

Annual Progress Report (2017)

of SME Development Strategy Action Plan 2016-2017

Introduction

SME Development Strategy (2016-2020) and Action Plan (2016-2017) for Georgia, which was developed by the Ministry of Economy and Sustainable Development of Georgia in close cooperation with the Organisation for Economic Co-operation and Development (OECD) and with the support of GIZ, was adopted by Resolution of the Government of Georgia on 26 February 2016 (Resolution N100 of the Government of Georgia; 26.02.2016). The draft strategy was reviewed in the format of the Eurasian Competitiveness Roundtable within the OECD Eurasian Week (25 November 2015).

The strategy envisages the basic principles of the European Small Business Act (SBA), as well as the best practices of the EU States in terms of small and medium business policies. The strategy includes the following **five key strategic directions** and their implementation activities.

Strategic directions:

1. Further improvement of legislative, institutional framework and operational environment for SMEs;
2. Improvement of access to finances;
3. SME skills development and promotion of entrepreneurial culture;
4. Export promotion and SMEs internationalisation;
5. Facilitation of Innovations and R&D in SMEs.

According to the 2016-2017 Action Plan of the SME Development Strategy, each strategic direction includes detailed activities to be implemented for 2016-2017, which are important for implementing priority measures and therefore, achieving strategic goals. Specifically, **the Action Plan for 2016-2017 includes five strategic directions, 33 priority measures and 123 actions**, including:

- ✓ The first strategic direction involves 6 priority measures and 22 actions.
- ✓ The second strategic direction includes 6 priority measures and 17 actions.
- ✓ The third strategic direction includes 10 priority measures and 34 actions.
- ✓ The fourth strategic direction includes 6 priority measures and 27 actions.
- ✓ The fifth strategic direction includes 5 priority measures and 23 actions.

On this basis, the number of actions **set only for 2017** is 64 and is according to the strategic directions as follows:

- ✓ The first strategic direction - 8 actions.
- ✓ The second strategic direction - 10 actions.
- ✓ The third strategic direction - 22 actions.
- ✓ The fourth strategic direction - 12 actions.
- ✓ The fifth Strategic Management - 12 Actions.

Monitoring of the implementation of the activities defined in the Action Plan 2017

Following adoption of the SME's Development Strategy (2016-2020) and Strategy Action Plan (2016-2017), for the purpose of monitoring its implementation a high level coordination group (headed by the Minister) and the relevant working group (headed by Deputy Minister) was established by the Ministry of Economy and Sustainable Development (Order N1-1/372 of the Minister of Economy and Sustainable Development of Georgia, 11.07.2016).

The Department of Economic Policy of the Ministry has developed a special form under which the monitoring and assessment of the activities defined by the Action Plan are implemented.

Resolution №628 of the Government of Georgia (Resolution №628; 30.12.2016) concerning the monitoring of the governmental activities, as well as approving the reporting and evaluation systems, envisages one of the most important elements in the monitoring and evaluation system - a performance indicator. The achievement of the goals is based on the achievement of the results in terms of target indicators, which is measured by performance indicators.

In accordance with the above mentioned, the Action Plan (2016-2017) for SME's Development Strategy comprises the relevant performance indicators, which is the measurement through which the achievement of the goal is evaluated or, in some cases, the fulfilment of the activity is evaluated. Performance indicator is a quantitative instrument that evaluates the performance of the task or quality of the activity. Strategy's Action Plan includes 72 Performance indicators. According to strategic directions, the Performance indicators are grouped as follows:

- ✓ The first strategic direction - 13 indicators;
- ✓ The second strategic direction - 10 indicators;
- ✓ The third strategic direction - 26 indicators;
- ✓ The fourth strategic direction - 9 indicators;
- ✓ The fifth strategic direction - 14 indicators.

The activities determined in the priority measures of each of the strategic directions of the Action Plan of the Strategy are as follows:

➤ **The First Strategic Direction: Improvement of Legal, Institutional and Entrepreneurial Environment.**

- *Priority Action 1.1: Improvement of procedures for closing business and insolvency.*

This priority direction is implemented by the Ministry of Justice of Georgia, Ministry of Economy and Sustainable Development of Georgia and Ministry of Finance of Georgia. As of today, the planned amendments to the Law of Georgia on Insolvency Proceedings were adopted by the Parliament of Georgia under Law № 759 of 4 May 2017. In addition, the Ministry of Justice of Georgia developed the new draft law in the insolvency sector. For this purposes a representative working group has been created in the activity of which the representatives of the Ministry of Economy and Sustainable Development of Georgia are also involved. The project was implemented in

cooperation with the German International Cooperation Society (GIZ). At this stage, **the first version of the draft law on Insolvency Proceedings has been developed.**

- *Priority Action 1.3: Improvement of enterprise statistics.*

This priority implies the improvement of enterprise statistics by the National Statistics Office of Georgia during 2017. Recommendations for expansion of the scope of enterprise statistics have been worked out in this regard. As a result of the mentioned activities, based on the new studies, the scope of enterprise statistics was expanded and the statistics were published on Geostat's official website. It should be noted that in the first quarter of 2017 the statistical indicators of enterprises are published in accordance with the new methodology for determining the size of the enterprises that are closer to the European standards. From the same quarter of 2017, the statistical indicators of enterprises are published according to the new Classification of Economic Activities - NACE Rev 2. In general, the process of improvement of enterprise statistics will continue in the future.

