

Annual Progress Report (2016) on SME Development Strategy Action Plan 2016-2017

Strategic Direction 1: Improvement of legislative, institutional framework and operational environment for SMEs

Priority Action 1.1: “Improvement of business closure and insolvency procedures“

Within the priority action, Improvement of legislative framework on entrepreneurship and insolvency is planned. In this regard, the working group organized by GIZ with participation of Ministry of Justice of Georgia revised the existing insolvency legislation, revealed problematic issues in this field in order to introduce more comprehensive draft law on insolvency proceedings in accordance with international standards. Besides, international best practice in the sphere of insolvency for preparing appropriate recommendations, was analyzed. Currently, intensive work is being carried out to elaborate draft law on insolvency proceedings based on the concept worked out by the working group.

Herewith, discussion of action plan of insolvency reform within the public-private dialogue is remarkable. The action plan has been elaborated by the Association of Law Firms of Georgia, through the support of USAID project “Governing for Growth” (G4G) within the framework of the project “Insolvency Reform Advocacy Campaign”.

Besides, Ministry of Justice of Georgia in cooperation with the various donors is developing new draft law “On entrepreneurs”, especially, for the reason to comply with the EU acquis.

Priority Action 1.2: “Updating the definition of small and medium size enterprises“

In the framework of priority action, the existing definition of small and medium size enterprises was analyzed and international practice was studied by GEOSTAT. The definition of small and medium size enterprises, which is currently applied in statistics for producing business statistics, was elaborated in 2002 and is based on annual volume of turnover and average annual number of persons employed.

Study of International practice has shown, that in determining the size of enterprises, various criteria are applied, but the most common one is to determine the size of enterprises in terms of the number of persons employed (according to Eurostat criteria determining the size of enterprises, **micro enterprise** – less than 10 persons employed, **small enterprise** – 10-49 persons employed, **medium size enterprise** – 50-249 employed persons).

According to the methodology of Eurostat, in 2014 the share of active small and medium-sized enterprises in Georgia amounted 99.6% in a total number of enterprises (in accordance with existing definition in Georgia - 94%), in turnover volume – 66.6% (in accordance with existing definition in

Georgia – 18.1%), in production value – 61.1% (in accordance with existing definition in Georgia – 19.8%), in number of persons employed– 68.9% (in accordance with existing definition in Georgia – 43.8%).

Herewith, in case of applying the criteria of turnover indicator, the purchasing power parities (PPP) were used in determining the range.

Two options were discussed with stakeholders, worked out as a result of analysis: applying the criteria of only the number of persons employed in determining the size (**option 1**) and applying the criteria as of the number of persons employed, as well as of the turnover indicator in determining the size (**option 2**). Consequently, was decided in favour of the second option that considers updating the definition of small and medium size enterprises, as in terms of the number of persons employed, as well as of the turnover of enterprise.

Priority Action 1.3: “Improving Business Statistics”

In the framework of priority action, the existing scope and methodology of business statistics was revised and international/European practice was studied, the relevant recommendations were issued, during which the sectoral review of business statistics, prepared by Eurostat, was also analyzed. Currently, discussing the recommendations for expanding the scope of business statistics is underway.

Priority Action 1.4: “Strengthen SME support institutions”

Entrepreneurship Development Agency (Enterprise Georgia) actively works on analysis and implementation of success cases of other similar organizations from around the world. With this aim, EDA visited western European and eastern Asian organizations orientated on entrepreneurship development. One of the most important EDA’s everyday activities is SME needs assessment. For this reason, thematic meetings are held with representatives from different economic sectors. Their challenges are identified and they are offered with respective support.

In 2016 number of international MoUs were signed, with the aim to initiate or deepen partnership between Georgian Innovation and Technology Agency (GITA) and international organizations supporting startup and innovation ecosystem. GITA studied the best practice of the start-up and SME support institutions of the following countries: USA, China, Germany, Estonia, Israel, UK, South Korea and Netherlands.

GITA has elaborated the law on innovation with intensive involvement of public, private and international organizations in accordance to the **USA “Bayh-Dole Act”**. The main aim of the law on innovation is to contribute in the process of developing national innovation ecosystem, to simplify innovation activities in the country and raise the competitiveness of private sector. GITA studied business incubation and acceleration management in the US and with the gained experience, for the first time, GITA had coordinated business incubator and accelerator project in 5

Universities.

The MOU was signed in October 2016 for establishing IAC Georgia, with Tallinn Technology University (TTU) Mektory technological park for promoting the joint R&D and startup activities. In the framework of MoU, it is planned to open Georgian startup and cultural room at Mektory, Estonia.

GITA's representatives held a visit (27.11-01.12) in London with the aim to study 1. Crowdfunding platforms and its regulation; 2. Technology Transfer Center model; 3. Financing and management mechanisms for innovation; 4. Catapult system.

In the framework of successful partnership between Georgian and Korean Governments, with collaboration of Georgian Embassy in Korea, Ministry of Economy and Sustainable Development, GITA, Tbilisi Main Library, Korean National Information Society Agency (NIA), was opened (December, 2016) Georgian-Korean Information Access Center (IAC) based on library. NIA financed rehabilitation, equipping with all necessary technologies, including the equipment for blinds. The center will provide access to information, digital literacy, ICT training and involve beneficiaries in developing digital economy in Georgia.

Also, it is important to mention the project "Open Dialogue with Business," implemented by the Georgian Chamber of Commerce and Industry. Within the framework of the project, meetings were held with representatives of the regional business sector. Specific problems and potential approaches to their solution were also discussed. The meetings were held in Zugdidi (June 9), Anaklia (June 27), Kutaisi (June 24), Kareli (June 30), Rustavi (July 7), Ozurgeti (July 11), Batumi (July 13), Ambrolauri (August 19), Ninotsminda (August 25), Kvareli (August 29). After analyzing the problematic issues raised during the discussions, follow up meetings were organized in the regions. In the second round of the meetings, representatives of relevant Institutions discussed specific problematic matters. Entrepreneurs from the Georgian regions obtained more detailed information regarding the problems that had been identified before. Within the framework of the project, On September 16, GCCI organized Regional Business Forum in Tbilisi. 250 entrepreneurs representing all regions of the country attended the event.

In order to launch services based on the needs of SMEs, the visit of Mr. Tunc Uyanık, Head of the World SME Forum, was organized in Tbilisi (July 17-19, 2016). Following the Agreement the Parties reached, within the framework of the pilot project, joint electronic platform will be created by the Georgian Chamber of Commerce and Industry and the World SME Forum. The joint electronic space will enable the Georgian SMEs to establish business partnership with their foreign counterparts and communicate with donors. The project comprises three elements, namely: access to financing, inclusion in international markets and digital trading platform. The goal of the visit was to prepare a diagnostic research within the framework of this initiative. This document will be the basis for the implementation of the project.

Priority Action 1.5: "Strengthen Public-Private Dialogue"

In order to facilitate private sector development and deepening the cooperation between public and private sector, Private Sector Development Advisory Council was established, as a platform for

public-private dialogue. Specifically, by the order (N1-1/48, 03.02.2016) of the Minister of Economy and Sustainable Development of Georgia, the members of the Council were identified and a relevant statute was adopted. With the coordination of the Ministry of Economy and Sustainable Development of Georgia, the first meeting within the Council was held at July 29, 2016 and the second meeting was held at October 3, 2016.

