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საქართველოსთვის  
EU4Business



გერმანიის  
თანამშრომლობა  
DEUTSCHE ZUSAMMENARBEIT

# SME DEVELOPMENT AND DCFTA IN GEORGIA

Enabling Georgian entrepreneurs to benefit from  
the free trade agreement with the EU

PROJECT ACHIEVEMENTS 2015-2019

Implemented by:

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH



## THE EUROPEAN UNION

The Member States of the European Union have decided to link together their know-how, resources and destinies. Together, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

## EU4BUSINESS INITIATIVE

To facilitate the realization of institutional and regulatory reforms, as a part of the Association Agreement implementation process, the EU supports the Government of Georgia through a multitude of means, including financial support in the context of the Sector Reform Contract aimed at facilitating SME adaptation to the requirements associated with the AA/DCFTA.

Compared to large companies, SMEs are less prepared to accommodate to the changing environment for doing business and to the new trade regime. As such, to support SME competitiveness, it is important to build upon and enhance the SME support framework in the public and private sectors.

The European Union's EU4Business initiative is an umbrella initiative that covers all EU activities supporting SMEs in the Eastern Partnership countries. In Georgia, it enables the private sector to take advantage of the opportunities offered by the EU Deep and Comprehensive Free Trade Area (DCFTA), which gives the country access to a common market of 500 million consumers.

[Read more: eu4business.eu](http://eu4business.eu)

## DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE ZUSAMMENARBEIT (GIZ) GmbH

### Achieving More Together

As a service provider in the field of international cooperation for sustainable development and international education work, we are dedicated to shaping a future worth living around the world. We have over 50 years of experience in a wide variety of areas, including economic development and employment promotion, energy and the environment, and peace and security. The diverse expertise of our federal enterprise is in demand around the globe – from the German Government, European Union institutions, the United Nations, the private sector and governments of other countries. We work with businesses, civil society actors and research institutions, fostering successful interaction between development policy and other policy fields and areas of activity. Our main commissioning party is the German Federal Ministry for Economic Cooperation and Development (BMZ).

The commissioning parties and cooperation partners all place their trust in GIZ and we work with them to generate ideas for political, social and economic change, to develop these into concrete plans and to implement them. Since we are a public-benefit federal enterprise, German and European values are central to our work. Together with our partners in national governments worldwide and cooperation partners from the worlds of business, research and civil society, we work flexibly to deliver effective solutions that offer people better prospects and sustainably improve their living conditions.

The registered offices of GIZ are in Bonn and Eschborn. In 2018, we generated a business volume of around 3 billion euros. Our 20,726 employees, almost 70 per cent of whom are national personnel, work in around 120 countries. As a recognised development service provider, we currently have 577 development workers in action in partner countries. Furthermore, in 2018, the Centre for International Migration and Development (CIM), which is run jointly by GIZ and the German Federal Employment Agency, placed 317 integrated experts and 518 returning experts with local employers in our partner countries, or provided them with financial support, advice or other services. \*

\*Personnel and business figures as of 31 December 2018

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# SME DEVELOPMENT AND DCFTA IN GEORGIA

## Working to Increase Competitiveness of Georgian SMEs

<b>Project Period</b>	November 2015 – November 2019
<b>EU Funding</b>	EUR 5,033,940
<b>Implementing Body</b>	Private Sector Development South Caucasus Programme at the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ)
<b>Main Implementing Partner</b>	Ministry of Economy and Sustainable Development of Georgia (MoESD)
<b>Objectives of the Action</b>	<p>The <b>overall objective</b> is to lay the ground for empowering the SME sector to ensure a broad-based growth.</p> <p><b>The specific objectives are:</b></p> <ol style="list-style-type: none"><li>1. Strengthen public-private dialogue (PPD), including advocacy and lobbying on issues affecting SMEs in the context of the DCFTA, focusing on support to the effective participation of SME agencies, business membership associations (BMOs) and business service associations;</li><li>2. Provide for capacity development of state bodies representing the institutional support framework for SME development/business-specifics on DCFTA-related matters to develop targeted SME sector development programmes on national, sectoral and local levels;</li><li>3. Support capacity development for improved provision of professional technical assistance and business development services (training, providing information, mentoring, coaching, supporting international networking) to the SME sector, including supporting clustering, networking and business collaboration initiatives;</li><li>4. Provide for EU linkages and integration with the Georgian SME sector (including specifically facilitating the setup of SME clusters and enterprise networks with the supporting BMOs and business service associations, and institutional stakeholders) in existing EU business, including EU clusters, innovation and entrepreneurial networks.</li></ol>

**Expected Results under Component 1**

1. Improved institutional capacities of central administrations to design and implement specific measures within the SME context.

**Expected Results under Component 2**

2. Strengthened public-private policy dialogue: improved cooperation among line ministries, SME bodies/agencies and stakeholders (including business and sector associations) involved in SME- and DCFTA-related areas.

**Expected Results under Component 3**

3. Strengthened capacities of SME bodies/agencies to channel business support to SMEs to help them meet DCFTA requirements.

**Expected Results under Component 4**

4. Improved capacity of business and sector associations, business service providers and BMOs to provide effective services to SMEs.

5. Enhanced integration of Georgian SME bodies/agencies with EU, regional and/or international platforms.

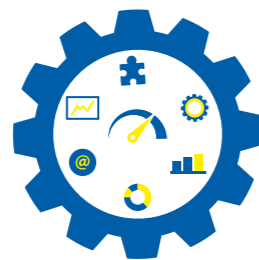
**Four Components to Increase Competitiveness**

Policy-making / Ministry Level



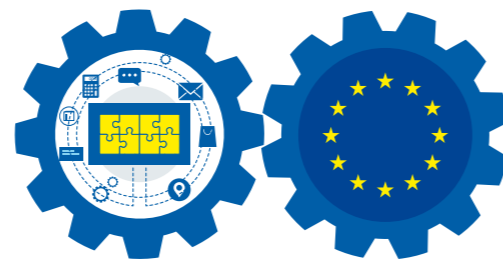
1. Improving Enterprise Framework Conditions

Policy Implementation / BSO Level



2. Improving Business Support Services

Private Sector Level



3. Enterprise Development and Promotion via Clustering  
4. Business Clusters and Networks Connected with the EU

**PROJECT PARTNERS 2015-2019**



MINISTRY OF ECONOMY AND SUSTAINABLE DEVELOPMENT OF GEORGIA



ENTERPRISE GEORGIA



GEORGIA'S INNOVATION & TECHNOLOGY AGENCY



სახელმწიფო შეყიდვების სააგენტო  
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www.sakpatenti.gov.ge







**Genadi Arveladze**  
**Deputy Minister of Economy and Sustainable Development of Georgia**

The Government of Georgia is committed to unlocking the potential of Georgian small- and medium-sized enterprises as major contributors to the economy. The development of a strong and vibrant SME sector is at heart of our efforts to stimulate inclusive growth throughout the country and improve the quality of life and livelihoods for all citizens. The Government of Georgia has implemented a series of economic reforms and support efforts, specifically targeted to improving SME competitiveness and empowering companies to take advantage of the export opportunities under the AA/DCFTA agreement.

We are particularly happy about the tangible results that have been achieved in cooperation with the SME Development and DCFTA in Georgia project with respect to raising the awareness of Georgian SMEs about the DCFTA and the opportunities

it brings for the development of their export potential. The establishment of an online platform, DCFTA.gov.ge, and the DCFTA Information Centres have been instrumental in reaching out to more entrepreneurs across the country with knowledge-sharing and advice. And these results are real and measurable.

With the support from the European Union and the German Government, the Ministry of Economy and Sustainable Development advanced the vision of inclusive growth that can be supported by the development of a national cluster policy and creates opportunities for all stakeholders by facilitating establishment of business clusters in priority sectors. Supporting agencies - Enterprise Georgia, Georgia's Innovation and Technology Agency - helped build productive and closer relationships among and with key players from export-oriented industries.

This publication highlights the results of the joint efforts, giving due recognition to the vision, initiative and dedication of the Georgian entrepreneurs from the supported industries. It is our hope that their successes will motivate other companies to follow suit and enhance their capacities and competitiveness locally and internationally.