- *Priority Action 1.4: Strengthening of the SME supporting institutions*

This priority measure was implemented by the Ministry of Economy and Sustainable Development of Georgia in close cooperation with the agencies within its governance (LEPL "Georgia's Innovation and Technology Agency" and LEPL "Enterprise Georgia").

Within the priority direction, meetings were held with participation of the institutions supporting small and medium enterprises.

Based on the needs identified for the improvement of the functioning of institutions supporting small and medium entrepreneurship, the relevant normative acts have been drafted and submitted to the Government of Georgia, LEPL "Enterprise Georgia" was created based on the reorganisation of LEPL "Entrepreneurship Development Agency". **As a result, services targeted to the needs of SMEs were introduced and unified front office of SME's State Supportive programs under the umbrella of LEPL "Enterprise Georgia" were created.**

A co-matching grant component supporting micro, small and medium enterprises was launched in 2016 and continued in 2017. Consequently, meetings were held with project contractors. They provided information about the main problems that had been encountered during the stages of implementation of the project in 2015-2016. Some changes were made for the purposes of project administration and better efficiency. Additional criteria for assessing a business plan are also identified according to priority. In addition, **in order to improve the functioning of the Innovation and Technology Agency of Georgia, Consultation Company Deloitte evaluated the Agency's activities and developed the recommendations.** In parallel, international experiences of the following countries were studied: USA, China, Germany, Estonia, Israel, Great Britain, Korea and Holland.

- *Priority Action 1.5: Strengthen Public Private Dialogue (PPD)*

In order to promote private sector development and deepen cooperation between the public and the private sector the advisory council has been created as a platform for dialogue between private and public sector. In 2017, **two meetings were held** with active participation of government, non-government and business representatives within the Advisory Council. Further study of the issues/problems raised by the private sector is carried out and appropriate feedback is fulfilled. In addition, as a result of functioning of the council the private sector is informed about planned and ongoing reforms.

- *Priority Action 1.6: Establishing RIA System for Regulation Impact Assessment for Priority Economic Legislation*

As of 2017, RIA's institutional mechanism has been developed and **a legislative framework document has been prepared** by the Government of Georgia. Also, the document of the Regulation Impact Assessment Concept and technical manual of cost and benefit analysis (CBA) have been developed.

As a result of monitoring and evaluation, it has been revealed that:

The first strategic direction includes 6 priority measures and 22 actions. Out of 6 priority measures 1 were implemented in 2016 and 5 priority measures were implemented in 2017.

“Performance indicators” corresponding to the first priority direction were performed in 2017. In particular:

- ✓ *The draft law of Georgia on Insolvency Proceedings was developed;*
- ✓ *The scope of enterprise statistics has been expanded and the statistics are published.*
- ✓ *The services based to the needs of small and medium enterprises were introduced;*
- ✓ *Unified front office of SME's State Supportive programs under the umbrella of LEPL “Enterprise Georgia” were created;*
- ✓ *Meetings amongst the SME support institutions were held;*
- ✓ *Meetings of Private Sector Development Advisory Council were held.*
- ✓ *RIA institutional mechanism and a legislative framework document have been developed.*

➤ **Second Strategic Direction: “Improvement of Access to Finances”**

- *Priority Action 2.1: Improvement of Financial literacy among SMEs .*

This activity is implemented by LEPL “Enterprise Georgia”, Ministry of Economy and Sustainable Development of Georgia, Ministry of Finance of Georgia and National Bank of Georgia. In 2016-2017,

11,456 beneficiaries were trained in finances within the Micro and Small Business Support Component of the State Program “Produce in Georgia”, where 5,762 beneficiaries were trained in 2016 and **5694 beneficiaries - in 2017**. The trainings included the aspects relevant to the needs identified in relation of preparation of business plans, business administration and finances.

- *Priority Action 2.2: Support to SMEs in Introduction of International Financial Reporting Standards (IFRS for SME).*

These activities are carried out by the Service for Accounting, Reporting and Auditing Supervision of the Ministry of Finance of Georgia. **IFRS for SME awareness raising materials were developed and IFRS for SME awareness raising trainings were conducted** in 2017. The awareness raising activities were conducted in partnership both with private and public sectors. In total, there were conducted 12 trainings, including:

- 5 – together with the Association of Georgian Small and Medium Enterprises (GSMEA);
- 2 – together with the IFRS Foundation and World Bank.
- 2 – together with the two largest banks;
- 1– together with the Georgian Federation of Professional Accountants, Auditors and Financial Managers (GFAAFM);
- 2 - together with the Chamber of Commerce held in the region, in Kutaisi and Batumi;

More than 1,200 entrepreneurs, who represented more than 900 enterprises in this sector, attended those trainings.

- *Priority Action 2.3: Increase knowledge on fund raising among SMEs*

This activity is implementing by the Georgian Innovation and Technology Agency, and partners are the Ministry of Economy and Sustainable Development of Georgia and LEPL “Enterprise Georgia”.

In 2016-2017, information meetings in fundraising issues were held for businessmen and the participants of 19 teams of Business Incubator **were trained on fundraising topics**. In particular, two trainings and 2 workshops in this field were conducted in 2016, while **1 training and 1 general and 13 individual meetings were held in 2017**.