Priority Action 1.6: “Establishment of RIA system for priority economic legislation”

Within the framework of the activities, the analysis of best practices of regulatory impact assessment has been started, based on which the relevant model of regulatory impact assessment system will be elaborated for Georgia. Through the support of donor organizations pilot RIA document has been prepared for the draft law “on Consumer Protection”. RIA document has been prepared on draft Code regarding “Environment Impact Assessment”

Strategic Direction 2: Improvement of Access to Finance

Priority Action 2.1: “Improvement of financial literacy among SMEs”

8840 people benefited from the training course organized within the component of micro and small business support program (Micro-Grants component of “Produce in Georgia”) implemented by Enterprise Georgia. In the framework of the trainings, basic financial literacy component was introduced to the participants.

In 2016, as part of the National Bank of Georgia’s (NBG) financial literacy activities, the NBG, with the support from the Development Facility of the European Fund for Southeast Europe (EFSE DF) developed and published informative and easy-to-comprehend educational brochures for SMEs and future homeowners (in Georgian, Russian and English languages – in total, 10000 copies). Further, with the support from EFSE DF, NBG also developed short educational video-clips for financial sector consumers. These videos are available on NBG’s Consumer Protection webpage (link: <http://nbg.gov.ge/cp/?lng=eng>) for all interested parties. The brochures for SMEs were distributed to 250 beneficiaries of the program “Supporting Micro and Small Enterprises” organized by the Regional Development Association (RDA). This program was implemented within the frames of the Micro-Grants component of the state program “Produce in Georgia” and aims at developing SMEs in different regions of Georgia.

For the purpose of improving access to finance and supporting SME development, the NBG, with the support from the Savings Banks Foundation for International Cooperation (SBFIC), started working on SME Overindebtedness study, the results of which will be available in the 3rd quarter of 2017. This study will provide the NBG and other relevant stakeholders with the data necessary for taking effective steps towards supporting SME sector development in Georgia.

Further, the NBG recently amended the 2011 Rule on Disclosing Essential Information to Consumers by Commercial Banks, and the amended Rule will come into force in April 2017. According to the amendments, all financial institutions will be required to provide services (within certain limits established by this Rule) to individuals and legal entities in line with the provisions of this Rule. The Rule will apply to SMEs as well, helping better protect their rights.

Lastly, for the purpose of improving financial literacy levels in the country, within the frames of the National Strategy for Financial Education, the NBG is planning to develop additional financial education videos throughout 2017, part of which will be dedicated to the questions important specifically for micro, small and medium enterprises.

During 2016, informing of SMEs on amendments in Tax Code had been providing on a regular basis. Also, Trainings for awareness raising on tax issues are planned to be organized in 2017.

In 2016, an Economic-Legal Committee was established in the Georgian Chamber of Commerce and Industry. The key objective of the Committee is to identify main problems of the business circles through intense dialogue and search for solutions. Members of the Committee are representatives of leading audit and consulting companies. Committee counts 10 members, including - EY, PwC, Deloitte, KPMG, Grant Thornton, PMCG, BDO, Kreston International, GF Capital.

The Committee discussed Estonian model of taxation as well. Corresponding workshop was also held, engaging representatives of large, medium and small-sized enterprises. The focus of the workshop was businesses in regions. Invited speakers represented leading consulting companies of Georgia, who provided exhaustive answers to all raised questions. The first part of the workshop was dedicated to the Law on Accounting, Reporting and Audit, which is scheduled to enter into force from year 2017. As for the second part – discussion circled around the Estonian model of the Tax System.

Priority Action 2.5: Support to SMEs to increase access to finance through micro financial organizations (MFIs)

Enterprise Georgia regularly monitors the relevance of the existing financial policy/tools to the private sector needs. Since 2014, Enterprise Georgia has amended/updated portfolio of its financial tools. Furthermore, number of new directions has been added to the initial program's design, which has been reflected on defined interest rates and also on increasing of partial collateral guarantees from 30% up to 50%. Besides, 2 new directions has been added to the program (hotel industry incentive and film industry incentive program) Implemented changes in financial tools were carried out based on communication with private sector.

With the aim to further improve access to finance within the State Program “Produce in Georgia”, Enterprise Georgia constantly monitors and evaluates the efficiency of existing tools of access to finance, based on which relevant recommendations for improvement of instruments of access to finance will be elaborated.

Priority Action 2.6: Improvement of SMEs' financing through grants

In order to identify the problems existing in SME financing, revision to the existing law on Grants was carried out and relevant amendments to it has been elaborated and adopted. As a result of these revisions, LEPL - Georgia's Innovation and Technologies Agency has been authorized to award SMEs with grants for implementing the innovative ideas. In this respect, financing allocated to entrepreneurs under the SME component of state program – “Produce in Georgia”¹ is considered as grant and therefore exempted from relevant taxes.

In addition, Law of Georgia N5503, adopted on June 22, 2016, accommodated the revision (paragraph b'2 has been added to section I of Article 99) to the Georgian Tax Code. Namely, the grants awarded in the frame of Law of Georgia on Grants, to the entrepreneurs carrying out innovative business activities, are exempted from profit tax.

Strategic Direction 3: SME skills development and promotion of entrepreneurial culture

Priority Action 3.1: Identification of labour market needs for SMEs and development of relevant employment programmes

In the framework of priority actions, based on identified needs Survey “On Attitudes, Motivation and Employment Strategies of the Youth” was undertaken in 2016.

On June 16, 2016 Ministry of Labour, Health and Social Affairs announced an electronic tender and among five applicants it was won by Applied Research Company. The survey covered the period of July-October 2016. The field works were performed during August-October 2016. The final report of survey was prepared in the Georgian and English languages.

The primary goal of the survey was to study attitudes, motivation and employment strategies of the Georgian youth for the purpose of drafting recommendations for facilitating their employment.

The State Program for Training-re-retraining and Qualification Raising for Job-seekers was adopted by the Governmental Resolution N238 of June 2, 2016. The program is implemented by LEPL Social Service Agency. The primary goal of the program is to increase competitiveness of jobseekers and support their employment. Target groups of the program are citizens of Georgia above the age 16, who are registered as a job-seeker at the Labour Market Management System (www.worknet.gov.ge). The program envisages two components: short VET training programs in demanded professions and professional internship at enterprises with prospects of employment. Trainings were held both in the state, as well as private VET colleges.

Ministry of Education and Sciences of Georgia raised information on the program throughout VET colleges across the country.

2135 vouchers for professional training and 47 vouchers for internship were issued in the framework of the state program in 2016.

¹ Program approved as per decree №365 of Government of Georgia, on adoption of state program “Produce in Georgia”, 30/05/2014.

