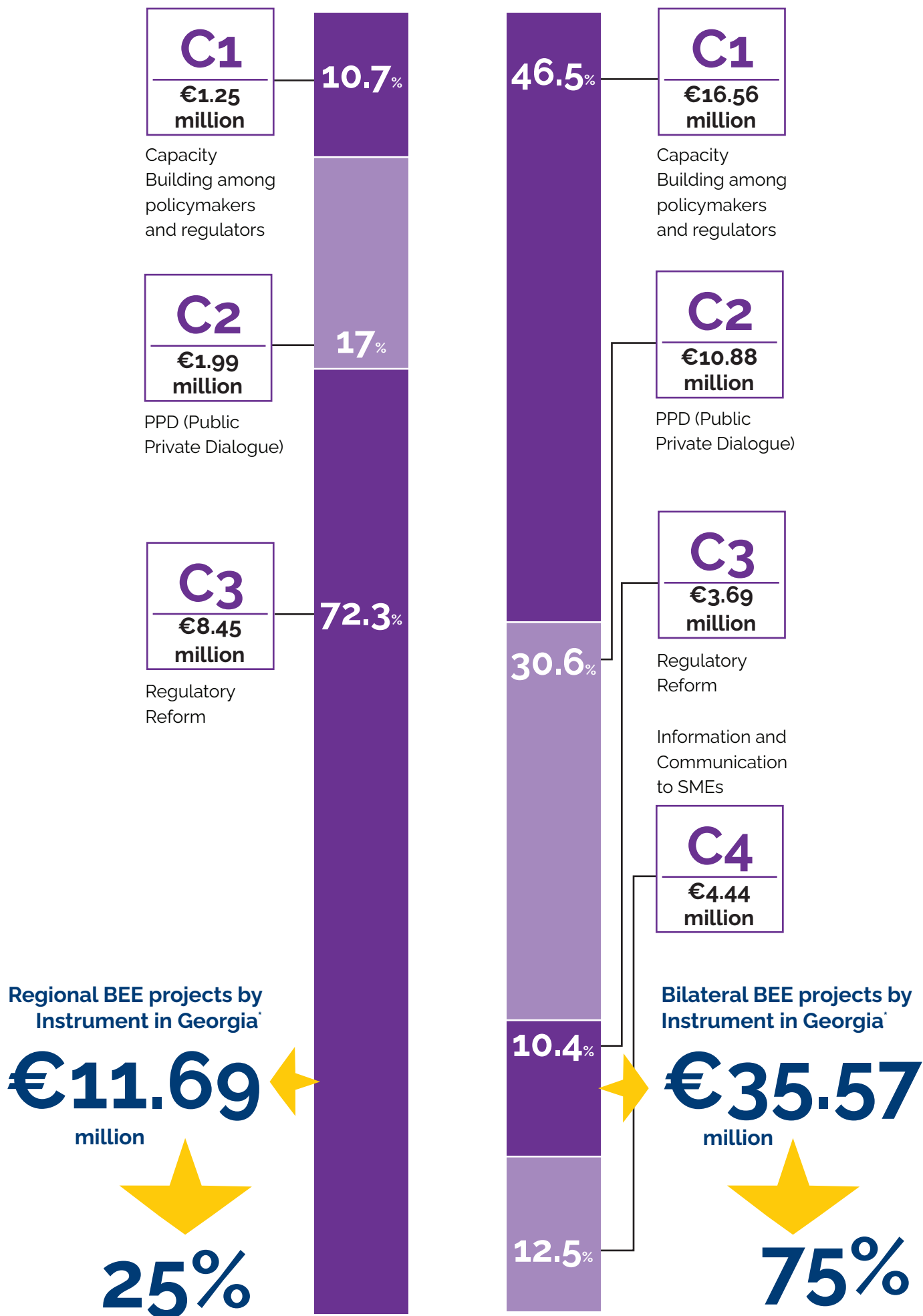
Approximation occurs in all six Eastern Partnership countries, but it is more intensely applied in the three DCFTA countries, which have committed to widespread adoption of EU business acquis under the Association Agreement (AA).

C4

Information and Communication to SMEs

Through this instrument, EU4Business interventions support government to inform SMEs on reforms and implications

for their business and steps to comply with regulatory reform.



* There might be some round-off errors in some figures throughout the report



[ACHIEVEMENTS] LIN 2019

[AGGREGATED RESULTS] IN GEORGIA IN 2019

EU support for SMEs in Georgia is reported here under the EU4Business Initiative. It is an amalgamation of all EU support but, unlike previous years, we are reporting by instrument rather than by project under the three types of intervention — A2F, BDS and BEE. This allows us to isolate and present results by country, intervention and/or instrument in a meaningful way, which, in turn, enables our readers to analyse and assess EU support more thoroughly.



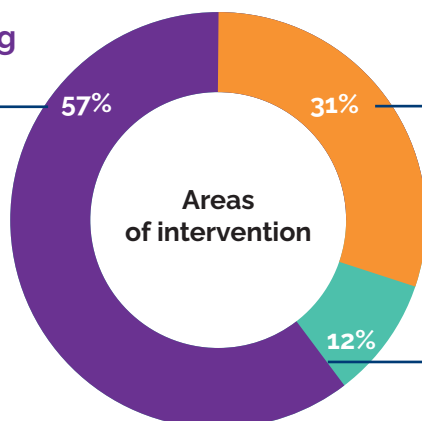
€75.89

This is the largest amount out of the six EaP countries



Business enabling environment

€43.51 million



Access to finance

€23.62 million



Business development services

€8.76 million



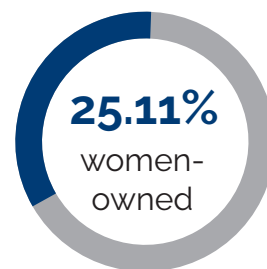
NUMBER OF SMES SUPPORTED



Overall, the EU supported a massive of

36,234

SMEs in Georgia in 2019



€3.4

billion

total turnover
of EU-supported
SMEs in Georgia

116,949

employed in EU-supported
SMEs in Georgia



the average
SME supported
by the EU in Georgia

has

€90,000

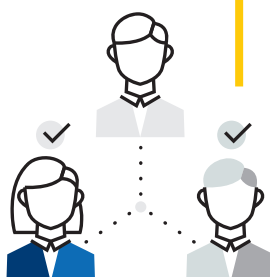
in annual income



employs

3

individuals

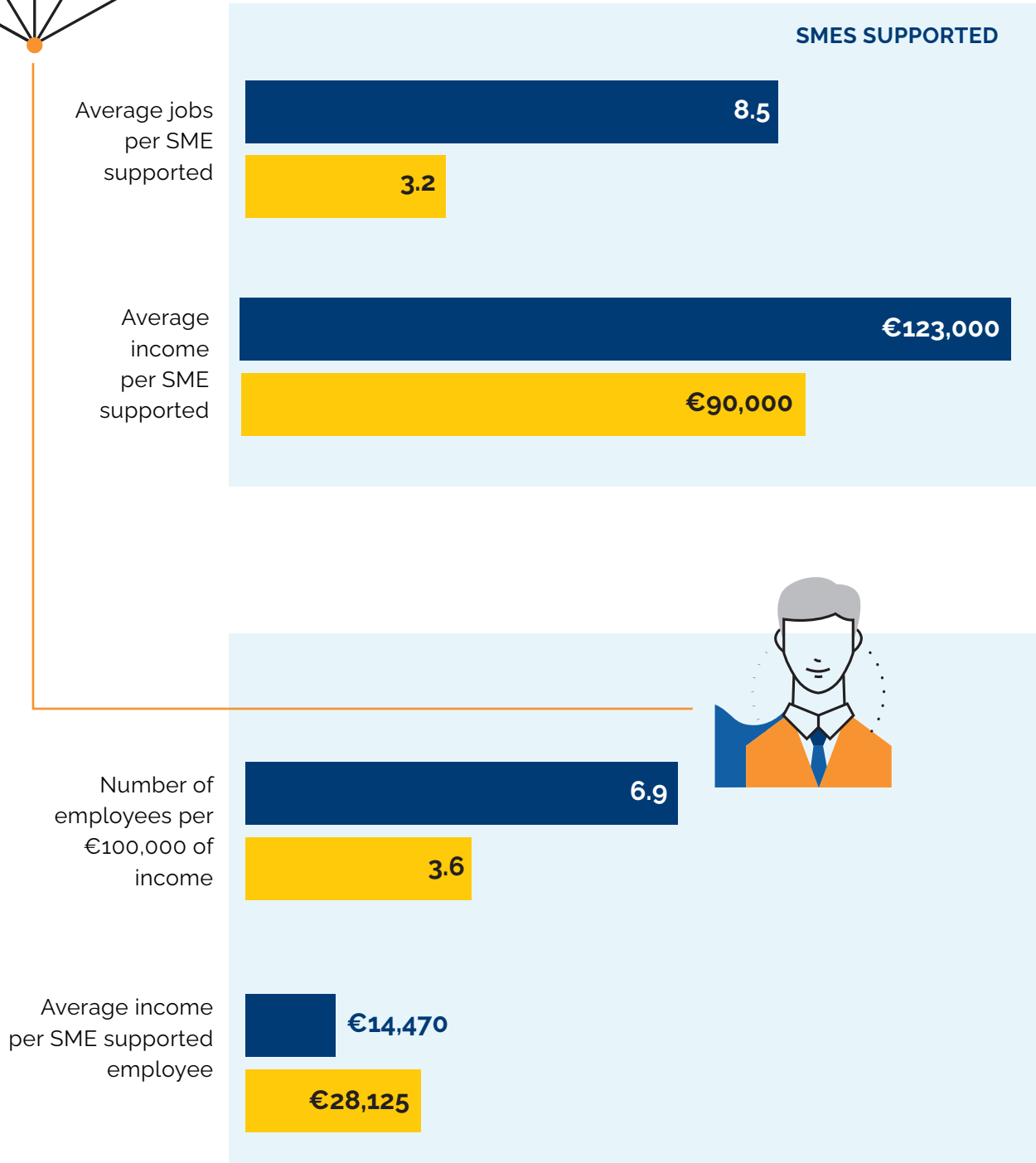


0.75

of whom
were women



This was the fifth largest average income per SME supported in the EaP, where the average was **€123,000**