- *Priority Action 2.4: Attracting private investment and venture capital funds focused on financing small and medium enterprises and start-up businesses.*

In 2017, GITA was conducting the research on venture funds and initiating discussions with them. Currently 2 feasible seed-stage venture funds are being identified Israel’s Venture Fund **JVP** and **Frank Group**, with whom the negotiations were held for future cooperation. There were identified 10

start-ups with potential of attracting investment capital. **Thus, the Venture Funds were identified for the purpose of finding alternate financing of start-ups and start-ups were identified also. This activity is implemented** by the Georgian Innovation and Technology Agency, and the partners are the Ministry of Economy and Sustainable Development of Georgia and LEPL ‘Enterprise Georgia‘.

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

In 2017 the roundtables/discussions were held between the parties for the identification of obstacles to financing small and medium enterprises to reduce them in the future. **In 2016-2017, 5 roundtables/discussions were held to identify obstacles to financing small and medium enterprises. Those meetings were attended by beneficiaries from the fields of production of plastics, paper and cardboard, and pharmaceuticals.** This priority measure is carried out by LEPL ‘Enterprise Georgia’, and the partner is the Ministry of Economy and Sustainable Development of Georgia.

As a result of monitoring and evaluation, it has been revealed that:

The second strategic direction involves 6 priorities and 17 actions. In 2016, 1 priority measure was implemented, while ***in 2017 five priority measures were implemented.***

In 2017, ‘Performance indicators’ corresponding to the second strategic direction were performed. In particular:

- ✓ *Trainings for entrepreneurs were conducted;*
- ✓ *Awareness Training modules of IFRS for SME was prepared.*
- ✓ *12 trainings of awareness raising in IFRS for SME were conducted;*
- ✓ *Information meetings were held (1 training, 1 general and 13 individual) in fundraising issues for entrepreneurs;*
- ✓ *2 Venture Fund was identified for alternative funding for start-ups;*
- ✓ *10 start-ups with investment potential were identified;*
- ✓ *Round tables/discussions were held to identify the obstacles to financing small and medium enterprises.*

➤ **The Third Strategic Direction: SME skills development and promotion of entrepreneurial culture**

- *Priority Action 3.1: Identification of labour market needs and development of relevant employment programmes*

The State Program for Professional Training and Retraining and Enhancement of Qualification of Jobseekers was held in 35 out of 68 demanding professions in 2016. At the early stage, 2,125 jobseekers were registered and issued a voucher. 1,995 jobseekers were involved in the state programme and 1,804 persons completed the full course. As a result of the programme, 534 participants were employed in total; 14 of them were persons with disabilities. 47 jobseekers participated in the internship component, 22 of them were persons with disabilities. 21 jobseekers were employed, 3 of them were persons with disabilities. In 2016 as a result of those activities 555 jobseekers were employed in sum, 25 of them were persons with disabilities. With the aim of getting familiar with the rules of conduct in the labour market, 3,072 jobseekers were consulted individually, 78 of them were persons with disabilities. 1277 jobseekers got group consultations, among them 650 were women, 9 probationer, 4 persons with disabilities, 450 internally displaced persons. In 2016 as a result of the activities 1,020 jobseekers were employed in sum, among them: 216 in the framework of intermediate services; 238 in the framework of employment forums; 11 persons with disabilities in the framework of supported employment ; 21 in the framework of the internship component; 534 in the framework of training and retraining programme.

In 2017 the Ministry of Labour, Health and Social Affairs of Georgia conducted the labour market survey through a qualitative method. Herewith, Job seekers, beneficiaries of the programme were retrained.

In 2017, the State Program for Professional Training and Retraining and Enhancement of Qualification of Jobseekers was implemented in two stages. At the first stage, 1,047 jobseekers were registered in 40 demanded professions and 990 beneficiaries (58 internally displaced persons, 266 socially vulnerable persons, 6 probationers and 28 internally disabled persons) were involved in education process. 990 beneficiaries completed the programme and were awarded a certificate. At the second stage, 1313 beneficiaries in sum (101 internally displaced persons, 332 socially vulnerable persons, 3 probationers, 6 former prisoners and 46 persons with disabilities) were registered in 43 professions. 1210 beneficiaries graduated the program and were awarded a certificate. At both stages, **2130** jobseekers in sum graduated the programme and were awarded a certificate, By December 2017, **395** jobseekers were employed, out of them 7 were persons with disabilities.

In 2017 with the aim of getting familiar with the rules of conduct in the labour market, 5187 jobseekers got individual consultations, 142 of them were persons with disabilities. 1046 jobseekers got group consultations, among them 814 were women, 9 persons with disabilities, 140 internally displaced persons.

In 2017 as a result of activities in sum **1 778** jobseekers were employed, among them: 399 in the framework of intermediate services ; 731 in the framework of job fair; 42 persons with disabilities in the framework of supported employment -; 23 employers and 53 persons with disabilities were enrolled in the subsidy component and 22 of them were employed. 37 persons were employed in the framework of the internship component, 5 of them were persons with disabilities. 533 persons were employed in the framework of the State Program for Professional Training and Retraining and

Enhancement of Qualification of Jobseekers, among them 7 were persons with disabilities. 14 job seekers were employed in the framework of partner organisations' projects.