Priority Action 3.2: “Training Needs Assessment – TNA of Small and Medium Enterprises”

Within the priority action, concept of Training Needs Assessment (TNA) and relevant mechanisms (including Questionnaire) has been elaborated. In close cooperation with the European Training Foundation (ETF), Enterprise Georgia launched a pilot project with the intent to assess two selected industries of Georgian economy: hospitality industry (accommodations sector) and paper/paper processing/printing and publishing. With the support of the ETF and their international expert, the agency developed in-house skills to implement the TNA survey through using exclusively internal resources. According to the TNA methodology a quantitative employer survey was conducted with a structured questionnaire, followed by a qualitative survey with focus groups. In total, in the project 132 companies were participated. With support of GIZ (EU4Business project), 100 copies of report were printed and disseminated among the participants of events dedicated to development of professional education.

Priority Action 3.3: “Establishment of Lifelong Entrepreneurial Learning (LLEL) at all levels of the education system

Empowering entrepreneurial learning is one of the main priorities according to the current project "Introduction of Inclusive Education in Georgian Vocational Education and Training System" established under the grant agreement between the Ministry of Education and Science of Georgia and the Ministry of Education and Research of Norway.

Entrepreneurial learning enhancement activities are supported within the project at the levels of general education and vocational education. Piloting of "Entrepreneurship Club" has been started at the above-mentioned education levels. Formulating business ideas, founding companies, starting-up, building-up, managing and liquidating processes are all tested out by pupils and students under the project. These learning activities are being carried out in three vocational education colleges, namely "Mermisi", "Gldani Vocation Training Center" and "Modusi" as well as in three public schools of Pankisi Gorge – „Jokola“, „Birkiani“ and „Omalo“.

The Ministry of Education and Science of Georgia has worked out the document "promotion of self-employment and entrepreneurship by the vocational education system". The document represents the vision of entrepreneurial development in vocational education system.

Entrepreneurial learning is mandatory to all vocational programs. In accordance with that, the process of new modular programs establishment, started in 2014, is actively being continued. Together with accessing professional qualifications, the stated programs also develop key competences, such as entrepreneurship, communication, foreign languages and so on.

ISET in a close cooperation with Georgian Chamber of Commerce and Industry conducted analysis regarding the current state of entrepreneurial learning in vocational education. Their recommendations served as basis to updating the entrepreneurial learning modul and the training of respective teachers.

The German Federal Ministry of Economic Cooperation and Development and the Chamber of Commerce and Industry for Munich and Upper Bavaria in cooperation with the Chamber of Commerce and Industry of Georgia are being revising the entrepreneurship textbook.

Priority Action 3.4: Development of SMEs oriented VET system

With a purpose to involve small and medium enterprises in vocational education boards and thematic groups (on a macro level) and to take into account the interests of SMEs in the process of vocational education policy formation, the National Vocational Council's members are business associations and unions. Association of Small and Medium Enterprises, Association of Microfinance Development and Support, Women Entrepreneurs Association and representatives of the other relevant organizations are also actively involved in the work of the thematic groups.

To provide participation of business in the process of drawing out and developing vocational qualifications (on a Meso level). „Vocational Qualifications Development Project" is being carried out with the coordination of LEPL National Center for Education Quality Enhancement. Within the project, vocational standards are being drawn out and revised in accordance with labour market demands. The methodology (DACUM) of this process requires an equal participation of the representatives of large, medium and small business enterprises. In order to validate vocational standards and programs, parity of representatives of large, medium and small businesses is reserved in sectoral committee composition. Therefore, the participation of entrepreneurs is provided in the formation and development process of vocational qualifications.

With the support of UNDP, the Ministry of Education and Science of Georgia has worked out the concept of Work-Based Learning. The piloting of 3 vocational programs in agriculture sector (fruit-growing, cattle-breeding and wine-making) is already being implemented by the Work-Based-Learning (Dual) principles. Prior the process of piloting, the human resource (including employer capacity building) development events have been carried out.

Also, the preparatory works have been started to conducting the trainings of WBL for teachers and employers.

In order to implement dual vocational education effectively, elaboration of standard of company's instructor and pedagogical course is planned. Representatives of Small and Medium Businesses will be participating in the relevant working group.

Priority Action 3.5: Facilitation of access to non-formal training for SMEs

Within the priority measures, in order to elaborate relevant rules and mechanisms for recognition of informal (non-formal) education, the following steps have been taken: analysis of the existing regulatory framework, elaboration of the concept of informal (non-formal) education recognition and the project of informal (non-formal) education rule. The approval of the new rule project requires certain changes in the legislation. The corresponding methodology has been developed, which became the basis of piloting informal (non-formal) education recognition of 3 programs: beekeeper,

agricultural machinery mechanic, IT specialist. The piloting has taken place in 3 colleges („AISI, “Opizari”, “Education Management Information System”).

Priority Action 3.6: “Ensuring Technical Assistance (TA) for SME”

Within the state programs, relevant activities were implemented in terms of (in the direction of) providing TA:

Minimum 5 representatives among the beneficiaries of the program “Produce in Georgia” participated in the certified Export Managers’ course. Furthermore, based on the MOU Enterprise Georgia cooperates with European Bank for Reconstruction and Development (EBRD). MOU entails cooperation of promotion of both parties’ activities on delivering TA to SMEs. More than 12 000 people have received relevant information from the Service Center (regarding activities and projects of the Agency) of Enterprise Georgia.

2 companies used the co-financing of consulting services in the frame of “Produce in Georgia” TA component.

7 day mini MBA program was carried out and the top managers of 20 companies have completed the course. Besides, training “Fit for partnership with Germany” was carried out, within which top managers of 18 companies participated.

In terms of elaboration of training programs in cooperation with partners, certified Export Managers course is remarkable, which was elaborated as a result of cooperation of Enterprise Georgia and Caucasus Business School.

In 2016, 26 Georgian companies (33 export managers) participated in Certified Export Managers Courses (in cooperation with Caucasus School of Business).

In addition to above mentioned, it must be underlined that about 220 companies were consulted on the EU market opportunities and on the DCFTA requirements.

Priority Action 3.7: “Development of Educational Component on the web-site of Enterprise Georgia”

Relevant activities on collecting and uploading educational materials and business literature on the „Produce in Georgia” web portal is ongoing. Enterprise Georgia opened library in the Service Center, where are more than 100 educational materials and business literature allocated. Several researches and sectoral analysis are uploaded on the web page; moreover uploading of the new content is in a permanent mode.

Priority Action 3.8: “Expansion of Business Service Center for Entrepreneurs”

In the frame of open space expansion in Business Service Center several facilities were added: a library (also available online), training and knowledge sharing spaces equipped with computers and all necessary equipment. Moreover, service center staff provide guests with consultations.

After opening of Service Center, various trainings and knowledge sharing sessions were conducted. Open space was used by several companies for business meetings. In addition, people interested in matching grant facility for micro, small and medium-sized enterprises actively used computer space.

Priority Action 3.9: “Encouragement of Female Entrepreneurship”

Since 2015 Enterprise Georgia has been executing the project “Micro and small business support” which is the new component of the state program “Produce in Georgia”. The program envisages the support of Micro and Small businesses within the regions of Georgia in two direction: (1) funding / supporting financially startups and/or help to expansion existing businesses. (2) Providing knowledge about the modern business tendencies by training courses and individual consultancy. Supporting female entrepreneurs was one of the main priority of the program, therefore nowadays, the rate of female beneficiaries is 40 %.