**Vincent Rey**  
**Head of Cooperation Section**  
**Delegation of the European Union to Georgia**

The European Union has been supporting SMEs in Georgia with a range of comprehensive actions that aim at increasing their contribution to the economic growth of the country. With the AA/DCFTA in place, Georgian SMEs have been presented with further support mechanisms that facilitate their access to finance, help them grow and streamline their operations so that they can adapt to new market requirements. On the other hand, the EU continuously contributes to the enhancement of the capacities of key institutions to deliver better services to businesses.

The SME Development and DCFTA in Georgia project, which ran under the EU4Business initiative, has been instrumental in increasing the knowledge of European standards and market



requirements among Georgian SMEs within the context of the DCFTA. With the introduction of the clustering approach, the project provided SMEs with opportunities to strengthen linkages within their respective industries, build collaborative platforms, connect internationally and improve their chances to compete on the international market.

In light of the dynamic EU-Georgia trade relations, with the EU being Georgia's main trade partner, specific attention is being paid to strengthening export competitiveness within priority industries. We are happy to see that the project has supported the Government of Georgia with the elaboration of industry-specific export development plans and improved the capacities of governmental agencies to design such measures.

This publication presents important results that have been achieved to the benefit of Georgian SMEs and SME support institutions. The EU will continue to build on the success of the project and extend targeted, result-oriented support to SMEs across Georgia to promote more job creation and further economic growth.

**Katja Kammerer**  
**Programme Director**  
**Private Sector Development and TVET in South Caucasus, GIZ**

This publication marks the end of a four-year long journey for the SME Development and DCFTA in Georgia project and covers the achievements and lessons learned in the process. The project was envisaged to help Georgian SMEs better understand the benefits that the Deep and Comprehensive Free Trade Agreement with the EU (DCFTA) offers and enable them to take advantage of these opportunities. First and foremost, SMEs had to be informed about the conditions they had to meet before they could export to the EU – these largely included compliance with the standards and requirements of the EU market across various fields.

With the funding from the EU and the German Government, GIZ implemented this project with the purpose of making Georgian SMEs “fit for Europe.” It is our belief that the project contributed to the overall positive trend in Georgia's exports to the EU in 2015-2019 – which has been characterised not only by an increase in numbers but also by the improved commodity composition of exports with new products being exported today.

In 2019 with the project's support, Georgian premium honey reached the European market for the first time, thus paving the way for producers of quality honey to increase their exports to the EU. The Guidelines for the Production of the Quality Honey that were developed based on this successful endeavour further consolidated this success.

GIZ and the Government of Georgia have joined efforts in bringing the business cluster approach to Georgia and rolling it out on a larger scale. Our efforts found fertile ground in a dynamic business community ready to take on the challenge of bringing “made in Georgia” to the global market. The project supported 100 Georgian SMEs to organise themselves in three formally established clusters in the furniture, film and ICT sectors and the nucleus of a cluster in the apparel sector.

The project would not have been successful without the continuous commitment of our partners within the government as well as the private sector. We believe that the Georgian SMEs we have supported throughout these four years are now better equipped to offer competitive products and services not only to the local but also European markets.



# EXECUTIVE SUMMARY



The SME Development and DCFTA in Georgia project has worked across five areas and contributed to the increased capacities of Georgian SMEs to adapt to the new realities created by the AA/DCFTA between the European Union and Georgia. The project's interventions included measures on the strategic as well as the operational level, ranging from supporting governmental agencies in the elaboration of business support measures to helping SMEs across selected export-oriented sectors to improve their knowledge of international standards and best practices and connecting them internationally.

All actions implemented by the project were closely coordinated with key governmental and private sector stakeholders. On the policy-making level, the project engaged with governmental partners to produce specific measures that would enable SMEs to raise their competitiveness and adapt to the requirements of the European market. At the very outset, the project engaged with the Government of Georgia in the elaboration of the SME Strategy and Action Plan 2016-2020 and continued to be en-

gaged in the public-private dialogue that reviewed its implementation in the following years. With the involvement of leading international experts, the project supported the GoG in the elaboration of the blueprint for the Georgian National Cluster Development Programme. Furthermore, the project supported the development of the National Guidelines for Production of Quality Honey as part of a comprehensive three-year long process that led to the first export of Georgian premium quality honey to Europe. Georgian premium honey under the TAPLI brand reached European consumers first at the International Green Week in Berlin in early 2019, followed by the Georgian producers gaining contracts for further exports to Germany.

The project has been actively involved in supporting the efforts of partner government institutions to better inform and serve SMEs in the process of their adaptation to EU standards and regulations. These included support to the Ministry of Economy and Sustainable Development of Georgia (MoESD) in the development and management of a web portal – DCFTA.gov.ge, which now serves as the main channel through which the Ministry, as a coordinating agency for DCFTA implementation, informs and communicates on DCFTA adaptation.

In partnership with the Georgian Chamber of Commerce and Industry (GCC), the project helped establish the DCFTA Information Centre with offices in four regions – Gori, Kutaisi, Zugdidi and Batumi. With its advisory, training and field consulting services, the Centre has reached out to 6,410 SMEs across Georgia.

With its trademark clustering initiative, the project has deployed a three-pronged approach to promote industry clusters among Georgian SMEs: cluster formation, networking and public-private dialogues (PPD); technical and organisational capacity building and internationalisation. The process started with an assessment of key industries and the associated value chains and identifying high-potential sectors and companies that can benefit from clustering. After the initial assessment and selection, the three components of the approach ran in parallel and with varying intensity according to the specific sectoral and company needs. A deeper study of the sector's challenges and opportunities was carried out followed by the piloting of cluster cooperation among select companies. The piloting stage also involved the first skills enhancement and internalisation actions via study trips to industry markets and European clusters as well as technical support provided by EU cluster specialists and trade peers.

Building on the initial successes of the networking and cooperation among participating SMEs, the clusters began to take shape with formal registration, the formulation of cluster strategies and action plans, and the engagement of full-time cluster managers. International outreach and exchange of experiences and skill development further intensified in the targeted priority areas identified by the companies. The key in the process was to provide tailored support to each cluster as SMEs operated in very sector-specific environments with unique fiscal incentives, legal frameworks, institutional PPD set-ups, market dynamics, staffing needs and challenges.

Georgia now has three formally established clusters with support from the SME Development and DCFTA in Georgia project: Georgian Furniture Cluster, Georgian Film Cluster and Georgian ICT Cluster as well as the Georgian Apparel Cluster Initiative. The Georgian Apparel Cluster Initiative will soon grow into a full-scale cluster within the Clusters4Development project implemented by GIZ with EU-German Government funding in 2019-2023.

The Government of Georgia sees great potential for SME clustering to further economic development in the country and the approach is closely aligned with ongoing national SME support programmes: SME Development Strategy 2016–2020, Georgia 2020 and further strengthened by a financing agreement for economic and business development in Georgia that was signed by Georgia and the EU in November 2018.

Throughout its implementation period the project was guided by a flexible, partner-oriented approach that ultimately contributed to reaching the target objectives across all project areas. The project's interventions undertaken with the involvement of leading Georgian and international experts brought it closer to the goal of making Georgian SMEs more competitive. Members of Georgian clusters upgraded their knowledge and skills, established collaboration within and across industries, became connected with their European counterparts and mapped out further action plans that will help them achieve progress. Governmental partners are now better positioned to provide tailor-made services to the business that are based on international best practices and innovative approaches.