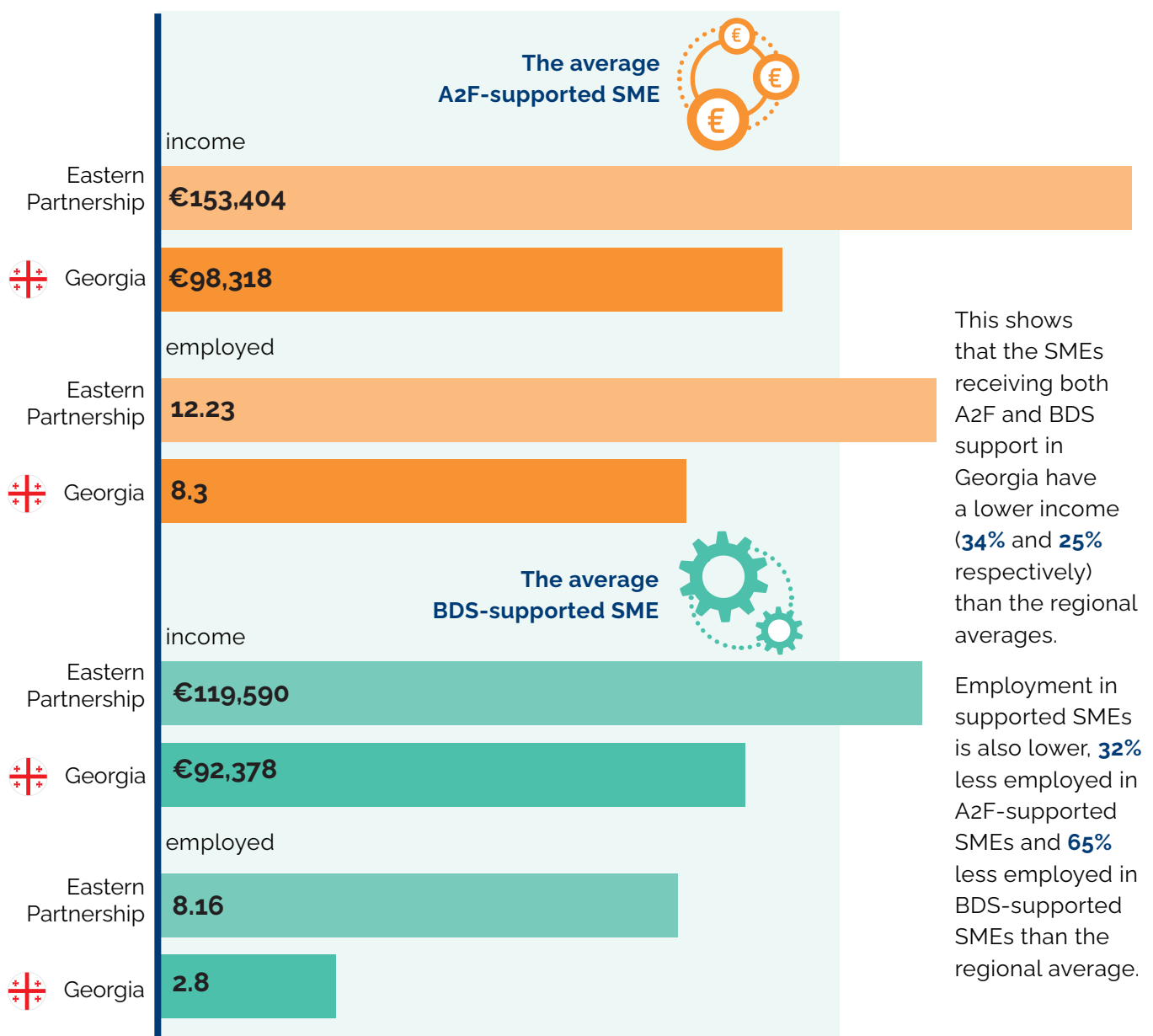
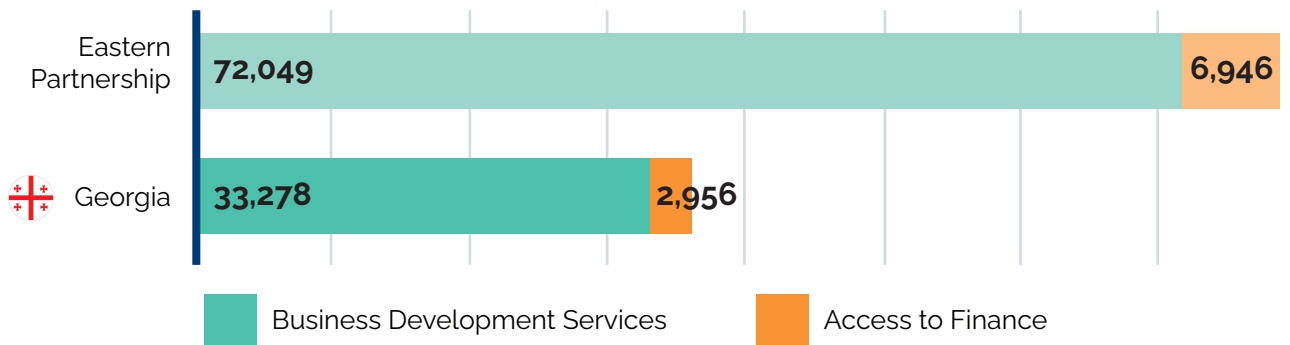


Eastern Partnership Georgia 

The average number of jobs in SMEs supported in Georgia is lower per SME and per **€100,000** in income. This means that EU-supported SMEs in Georgia employ relatively fewer people than the average, but this also means that the average income per employee of SME supported in Georgia is almost **94%** higher, indicating that EU support is going to higher value-added businesses.

NUMBER OF SMES SUPPORTED PER PILLAR GEORGIA VS THE EAP

The number of SMEs supported through access to finance accounted for **8.2%** of all SMEs supported in Georgia, which is lower than the average of **8.8%** across the EaP. The remaining SMEs were supported through business development services. SMEs benefiting from improved business enabling environment activities are not included in the consolidated report of support, as potentially all SMEs in the country can benefit from reforms.



JOB CREATION PER PILLAR GEORGIA VS THE EAP

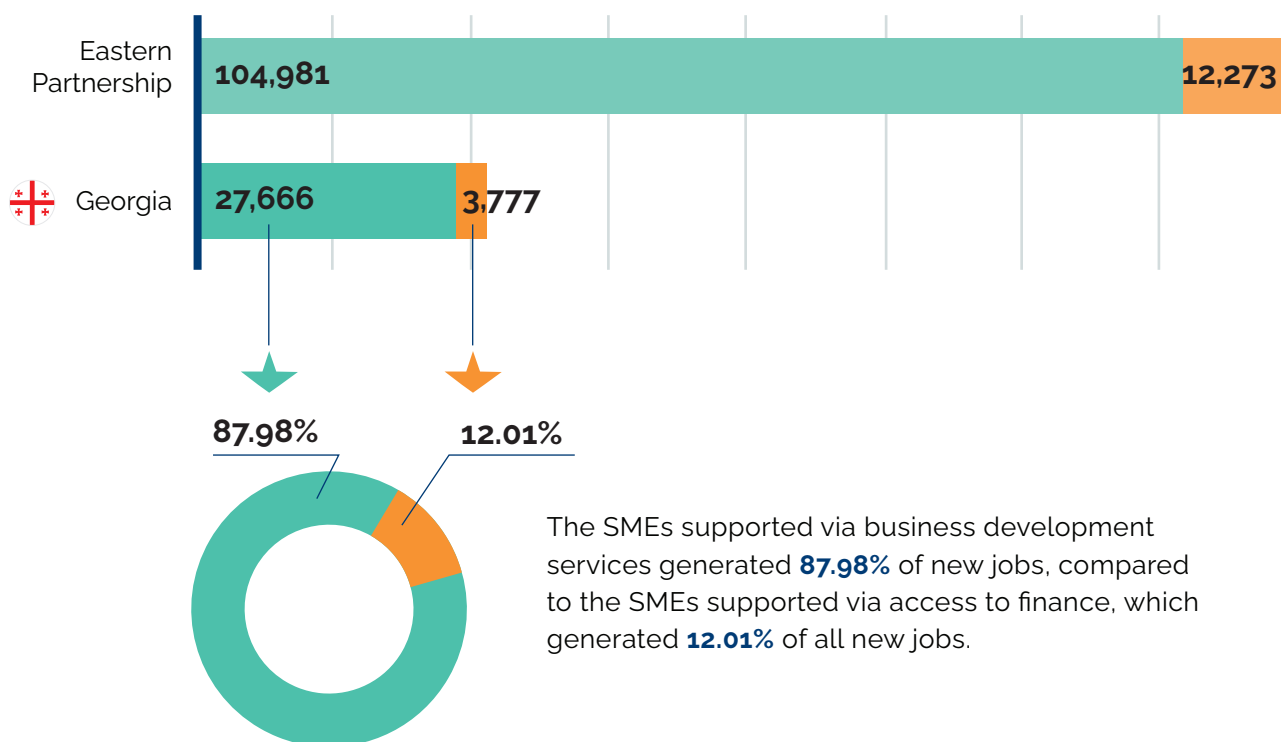
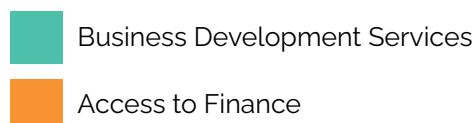
In 2019, SMEs supported by the EU in Georgia generated