Priority Action 3.10: “Promotion of Green Practices among SMEs”

In the framework of priority activities, it is important to raise awareness of entrepreneurs about Resource Efficiency and Clean Production as well as the improvement of environmental performance among SMEs in order to promote “Green Practice”. In this regard, the activity envisages development of special training program and consulting private sector representatives on RECP issues. Nevertheless, the ministry will support effective implementation of environmental managers’ courses in order to develop capacities of companies related to environmentally friendly management.

The Ministry of Environment and Natural resources Protection of Georgia through its LEPL “Environmental Information and Education Centre” is preparing the special training module with the cooperation of experts in order to implement the priority activity, develop the training program on RECP and provide consultations. At this stage some activities are being conducted for the representatives of SMEs, namely:

1. The Organization for the Economic Co-operation and Development (OECD), with the financial support of the German Government, conducted a research in 2015 “Promoting better environmental performance of Small and Medium Sized Enterprises in Georgia”. The researchers inquired the representatives of about 400 enterprises all over the country and assessed their proficiency in general environmental management and capability of companies of introducing resource efficient technologies and effective resource utilization systems. As a result of the research, the report was prepared and recommendations were elaborated.

2. In the framework of the second Platform of Eastern Partnership “Economic Integration and Convergence with EU Policies”, initiated by the EaP Panel on Environment and Climate Change,

the program “Greening Economies in Eastern partnership Countries” (EaP Green) is being implemented since 2013. The program consists of three main components including the Demonstration Projects on Resource Efficient and Cleaner Production (RECP) carried out by the United Nations Industrial Development Organization (UNIDO).

The overall objective of the regional RECP Demonstration Component is to improve the resource productivity and environmental performance of businesses and other organizations in the target industry sectors in the EaP countries and thereby contribute to sustainable industrial development and green economy. During 2016 resource efficient and clean production clubs were established in Kutaisi and Kaspi that consolidated 16 small and medium-sized enterprises. The training course that was provided for the club members covered various issues, including efficient consumption of water, energy and raw materials, decreasing waste, wastewater discharges and emissions to ambient air, safe management of chemicals and preparation of relevant management plans.

In 2016, 8 national experts were trained in resource efficient and clean production methods. In addition, capabilities of resource efficient and clean production enterprises were evaluated and recommendations have been prepared for 10 enterprises (Ltd. “Rustavi Azoti”, Ltd. “Neo-Print”, Ltd. “Amirani XXI”, Ltd. “TMT”, Ltd. “Laghi”, Ltd. “Aroma Product”, Ltd. “Bazalt Fiber”, Ltd. “MN Chemical Georgia”, JSC “Sarini”, JSC “EcoGe 2011”). The individual investment plans were developed for 7 different enterprises (Ltd. “Neo-Print”, Ltd. “Amirani XXI”, Ltd. “TMT”, Ltd. “Laghi”, Ltd. “MN Chemical Georgia”, JSC “Sarini”, JSC “EcoGe 2011”), which envisage introduction of resource efficient and clean technologies in their companies.

Besides, the individual meetings with private sector representatives, the project organized 3 workshops about the resource efficient and clean production with representatives of business sector and local authorities from Tbilisi, Zugdidi/Zemo Svaneti and Mtskheta-Mtianeti and national experts raised awareness of overall 96 participants about RECP methods.

3. In accordance with the obligation hereby prescribed by Article 15 of Georgia law on “Waste Management Code”, physical persons and legal entities, which annually produce more than 200 tons of non-hazardous waste, more than 1 000 tonnes of inert waste, or any amount of hazardous waste, are obliged to prepare a company waste management plan and hire waste management responsible staff - “Environmental manager”.

Due to the above mentioned obligation, Ministry of Environment and Natural Resources Protection of Georgia through its LEPL “Environmental Information and Education Centre” and in consultations with experts, developed the specific training course “Environmental Manager”. The aims of the course is to train private sector representatives in order to fulfill the requirements imposed by the law and implement new standards. The information about the training course and registration form are available on the web-site of LEPL “Environmental Information and Education Centre” and applicants should register in advance.

In 2016, 12 training courses were held in LEPL “Environmental Information and Education Centre” and trained 177 Environmental Managers. In addition, the Centre took the social responsibility and trained 5 top-rated and successful students gratuitously.

Strategic Direction 4: Export Promotion and SME Internationalization

Priority Action 4.1: “Raising Awareness on Perspectives offered by DCFTA and its requirements“

Meetings with the business sector as well as other types of researches have shown that there is a lack of information regarding the Deep and Comprehensive Free Trade Area (DCFTA). Despite the manifested interest of SMEs in regard to export to the European Union, they are not fully aware of the requirements for successful export. Often, companies lack information regarding preparation procedures and overrate their capacities in the process of adaptation and changes. As a result of the above mentioned, the idea about the establishment of information centers based on a “one stop shop” concept was born.

The objective of the information centers is to raise awareness regarding the principal matters of the Association Agreement, to support Georgia’s economic integration in the European Union and to facilitate the bilateral commercial relations between Georgia and the EU, to actively cooperate with the private sector and support businesses in adaptation to new legislative changes. The centers will inform companies according to their needs, will assist them in the harmonization process and in preparation for export. Companies will receive information from the centers regarding the free movement of goods and services, as well as customs and competition policies. The centers will also provide companies with the information about export readiness, about the main factors influencing their export potential, about useful marketing tools and their implementation. In order to achieve the objectives mentioned above, the centers will provide DCFTA-related sectorial information and practical guidelines. The centers will also offer information regarding the measures taken by the government in order to establish European standards and practices in the corresponding fields as well as about the commercial-economic cooperation between Georgia and the European Union. This information will be disseminated through webpage, e-mail, hotline and through individual consultations with businessmen. The centers will organize briefings, lectures, exhibitions, competitions, trainings, seminars and film screenings with participation of foreign experts. The centers will cooperate with the EU Institutions as well as member states and will implement joint projects in order to share their DCFTA-related experiences.

Taking into consideration the above mentioned, within the framework of the “East Invest 2” project, the GCCI together with the Paris Chamber of Commerce and Industry is conducting a 20-month twinning program, the ultimate goal of which is to create DCFTA information centers. The program envisages two directions: trainings for the personnel of the DCFTA information centers and elaboration of a strategy and an action plan.

In addition, on November 28, 2016, between the GIZ’s (German Society for International Cooperation) project "SME Development and DCFTA in Georgia" and the Georgian Chamber of Commerce and Industry, the Memorandum of Understanding was signed. Within the framework of

this collaboration, the Georgian Chamber of Commerce and Industry has founded 5 DCFTA Information Centers (Tbilisi, Kutaisi, Sighnagi, Gori and Zugdidi). Through these center, the business sector, especially small and medium-sized enterprises, will receive DCFTA-related information.

5 long-term experts were employed and trained, who will have direct contact with entrepreneurs and provide them with information on any questions regarding free trade with the European Union.