**Philipp Steinheim**  
Team Leader, SME Development and DCFTA in Georgia

# CONTRIBUTION TO INCREASED SME COMPETITIVENESS

## Policy-making / Ministry Level: Improved Enterprise Framework Conditions

- MoESD equipped with **3** support measures for SMEs, **3** industry-specific export development plans and **2** methodologies for the analysis and prioritisation of the export potential of specific sectors
- **5** strategic conferences and **12** public-private dialogues conducted

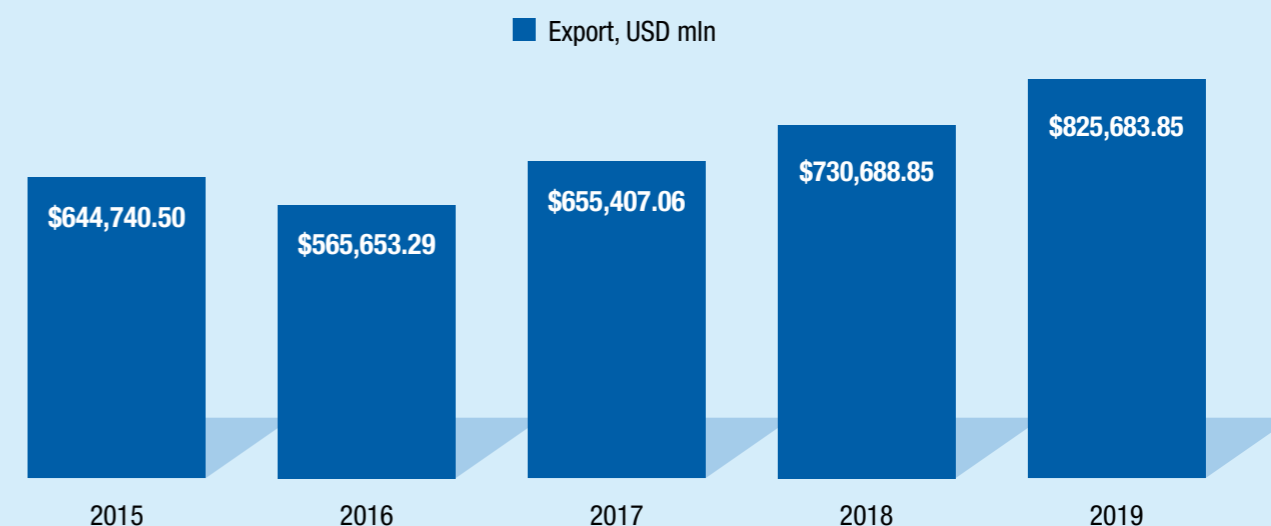
## Policy Implementation / BSO Level: Improved Business Support Services

- **6** business support services developed and further diversified across five public bodies/agencies/business support organisations
- **6,410** SMEs served across Georgia via GCCI-DCFTA Information Centre

## Private Sector Level: Enterprises Further Developed and Promoted via Clustering; Business Clusters and Networks Connected with the EU Market

- **5** business clusters/initiatives launched and connected with EU networks
- **First** export of Georgian premium honey to the EU

## Georgia's Export to the EU



Source: National Statistics Office of Georgia

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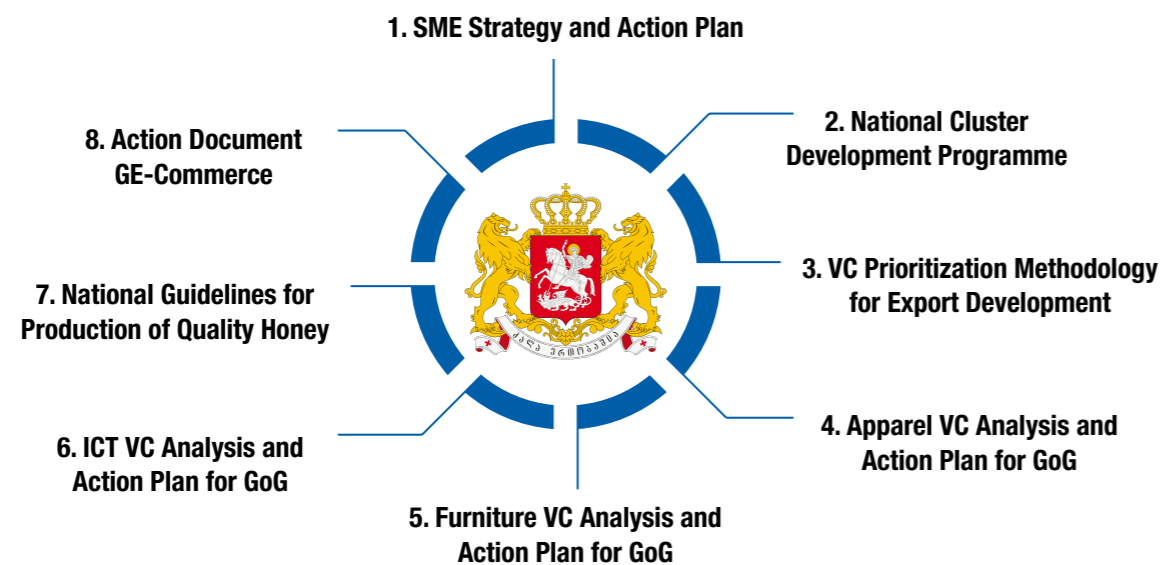
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## RESULT AREA 1: IMPROVED INSTITUTIONAL CAPACITIES OF CENTRAL ADMINISTRATIONS TO DESIGN AND IMPLEMENT SPECIFIC MEASURES WITHIN THE SME CONTEXT



### Georgia's SME Strategy and Action Plan

As a part of GIZ's larger Private Sector Development South Caucasus Programme (GIZ PSDP SC), SME DCFTA GE contributed to the elaboration of the Government of Georgia's SME Development Strategy 2016-2020. In December 2015 the project co-sponsored and moderated a strategic workshop on the strategy's action plan. The outcomes of the workshop shaped the final version of the action plan which was adopted in March 2016 by the Government of Georgia alongside the strategy document itself. The strategy was elaborated based on the "Think Small First" principle of the Small Business Act for Europe (SBA) by the OECD Eurasia Competitiveness Programme (ECP) in close collaboration with GIZ PSDP SC on behalf of the EU Delegation and the MoESD.

The SME Development Strategy 2016-2020 aimed at creating a favourable environment for SMEs together with the enhancement of their competitiveness and innovation capacities which would lead to income generation and job

creation resulting in inclusive and sustainable economic growth.

SME DCFTA GE cooperated closely with the MoESD in implementation of the SME Development Strategy 2016-2020 by means of a special consultative body - the Advisory Council for Promoting Private Sector Development - and by attending sittings of this council and providing input to the topics discussed therein.

Throughout its implementation period, SME DCFTA GE has also partnered with Enterprise Georgia, the Georgian Chamber of Commerce and Industry and the Georgia's Innovation and Technology Agency to strengthen their capacities and provide required resources to study the needs of SMEs alongside improving the quality, range and geographic availability of services available for SMEs whilst facilitating international cooperation and R&D in SMEs.

### Export Development Strategies and Action Plans for Apparel, Furniture and ICT Industries

To support GoG in the elaboration of a long-term, comprehensive and systematic approach for the development of the country's export potential for both goods and services, SME DCFTA GE mobilised international and national expertise in the design and capacity development phases.

The project developed and implemented a unique methodology for the research, identification and selection of prospective products and their value chains for export development in the Georgian context. The **LUPA**<sup>1</sup> (Local Un-revealed Potential Assessment) methodology does not use only historic data to reiterate the potential of sectors that are already represented in international trade. This methodology also matches global demand with local capacity to help identify those goods and services that might only exist in a nascent state in the country but have the potential to successfully develop and compete on export markets.

The project conducted the analysis with data from the field, the specifics of the industries in question and including national and foreign perspectives. A tandem approach was employed vis-à-vis the national and foreign perspectives: the mobilisation of local consultants with practical knowledge of the national context enriched with global market perspectives from international industry experts. To ensure an optimal diversity of the expertise made available for both industries, the teams of international consultants included both experts who have previously worked extensively in Georgia as well as those who did not have any prior experience with the country.

**Generation of Opportunities.** A long list of prospective goods and services (opportunities for export development) was elaborated based on an analysis of global trade and national production data.

**I. First Evaluation and Shortlisting** – Evaluation of the long list of prospective goods and services based on key

factors from the national context (existing processes, related structures and sectors) and weighted against the additional factors of spill-over effects, exportability, skill and technology intensity, potential for employment, suitability for the value chain approach and favourable conditions. Selection of up to **four priority value chains** (two goods and two services) for further analysis and action plan development.



<sup>1</sup> The word "lupa" means "magnifying glass" in the Georgian language.



**II. Analysis of Value Chains** – Mapping and deep analysis of up to four prioritised value chains. Assessment of the inputs/outputs of the value chains, structure/processes/linkages, governance, institutional framework and related sectors. The analysis includes a review of international markets and demand.