31,443
jobs



increased staff by
+36.8%
and ranked second
highest in the Eastern
Partnership region

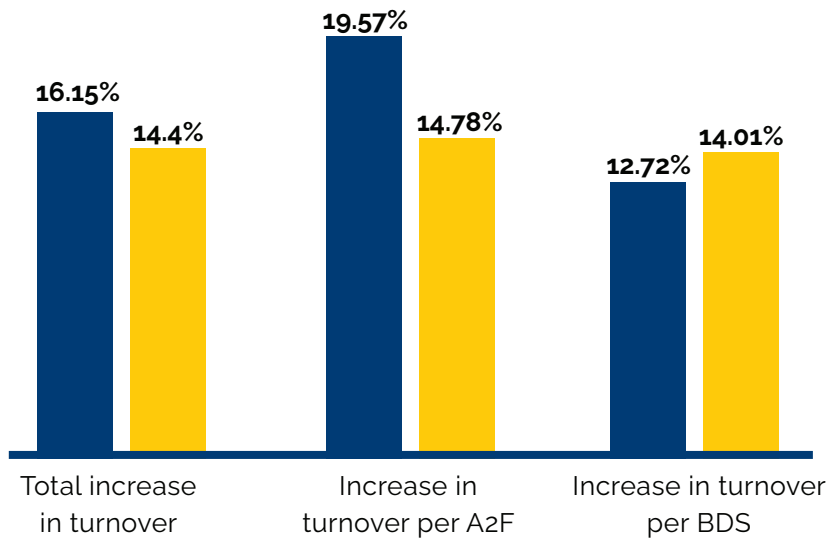
compared to
the EAP average of
+21.1%



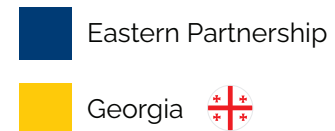
The SMEs supported via business development services generated **87.98%** of new jobs, compared to the SMEs supported via access to finance, which generated **12.01%** of all new jobs.

This largely follows the overall EaP trend, whereby the majority of SMEs supported, **91.20%**, are in BDS and generated on average **89.53%** of the jobs created.

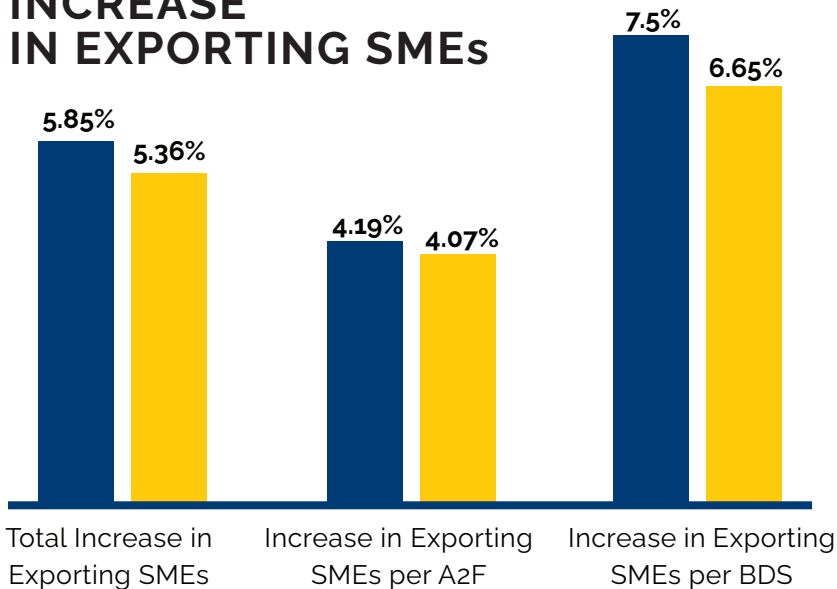
INCREASE IN TURNOVER



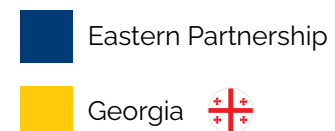
Supported SMEs in Georgia increased turnover by **14.4%** in 2019, which is close to the **16.15%** regional average.



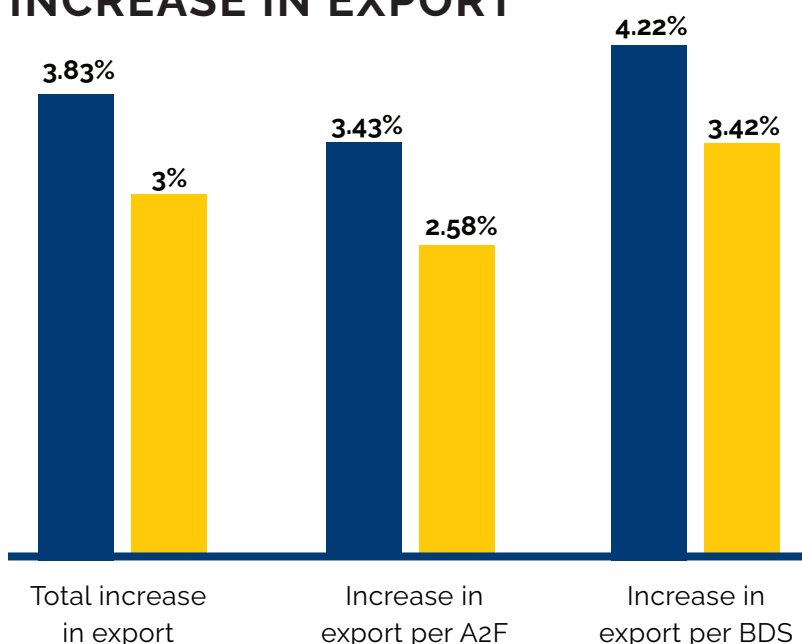
INCREASE IN EXPORTING SMEs



The growth in number of supported SMEs in Georgia engaged in export is close to the EaP average.



INCREASE IN EXPORT



Amongst those supported SMEs engaged in export, there was a **3%** increase in exports, which puts Georgia in fifth, and slightly below the **3.8%** average growth of supported SMEs in the region.



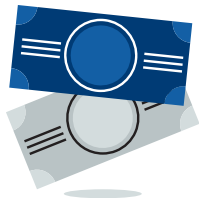
ACCESS TO FINANCE FOR GEORGIAN SMES

OVERALL RESULTS OF A2F INTERVENTIONS IN 2019 WERE:



2,956

SMEs supported with
A2F interventions



€237

million
in loans disbursed

€2.036

million
in grants disbursed



3,777

new jobs
generated at SMEs
supported through A2F

14.78%

increase in income
of supported SMEs

MAINTAINING
SMEs

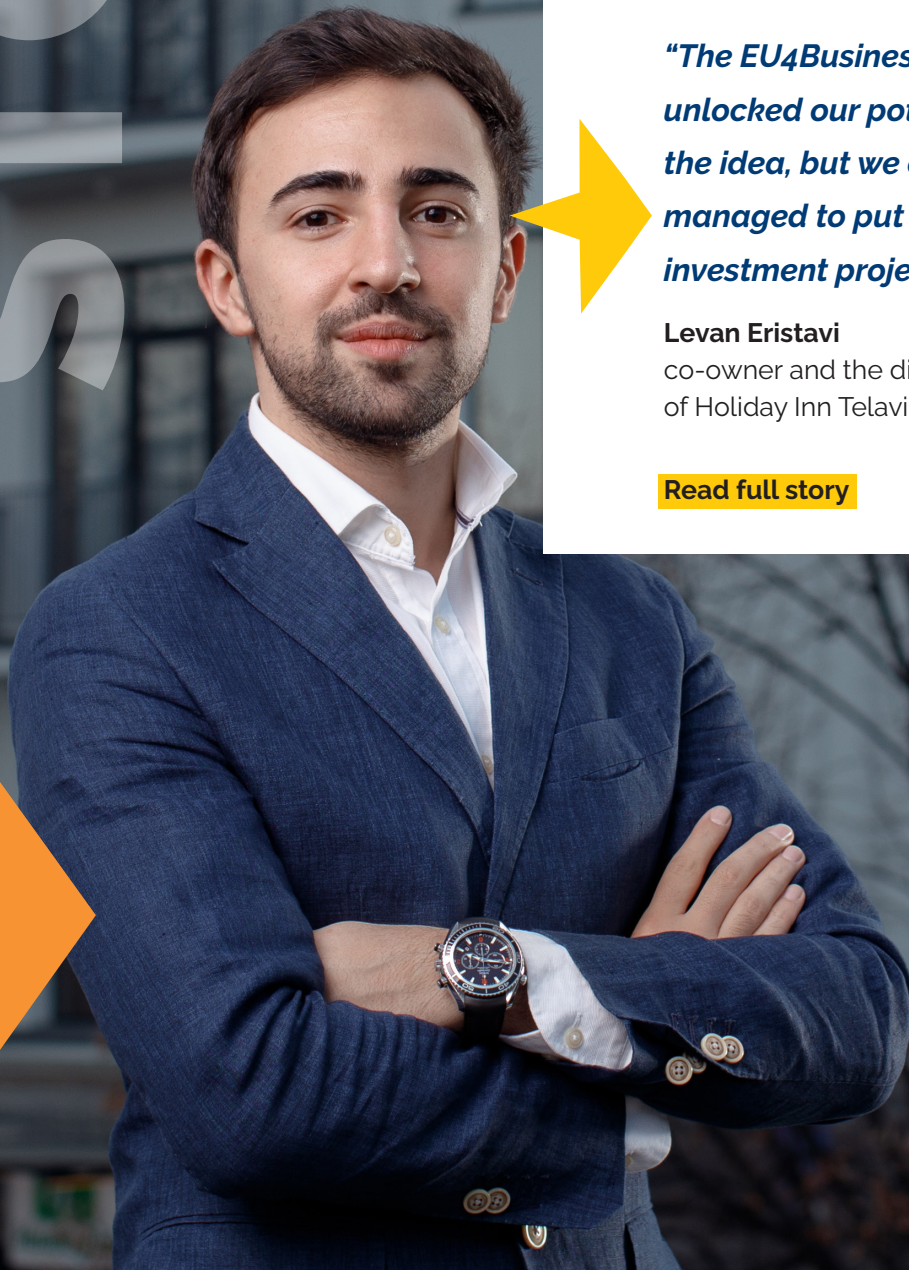
YOUNG ENTREPRENEUR TURNS ABANDONED BUILDING INTO INTERNATIONAL HOTEL IN TELAVI

Financing by EU4Business and the EBRD helped 27-year-old Levan Eristavi turn an abandoned building into an international hotel under the Holiday Inn brand. In the process, Eristavi generated 65 new jobs and attracted thousands of tourists to Telavi, Georgia.

"The EU4Business-EBRD credit line unlocked our potential. Our team had the idea, but we could never have managed to put together such a major investment project on our own."

Levan Eristavi
co-owner and the director
of Holiday Inn Telavi

[Read full story](#)

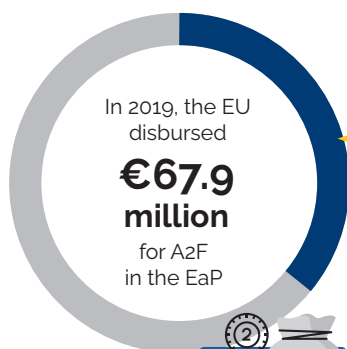


NUMBER OF SMES SUPPORTED PER ACCESS TO FINANCE INSTRUMENTS IN GEORGIA



2,956

SMEs were supported with A2F interventions in Georgia through access to finance instruments in 2019.



35.1%

of total spent on A2F was in Georgia



€23.6

million

It is the second largest amount out of the six EaP countries

The EU used five instruments: capped loss recovery, interest subsidies, SME incentive grants, SME grants, and structured funds. It also provided technical assistance to PFIs.

1,631

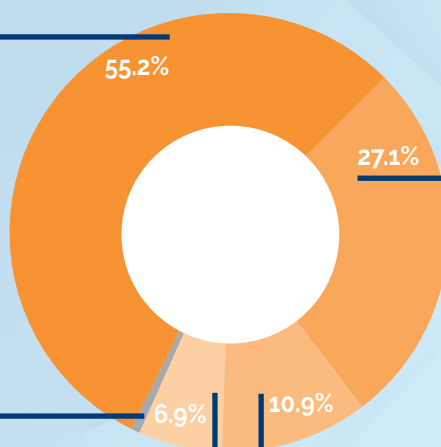
Structured Funds

targeted microloans with an average loan of **€8,522**, out of which **36.0%** of SMEs were owned or managed by women.

20

Capped Loss Recovery

targeted larger companies with an average loan of **€3,260,000**, out of which **26.0%** of SMEs were owned or managed by women.



800

Interest Subsidy

targeted medium-sized loans, with an average loan of **€46,875**, out of which **26.0%** of SMEs were owned or managed by women.

183

SME Incentive Grants

targeted larger companies with an average loan of **€655,738**, out of which **26.0%** of SMEs were owned or managed by women.

322

Grants to SMEs

targeted small enterprises, mainly rural. The average grant was **€6,322**, out of which **24.0%** of SMEs were owned or managed by women.

The volume of loans
triggered in Georgia
in 2019 was

€237
million



2,634

SMEs received
loans



€89,977

average size of loans



9

local financial
institutions
supported

THE VOLUME OF LOANS

triggered in Georgia in 2019 was **€236.6 million**,
which is significantly higher than the EaP
average of **€84 million**.

€236.6 million

€84 million

Grants disbursed

€2.036
million



322

grants given
to SMEs

24%
women-
owned

€6,322

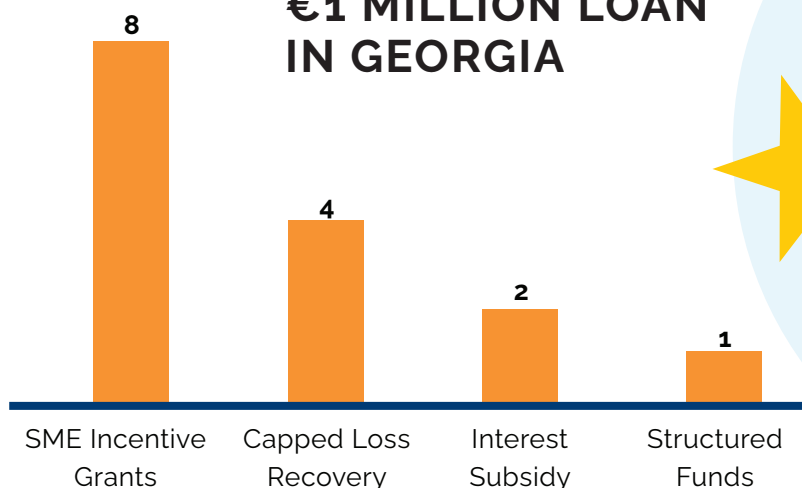
average amount of grant

RESULTS PER A2F INSTRUMENT



	Number of SMEs supported	Income of SMEs	Jobs in SMEs	Jobs generated	Increase in turnover
Total	2,956	€290,630,331	24,640	3,777	€31,564,472
Capped Loss Recovery	20	€2,240,000	1,000	1,430	€268,800
					↑ 12.0%
Interest Subsidy	800	€55,862,628	6,500	825	€6,703,515
					↑ 12.00%
SME Incentive Grants	183	€19,604,703	1,650	532	€2,352,564
					↑ 12.00%
Grants to SMEs	322	€1,632,000	390	250	€431,827
					↑ 26.46%
Structured Funds	1,631	€211,111,000	15,100	750	€21,807,766
					↑ 10.33%

JOBS CREATED PER €1 MILLION LOAN IN GEORGIA



For each **€1 million** in loans provided, **15 jobs** were generated, which is considerably lower than the regional average of **25**.

15 jobs

25 jobs

[UNCORKING GEORGIAN WINE WORLDWIDE]

Kakhetian Traditional Wine-making (KTW), one of Georgia's biggest wine exporters established in 2001, built ultra-modern factories and wine processing facilities across the country and is now exporting to more than 20 countries. But apart from satisfying consumer demand abroad, KTW has decided to welcome an increasing number of guests to the country too by developing and investing in wine tourism at home.