Long-term experts of the DCFTA Information Centers personally or via hotline offer consultations for small and medium-sized enterprises. For better understanding and assessment of the topics, they went through short training courses in State Agencies. In case a specific topic is too complex, entrepreneurs shall be redirected to the competent organizations that can handle the request. Center officers are obliged to support small and medium-sized entrepreneurs in approximation to EU standards, as well as in the process of preparing products for export.

Taking into consideration the new environment after the DCFTA entered into force and new requests from local companies, the Georgian Chamber of Commerce and Industry implements specific projects in cooperation with its international partners.

The Georgian Chamber of Commerce and Industry is the national coordinator of the “East Invest” project launched within the framework of the Eastern Partnership Initiative of the European Commission. The project is implemented by the EUROCHAMBRES.

“East Invest 2” project was launched in 2015. One of the objectives of "East Invest 2" is to increase capacity of BSOs in Eastern Partnership countries for them to provide better specialized services for member small and medium-sized enterprises, as well as to raise awareness among entrepreneurs on the Deep and Comprehensive Free Trade Area (DCFTA) and the EU legislation. Within the framework of the project, in October, 2015, training courses were held. Agro-food sector-related 5 topics were selected for the course:

- DCFTA, implications at national level and road maps for implementation;
- EU regulations and technical standards, especially in the agro-food and food processing sectors;
- Businesses readiness for export in Eastern Partnership countries;
- Marketing and communication - how to present products at foreign markets;
- Participation in Trade Fairs, Networking, Communication with potential business partners.

Also in the framework of the project, on April 13-15, 2016, the Georgian Chamber of Commerce and Industry organized a training course (SME Academy) in Tbilisi, for representatives of the SMEs operating in agro-food and food-processing sectors. The theme of the training was access to foreign markets and it aim at informing the SMEs with export potential regarding new requirements and standards established after the DCFTA entered into force. In order to increase their export potential to and competitiveness in foreign markets, participants were informed about the EU legislation, market structure and responsibilities the Georgian companies have to take in relation to export to

the European Union. The participants had an opportunity to acquire information about various topics (technical standards, export readiness, marketing, etc.) through interactive seminars held by the EU experts from Latvia, Belgium, Italy and Austria. Certificates were awarded to the participants at the end of the training course. Next round of the trainings will be organized in March 2017. It is foreseen that the Georgian Chamber of Commerce and Industry will continue providing SME trainings and consultations as a service after the “East Invest” comes to an end.

Activities carried out by Ministry of Agriculture, LEPL National Food Agency, Agricultural Projects Management Agency (APMA) in these field is very important, particularly there was held various meetings and trainings and awareness-raising events:

- Draft Normative Acts developed within the frame of DCFTA in 2016 was published on Ministry of Agriculture and LEPL National Food Agency web pages in order to inform target auditory and to get feedback from them.
- Due to implementation of Hazard Analysis and Critical Control Points (HACCP) system in slaughter houses at 23 april 2016, National Food Agency carried out trainings for business operators. Training program carries out in the frame of cooperation between National Food Agency and USAID project “Restoring Efficiency to Agriculture Production” (REAP). Purpose of these program is to implement modern systems of food safety in slaughter houses, it means control of production process and minimizing the risks for business;
- On April 26, 2016 in National Food Agency of Geogia was held “Civil Hall” meeting in order to make report of work conducted in the field of veterinary, phytosanitary and food safety and discussion about future chalanges in above mentioned fields;
- On November 9, 2016 in National Food Agency of Geogia was held “Civil Hall” meeting. On the meeting was discussed sale and use of pesticides and agrochemicals, also major issues connected to veterinary, phytosanitary and food safety fields. The meeting was focused on the involvement of civil society, which encourages solution and discussion of issues important for society.
- On May 18, 2016 top management of Ministry of Agriculture and LEPL Nationa Food Agency carried out meeting with students of Veterinary Faculty of Agrarian University, on the meeting was presented State's vision for the future development of the agricultural sector and importance of implementation of modern standards, food safety and EU approximation.
- On June 5, 2016 in National Food Agency of Geogia was held meeting with representatives of agrarian markets, Business operators were informed about modern requiremants and standards, it will help them in implementation of food safety standards and effective business management;
- On July 10, 2016, in National Food Agency of Geogia was held meeting with representatives of catering facilities and restourants. Business operators were informed about ongoing and expected changes in low regulating above mentioned field, moreover discussion was about health condition of staff working in catering facilities, hygiene standards, protection of distribution standards while using ready food delivery service. Business operators have expressed their desire to hold similar meetings regularly;
- On July 6, 2016 in National Food Agency of Geogia was held meeting with representatives

of milk and milk products producers and importers; Business operators were informed about that norm from technical regulation of milk which entered in force from 1 August, 2016 and obliges restriction of usage words „similar” or „like” on labeling of Milk substitute products.

- On December 11, 2016 with management of National Food Agency and support of The Comprehensive Institution Building (CIB) programme was held meeting with bread producers. Representatives of The Ministry of Agriculture, Bread Producers Union, Wheat Growers Association and nongovernmental organizations attended the meeting. Business operators were informed about obligatory requirements of bread safety, labeling and sale, moreover there was underlined that NFA activates its work in the field of state control of bread safety and labeling rules protection. It is mandatory to show complete information about the ingredients and nutritional supplements on label. NFA carries out state control of bread and Bakery products on production and sales level.
- On November 18th and December 15-16th, 2016, the National Food Agency of Georgia organized meetings with the representatives of slaughterhouses, meat cutting and selling outlets and agrarian markets regarding the mandatory labelling of meat starting from January 1st, 2017, in accordance with the requirements stipulated by Resolution of the Government of Georgia on “Rules of Beef and Beef Product Labelling” (enacted March 9, 2016).;
- Agricultural Projects Management Agency (APMA) carried out 2 trainings for cooperatives in Zugdidi (50-60 representatives attended) and Akhaltsikhe (50-60 representatives attended). In the frame of training course was discussed legal requirements of National Food Agency, details about state control of food safety requirements and about possibility of food (honey) export in EU. APMA gave recommendations to shareholders about accessibility of finances needed for support of bee keepers. Cooperative members, also other bee keepers who are interested in development of these sector invited by advisory bureaus attended above mentioned informative training courses.
- Within the project “Let's meet Europe”, heads of the "Georgian National Agency for Standards and Metrology" participated in meetings which was held in Kutaisi, Telavi and Marneuli. The meetings were attended by the Local entrepreneurs, students and other interested persons. The theme of the conference was “The Deep and Comprehensive Free Trade Area” (DCFTA), including the National Quality Infrastructure, In particular, significance of metrology and also, implemented and planned reforms on the path of European integration.

Priority Action 4.2: “Support Businesses to Adapt to DCFTA Requirements”

Entrepreneurship Development Agency (Enterprise Georgia) identified competitive products for export markets: Alcoholic and non-alcoholic beverages, mineral and still waters, tea, nuts, fresh fruit and vegetables, honey, dried fruits, flavorings, sauces, processed fruit and vegetables, pharmaceutical products and textile.

The identification process of suitable products for each market contains consulting with the representatives of private sector and conducting detailed analysis.