**III. Preparation of Value Chain Action Plans** – Development of action plans with the view of upgrading processes, products, functions and inter-sectoral linkages.



**LUPA** has a strong potential to become an annual prospect-screening tool for GoG for the prioritisation of local industries/VCs as well as for resource allocation. It will provide an important contribution to the development of a smart specialisation strategy for Georgia at a later stage. By piloting this methodology as a part of the project's intervention, SME DCFTA GE provided a good picture of the existing gaps in data availability and developed recommendations on enhanced data collection on the part of GoG agencies. To ensure the sustainability of this process, the methodology was handed over to the GoG.

Based on the data analysis of export opportunities, SME DCFTA GE submitted a shortlist of ten goods and services for prospective value chains to the MoESD. An additional analysis of the top ten goods categories was further conducted as per the request from the MoESD which looked at factors such as global demand, capacity to supply (availability of raw materials), logistics competitiveness, value added potential and job creation potential.

In response to the MoESD follow-up request for value chain analysis of three sectors: **apparel (goods), furniture (goods) and ICT (services)**, an in-depth value chain analysis per each industry was performed across these five dimensions:

- Inputs and outputs
- Structure, processes, linkages, marketing and internationalisation
- Governance
- Institutional framework
- Related sectors (spill-over effect)

In addition to the VC analysis, SME DCFTA GE provided tailor-made input for export development strategies and two-year action plans for these industries.

## National Cluster Development Programme

By providing support to the elaboration of a potential National Cluster Development Programme, SME DCFTA GE sought to further promote the concept of business cluster development on the policy-making level. In response to the request from the MoESD, the project launched an action that brought in a team of leading European experts to elaborate a proposal for further discussion regarding the establishment of a national cluster programme for Georgia. The topics included the elaboration and operation of cluster policy instruments, the necessary legislative changes, management and financial support of clusters, functions and responsibilities of cluster management and its members, and membership fees.

The project presented governmental stakeholders (MoESD, EG, GITA, GCCI) with comprehensive case studies from Germany, Austria, Estonia and the EU on successful cluster policy and cluster support measures that overviewed the evolution of economic policies and rationales for creating cluster support programmes. A series of stakeholder workshops led to the creation of the **Georgian National Cluster Programme Development Framework**. The document outlines the programme objectives, structure, management, implementation and roadmap. It can serve as a blueprint for the further elaboration of the Georgian National Cluster Programme which Georgia has agreed to establish under a financing agreement with the EU for economic and business development in Georgia.



Overall Objective	Specific Objectives	Expected Results
Increase the <b>competitiveness</b> of entrepreneurs on the local and international levels by supporting the <b>creation of clusters</b> in the priority sectors	<ul style="list-style-type: none"> <li>• Develop <b>industrial value chains</b></li> <li>• Stimulate <b>innovation</b></li> <li>• Boost <b>internationalisation</b> across industries</li> </ul>	<ul style="list-style-type: none"> <li>• Increased <b>specialisation and collaboration</b> between stakeholders and members of the cluster</li> <li>• Increased <b>labour productivity</b></li> <li>• Increased <b>sales and exports</b></li> <li>• Increased <b>employment</b></li> </ul>



## E-Commerce

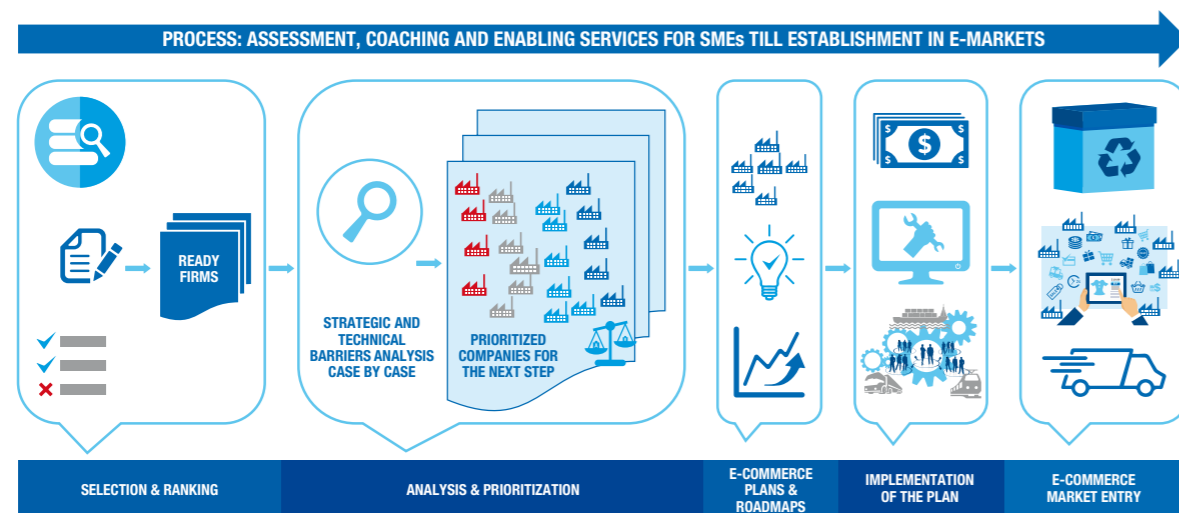
At the request of Enterprise Georgia, the project undertook a thorough analysis of opportunities to promote the export of Georgian products via e-commerce solutions. In providing this support, the focus was made on establishing capacities within Enterprise Georgia to support Georgian companies in accessing the EU market by taking advantage of e-commerce solutions. At the initial stage, the project engaged an international company to assess goods produced in Georgia for which the utilisation of e-commerce would be possible. The company also conducted a SWOT analysis of shortlisted products for e-commerce. The project ensured that EG's institutional capacity to conduct such assessments independently was also developed. SME DCFTA GE delivered know-how on the generation of a methodology for selection and shortlisting products for e-commerce platforms, the identification of technical barriers vis-à-vis e-commerce-based trade for Georgian SMEs and a manual on successful design and deployment of this process alongside a training.

In close cooperation with the EG and the GITA and through an in-depth assessment process, five companies were selected from the 285 surveyed companies. The main criteria for selection were the availability of their products on the market, export experience (product-specific as well as general), company affinity with online marketing channels

and production capacity. The methodology for the selection of companies for e-commerce support and the experience accumulated during the action were handed over to the EG and the GITA.

With the engagement of international experts, SME DCFTA GE provided the SWOT with detailed market and technical barrier analyses for the five selected companies and comprehensive e-commerce business plans for three of the companies containing overviews of markets, trends and potential e-commerce channels; descriptions of customer segments and requirements, recommendations on the individual company's products and marketing etc. The project was then able to focus on further supporting one of these companies with transportation, publishing, marketing and sales via respective e-commerce channels. This company has since successfully been marketing its products internationally through e-commerce.

The EG and the GITA are now well positioned to institutionalise e-commerce support measures and provide continuous assistance to Georgian companies. The project delivered a business model for GE-Commerce that includes specific recommendations on how to support Georgian SMEs in taking advantage of e-commerce opportunities.



## National Guidelines for the Production of Quality Honey

In a coordinated effort with the Ministry of Environmental Protection and Agriculture of Georgia (MEPA), SME DCFTA GE implemented a comprehensive support action for the beekeeping and honey production sector in Georgia. One of the major results of this process was the development of the **National Guidelines for the Production of Quality Honey**.

According to the AA/DCFTA with the EU, Georgia could export 1,500 tonnes of honey to the EU market annually. However, Georgian honey producers were only authorised to access the EU market in 2016 when Georgia was included in the "third country" list for honey export. The MEPA is committed to adapting respective Georgian legislation to the regulatory framework of the EU as well as to raising awareness within the sector about the food safety requirements and the complex integrated process of quality honey production. SME DCFTA GE actively supported the MEPA in this effort and provided leading international expertise for the development of a guideline document that promotes good beekeeping practices and skills among Georgian SMEs.