- *Priority Action 3.2: Training Needs Assessment – TNA of Small and Medium Enterprises*

During 2017 the results of TNA were analysed and instruments were improved, as also the TNA concept and relevant mechanisms were elaborated. In the reporting period, an invited expert by ETF and LEPL “Enterprise Georgia” started to implement a further TNA-based project **in the direction of the hotel industry**.

- *Priority Action 3.3: Establishment of Lifelong Entrepreneurial Learning (LLEL) at all level of education system*

The Strategy of Education and Science, the Action Plan and Logical Framework for 2017-2021 was elaborated , as well as where **the components of entrepreneurial learning** as a separate activity is included in each education level, starting from pre-school education. The document was submitted to the Government of Georgia for approval. Interagency working group is established with the aim of introducing LLEL in the education system. Its members were involved in thematic groups created within the Strategic document and Action Plan to ensure the effective reflection of LLEL in Strategic Document and Action Plan.

Numerous activities were held in terms of entrepreneurial education in the field of vocational education: teaching of **entrepreneurship module became mandatory for all professional educational programmes**. The entrepreneurship module was updated and entrepreneurship module teachers were trained. A training of entrepreneurship trainers was also conducted. Innovative industrial laboratories are functioning in 14 state vocational education institutions, which support students to develop entrepreneurial ideas. Professional education “Hackathon” and “Booster” were organized in partnership with Innovation and Technology Agency.

- *Priority Action 3.4: Developing Vocational Education System Oriented towards Entrepreneurship*

With the aim of facilitating approximation VET education to the labour market needs over 100 professional standards were elaborated/ revised through active participation of entrepreneurs. In 2017, 44 framework documents for a modular professional programme were prepared and 17 of them were approved. Work-based learning programs were implanted in the field of agriculture and tourism, in 2017 4 programmes were added to existed 3 the work-based learning program. Trainings on a work-based teaching were conducted for teachers and employers, based. **Representatives of private sector were actively involved in all level of vocational education (National Vocational Council, Sector Councils, and Supervisory Councils at a college level)**. The forum - Knowledge Partnership was

developed for the purpose of exchanging information among parties. These activities are implemented by the Ministry of Education and Science in cooperation with sector agencies.

- *Priority Action 3.6: Provision of Technical Assistance (TA) for SME sector*

This means to provide technical assistance in the framework of the state programs, elaborate training-programs in cooperation with partners, implement export manager course with education institutions and popularize EFQM success model. In the reporting period, a technical assistance was implemented in the framework of the state programmes; also activities were implemented with purpose of popularizing EFQM success model. Namely, in the reporting period (2016-2017), about 12,000 beneficiaries attended trainings in general entrepreneurship, business administration and taxation. In 2015-2017 up to 15,000 beneficiaries got technical assistance. Up today 75 export managers are trained. Also technical assistance programmes were implemented for exporter companies, namely through business consultations, tailored trainings, introducing certification and standard. The LEPL “Enterprise Georgia” implemented the above mentioned activities.

In 2016, six beneficiary companies of the state programme “Produce in Georgia” used the technical assistance (TA) in the framework of the industrial direction, while in 2017 five companies used it.

- *Priority Action 3.8: Expansion of Service Portfolio of the Service Centre for Entrepreneurs*

In 2017, the Service Centre for Entrepreneurs provided services to entrepreneurs, conducted lectures/seminars and consultations to stakeholders. The Service Centre was fully functional within the Agency “Enterprise Georgia” and provided information on the state programs in detail. **The Service Centre was actively involved in the Micro and Small Business Support Project in 2017. It provided information about the project and supported potential beneficiaries in registration of business ideas. In 2016 number of beneficiaries amounted to 5900 and in 2017 - 9000 beneficiaries.** This activity is implemented by the LEPL “Enterprise Georgia”.

- *Priority Action 3.9: Strengthening Women’s Entrepreneurship*

In 2016-2017, Georgia’s Innovation and Technology Agency was involved in the project “Strengthening Women’s Entrepreneurship”. Over 200 participants visited the Technopark and acquainted with the opportunities, which are offered to women entrepreneurs by the Innovation and Technology Agency of Georgia. With the aim of promoting creative entrepreneurship, a weeklong workshop “Renew Useless Items in Fablab” took place in Technopark by support of GITA. Polish specialists retrained 20 women entrepreneurs, who created various domestic items through the high-tech facility of the Fablab, then sold them and started business activities.

In 2016 - 2017, LEPL “Enterprise Georgia” was actively involved in the implementation process of Micro and Small Business Support Programme, which paid special attention to women entrepreneurs. Promotion of women entrepreneurs was still priority in the criteria of a new announced stage of 2017. Women entrepreneurs amounts to 40% in the Micro and Small Business Support Programme.

- *Priority Action 3.10 : Encouraging “Green Practice” in Small and Medium Enterprises*

During 2017, a training programme was elaborated on issues related to effective and clean production of resources; consultations/meetings were held on environmental performance actions, applicants’ request for the course of environmental managers were satisfied. The Ministry of Environment and Natural Resources Protection implemented this action in close cooperation with the LEPL Environmental Information and Education Centre.

In 2017, the Environmental Information and Education Centre coordinated preparation of a manual related to resource efficiency and clean production, also conducted a training for interested parties.