The agency is consulting entrepreneurs interested in information regarding export markets, regulations, tariffs and other export related issues upon their request. Additionally the agency is cooperating with international experts to receive detailed information regarding certain markets.

On the basis of the Memorandum on cooperation in the field of technical assistance between the Agricultural Projects' Management Agency and USAID/ Georgia's Restoring Efficiency to Agriculture Production (REAP) it is planned to introduce the international food safety standard. The assistance aims at introduction of the international food safety management standards and systems (HACCP and ISO22000: 2005) at the enterprises beneficiary of the project providing co-financing of the agricultural products processing and storing enterprises; Also, the assistance provides consulting trainings for the enterprises. It is important that enterprises receive not only financial aid to upgrade the industrial infrastructure, but they receive additional technical support as well which foresees introduction of international standards for food safety management which will help to increase the export potential of Georgian products and search of new markets. By September, 2016, about 50 employees of about 29 companies have passed 2 types of trainings/consultations: Implementation of international food safety management standards and systems and General Financial Management. With 10 beneficiary enterprises were signed agreement about implementation of ISO 22000 standard and 2 enterprises have got ISO 22000 certificate.

Priority Action 4.3: "Promotion of Export of SMEs"

Entrepreneurship Development Agency (Enterprise Georgia) is working on new tools and projects to support export promotion.

The following markets are identified as the top priority: China, USA, Japan, UAE, Saudi Arabia, Germany, France, Italy, Poland, Great Britain, Norway, Sweden, Latvia, Lithuania, Estonia, Denmark, Czech Republic, Hungary, Netherlands and Switzerland.

The following competitive products for export markets has been identified by EDA: Alcoholic and non-alcoholic beverages, mineral and still waters, tea, nuts, fresh fruit and vegetables, honey, dried fruits, flavorings, sauces, processed fruit and vegetables, pharmaceutical products and textile.

The identification process of suitable products for each market contains consulting with the representatives of private sector and conducting detailed analysis.

In order to see the readiness of the company to export and its potential capacity, the agency developed export readiness test. The marketing abilities and competence of the company is assessed by export readiness test and export audit.

The agency identified 8 companies with the aim to start export operations in Baltic countries and Poland. These companies required the support from the government in order to find reliable partners and get more information regarding these markets. With the assistance of Latvian export consulting company "GatewayBaltic", the agency organized trade mission for the companies. Additionally agency conducted and shared euromonitor researches to these companies.

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Trade shows and trade missions are also organized according to the assessment of the needs of the private sector.

Priority Action 4.4: “Support SMEs to establish International Trade Relations“

In 2015, Entrepreneurship Development Agency (EDA) (Enterprise Georgia) and Georgia’s Innovation and Technology Agency (GITA) officially became members of the Enterprise Europe Net-work (EEN). With over 600 European and international partner organizations EEN is the largest network of contact points providing information and support for SMEs in the fields of international business cooperation, innovation, knowledge and technology transfer according to best European practice. Adding of the companies on the platform of EEN is being implemented by Enterprise Georgia. Also, GITA actively continues to involve entrepreneurs into EEN platform. In 2016, with the support of the Agency, 3 partnership treaties were concluded with the Republic of Lithuania.

December 13, 2016 Georgia’s Innovation and Technology Agency (GITA) with the support of EasT Invest2 organized an event: Networking opportunities for SMEs under EEN and Horizon 2020. Representatives of small and medium enterprises, research institutions and startups, also other stakeholders were attended to this event.

Besides, Enterprise Georgia has developed special form to get feedback from the beneficiaries. The form is filled out by companies which shows the statistics of the companies who participated in the trade missions and other events. Information is updated permanently by the agency. The form shows the following information: number of new foreign contact companies and number of signed contacts (with volume).

Within the frames of the EEN at least 30 Georgian companies have received business offer/request from the European companies. At the moment 5 companies are in the process of negotiation to start cooperation with the potential partners from EU.

In this regards, activities of the Georgian Chamber of Commerce and Industry (GCCCI) are noteworthy. One of the service the GCCCI offers is organization of business forums and international fairs, which facilitates further development of international commercial relations. In 2016, the Georgian Chamber of Commerce and Industry organized:

- 6 business forums abroad (Estonia (February 10), Belarus (March 23), Hungary (March 29), Latvia (March 31), Austria (June 3), Qatar (October 5));
- 14 business forums in Georgia (business delegations of the following countries participated in the business forums: Czech Republic (February 8-10), Jordan (March 28-31), Russia (April

12-13). Iraq (April 25-28), Kazakhstan (June 6), Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) (May 22-25), Russia (May 26-June 3), Iceland (June 3), Turkey (August 16), Belarus (September 1), Estonia (September 20), China (September 26), Japan (November 3), Ukraine (November 30), Republic of Korea (December 1)).

In 2016, the Georgian Chamber of Commerce and Industry organized 2 Fairs in Georgia: Fair of the Chinese Export Goods (September 27) and Belarus National Fair (September 1-4).

The Georgian Chamber of Commerce and Industry regularly updates Georgian business society on upcoming significant events worldwide, so that Georgian businesses have an opportunity to participate in them and build trade and economic relations. In 2016, the Chamber informed the Georgian business sector regarding 52 international fairs.

The Chamber is actively involved in implementation of the “One Belt, One Road” initiative that envisages enhancement of economic and trade relations between the Silk Road states. During the last year, the GCCI fruitfully cooperated with the Chinese side – several visits were exchanged both in Georgia and China. As a result:

- The protocol on the establishment of Georgian – Chinese Friendship Association was signed. The main objective of the Association is to organize business and educational events and promote investments.
- Special customs warehouse was inaugurated in the city of Yiwu, where Georgian goods can be kept.
- With the support of the Georgian Chamber of Commerce and Industry, 10 containers of the Georgian wine has been exported to the People’s Republic of China.
- Ten “Georgian houses” have been opened in China by the representative of the Georgian Chamber of Commerce and Industry. It is foreseen to open up to 50 such houses in total.
- Soon, the Silk Road Information Center will be opened in Georgia. The project is jointly being implemented by the Georgian Chamber of Commerce and Industry and the Silk Road Chamber of International Commerce.
- In China (XinJiang province), service center will be opened. Representations of up to 25 countries, participating in “One Belt, One Road Initiative,” will operate in the service center. The office space will be granted to the GCCI free of charge, for a 3-year term, to accommodate GCCI Representation. It shall promote further enhancement of trade and economic relations between the two countries.

The Georgian Chamber intensively works with Chambers of Commerce and Industry of various states for the purposes of promoting business relations between business societies. On a daily basis, trade and investment offers, as well as other information on both Georgian and foreign companies are exchanged. The GCCI deems it feasible to promote search of new markets and broaden business outreach of Georgian companies, through ties with partner chambers, especially on the stage when tight investment and trade relations with some countries are absent. As a result of negotiation, in 2016, the Chamber signed Memorandums of Understanding with Chambers of Commerce and

Industry of 12 countries (Republic of South Africa, Czech Republic, Kirgizstan, Croatia, Kazakhstan, Slovenia, Zambia, Qatar, Montenegro, Brazil, Silk Road Chamber of International Commerce, China's Council for the Promotion of International Trade).