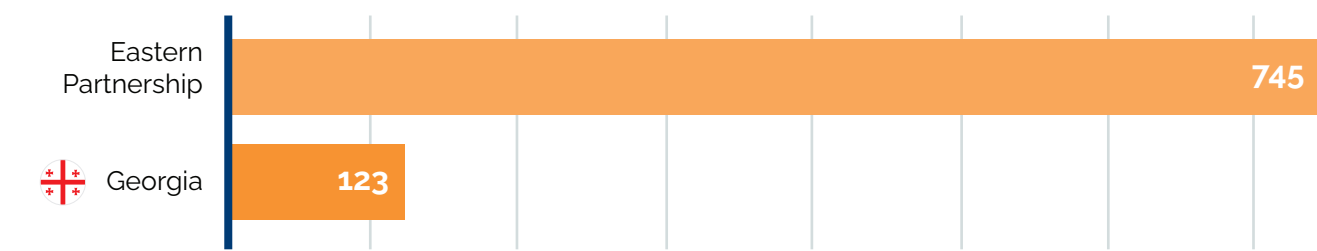


The EU under its EU4Business Initiative and the EBRD have been reliable partners throughout this journey – through the EU4Business-EBRD Credit Line programme, the company received funding to expand its business and production capacities.

[Read full story](#)

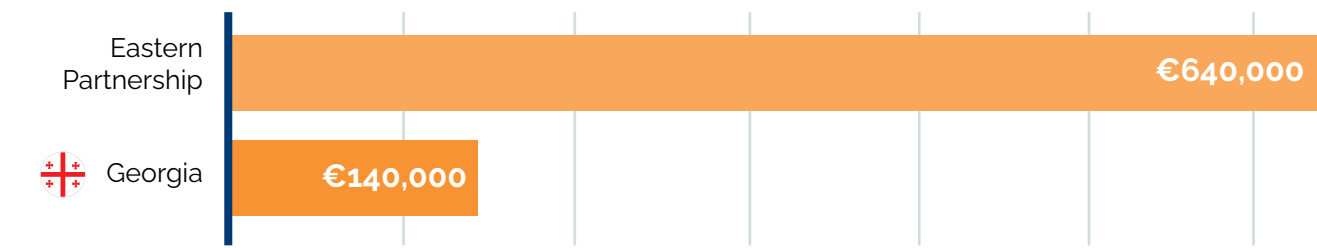
JOBS CREATED PER €1 MILLION GRANTS

For each **€1 million** in grants provided, **123** new jobs were generated, which is considerably lower than the EaP average.



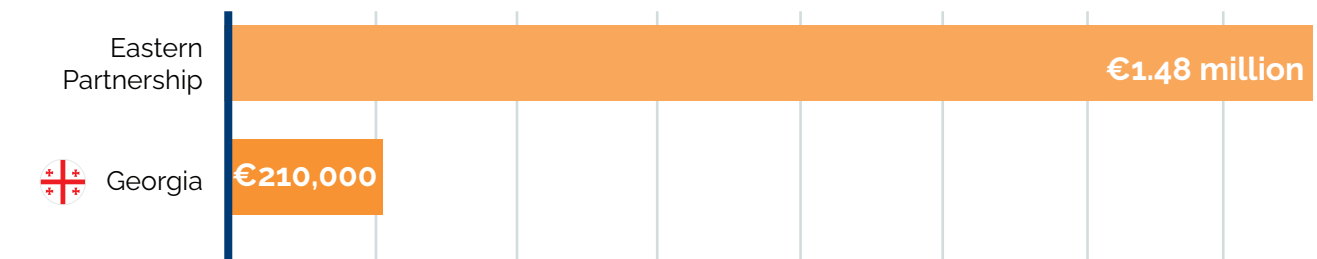
INCREASE IN TURNOVER PER €1 MILLION LOANS

Similarly, for each **€1 million** of lending in Georgia in 2019, supported SMEs increased turnover by **€140,000**. This is considerably lower than the regional average of **€640,000**.



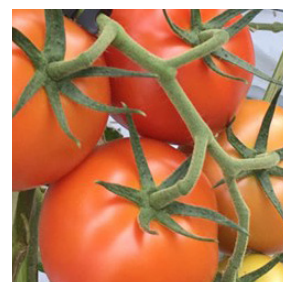
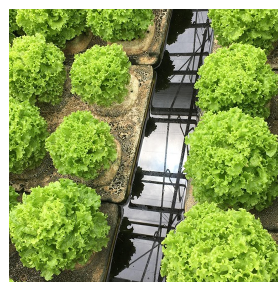
INCREASE IN TURNOVER PER €1 MILLION GRANTS

The increase in turnover of supported SMEs per €1 million in grants is also lower with an increase of **€210,000** in 2019. This is because the grants were targeting rural microenterprises in the poorer areas of Georgia.



IMERETI HYDROPONIC FARM PROMOTES INNOVATION IN GEORGIA

Imereti Greenery, an unusual greenhouse growing high-quality vegetables in water, received financing to enlarge its hydroponic greenhouse and buy more equipment. The investment was complemented by an EBRD-EU grant of up to 15% of the loan and technical assistance involving local experts. As a result, the company has raised awareness about innovative farming methods, increased its own production, and generated jobs for locals in the region.



[Read full story](#)



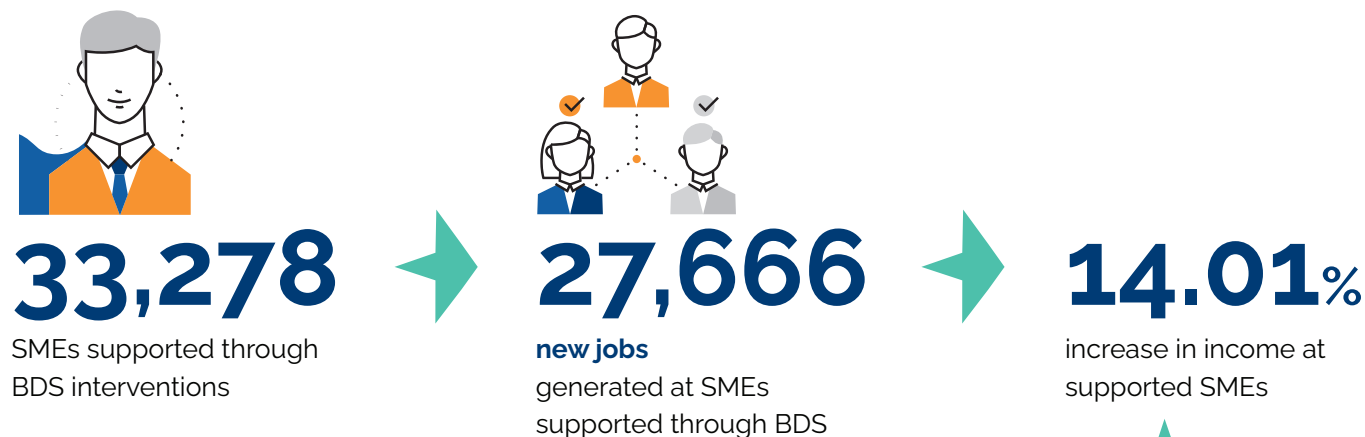
"We are proud that we are generating job opportunities for the locals of the region. Regional development is critical for our country. Each new job can make a real difference to the lives of one, two, and maybe even more families."

Natia Khelaia
general manager
of Imereti Greenery

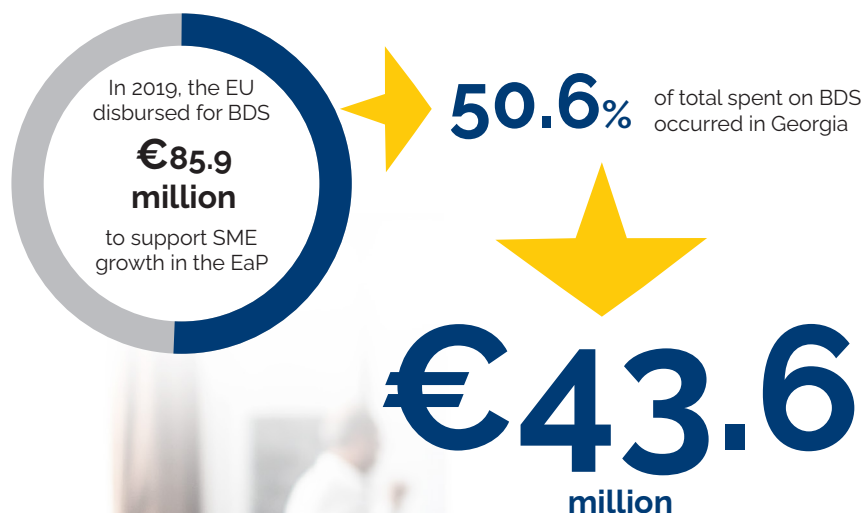
BUSINESS DEVELOPMENT SERVICES (BDS)

FOR GEORGIAN SMES

OVERALL RESULTS OF BDS INTERVENTIONS IN 2019



Georgia ranks first in the Eastern Partnership region in terms of funds disbursed for improving business support services in 2019.



643
BSOs capacitated

This is the
largest amount
out of the six EaP
countries

GEORGIA

SUCCESS STORIES



GEORGIA'S INVET GROWS A COMPETITIVE BUSINESS

Invet, a Georgian veterinary and pet product company, received support from the EBRD and EU4Business for purchasing and customising a software solution. The new software helped improve the company's productivity by 40% and cash flow by 20%. It also simplified business operations, cutting the time needed to accomplish certain tasks from a week to a day, and reducing the human resource needed by 85%.