In 2016-2017, 10 enterprises were assessed in terms of opportunities of resource efficiency and clean production, related to environmental performance (the process began in 2016 and continued in 2017). Precisely:

- In 2017, an investment plan was prepared for 4 enterprises. Additionally, in October 2017, the interested persons were trained on financial analysis of investment projects;
- In 2017, 4 workshops were held in Tbilisi and regions, where participated more than 100 persons;
- In 2017, 6 trainings were conducted and national experts were retrained on issues related to resource efficiency and clean production;

In 2016-2017, courses for environmental leaders (managers) were developed and courses were implemented on solid waste management. Precisely, in 2016, 261 managers were registered at the course and 28 of them refused to participate. 200 managers in sum were trained and 85.8% of the demand was satisfied. In 2017, 74 managers in sum were registered, 19 of them refused to participate and totally 42 managers completed the training course (as a result, 76.3% of demand was satisfied and totally 84% of demand was satisfied).

As a result of monitoring and evaluation, it has been revealed that:

The third strategic direction includes 10 priorities and 34 actions, in total. In 2016 two priority activities were implemented, while in 2017 there were 8 priority activities, which were fulfilled.

In 2017, following implementation indicators of the third strategic direction were fulfilled. Precisely:

- ✓ *The labour market survey was conducted through a qualitative method;*

- ✓ *Job seekers, beneficiaries of the programme were retrained;*
- ✓ *Employers were involved in the teaching process;*
- ✓ *Beneficiaries of the programme, including vulnerable groups, were retrained and undergone internships;*
- ✓ *The study was conducted to introduce LLEL in the education system with the aim of revealing potential needs and challenges;*
- ✓ *A working plan for the implementation of LLEL at all level of the education system was developed;*
- ✓ *Professional standards were elaborated through participation of entrepreneurs;*
- ✓ *Programmes with work-based learning principles were introduced;*
- ✓ *A forum/platform was established with the aim of exchanging information between parties;*
- ✓ *Technical assistance was implemented in the framework of the state programmes;*
- ✓ *The activities of EFQM were implemented with the aim of promoting a model of success;*
- ✓ *Service Centre of Entrepreneurs provided services for entrepreneurs, as well as conducted lectures/seminars and consultations;*
- ✓ *The number of women participating in micro and small business support programmes amounted to 40%, there are 28 women out 34 entrepreneurs trained in electronic commerce;*
- ✓ *A training programme on resource efficiency and clean production was elaborated;*
- ✓ *Consultations / meetings were held regarding environmentally accepted actions;*
- ✓ *80% of demand for the course of environmental leaders (manager) was satisfied.*

➤ The Fourth Strategic Direction: "Export Promotion and Internationalisation of Small and Medium Business".

- *Priority Action 4.1: Raising Awareness about DCFTA Prospects and Requirements.*

Priority action is implemented by the Ministry of Economy and Sustainable Development of Georgia in cooperation with “Georgian Chamber of Commerce and Industry”, LEPL “Enterprise Georgia”, LEPL “National Agency of Standards and Metrology” and LEPL United National Accreditation Body - Accreditation Centre, as well as the Ministry of Agriculture and the National Food Agency.

In 2017, the activities for awareness raising as well as providing information to entrepreneurs with regard to quality national infrastructure (metrology, standards, accreditation, and conformity assessment) is actively implemented. Information centres have been established on DCFTA issues and for the purposes of export facilitation and raising awareness about DCFTA perspectives and requirements; in addition, a number of activities were carried out, in particular in 2016, four International Exhibitions and two International Trade Missions were conducted, while in 2017 six international exhibitions, two business forums and one Trade Mission. Also, according to the needs of companies, international events were planned for 2017- 2018 to raise awareness of Georgian products.

In May 2017, LEPL “National Agency of Standards and Metrology” initiated the third stage of the Comprehensive Institutional Development Project (CIB) within the Twinning Project “Support of the National Agency of Standards and Metrology for the implementation of DCFTA commitments between Georgia and the European Union”. A conference dedicated to the Twinning Project was opened on 26 September 2017.

An awareness-raising seminar in the field of standardisation and metrology was conducted for entrepreneurs and other stakeholders on 2 February 2017, in Tbilisi and on 20 April 2017, in Batumi. Experts were invited from Europe and representatives of the Institute of Metrology of the National Agency of Standards and Metrology of Georgia and Department of Standards within the project participated in the seminar.

Based on the data of 2017 and with the assistance of the EU project “Promotion of Association Agreement”, as well as within the framework of the dialogue between the private and public sectors, the Ministry of Economy and Sustainable Development of Georgia held in total six meetings with the participation of local entrepreneurs and farmers - in Gori (21 February), in Mtskheta (24 April), in Zugdidi, in Ozurgeti (23 June), in Adjara, Shuakhevi Municipality (12 July) and in Svaneti (2 October). More than 400 entrepreneurs/farmers participated in the meetings. At the meetings, the process of fulfilment of the obligations under DCFTA and challenges related to this process were discussed in detail. The farmers were provided with information on grant programmes and promotion that would enable local entrepreneurs to implement European standards and benefit from the Deep and Comprehensive Free Trade Agreement signed with the European Union.

The representatives of the Ministry of Economy and Sustainable Development actively participate in meetings, organised by the Office of the State Minister for Reconciliation and Civic equality Issues which envisages the provision of national minorities, as well as entrepreneurs and population living along the occupation lines with information about DCFTA. In 2017, three meetings were held in Marneuli, Akhalkalaki and Zugdidi. More than 150 people participated in the meetings.