The document relies on a thorough analysis of the local Georgian guidelines and the project's action results. The text produced by international consultants was further adapted by a Georgian field expert who ensured that all contextual conditions were reflected. The guidelines cover all critical steps: the selection of apiary sites and bees, the placement of hives and colonies in the apiary, colony inspections, swarm prevention, honey harvest, feeding, personnel and management, hygiene standards and HACCP, facility, equipment and storage, organisation of the operation, honey processing, the identification of batches, record taking and keeping, taking and storing of reference samples, on-site analysis, preparation of samples for external analysis and other relevant issues that will assist beekeepers in meeting all quality honey production standards.



The National Guidelines for the Production of Quality Honey were presented to sector stakeholders and the public in a joint event with the MEPA in November 2019. The document is easily accessible on the website of the Ministry: [mepa.gov.ge](http://mepa.gov.ge) under 'Public Information - Strategic Documents.'





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## RESULT AREA 2: PUBLIC-PRIVATE DIALOGUE STRENGTHENED FOR IMPROVED COOPERATION

5 Strategic Conferences

12 PPD Events

**International Conference:  
Georgia Against  
Counterfeiting in the Context  
of the DCFTA**



**Skills and TVET for SME  
Development in Georgia**



**Georgian Film Industry  
Conference**



**Inter-cluster Cooperation  
Workshop: Digitalising the  
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**Presentation of National  
Guidelines for Beekeeping in  
Georgia**



Professional skills development among Georgian SMEs is key to the successful adaptation to the requirements of the AA/DCFTA. As there was no single platform that would coordinate and align the DCFTA-related skills development efforts of the different ministries, agencies and BMOs having a stake in various aspects of AA/DCFTA implementation, the project initially looked at the possibility of creating a separate PPD platform and commissioned a stakeholder study. The main findings included the following:

- PPD platforms dealing with SME development or AA/DCFTA implementation do exist; however, neither of these platforms nor the entities driving them focus on addressing the DCFTA-related skills development needs of SMEs.
- A systematic and sector-specific approach to forming the DCFTA skills development agenda for SMEs is missing.
- There is a lack of coordination among stakeholders concerned with the DCFTA skills development efforts for SMEs. This is true even at the level of taking inventory of and sharing information about services and qualification offers available for SMEs to adapt to the requirements of the AA/DCFTA.
- All stakeholder groups interviewed/surveyed supported the idea to establish a separate PPD platform or a dedi-

**PPD Event series (5)  
with SPA**



**PPD Event series (4) with  
ICC Georgia (Incoterms)**



**PPD Event series (2)  
with MoESD-PSDAC**



**Sectoral Dialogue Event:  
Honey in Georgia**



cated working group under one of the existing platforms.

Based on these findings, SME DCFTA GE suggested that DCFTA-relevant government entities, the business community (including BMOs, BSOs), international development partners and other stakeholders employ a more systematic skills-focused approach to assist Georgia's private sector with the gradual introduction of AA/DCFTA-related standards and regulations to include, among other things:

- Identifying and forecasting skills gaps for SMEs to adapt to AA/DCFTA requirements;
- Raising awareness among SMEs about the skills needed for the DCFTA;
- Developing relevant qualification offers and making them accessible to SMEs;
- Elaborating institutional mechanisms for channelling DCFTA-related sectorial skills needs into occupational/vocational standards, the National Qualifications Framework and programmes of general, vocational and higher education and certificate/informal trainings.

In line with its mandate, SME DCFTA GE supported DCFTA-related strategic conferences and PPD platforms of key stakeholders and partner institutions in 2016-2019.

### SAKPATENTI International Conference: Georgia Against Counterfeiting in the Context of the DCFTA Batumi, 1-2 August 2016

The project supported the National Intellectual Property Centre of Georgia SAKPATENTI conference that brought up to **70 SME representatives** across Georgia to discuss the latest developments in IPR protection and the challenges to be addressed within the context of the free trade agreement with the EU. The format included presentations of leading international experts from Europol, the US Patent and Trademark Office, Romania, Hungary and Italy. The conference topics included: IPR protection system in Georgia, enforcement mechanisms, best practices for enforcement and challenges for SMEs in IPR enforcement. SAKPATENTI included the outcome of the conference in Georgia's National Report presented at the 1st Session of the Advisory Committee on Enforcement (ACE) of the World Intellectual Property Organisation on 5-7 September 2016. ACE is mandated to carry out technical assistance and coordination with public and private organisations to combat counterfeiting and piracy.



### State Procurement Agency's PPD: A Unified Electronic System of State Procurement – New Developments and Amendments Tbilisi, 5 August 2016

A total of **230 public procurers and SMEs** took part in this PPD event organised by the State Procurement Agency (SPA) which aimed at informing procuring entities and private sector representatives about the recent reforms in Georgia's public procurement; namely, the introduction of new procurement tools – (i) sealed bid auction from (from 1 July 2016) and (ii) two-stage e-tenders (from 1 August 2016). New procurement procedures will reduce bid rigging and corruption, ensure equal treatment and promote fair competition.

SME DCFTA GE supported the event and provided participating SMEs with e-materials that included procurement manuals and e-procurement user guides.





## Georgia's Way to the European Market – Vocational Skills in the Context of the DCFTA Kutaisi, 6 December 2016

The event was implemented in cooperation with the Ministry of Education and Science of Georgia, Akaki Tsereteli State University, Enterprise Georgia and the Georgian Chamber of Commerce and Industry (GCCl). It brought



together **100 participants** representing higher and vocational education and training providers, academia, the business community and local authorities.

Presentations and discussions focused on the following topics: government policies and the status of AA/DCFTA implementation, educational needs of Georgia's business sector to meet AA/DCFTA requirements – from the perspective of educational institutions (focusing on higher education and the development of a DCFTA-relevant skills mix in the business sector), a training needs assessment – the results of the assessment of the hospitality, paper and packaging, and printing industries conducted by Enterprise Georgia (focusing on vocational/adult education and the development of DCFTA-relevant skills mix in the business sector), AA/DCFTA-related information and the educational and communication needs of Georgia's businesses in the regions – findings of the regional meetings held by GCCl.

## Skills for the DCFTA and TVET in Georgia – A Strategic Workshop in the Framework of EU4Business Tbilisi, 8 December 2016

The strategic workshop brought together about **80 representatives** of government, EUD, the business community (including BMOs, BSOs), trade unions, development cooperation partners and other stakeholders working on sectorial qualifications/skills development aspects of AA/



DCFTA implementation in Georgia. This event highlighted the importance of multi-stakeholder cooperation for developing the right skills within the Georgian business sector that would enable taking advantage of the opportunities created by the AA/DCFTA. A total of five parallel sector-specific working group sessions also took place.

SME DCFTA GE produced a strategic workshop report that included the following key findings and recommendations:

- Sectorial studies need to be expanded to identify growth areas and the training needs in these sectors.
- Private companies need to be encouraged to invest in the skills training of their employees.
- Links and communication between businesses and higher and vocational education institutions need to be established and/or promoted.
- TVET providers need to become responsive to the increased demand for vocational technical expertise in the Georgian workforce.
- There is a need to raise awareness among Georgian

businesses on how the AA/DCFTA affects the need for skills development and to help them identify those skills they need to develop to benefit from the AA/DCFTA.

- There is a need to raise the profile of technical vocational education in Georgia by highlighting its importance for businesses and economic agents to be able to reap the benefits of the AA/DCFTA.

The findings of the strategic workshop were further discussed with NCEQE/MoES and a list of proposed measures was developed in cooperation with local and international experts. The list was handed over to the GIZ Private Sector Development and Technical Vocational Education and Training South Caucasus Programme, Country Component Georgia for further elaboration.

## Sectoral Dialogue Event – Honey in Georgia Tbilisi, 3 February 2017

Based on the initial suggestion by the GCCl, as well as considering the heightened interest of the Ministry of Agriculture (now the MEPA), SME DCFTA GE committed to providing extensive consultancy support for the development of the honey industry with a specific focus on a comprehensive action package for export development.

SME DCFTA GE mobilised a German-based international laboratory with extensive experience in providing advice from the perspective of business development – ALNuMed GmbH, a spin-off of the University of Bayreuth, Germany. Fact-finding missions conducted in 2016 produced a specific roadmap and comprehensive advice regarding the development of the honey industry from the perspectives of scientific knowledge/expertise and commercial feasibility.