[Read full story](#)



"Accurate control over drug expiration dates and production processes minimised our losses, both in warehousing and manufacturing. As a result, we expanded our client base, streamlined our distribution network, and acquired new facilities. This gave a major boost to the growth of our profits. This is one of the best decisions we ever made in our business."

Maka Skhvitaridze

the Invet Group's strategy development manager



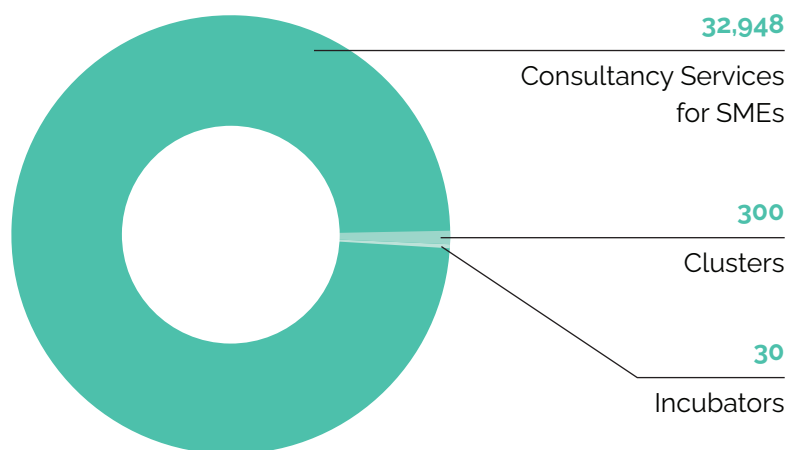
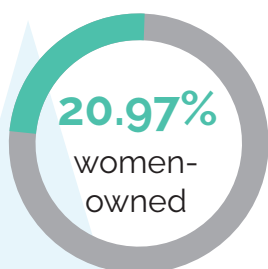
NUMBER OF SMES SUPPORTED PER BUSINESS DEVELOPMENT SERVICES INSTRUMENTS IN GEORGIA



A total of **33,278** SMEs benefitted from business development services support by the EU; **99%** through consultancy services provided directly to SMEs, while **0.9%** went to clusters and **0.09%** to incubators.

33,278

SMEs benefited

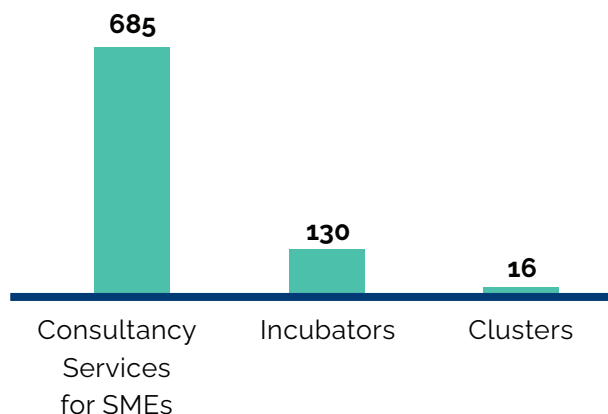


RESULTS BY BDS INSTRUMENTS

	Sustained jobs	New jobs	Turnover	Turnover increase
Consultancy Services to SMEs	86,708	27,620	€3,040,035,691	€167,201,963 ↑ 5.5%
Incubators	40	20	€5,145,907	€714,766 ↑ 13.89%
Clusters	5,561	26	€28,979,920	€6,375,582 ↑ 22%

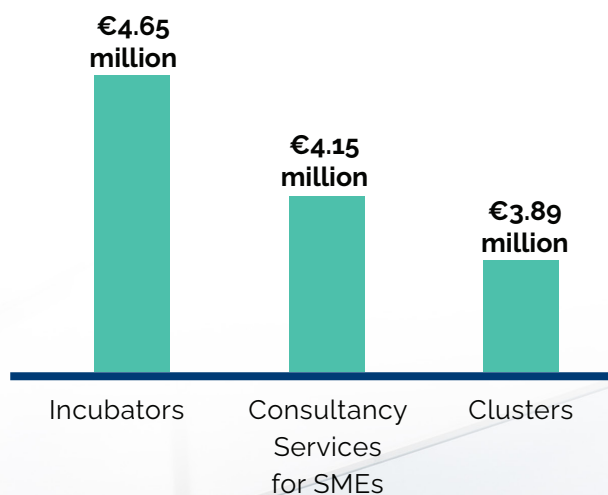
JOBS CREATED PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN GEORGIA

In terms of job creation, SMEs that received EU support in the form of direct consultancy services generated more jobs for every **€1 million** of support: specifically, **685**, compared with only **130** in those SMEs supported through incubators and **16** supported through clusters.



INCREASE IN TURNOVER PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN GEORGIA

By contrast, incubated SMEs increased income by far higher levels than SMEs supported through other instruments. For each **€1 million** of support through incubators, SME income grew by **€4.65 million** compared with **€4.15 million** through consultancy services and **€3.89 million** through clusters.



GEORGIAN COFFEE ROASTER MONDO COMPETES INTERNATIONALLY

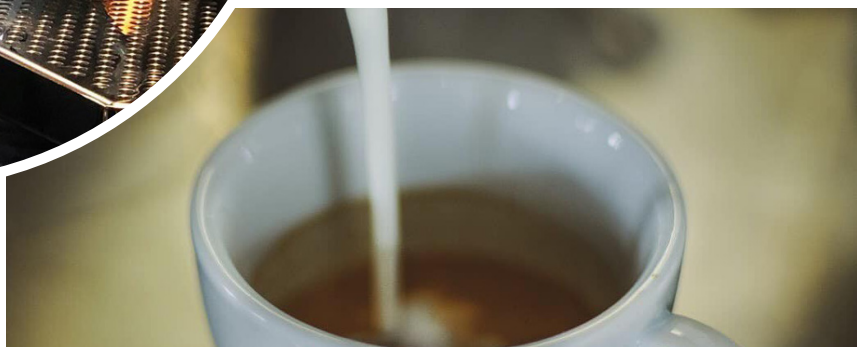
The EBRD and EU4Business have helped Mondo, a locally-roasted coffee brand, with consultations from international experts whose know-how helped the company introduce new products to the market and expand its international distribution network. Mondo transformed from an importing business to an export operation, selling coffee to Armenia, Azerbaijan, Russia, and Turkey.

[Read full story](#)



"The story of our company might have turned out differently without assistance from the international experts. We might have achieved our goals, but it would be harder, we would have made more mistakes."

Maka Komakhidze
Co-Founder of Mondo



BETTER QUALITY AND COMPETITIVENESS

WITH EU SUPPORT

Nutrimax, an animal feed producing company in Georgia with an annual output of 50,000 tonnes, received support from the EU and the EBRD to introduce a quality management system to further foster food safety standards and increase competitiveness at home and abroad. As a result, the company was certified, and its journey of growth continues. Nutrimax increased exports to Armenia and has an eye to expand to Azerbaijan too. The company turnover and labour productivity increased by 24% and 15% respectively.

[Read full story](#)



"Feed directly impacts the growth rate, production capacity and health of livestock and is the foundation for successful, sustainable farming. We're happy that we have a loyal client base among farmers and good partners from Europe who share our vision. We want to continue delivering high-quality products."

Salome Lebanidze,
Nutrimax quality manager



BUSINESS ENABLING ENVIRONMENT

FOR GEORGIAN SMES

OVERALL RESULTS IN BUSINESS ENABLING ENVIRONMENT INTERVENTIONS IN GEORGIA IN 2019



In EU4Business reports, support for improving the business enabling environment is treated differently. Whilst improvements in the business enabling environment will inevitably improve competitiveness, lower costs and make SMEs more efficient, it is more difficult to isolate which SMEs actually benefit, as, potentially, all will benefit: for example, reforms that make it easier and less costly to pay taxes will benefit all SMEs.

EU SUPPORT AIMED AT IMPROVING THE BUSINESS ENABLING ENVIRONMENT IN GEORGIA



THE SUPPORT INSTRUMENTS USED TO IMPROVE THE BUSINESS ENABLING ENVIRONMENT ACTIVE IN GEORGIA IN 2019 INCLUDED:



Changing / improving laws and regulations



Public-private dialogue events



Capacity building among government agencies / regulators

The most effective instrument used in Georgia to improve the business enabling environment in 2019 was capacity building at government and regulating agencies.

NUMBER OF REGULATORS/ GOVERNMENT BENEFITING FROM CAPACITY BUILDING

Georgia ranks first in the EaP, with **143** regulatory and government agencies supported in capacity building.



NUMBER OF LAWS / REGULATIONS CHANGED



NUMBER OF PUBLIC PRIVATE DIALOGUE EVENTS



C BOT CHATBOT WITH AI

KEEPS GEORGIAN BUSINESS INFORMED DURING PANDEMIC

In the wake of the COVID-19 quarantine, an AI-based public assistant comes as savior for Georgian businesses and the more than 125,000 residents of Rustavi by keeping them informed about city services, new regulations, and steps to cope with coronavirus challenges without leaving their homes.