Representatives of the Ministry of Economy and Sustainable Development of Georgia are also involved in the implementation of the trainings, which are organized by LEPL “Enterprise Georgia”. The aim of the trainings is to retrain export managers of the beneficiary companies of LEPL “Enterprise Georgia”, which enable them to diversify export markets. In total, 20 managers were trained.

In 2017, the Ministry of Agriculture organised 13 activities/meetings in different regions of Georgia in order to increase the awareness of the interested persons.

- *Priority Action 4.2: Entrepreneurship support in the country with adaptation to DCFTA requirements.*

Since 2016 an analysis of export potential for small and medium enterprises is undergoing, according to sectors. Support mechanisms (technical, financial) were also developed and applied planned

instruments. Identification of additional sectors with export potential was implemented and the work was completed on export facilitation of services. In the second quarter of 2017, the sectors with export potential were identified and also the identification of needs and problems of the companies according to the export readiness tests was implemented. The Ministry of Economy and Sustainable Development implements the activities in close cooperation with the LEPL “Enterprise Georgia”, Ministry of Finance, Ministry of Agriculture, National Food Agency, National Agency of Standards and Metrology and Accreditation Centre.

In 2016, the number of beneficiaries, supported in compliance with the requirements of DCFTA, amounted to 211 beneficiaries, and in 2017 it was **305** beneficiaries.

In December 2016, the Georgian Chamber of Commerce and Industry opened 5 offices of DCFTA Information Centre: **in Tbilisi, Kutaisi, Signaghi, Gori and Zugdidi**, and in 2017 the Information Centre office opened **in Batumi**. Through the offices of the Centre, business, especially small and medium sized companies, receive qualified information on DCFTA. Also, the centres organise trainings on interesting topics for entrepreneurs (defined by their demands).

As a result of the project, 5 long-term experts were retrained and employed who are directly involved with entrepreneurs and provide them comprehensive information on free trade with the EU. The experts completed an intensive course at the Diplomatic Training Centre of the Ministry of Foreign Affairs, in Paris Chamber of Commerce and Industry, as well as in various state agencies. The experts are trained for providing qualified consultation to entrepreneurial subjects in the process of approximation with EU standards and preparation products for export.

The following activities were carried out during the reporting year of 2017:

- Up to 150 entrepreneurs were consulted in the offices of Information Centre. Consultations were conducted during face-to-face meetings, as well as through telephone and electronic communication.
- Experts held more than 100 meetings in various cities and villages in Georgia, where 850 entrepreneurs took part;
- In order to identify the problems and needs in different sectors, experts gathered and processed information based on which trainings were planned for entrepreneurs, facilitating establishment of sector associations;
- In total, 22 trainings were conducted in 5 regions where 350 entrepreneurs participated. The training topics were defined in accordance with the interests of entrepreneurs;
- Experts held 70 meetings with various governmental and non-governmental organisations involved in the DCFTA implementation.
- Experts participated in 18 different activities (trainings, seminars, presentation, round tables), the topics of which were: New Programme of Food Safety Agency, DCFTA Advantages for Wine Exporters, Prevention of Pesticides and Agrochemicals Falsification, etc.

With the organisation/participation of the Ministry of Agriculture and with the aim of adaptation of private sector to DCFTA requirements, six activities supporting entrepreneurship were held.

In the I-III quarter of 2017, six new agreements have been signed for the implementation of the ISO 22000 within the programme; four enterprises were certified in ISO 22000. HACCP Certificate were granted to two enterprises.

- *Priority Action 4.3: Stimulating Export of Small and Medium Enterprises in the Country.*

In 2017 an active work is undergoing, to provide information about export market requirements (including technical requirements) to the entrepreneurs, as well as about the development of relevant marketing/promotion tools and the improvement of marketing/promotion skills in selected enterprises. The activities are performed by the LEPL "Enterprise Georgia", which actively cooperates with the Ministry of Economy and Sustainable Development, the Ministry of Agriculture, National Agency of Standards and Metrology and Accreditation Centre.

In 2016, in total **53 beneficiaries were supported for stimulating export in small and medium enterprises, while in 2017 that number was 108 beneficiaries.**

- *Priority Action 4.4: Support for Entrepreneurship in Establishing International Trade Relations.*

An effective management of entrepreneurs' participation in EEN has been implemented during this year. In order to participate in EEN, informational cognitive meetings were held and in addition, the profile of Georgian companies is registered at the EEN platform. In the reporting period, **two informational days of the Enterprise Europe Network** were launched in Georgia that aimed at informing the small and medium enterprises and start-up companies about the possibilities of **Enterprise Europe Network**. In particular, it implies providing information on policies and business opportunities in European countries and providing information on assistance, finances, research, access to Development and Innovation (R & D & I) European Programmes in the process of technology transfer. With the support of GIZ, the employees of LEPL "Enterprise Georgia" and "Georgian Innovation and Technology Agency" underwent a study and introductory tour in Germany, where they shared local knowledge, experience and practical examples. With the support of "Innovation and Technology Agency of Georgia", a business offer profile for two companies was posted on the platform of Enterprise Europe Network. In addition, negotiations are continuing with Turkey on the organization of a common "mission of the company." The Agency of Innovation and Technology of Georgia together with the EEN representative in Lithuania on November 20-22, 2017 was the co-organizer of the agro-fair in Tbilisi.