The findings of the ALNuMed Georgian honey study were presented to the EU and GoG stakeholders. It contained the results of the preliminary testing of nine honey samples and provided recommendations for actions. It also overviewed marketing issues (pricing, packaging, market positioning, etc.). The study called for a holistic approach that would include: research and mapping of Georgian honey, assessing quality, preventing fraud, improved testing – private and public surveillance, risk-based control, modern processing plants (quick test labs, HACCP, IFS), beekeeper trainings and including ToTs, branding and marketing.

## SPA PPD Series for Regional SMEs Kutaisi, Borjomi, Anaklia, Telavi, Summer-Fall 2017

The project supported SPA PPD events for procuring entities and SMEs that provided information about the reforms and legislative changes in public procurement aimed at meeting AA/DCFTA requirements. SPA introduced new services to encourage SME participation in public tenders. Events brought together **150 participants**. All sessions were led by top managers and specialists of the agency. Events proceeded in an interactive format where the audience inquired about innovations and new e-services offered by the SPA as well as the procedures for appeals and dispute resolution. Participants discussed specific experiences and expressed their views on legislative changes and amendments. SPA representatives provided feedback and clarifications and took note of proposals from event participants. The SPA arranged several follow-up meetings with those SMEs that voiced specific concerns.





## INCOTERMS 2010 Rules Training and PPD Batumi, Tbilisi, September-November 2017

SME DCFTA GE partnered with the Georgian National Committee of the International Chamber of Commerce to implement four combined INCOTERMS 2010 rules training and PPD events for SMEs, BMOs, BSOs and tax authorities.



This series of events was motivated by the understanding that Georgian SMEs need not only to upgrade the goods and services they produce to match EU standards but also to know how to trade with EU business partners risk-free and on the most favourable terms. The PPD events provided opportunities for public and private sector representatives to engage in an interactive dialogue and discuss pressing issues, highlighting the need for the state's provision of technical assistance to specific industries such as, for example, the development of testing laboratories in western Georgia (water, agricultural products), support with certification procedures (pallet fumigation, phytosanitary and pest certifications) and awareness raising about EU standards on product packaging and labelling, etc.

Interest in the events grew over time so much so that the **number of participants reached 143** instead of the planned 120. Most of the participants were from the private sector.

## 2nd Women Business Forum in Adjara Batumi, 8 March 2018



The economic empowerment of women and the promotion of women-led SMEs form an indispensable part of SME DCFTA GE's mandate. To this end, the project partnered with the Georgian Chamber of Commerce and Industry (GCCCI) and the Adjara Chamber of Commerce and Industry (ACCI), the Association of Businesswomen of Adjara (ABWA), Women's Rooms municipal service, Mercy Corps and others to provide support to the second Women Business Forum (WBF).

SME DCFTA GE took part in the planning and implementation of the event, contributed to the development of the event's concept and agenda, participated in the donor panel and arranged for the promotion of DCFTA Information Centre services as a side event. The event brought

together more than 300 delegates, mostly women entrepreneurs, from across Georgia and was a major highlight of the activities around International Women's Day in Batumi. The forum featured success stories of women-led enterprises and presentations from government entities and donor-funded projects on support facilities and provided women entrepreneurs with ample opportunities to consider business expansion and reorganisation as well as connecting and partnering with fellow businesswomen across the regions.



## Private Sector Development Advisory Council Tbilisi, 29 March and 7 June 2018

As per the MoESD's request, SME DCFTA GE supported two sessions of the Ministry's Private Sector Development Advisory Council (PSDAC) in 2018. The issues taken up in these sessions included the findings of the Survey of Skills Demanded by Businesses in Georgia report and the current standing of the institutionalised Regulatory Impact Analysis (RIA) system and its impact on private sector stakeholders.

One of the highlights of these sessions was the introduction of the newly created PSDAC subcommittee on women entrepreneurship and the discussion of action plans for empowering women to own, run and prosper with their businesses on par with male entrepreneurs in the country. Another highlight of the sessions was the official start of cooperation between the PSDAC and the OECD on the preparation of the next SBA assessment survey report. The OECD presented the findings of the monitoring of the implementation of the SME development strategy, presented the revised methodology for the next SBA assessment survey and moderated the related Q&A session.

The PSDAC was established in February 2016 under the framework of the SME Development Strategy 2016-2020. The Council consists of representatives of governmental bodies and business associations. It aims to foster public-private dialogue on issues affecting private business (including SMEs) and to elaborate proposals to bolster SME entrepreneurship. This is one of the few institutionalised PPD platforms run by the MoESD which aim to ensure that the GoG regularly consults with business sector representatives.







### Georgian Film Industry Conference 10 October 2018

SME DCFTA GE supported the first industry conference organised by the Georgian Film Cluster that brought together **100 participants** from the industry as well as governmental and international stakeholders and partners. The Deputy Minister of Economy and Sustainable Development, the Ambassador of the European Union to Georgia and the Director of GIZ's Private Sector Development and TVET South Caucasus Programme welcomed participants.

The event provided a platform for the discussion of current conditions within the growing film industry and its further development and promotion. The Georgian Film Cluster informed the audience about the opportunities that the cluster brings to the sector, highlighting its objectives and milestones. The format provided for a targeted discussion on the specific challenges that film professionals currently face. An active exchange of opinions and views on government support toward the industry, international productions and skills development demonstrated that there is a need for the continuation of such a dialogue among all stakeholders that will benefit the sector and film industry professionals. The ways for Georgian filmmakers to grow and expand their reach internationally were also discussed, including by means of joining the Georgian Film Cluster that was established with the help of SME DCFTA GE.



### Digitalising the Georgian Economy – Inter-Cluster Cooperation Workshop 1 November 2019

The event focused on the potential benefits of digitalisation in different sectors and how it could be facilitated through inter-cluster cooperation. It was an opportunity for Georgian ICT companies, both members of the Georgian ICT Cluster and industry players, to connect and explore possibilities for potential partnerships with representatives of the other clusters. The event focused on connecting and on the digitalisation of clusters with presentations on relevant case studies and a brainstorming session on joint IT development projects.

SME DCFTA GE brought together representatives of various clusters established with the project's support. Representatives of the Georgian ICT, film and furniture clusters as well as participants from the apparel, construction and



tourism sectors attended the event. Key government officials and international experts from the EU, USAID, the Estonian ICT cluster, the Baltic Innovation Agency and the Institute of Baltic Studies were among the **70 attendees**.

The presentations on the current international trends in digitalisation and best practices of digital transformation across different sectors created the backdrop for the B2B format that followed. Cluster managers and cluster members were divided into two roundtable discussion groups. They discussed the existing challenges and identified potential ICT solutions that could be implemented in the Georgian clusters. One group focused on the furniture and design sector and the other group focused on the film sector. Both groups had representatives of the ICT cluster who listened to the challenges existing in other sectors and offered initial ICT solutions. The session gave participants



an opportunity to identify the potential for cooperation and establish inter-cluster partnerships.

### Presentation of the National Guidelines for the Production of Quality Honey 14 November 2019

SME DCFTA GE presented the National Guidelines for the Production of Quality Honey to an audience of **80 people**, mostly field experts, local beekeepers and honey producers. The guidelines were developed in coordination with the MEPA. The National Guidelines for the Production of Quality Honey, developed by leading German experts and adapted to the Georgian context, provides practical "field to table" recommendations for high quality honey production in Georgia with the potential of export to the EU market.

The Deputy Minister of Environmental Protection and Agriculture, the Ambassador of the European Union to Georgia and the Director of GIZ's Private Sector Development and TVET South Caucasus Programme delivered welcoming remarks. The EU Ambassador also congratulated the first exporters of Georgian honey to Europe who received the support of SME DCFTA GE throughout the process.

With the presentation of the National Guidelines for the Production of Quality Honey SME DCFTA GE marked the conclusion of an intense three-year activity that involved all stakeholders, the EU Delegation, the partner ministry, international and Georgian experts and local honey producers. This initiative culminated in the first export of Georgian premium honey to the EU and proved that Georgian honey can be competitive on the European market. By presenting this success story, the project aimed at encouraging other Georgian producers to follow suit.