C Bot, a Rustavi City Hall ChatBot, developed by the Rustavi Innovations Hub and Rustavi Municipality with the support of UNDP Georgia, assumed special significance within

the Mayors for Economic Growth initiative implemented under the EU4Business umbrella. This innovative tool, unique in Georgia's public sector and that of many other EaP countries, handles more than 1,000 questions on coronavirus statistics and recommendations, as well as questions about municipal services such as public information, social programmes, architectural services, and more.

"C Bot simplifies dialogue between the city and those starting a business and going through various procedures, including registration and construction permits."

Revaz Barbakadze
chairman of the Rustavi Innovations Hub



C Bot offers the business sector guidance on where to find out about state regulations and restrictions applied in the city during the pandemic to further continue economic activities and keep their business afloat.

[Read full story](#)

SMES IN GEORGIA BENEFIT FROM IMPROVED BUSINESS ENVIRONMENT

NUMEROUS CHALLENGES REMAIN

The OECD has been working with Eastern Partner (EaP) countries for more than 10 years to guide SME policy reforms. Within the framework of the EU4Business Initiative, the OECD, together with the EBRD, the European Training Foundation and the European Commission, published a third edition of the SME Policy Index in March 2020, monitoring progress in the implementation of the Small Business Act for Europe (SBA) and highlighting outstanding reform priorities.

From an already strong position, Georgia has made further progress since 2016 by adopting a more strategic approach to small- and medium-sized entrepreneurship development through targeted initiatives. The adoption of the SME Development Strategy 2016-2020 and matching action plans has helped to drastically improve the operational environment for SMEs. Going forward — and with a

view to seizing all the opportunities offered by the Deep and Comprehensive Free Trade Area with the EU, the Government of Georgia should prioritise the creation of level-playing-field conditions for firms of all sizes, provide for more efficient enforcement of contracts and competition laws, and strengthen the support provided to exporting SMEs, including targeted financing tools.

SMES IN GEORGIA'S ECONOMY

SMEs play a prominent role in Georgia's economy, as they accounted for more than half of business sector employment and added value in 2018—64% and 61%. Yet they remain mostly concentrated in low value-added sectors such as trade, including repair of vehicles, manufacturing and construction.

¹ OECD et al. (2020), SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe, <https://www.oecd.org/development/sme-policy-index-eastern-partner-countries-2020-8b45614b-en.htm>

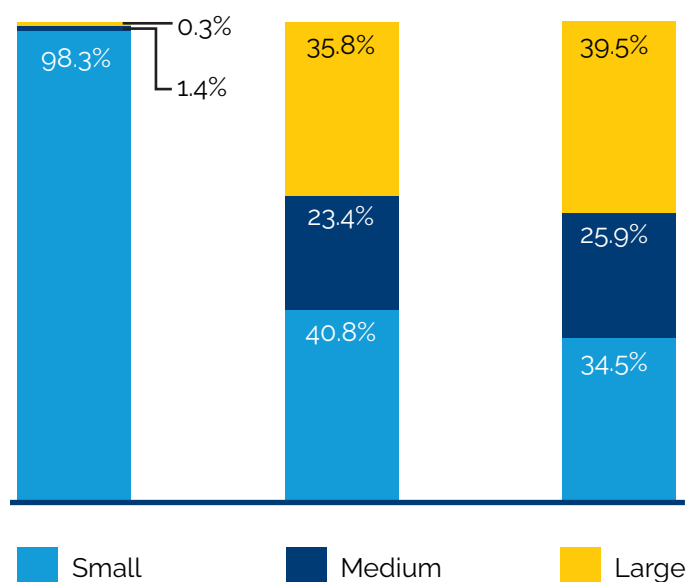
Business demographics by company size, 2018 or latest available

Note:

Data on the number of enterprises refer to 2017, data on contribution to employment and value added refer to 2018.

Source:

Georgia State Statistical Committee (GeoStat).



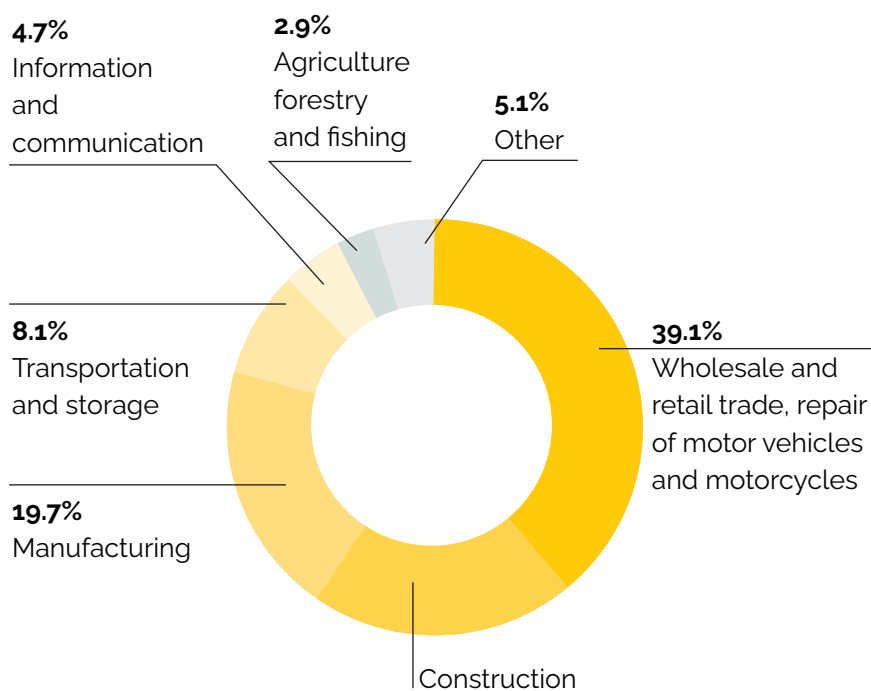
Sectoral distribution of SMEs in Georgia, 2017

Note:

Sectors include sections B to N, S95, excluding K (financial intermediation services) of ISIC rev. 4. "Other" includes arts and recreation; education; health; electricity and water supply; mining and quarrying; financial services.

Source:

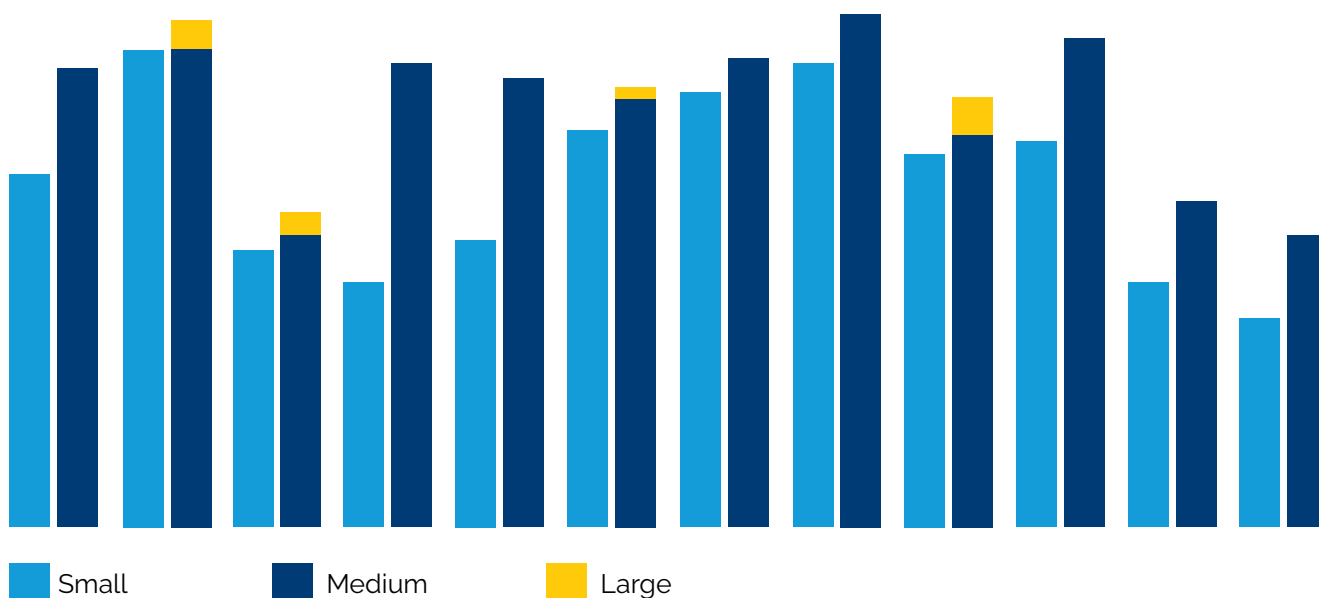
OECD calculation based on data from the National Statistics Office of Georgia (GeoStat).