With the support of LEPL "Enterprise Georgia", two partnership agreements were signed between Georgian companies and companies registered in the Enterprise Europe Network regarding the export of laurel and import of medical overalls. In 2017 Georgia-Poland Business Forum was held,

where 23 Georgian and Polish companies participated, including 10 Georgian and 13 Polish companies. One Partnership Business Agreement was signed on the basis of a franchise partnership between the Georgian and Polish parties. In addition, in October of this year, two Georgian companies participated in a Pre-Anuga B2B international event held in Cologne, Germany, which is aimed at deepening cooperation between companies registered in the Enterprise Europe Network. Also, LEPL “Enterprise Georgia” and “Innovation and Technology Agency of Georgia” ensured access of the Georgian Chamber of Commerce and Industry to the portal of the Enterprise Europe Network. In 2017, **in total the profile of three Georgian companies were registered on EEN platform.**

Those activities are implemented by the LEPL “Enterprise Georgia”, “Georgia’s Innovation and Technology Agency” and Ministry of Economy and Sustainable Development of Georgia.

- *Priority Action 4.5: Promotion of Responsible Business Conduct (RBC).*

In 2017, an active cooperation of the Ministry of Economy and Sustainable Development of Georgia with an identified local organisation - Civil Development Society conducted for the promotion of RBC. In particular, measures were taken for raising awareness and popularisation of RBC amongst business sector.

This year, the Secretariat of Human Rights of the Administration of the Government of Georgia, “CiDA” and the Public Defender’s Office, by the consultations of Danish Human Rights Institute experts, prepared a basic research on business and human rights. Also, from June to August of 2017, collaboration with CiDA was conducted with regard to the project “Women’s Empowerment in Business Sector” which aims at providing consultancy and assistance to companies.

In 2017, the rights of persons with disabilities in the business sector were also encouraged. In addition, a discussion on “Business Partnership for Gender Equality” was launched, during which active participation of the business sector for strengthening of women is being discussed.

In September of this year a master class was held on the topic “Employment of People with Disabilities in Business Sector” organised by CSR Club; also, a meeting with students was held on the topic “Business for Sustainable Development Goals”.

- *Priority Action 4.6: Support to the establishment of FDI-SMEs linkages (FDI-SMEs linkages)*

In 2017 the project aiming to promote the connection of local small and medium sized enterprises with multinational companies operating in Georgia. In particular, bilateral meetings between

Georgian and foreign businessmen were held. In total, the Investment Agency organised eleven business forums in 2016 and one - in 2017, where about 60 companies were involved. The number of foreign potential investor companies were identified who were consulted about the partnership of local small and medium-sized companies and their potential for the supply of goods/services. In particular, in 2017 LEPL “Enterprise Georgia” was involved in contacting up to **ten** Georgian business representatives with potential investors in the various sectors - production, real estate, export of services, and in most cases negotiations were successful. In addition, **dozens** of foreign companies and potential investors were informed about Georgian companies in order to contact them. LEPL “Enterprise Georgia” and “PricewaterhouseCoopers” initiated the implementation of the FDI-SMEs Linkages Project between foreign investors and local small and medium sized enterprises, funded by the Good Governance Fund. This action is coordinated by the Ministry of Economy and Sustainable Development, and is performed by the LEPL “Enterprise Georgia”.

As a result of monitoring and evaluation, it has been revealed that:

The fourth strategic direction includes 6 priorities and 27 actions to be implemented in 2017, which are fully performed.

In 2017 the “Strategic Indicators” of the fourth strategic direction were fulfilled. In particular:

- ✓ *Consulting Centres on DCFTA issues were established;*
- ✓ *The relevant measures have been undertaken to raise awareness about DCFTA’s perspectives and requirements;*
- ✓ *305 beneficiaries were supported for adaptation with DCFTA requirements;*
- ✓ *108 beneficiaries have been supported for stimulating export of small and medium enterprises;*
- ✓ *The profile of three Georgian companies was registered on EEN platform;*
- ✓ *Activities of Responsible Business Conduct (RBC) have been carried out in order to raise awareness and popularization in the entrepreneurial sector;*
- ✓ *Foreign potential investor companies have been consulted on partnership with local small and medium-sized companies and their existing potential of providing goods/services.*

➤ **The Fifth Strategic Direction “Support for Innovation and Research and Development (R & D)”**

- *Priority Action 5.1: Stimulation of innovation among SMEs*

This priority direction was implemented by the Georgia’s Innovation and Technology Agency (GITA). This year the trainings for innovative business skills have been developed, also it has been elaborated and implemented the encouraging tools for innovation and R&D. In total, five trainings for the development of innovative business skills was held, it has been elaborated the encouraging tools for innovation and R&D; about 40 trainings and workshops were conducted for the 19 teams

within the Business Incubation Project for developing innovative business skills. In order to elaborate and implement the encouraging tools for innovation and R&D, meetings were held with private and state scientific research institutions in Georgia. The instruments for their participation in EU grant projects (such as “InnovFin”, “CORDIS”, “Idealist”, “Enterprise Europe Network”, “EUfor Business-Credit Line”, etc.) were studied and recommendations were issued to the scientists about specific steps. In addition, with the support of the project “East Invest 2” GITA conducted the info days on EU Framework Programme for Research and Innovation - Horizon 2020 and Enterprise Europe Network (EEN), where invited foreign experts shared their best practices and gave recommendations about grant competitions to the local small and medium business representatives.