### **RESULT AREA 3: STRENGTHENED CAPACITIES OF SME BODIES TO CHANNEL BUSINESS SUPPORT TO SMEs FOR THE DCFTA**

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DCFTA WEBSITE

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INSTITUTIONAL CAPACITY  
DEVELOPMENT OF  
ENTERPRISE GEORGIA

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ENTERPRISE GEORGIA AND GITA AS  
NATIONAL FOCAL POINTS OF THE  
EUROPEAN ENTERPRISE NETWORK

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GEORGIAN CHAMBER OF  
COMMERCE AND INDUSTRY

## RESULT AREA 3: STRENGTHENED CAPACITIES OF SME BODIES TO CHANNEL BUSINESS SUPPORT TO SMEs FOR THE DCFTA



- 1. DCFTA website ([www.dcfta.gov.ge](http://www.dcfta.gov.ge))** features five videos with instructions for SMEs on the export of products to the EU



- 2. DCFTA advisory services:** In-house and on-site consultations on the DCFTA in the regions via **DCFTA Information Centres**



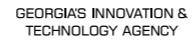
- 3. Training Package for SMEs:** Sectoral expert trainings on DCFTA topics for SMEs in the regions



- 4. Service and management quality** improved through EFQM



- 5. Information and outreach service package** for SMEs on the Enterprise Europe Network



- 6. Information and outreach service package** for SMEs (three publications and one video) on procurement under the DCFTA



meetings which contributed to the transfer of knowledge from the project's consultants to MoESD staff, enabling them to run the website independently in future.

In addition to serving as a consolidated online platform for the government to inform the public about the AA/DCFTA implementation process, the website includes a special section for the business sector that includes guiding information and data on: tariffs, the EU internal market, public services offered to meet the technical requirements of the DCFTA, issues of standardisation, certification, food safety, rules of origin, custom procedures and trade statistics.

As a part of the action, SME DCFTA GE produced five video instructions that describe the DCFTA and the public services provided by Georgian government institutions to businesses as well as the regulations to be considered for exporting to the EU market. Themes include rules of origin, certificates for products of animal and non-animal origin, production and certification of industrial products, tariffs and the procedures for exporting to the EU. All five video instructions are available on the DCFTA website.

Per the MoESD's request, the project's consultants developed an assessment and a set of recommendations for the further improvement and promotion of the website as an effective tool for communication and awareness raising on the DCFTA, particularly among Georgian SMEs.



*With this website, the MoESD fulfills its objective of ensuring the transparency of government policy-making regarding trade with the EU. With the valuable support from the EU-GIZ project, we have now established the new platform for communication with the public on DCFTA-related matters that, among others, provides detailed information to entrepreneurs about the rules and procedures for entry into the EU market. The website also offers a mechanism for collecting feedback from any interested party on the reforms and legislative initiatives introduced in the context of DCFTA implementation.*

**Genadi Arveladze**  
Deputy Minister, MoESD



### DCFTA Website

SME DCFTA GE supported the MoESD in DCFTA communication with SMEs via the establishment of an integrated online platform, [dcfta.gov.ge](http://dcfta.gov.ge), thus contributing to the MoESD's objective of ensuring the transparency of government policy-making with regard to trade with the EU and the implementation of the AA/DCFTA. The project helped develop and manage the website in coordination with the Ministry, in parallel building up the Ministry's in-house capacity for the eventual handover of the website's management to the its staff. Throughout the 20-month action period, SME DCFTA GE focused on ensuring the sustainability of the effort by facilitating regular coordination

### Facts and Figures (2017-2019)

- The website had 44,186 unique visitors – of which the rate of returning visitors is 15.9%.
- Total number of sessions: 70,104.
- National outreach: 80.24% of users from Georgia.
- Over 52% of users visited via an organic search, 24% via referrals and 20% via direct entry.
- The DCFTA for Business page is ranked 3rd in the number of visits after the homepage and the Agreement page.
- 104 SME respondents across the country mentioned the website as a major governmental reference point for their awareness on the DCFTA.
- 5 video instructions for SMEs were developed and posted on the website.



## Institutional Capacity Development of Enterprise Georgia

SME DCFTA GE has conducted a **full institutional assessment of Enterprise Georgia**, focusing on aspects such as: an organisational overview, including its mission and vision, goals and objectives, strategic documents and national strategic frameworks concerning the organisation; structure and management, the identification of stakeholders and a study of international linkages and products offered by the agency such as projects facilitating access to finance and technical assistance, activities and services oriented toward export facilitation and business internationalisation. Based on the findings, a SWOT analysis of the organisation was conducted together with Enterprise Georgia and support measures were identified following the suggestions of both Enterprise Georgia and SME DCFTA GE.

In 2016-2018 SME DCFTA GE supported a series of workshops led by international consultant that focused on:

- 1. Refinement of Agency Products:** (i) potential new components/amendments to existing components of Product of Georgia: industrial and hospitality components for further enhancing orientation to the EU markets and (ii) preparing an action plan for film industry's development.
- 2. Alignment of Strategic Frameworks:** (i) amending Enterprise Georgia's activities in the National SME Strategy 2016-2020 Action Plan (with respect to deadlines as well as content) and alignment with the agency's own Development Strategy and (ii) developing an approach for the formulation of a national export strategy to be presented to the Prime Minister.
- 3. Internal Process Efficiency:** overview potential for improvement in the internal operations of the agency and the elaboration of measures to this end.

SME DCFTA GE's overall approach to Enterprise Georgia's staff capacity building included on-the-job trainings/learning-by-doing, supporting the Agency's B2B events and the

participation of EG representatives in various international missions and local actions developed for the project's private sector partners.

EG prioritised all sectors covered by the SME DCFTA GE cluster development component and assigned a special portfolio manager. This demonstrated the high degree of ownership at EG for the activities supported by SME DCFTA GE.

### TNA Focus Groups

SME DCFTA GE provided support to EG's piloting of the European Training Foundation (ETF) methodology aimed at providing business support organisations (BSOs) with a systematic tool for the collection of information and the analysis of the training needs in enterprises – **Training Needs Assessment (TNA)**.

The purpose of the TNA is to acquire relevant information about the gaps and challenges in the skills of the employees in Georgian companies with an overall goal of the Government to have a solid information base when preparing relevant policies and tools to address such gaps and needs. The target sectors under the scope of Enterprise Georgia's pilot TNA were the hospitality industry and the paper and packaging industry.

SME DCFTA GE supported the qualitative part of the study as well as the dissemination effort of the final report through publications and joint events. From 3-6 October 2016, the project organised and facilitated four TNA Focus Group discussions in Tbilisi and Batumi for the sectors under review. The project supported the subsequent publication of the full TNA report as well as the promotion of the research and its findings through awareness raising events, panel discussions and conferences. The project worked to assign the key panels for the topics of the TNA in the events held in parallel to the European Vocational Skills Week (5-9 December 2016).

## Enterprise Georgia and GITA as National Focal Points of the European Enterprise Network (EEN)

Within the framework of the AA/DCFTA, the GoG takes responsibility to harmonise Georgia's research and innovation standards and programmes to those of the EU. Enterprise Georgia and the Georgia's Innovation and Technology Agency (GITA) are two governmental agencies that lead the process which includes the implementation of an awareness raising campaign among the Georgian business community and SMEs about existing EU programmes and networks.

SME DCFTA GE supported both Enterprise Georgia and GITA in building the capacity of their staff to better inform SMEs about business opportunities in the EU, particularly regarding the transfer of knowledge, technology and innovation that are essential to developing their competitiveness.

Enterprise Georgia, GITA and the Georgian Chamber of Commerce and Industry (GCC) are Business Contact Points (BCC) of the Enterprise Europe Network (EEN) in Georgia and form the EEN Georgia Consortium that assists Georgian companies in finding potential partners abroad through packaging and disseminating business proposals across the EEN network, uniting more than 600 organisations. EEN is the world's largest SME support network. It helps businesses innovate and grow on an international scale. EEN experts provide SMEs with advice how to access new markets, distribute products, find technology to drive innovation and cooperate in research and development projects. EEN Georgia Consortium's task is to help companies in creating a company profile with a product description on the EEN platform and finding business partners.