Priority Action 4.5: “Responsible Business Conduct (RBC) Promotion“

For promotion of Responsible Business Conduct (RBC) among SMEs, local organization (Civil Development Agency – CIDA) has been identified. Besides, in cooperation with and through the support of The Organisation for Economic Co-operation and Development (OECD) conference was held for awareness raising of local organizations and also, public sector on RBC.

Strategic Direction 5: Facilitation of Innovation and R&D in SMEs

Priority Action 5.1: “Stimulation of Innovation among SMEs“

In 2015 the National Statistics Office of Georgia in close cooperation with GITA elaborated the methodology to study the Information and Communication Technology access and use by households, individuals and enterprises as well as innovation activities in enterprises. Thus, in 2016 GeoStat conducted surveys and published the following studies within their annual statistic program activities:

1. Information and Communication Technology (ICT) Access and Use by Households and Individuals (2016);
2. Survey Results For Innovation Activities of Enterprises;
3. Use of ICT in Enterprises.

One of the main objective of the World Bank financed National Innovation Ecosystem project is to improve and develop innovation and entrepreneurship capacity for the local population in the regions. For identifying the needs assessment, the appraisal reports and short feasibility studies were conducted for the following locations: Kakheti-Telavi, Gurjaani; Imereti – Kutaisi; Racha – Ambrolauri; Guria – Ozurgeti; Shida Kartli –Gori, Tsikhistavi; Kvemo Kartli – Bolnisi, Adjara – Khulo.

In the framework of the MOU, signed between GITA and USAID Zrda project, Regional Innovation Days were held to raise awareness on innovative entrepreneurship activities. The first event was held in Zugdidi (12-13 July, 2016). GITA presented the government's vision on innovation development, its programs, projects and services to the youth, entrepreneurs and academic sector. More Innovation days were held in Akhaltsikhe, Marneuli and Gori.

To present the startup support program – **Startup Georgia** in the regions, the Info Days were held in Tbilisi, Akhaltsikhe, Akhalkalaki, Mtskheta, Gori, Telavi, Rustavi, Marneuli, Batumi, Ozurgeti, Zugdidi, Kutaisi and Ambrolauri.

The round of meetings were held in the region (Zestaponi, Terjola, Kharagauli, Bagdadi, Telavi) with SME representatives, ISPs and other interested parties (80 entrepreneurs attended) to assess the computer and internet accessibility, as well as plan innovation services (trainings) for the local beneficiaries. The meeting participants were questioned on their needs which may improve better internet accessibility and their business development. With the aim to improve the computer technology and internet absorption by the SMEs GITA is going to plan the training course for local entrepreneurs in e-commerce, e-business and e-governance, which will support local production and entrepreneurship development.

25 trainings and workshops were held for the 15 business incubator teams in innovative business skills development. Microsoft services and weekly trainings in pitching were added to the program. 19 teams expressed their willingness to participate in the business incubator project.

The first student' pre-accelerator project started and commenced in the Caucasus University in 2016. 6 teams took part in the project and one of them became the winner of the Startup Georgia program with his technology project. 5 more universities and 4 international mentors will cooperate to work on the pre-accelerator project in the universities.

The meeting was organized with the private and state institutions in the field of science and research with the aim to elaborate innovation and R&D support mechanisms. Scientists and researchers discussed the EU grants programs such as InnovFin, CORDIS, Idealist, Enterprise Europe Network, EuforBusiness - Credit Line and the list of recommendations were formulated to support the R&D.

On 15 November, 2016 the European Investment Bank (EIB) and GITA organized the joint event in the Techpark where the new opportunities were opened for Georgian startups and innovative organizations having access to additional financing resources. It was introduced the InnovFin financing instrument through which local banks will have access to additional financial resources to provide loans with special conditions to startups and technology centers. Information about more financial instruments was provided to the participants to contribute to the development of the innovative projects.

GITA with support of East Invest have organized the Info Days to discuss the grants and investment opportunities offered by EU's Research and Innovation Programme - Horizon 2020 and the Enterprise Europe Network. The invited international experts have shared the practical examples with the SMEs and provided useful information and recommendations on the grants program.

Priority Action 5.2: “Elaboration of Effective Schemes of Innovation and R&D Financing”

80 beneficiaries were awarded with grants up to amount of 5000 GEL each project in 2016 for the purpose of 1. Creating prototypes; 2. Organizing innovation competitions; 3. Study visits. In total of 276 424 GEL was spent on Micro grants program.

48 projects were financed for creating prototypes as follows: Early diagnosis of cancer by blood plasma study on Differential Scanning Calorimeter (DSC); Pawwwn Online Platform; Educare

Global web-development; “Ukve” mobile application; innovative technology of glucose production with agricultural waste; Georgian online platform on crowdfunding; ad-coin web development; anti pouching system for the Ministry of Environment and Natural Resources Protection for monitoring pouching activities; Admove- advertising on private cars; Anabana- Georgian version of Scrabble; Gustav- innovative cleaning service; Smart House – web development; Treepex- green loyalty program, for planting trees through mobile application; DRiVR – virtual reality car; Motion augmented reality prototype (MARD); Holo- prototype of hologram, Smart Light On- prototype of optimized system of external lighting, which decreases quantity of car accidents; MarsIn- study of Mars, Nano technological robot for the study of surface of planet Mars (for NASA).

10 innovation competitions financed: Hackathon, Eduhack, Google I/O Extended 2016; Seedstarstbilisi 2016; ATSUHACK, Makeathon in Zugdidi etc.

In 2016 travel grants were awarded to 20 beneficiaries, who attended different conferences and competitions. On July 18-23, 2016 in Romania at The Central European Olympiad in Informatics (CEOI) the Georgian representatives were awarded with bronze and silver medals. The Central European Olympiad in Informatics (CEOI) is an annual informatics competition for secondary school students.

Within the framework of travel grant, grant beneficiary participated in Innovations Global Summit, which was held in USA. As a result of the participation, Georgian representative was involved in joint project on creation of mobile application for victims of domestic violence. Aforementioned project won the hackathon held in the US and the team won the prize - 100 000 USD.

Priority Action 5.3: “Support to Commercialization of Innovations and R&D”

The Technology Assessment conducted at Georgian research institutes in 2015 by Massachusetts Institute of Technology (MIT) assessment team, experienced in research and development, industry, and commercialization, sought answers to the question “what capabilities exist in Government research institutes and what needs do institutes have?” Institutes identified and described research projects, which the institute believed to have commercial potential. Other objectives of the assessment included raising awareness of the institute’s research and administrative staff to new opportunities, which may lead to research cooperation with industry; to motivate staff to commercialize research; to enable institute staff to feel recognized, intellectually challenged, and rewarded for their scientific and technical contributions; and to enhance awareness of an institute’s research strengths globally.