As in 2016, Georgia stands out as the top performer in this assessment. The country's efforts to implement the previous assessment's recommendations are particularly visible when it comes to improving entrepreneurial learning and women's entrepreneurship, with an average increase of 57% since 2016, and SME skills up 38%. Performance remains weakest with regards to bankruptcy and second-chance policies, as well as SME greening.

SME Policy Index scores for Georgia

Country scores by dimension, 2020 vs. 2016



Georgia has established a **well-structured institutional and regulatory framework** for SME policy. Currently implementing its first multi-year SME Development Strategy, the government established two key public agencies, one to support SMEs, the other dedicated to innovation. SMEs in Georgia benefit from a favourable business regulatory environment that has received international recognition and has access to one of the region's most advanced platforms for e-government services. However, insolvency legislation, where reforms are underway, could be further improved. Additional steps should include:

- ✦ Elaborating a new SME Strategy beyond 2020.
- ✦ Implementing an early-warning system to detect insolvency.

Moreover, the report identifies excellent **non-formal learning initiatives** to encourage young people to develop their entrepreneurship potential, such as the Fablab initiative. Entrepreneurs, notably women, benefit from various **training sessions** provided by Enterprise Georgia and the Georgian Innovation and Technology Agency, GITA. A sector-specific skills intelligence framework was developed to better identify SME needs, including an 'export readiness'

tool assessing SMEs' capacity to internationalise. Moving forward, Georgia could:

- ✦ Reinforce online training sessions to widen outreach to SMEs in remote regions.

SME **access to finance** has become easier since 2016, notably with the expansion of bank lending and public financial support programmes, such as EU-supported credit guarantee schemes and subsidised loans. Reforms are under way to develop leasing and factoring, which could increase the availability and use of financing. Financial literacy is also being promoted through a dedicated National Strategy, and the mandatory introduction of IFRS for SMEs standards should increase the creditworthiness of adhering companies. Going forward, Georgia could:

- ✦ Support the diversification of financing to enable small businesses to access funding.
- ✦ Reduce the level of dollarisation in the financial sector.

SME access to markets has improved. In 2017, SME exports accounted for 60% of total export value. **In addition, SME internationalisation has been promoted**, notably through approximation with

EU standards, training courses on export market standards offered by DCFTA information centres, and the information portal *Trade with Georgia*. However, the SME participation rate in public procurement remains low (2.1% in 2018). Going forward, Georgia should:

- Train public procurement officials to apply principles and practices for open and fair procurement.
- Introduce targeted financial support such as trade insurance for exporters.

Nearly 60,000 SMEs benefitted from government-supported business development services in 2017.

Various programmes have been made available, such as Start Up Georgia providing financial support, training, and consultancy services, and *Produce in Georgia*, designed after consultations with stakeholders and research on SME needs. Innovation is a priority, supported through dedicated initiatives developed by GITA. Actions on SME greening need to be scaled up. Going forward, Georgia should:

- Develop a single portal containing information on all entities offering programmes.
- Provide a single point of access for SMEs to get information on implementing green practices.

Despite the country's strong position in most dimensions, Georgia should step up its efforts to create a **level playing field** for all firms: its legal framework for competition law remains seriously underdeveloped and lacks investigation, sanctioning, and remedial tools. The quality of the judicial process has improved, notably with court automation, but further steps are needed to ensure the independence and efficiency of the judiciary. Georgia has strengthened the framework for preventing corruption in the private sector, but more should be done to encourage firms to adopt business integrity practices, e.g. introducing codes of conduct and compliance mechanisms.

ANNEX

LIST OF PROJECTS

IN GEORGIA AS OF 2019

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Economic and Business Development in Georgia — Budget Support contract	€21,250,000	2018	2023	Bilateral	●	●	●
Green Economy: Sustainable Mountain Tourism and Organic Agriculture (GRETA)	€3,000,000	2018	2023	Bilateral		●	●
Clusters 4 Development — Better Business Sophistication in Georgia	€5,300,000	2019	2023	Bilateral		●	
EU innovative action for private sector competitiveness in Georgia	€5,693,500	2019	2023	Bilateral		●	●
Increasing Institutional Capacity for Innovation Project	€2,700,000	2019	2022	Bilateral	●		●
Improving Rural Development in Georgia (ENPARD III)	€10,000,000	2018	2022	Bilateral		●	●
Improving the Agriculture Sector in Georgia (ENPARD III)	€12,000,000	2018	2022	Bilateral	●	●	●
European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase III (ENPARD Georgia III)	€44,500,000	2018	2022	Bilateral	●	●	
Strengthening Georgian Accreditation System with the Focus on EU Technical Regulations	€1,400,000	2019	2021	Bilateral			●
Joint EU-UNDP Programme for Rural Development, Phase II (ENPARD III Abkhazia Component)	€4,000,000	2018	2021	Bilateral	●	●	

* Budgets indicated for regional projects apply for 6 Eap countries

Title	Total Budget	Start date	End date	Type of the Project	Areas of Intervention		
					AzF	BDS	BEE
Promotion of rural development and diversification in Khulo Municipality	€1,800,000	2017	2021	Bilateral	●	●	
European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase II (ENPARD Georgia II)	€24,875,000	2017	2021	Bilateral		●	
Rural Development for Sustainable Growth of Tetrtskaro Municipality	€2,127,260	2016	2020	Bilateral	●	●	
Extension of Project 'Support to Regional Policy Implementation II'; ENI 2016/376-862	€404,985	2019	2020	Bilateral			●
DCFTA Adaptation Programme (DAP) Support for SME competitiveness in Georgia	€4,500,000	2015	2019	Bilateral		●	
SME Development and DCFTA-GEORGIA	€5,033,940	2015	2019	Bilateral			●
Support to Regional Policy Implementation in Georgia (Phase II)	€1,230,300	2016	2019	Bilateral			●
Strengthening Rural Development Models in Georgia	€2,999,998	2017	2019	Bilateral	●	●	
Food and Agriculture SME Support Initiative (FASSI)	€477,478	2017	2019	Bilateral		●	●
CSOs for Sustainable Economic Development — Strengthening Role of CSOs in DCFTA and SME Policy Implementation in Georgia	€478,600	2017	2019	Bilateral		●	●
Georgia on European Way: Creation of Effective Model for DCFTA and SME Strategy Implementation	€400,000	2017	2019	Bilateral		●	●

Title	Total Budget [*]	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Support to the National Food Agency, Phase III	€5,500,000	2016	2019	Bilateral			●
Empowerment of local economic actors for basic sustainable rural development in Abkhazia	€1,500,000	2016	2019	Bilateral	●	●	
Regional Civil Society Organizations as Vectors of Rural Economic Development	€500,000	2017	2019	Bilateral		●	●
DCFTA Initiative East (EIB) (can also be referred to as DCFTA Facility by EIB)	€62,746,000	2016	2031	Regional	●	●	
DCFTA Facility Phase II by EBRD	€38,900,000	2017	2027	Regional	●	●	
EU Deep and Comprehensive Free Trade Area (DCFTA) Facility, EBRD DCFTA Programme	€19,430,000	2016	2026	Regional		●	●
DCFTA SME Direct Finance Facility	€10,220,000	2014	2024	Regional	●	●	
SME Finance Facility Phase I — EBRD/KfW	€10,200,000	2010	2019	Regional	●		
2018 NIP decision share — Green for Growth — Extension to Neighbourhood East II	€5,162,849	2018	2040	Regional	●		
Green for Growth — Extension to Neighbourhood East II	€6,157,151	2018	2040	Regional	●		
EU4Business — The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	€50,320,000	2018	2039	Regional	●		
Structural Reform Facility: World Bank component	€1,500,000	2018	2023	Regional			●

^{*} Budgets indicated for regional projects apply for 6 EaP countries

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
EU-EBRD Country-specific Investment Climate Reviews and Action Plans for Eastern partnership (EaP) countries.	€2,000,000	2018	2021	Regional			●
Financial Sector Institution Building and Crisis Response	€12,000,000	2009	2020	Regional		●	
Mayors for Economic Growth	€4,979,800	2017	2020	Regional		●	●
Mayors for Economic Growth 2 TA	€10,000,000	2017	2020	Regional		●	●
EIB-04 SME Finance Facility — EIB window	€5,100,000	2012	2020	Regional	●		
WBG technical support to the implementation of the Mayors for Economic Growth initiative	€500,000	2016	2020	Regional		●	●
Eastern Partnership: Ready to Trade — an EU4Business initiative	€6,000,000	2017	2020	Regional			●
EU4Business: From Policies to Action	€4,000,000	2017	2020	Regional			●
Green for Growth — Extension to NIF East Region	€13,350,000	2013	2019	Regional	●		
Framework for Capacity Building to support Financial Intermediaries in Azerbaijan and Georgia	€2,880,000	2009	2019	Regional	●		
SBS Program — EGP BAS Phase II	€8,000,000	2015	2019	Regional		●	
EFSE (Neighbourhood Window of the European Fund for South East Europe)	€5,100,000	2009	2019	Regional	●		
GGF L shares for Georgia	€10,000,000	2009	2019	Regional	●		
STAREP (Strengthening Auditing and Reporting in the Countries of the EaP)	€1,000,000	2014	2019	Regional			●



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