- *Priority Action 5.2: Elaboration effective schemes for innovations and R&D funding.*

About 200 grant projects were reviewed and funded 60 projects in 2017. The following funding schemes have been developed: Micro Grants Programme, Programme Start-up Georgia and Co-financing Grants Programme. 350 applications were received within the Micro Grants Programme in 2016-2017, among them up to 200 beneficiaries were awarded with 5000 GEL. . Within the framework of the Start-up Georgia Programme, 50 high-tech projects were selected and 20 start-ups were funded. In addition, a design for the Co-financing Grant Programme was developed. Those activities are implemented by Georgia’s Innovation and Technology Agency (GITA) in a close partnership with the Ministry of Economy and Sustainable Development.

- *Priority Action 5.3: Support to commercialization of Innovation and R&D.*

The concept of the National Technological Transmission Office (NTTO) was developed in 2017. Together with the World Bank experts, an initiative plan/activity for the pilot project of National Technological Transmission Office (NTTO) was developed, which is scheduled to be implemented in 2018. These actions are implemented by Georgia’s Innovation and Technology Agency (GITA). .

- *Priority Action 5.4: Improvement the use of information and communication technologies (ICT) in entrepreneurship.*

Up to 70 participants of 10 teams were trained in the framework of the Business Incubation Project in 2017. The training program - Initiative Management was implemented on the basis of Innovation Centres in the regions and in Zugdidi TechPark, which aims higher involvement of young people in the regions, integrating them around the common idea, looking for new ways of implementing ideas and finding fundraising opportunities. More than 70 young people have undergone trainings in this direction. The following trainings were conducted in Innovation Centres in the regions and Zugdidi TechPark in order to raise the skills and build the capacity:

- Little Beats workshop

- Code.org workshop
- Lego Robotics workshop
- How does FabLab work?
- How to create a start-up?
- Intellectual Property
- What is digital marketing?
- Training: “Youth for Innovative Development’, which includes studying the initial stages of programming and computer design, providing information on social media capabilities.

Over 1000 beneficiaries took part in the above mentioned activities. Up to 200 beneficiaries have been retrained from 2016 to improve export-oriented ICT skills.

These activities are implemented by the Georgia’s Innovation and Technology Agency (GITA), and the partner is the Ministry of Economy and Sustainable Development.

- *Priority Action 5.5: Providing infrastructure for innovations (FabLabs; iLabs; TechPark; BroadBand for All; Computerisation).*

14 industrial labs were opened in 14 vocational colleges with the support of Georgia’s Innovation and Technology Agency in 2017, i.e. one industrial lab in each college, in total, 14 laboratories. At this stage, 22 Industrial Labs, 3 Innovations Centres and 2 TechParks have been opened and are operating. Trainings for up to 300 beneficiaries were conducted for functioning of industrial labs. 23 Competitions (Hackathons, Kreathon) were conducted, among them in 7 regions on promoting innovations. More than 800 participants took part in the mentioned competitions.

As a result of monitoring and evaluation, it has been revealed that:

The fifth strategic direction consists of 5 priorities and 23 actions that are fully implemented.

The respective “Performance Indicators” of the fifth strategic direction have been fulfilled in 2017. In particular:

- ✓ *An additional 1 encouraging instrument for innovation and R&D has been developed.*
- ✓ *More than 200 grant programmes have been reviewed and 60 projects are funded;*
- ✓ *The initiative plan/ activity for the pilot project of the National Transmission National Office (NTTO) was developed;*
- ✓ *About 70 participants of the Incubation Project and 10 beneficiary teams;*
- ✓ *Technical trainings for up to 20 specialists were conducted in the Tbilisi TechPark FabLab, who continued work in industrial laboratories opened at the base of 14 professional colleges;*
- ✓ *Within the framework of the Olympiads, makeathon and hackathon, up to 10 competitions have been conducted for up to 300 participants on promoting innovations.*

Performance of Commitments Undertaken under the Action Plan 2017

The report reflects the implementation of relevant activities envisaged by **the Action Plan 2017 of SME Development Strategy of Georgia**. Activities are carried out **by** the Ministry of Economy and Sustainable Development of Georgia (MOESD) and the agencies within the system of MOESD, as well as other agencies responsible for implementing particular activities. The report is prepared based on the information provided by the relevant agencies/departments.

Conclusion

Effective implementation of the SME Development strategy of Georgia will facilitate development and growth, also increase competitiveness of small and medium businesses, which is important both for employment growth and creation of new job places, as well as for advancing position in local and international markets.

It is noteworthy that, targets of effective implementation of the SME development strategy (*According to strategy targets are as follows: Growth SMEs output by average 10% annually by 2020; Growth of number of employees in SMEs by 15% by 2020; Productivity growth by 7% by 2020 (Baseline - 2013)*), **have been successfully fulfilled** at this stage, according to “Geostat” data. In particular:

- ✓ Average annual Growth SMEs output is 14.8% in 2014-2016;
- ✓ Growth of number of employees in SMEs is by 20.5% in 2016;
- ✓ Productivity growth is by 19.6% in 2016.

Recommendations

Action Plan for 2016-2017 of the SME Development Strategy should be more precise regarding needs of donors’ support in terms of budgetary issues and also the Action Plan should include information on possible risks related to implementation of activities.