Decision filters were repeatedly applied in reducing the 96 projects submitted by institutes to a short list of 27. Filters included, among others: features of the research attractive to corporate partners; comparison with other R&D being conducted elsewhere; strength of the institute’s research team; new or competitive features of the technology; and stage of the development. 28 projects were reduced to the final 13 projects with the most promising commercial potential. Areas of research strengths in the final 13 projects with the most promising commercial potential included: recycling

of waste materials, bioremediation, cancer diagnosis, anti-herpetic treatment, anti-counterfeiting systems, automobile fuel cleaning, radiation safety devices, smart windows for buildings, and bacteriophages for treatment of bacterial infections.

In March 2016 GITA has started collaboration with the Government of the United States for the formation of the system of technology transfer. In August 2016 Mr. Mukul Ranjan – Senior Expert of technology transfer at National Institute of Health (NIH) visited GITA. During Mr. Ranjan’s visit the study of current situation of technology transfer and R&D commercialization at Georgian universities and research institutes was conducted. As a result of the aforementioned study, the report was elaborated on the current situation of technology transfer at universities and research institutes and recommendations for the future steps for development of technology transfer in Georgia.

For the identification of R&D prospective and human resources in September 2016 GITA has started working on database of research institutes and employed scientists in Georgia. The meetings with Georgian private and public research institutes was arranged. The database includes up to 70 scientists/representatives of the research institutes. On the basis of analysis of the aforementioned database GITA plans to analyze scientific potential of Georgia and form cluster map. With assistance of GIZ several clusters were identified including IT, E-commerce, Plastics, Biotech etc. The analysis and further study and development of these directions is necessary.

For the promotion of collaboration between R&D and business sector the project - “Innovation in Business” has being launched. Within the framework of the project, on October 1, 2016 the workshop on Milk Industries was held. The workshop aimed at identification of certain issues and needs of business companies. The scientists of the specific field were working on the solutions for the business sector. The main goal of the workshop is commercialization of scientific ideas in the business and promotion of R&D.

In November 2016 the Agency has started working on elaboration of Action Plan for the establishment of National Technology Transfer Office, which aims to commercialize Georgian products and their export into the global market through licensing and formation of spinoff companies.

On December 1-2, 2016 GITA in collaboration with USPTO and CLDP has arranged the seminar on “Technology Transfer: Law, Policy and Practice” at Techpark Georgia. The main aim of the seminar was to share American experience of technology transfer, protection and management of intellectual property, R&D related legal issues and case studies. The participants of the seminar included representatives of the Ministry of Education and Science of Georgia, universities, business sector, Sakpatenti and other relevant stakeholders.

Priority Action 5.4: “Improvement ICT Skills among Businesses”

In 2015-2016 GITA, in partnership with the Ukrainian SkillUp training center, began a training program (ToT) for IT specialists in 9 areas: Android, Java, iOS, *Front-end development*, PHP, Python, UX Design, IT project management, IT Product Quality Management. 135 trainers were trained

under the program out of which 53 trainers trained 613 beneficiaries in 2015 and 82 trainers trained over 800 beneficiaries in 2016.

ToT program beneficiaries got employed at well-known Tbilisi training centers: GeoLab, UG Lemondo, Mziuri, etc.

Training program – "Innovation Management" has been held in Zugdidi Techpark and Innovation Centers operating in the regions. The training program motivates and draws youth around the idea, teaches the ways to develop and implement the idea and raise funds. More skills development trainings were held in the Teckpark Zugdidi and Innovation Centers in the regions: Little Beats workshop, Code.org workshop, Lego Robotics workshop, How FabLab works, How to startup a business, Intellectual Property, What is Digital Marketing, Training - Youth for Innovation development, which covers the basic knowledge of programing, computer design and social media. More than 1000 beneficiaries participated in the above mentioned educational and awareness raising activities.

Priority Action 5.5: "Providing Infrastructure for Innovation (FabLabs; iLabs; TechPark; BroadBand; Computerization)

With the aim to create innovation ecosystem and develop innovation infrastructure, the first Teckpark in Georgia was opened which became operational from January 2016. TechPark represents the space for creativity, collaboration and development of the ideas where the following services are offered:

1. Fabrication laboratory (FabLab) equipped with high-quality technology for prototyping, e.g. 3D printers, scanners, laser cutters, two types of programmable machines (CNC);
2. Open co-working area – Free co-working area offered to the startups and freelancers under certain conditions for the development of their projects;
3. Showrooms of Intel, HP, Autodesk, Samsung, Cisco, Epson - These high tech companies offer their latest devices for the Techpark residents.
4. Business Incubator provides startup businesses with multi-profile services (consultancy, training, mentorship).

Techpark has hosted more than 300 different thematic events aiming at promotion of innovation and entrepreneurship, awareness raising, business forums attended by 15000 participants.

Within the component of innovation infrastructure development throughout the country another Techpark was opened in Zugdidi and 3 Innovation Centers in Kharagauli, Choporti and Bagdadi. In 2017, 3 Techparks (Regional Innovation Hub) and 10 Innovation Centers shall be opened. Based on the innovation infrastructure, entrepreneurship and innovation services (trainings, workshops, olympiads, mentorship, digital skills development, consultation for startups and entrepreneurs, assistance in prototyping, etc) will be offered to the local population.

17 locations were identified for future Fabrication Laboratories throughout the country in 2016. 3 new FabLabs were opened in 2016. In cooperation with the Ministry of Education and Science 14 FabLabs are planned to be opened on the bases of professional collages (10 in the regions and 4 in

the capital). 3 more Fablabs will be opened on the bases of the new Teckparks in the regions. In total, there are 8 FabLabs operating throughout the country, 2 in the regions and 6 in Tbilisi.

GITA Business Incubator provides startup businesses with multi-profile services. The program was launched in February, 2016 with the goal to enable the participating teams to successfully develop their innovative business ideas. Selected teams within the year are getting access to free co-working space, technical assistance in financial, legal, IP and tax issues, as well as training in financial, project management, marketing, etc. access to mentors network and other GITA's partner organizations. As a final stage Demo Day was organized in TechPark, where the 8 startups were able to pitch their ideas among investors for further fundraising.

In 2016 the project "Start business with FabLab" was implemented, which offers technical assistance and consultation for startups and SMEs. 20 teams participated in the project out of which 6 became startups and produce the products creating in FabLab. 25 teams were selected in the second stream including teams from Zugdidi and Poti. The special training, on how do the FabLab equipment (Laser cutter) work, has been held for project beneficiaries (8 startups).

To cover the whole country with broadband infrastructure, the Government of Georgia approved the new state program on Fiber-optic Infrastructure Development in Georgia by the Resolution 375 on July 28, 2016. Following the implementation of the state program to develop fiber-optic broadband infrastructure, the country will be fully covered by optic highways designed to promote retail networks and provide Internet to subscribers via local operators. As a result of this program, Georgia's regions will have access to high-speed Internet that will increase citizen participation in the country's social-economic life. The program will also support entrepreneurship, develop a competitive market environment, and stimulate private investment in the telecommunications field.

The program consists of two components: financial support and the construction of broadband infrastructure.

Financial support includes:

1. Establishing a mechanism for accessing financial resources.
2. The provision of services by a program beneficiary under this program.

The construction of broadband infrastructure includes:

1. Designing and constructing the passive infrastructure.
2. Planning and arranging the active network.
3. Servicing the infrastructure and network.
4. Providing wholesale services.