SME DCFTA GE supported these agencies by providing for:

- **A business trip for two staff members** from Enterprise Georgia and GITA to the German federal state of Schleswig-Holstein (Kiel, Flensburg) with a visit to Hamburg where they held meetings at various agencies, business companies and financial institutions engaged in EEN and provide for consultation services, financial instruments, transfer of knowledge, technology and know-how. These included Investitionsbank Schleswig-Holstein (IB.SH), the Business Development and Technology Transfer Corporation of Schleswig-Holstein (WTSH), Tutech Innovation GmbH (TUTECH), IFB Hamburg and others. In addition, the Georgian delegates had an opportunity to learn more about the cluster development policy that has been implemented in Schleswig-Holstein since 2005 and where companies and research institutions involved in the clusters are working together to enhance their innovativeness and competitiveness (12-17 June 2017).
- **Enterprise Europe Network Info Day** – EEN Info Day brought together representatives of Georgian SMEs. Over **80 participants**, mostly SMEs, were informed about the opportunities offered by the Enterprise Europe Network and given information and advice on policy and business opportunities in EU countries as well as assistance in technology transfer processes and access to European programmes for research, development and innovation (R&D&I). Following this event, **two Georgian SMEs won contracts** with European companies (the event was held on 18 May 2017).

## State Procurement Agency



As part of SME DCFTA GE support to state institutions in fulfilling obligations undertaken in accordance with the DCFTA and in response to the request from the State Procurement Agency (SPA), the project provided funding for SPA outreach activities in 2017-2018. In addition to eProcurement, new and innovative e-services were launched by the SPA to cater business sector. A new eMarket web-based system, the new eGovernment services (connected to the eTreasury and RS.GE) and some other e-services were designed and developed.

To raise the awareness of the new approaches and services among procuring entities and private sector representatives, including SMEs, SME DCFTA GE supported the SPA in the following actions:

- Publication of new editions of: **300 Frequently Asked Questions, Users' Guide to the Unified E-platform**

## Georgian Chamber of Commerce and Industry

At the outset of its engagement with the Georgian Chamber of Commerce and Industry (GCCI), SME DCFTA GE assessed the core functions of the Chamber and its projects. The GCCI has been a leading entity to represent and serve the interests of Georgian business, both large companies and SMEs, across all industries and with the coverage of all regions.

**for State Procurements and A Guidebook for Public Procurements.** In total, 1,000 copies of each publication were distributed among representatives of SMEs and public procurers.

- Development of a promotional **video** on the Georgian e-procurement system to include the latest updates and success stories aiming at informing and engaging SMEs and increasing competition in upcoming e-tenders. The objective of the video was to inform about the ways in which an e-procurement system increases transparency as well as free and fair access to public tenders.

The project closely engaged with the SPA in the development of the concept. The video describes the e-procurement system, its advantages and its impact on budgetary spending as well as on SME development in Georgia. It informs SMEs about the ways in which the e-procurement system increases transparency as well as free and fair access to public tenders. It presents the respective rules, regulations, data and services whilst encouraging more active SME participation in public tenders.

The video was produced in two versions (short and long) and in two languages (Georgian and English). It can be accessed on the SPA's website ([procurement.gov.ge](http://procurement.gov.ge)).

Through the project's support, the SPA was provided with an effective tool to raise the awareness of private sector actors, including SMEs, about the electronic system of public procurement and promote SME participation in public tenders.

The GCCI and SME DCFTA GE cooperated in the following three directions in 2016-2019:

1. Capacity development by introducing the EFQM Excellence Model to the GCCI with the view of receiving EFQM "Committed to Excellence" recognition.
2. Establishment and development of services of DCFTA Information Centres in Tbilisi and four selected regions.
3. Development of AA/DCFTA-related trainings tailored to the needs of SMEs.

## GCCI's Journey to Excellence

From January 2017, SME DCFTA GE supported the GCCI with management tools according to the principles and methodologies of the European Foundation for Quality Management (EFQM) to develop the GCCI's management capacities. As a result, the GCCI adopted the EFQM Excellence Model – an internationally accepted and adopted framework for excellent leadership and management.

The GCCI started its journey by learning about the model and how it was applied with the support of an international EFQM licensed expert. A series of workshops, trainings and consultancy for management and staff were provided and the GCCI began to apply the knowledge to the implementation of two strategic projects – the establishment and operation of DCFTA Information Centres and the improvement of the GCCI representation offices in the regions.

Twelve GCCI representatives, including five newly recruited managers and staff, took part in EFQM-related activities and started to apply this knowledge in their daily work.

The GCCI took an important step towards the implementation of the EFQM Model, achieving the following results:

- Participating team members gained a better understanding of the application of RADAR logic from the EFQM Excellence Model with respect to planning and implementing projects.
- Participating team members developed a good understanding of process management – in particular, regarding how to describe processes and how to identify improvement opportunities. Further implementation of process management (without external support) would solidify this understanding and help the GCCI establish "management by process" over time. A critical success factor would be to sustain internal motivation and ensure continuous learning about processes and process management.
- The level of knowledge about process management increased and the team was able to pass on this learning to their GCCI colleagues, both in the head office and in the regions.



As a result of these activities, the GCCI was fully equipped to apply for the EFQM's "Committed to Excellence" recognition. In this respect, the project achieved its objectives and handed over the process for further follow-up to GCCI management.





### DCFTA Information Centre

The services of the DCFTA Information Centre were developed within the framework of the MoU with the GCCI to inform, consult and support SMEs in the regions of Georgia on the benefits and requirements of the free trade agreement with the EU.

The Centre's regional offices were established in Kutaisi, Signaghi, Gori, Zugdidi and Batumi (from 2018) to provide the following services:

- In-house face-to-face, telephone and electronic consultations and communication (via skype, email, etc.) with economic agents/businesses on issues of DCFTA relevance, the provision of proper referrals and field meetings.
- Trainings for SMEs on the topics pertaining to the standards and requirements of the EU market, organisational support and the contribution to DCFTA-related IEC events (conferences, road shows, etc.).
- Networking with AA/DCFTA-relevant government entities, local authorities, training providers, BMOs and BSOs.
- Collection, analysis and systematization of data vis-à-vis the DCFTA-related needs of SMEs and communication with local and national media outlets (advertising services, ensuring media coverage and the promotion of public events).



The local offices were run by long-term experts (LTEs) with operations being coordinated by the GCCI office in Tbilisi. The main topics for the consultations across the regions included general information about the DCFTA, HS code identification, tariffs, rules of origin, customs duties and procedures, communication with state agencies, EU regulations and many more. SME trainings were dedicated to DCFTA-compliant practices in selected agribusinesses (trout breeding, beekeeping, organic viticulture, kiwi cultivation, berry cultivation, tea cultivation, digital technologies in agriculture, etc.), construction materials and the DCFTA, management and marketing for rural business organisations, the preparation of companies for exports to the EU and others. The project provided for the Cen-

tre's branding (logo, slogan and visibility materials) and continuously supported the production of its promotional materials – brochures and factsheets for dissemination among local SMEs.

With a view to achieving a better integration of the DCFTA Information Centre's functions into the GCCI, the decision was made in 2018 to incorporate the DCFTA Information Centre into the core structure of the GCCI and assign a dedicated manager – a head of a structural unit of the GCCI with duties to organise and supervise the operation of the Centre and its offices with the support of two staff members. Furthermore, the DCFTA Information Centre LTEs were integrated into the GCCI's staff, becoming full-time staff members following training and capacity development in communication skills, presenting DCFTA Information Centre services, providing quality consultancy and collecting and analysing data about the needs of local businesses.

One of the results of this measure was the joint elaboration of the methodology for surveying the DCFTA-related needs of SMEs, the implementation of the survey and an analysis of the obtained data. The findings of the LTE-conducted survey in the spring of 2018 in four regions provided useful insights about the operational knowledge of SMEs and the perceptions and needs related to DCFTA implementation. With this experience, the GCCI became fully equipped to conduct similar surveys in the future, improve the focus of its interventions and advocate more effectively on behalf of SMEs. The project's consultant provided a few recommendations to the GCCI on additional actions that would ensure the sustainability and the further reinforcement of the DCFTA Information Centre's services.





### Establishment and Promotion of the Batumi Office

The Adjara Chamber of Commerce and Industry (ACCI), which is legally aligned with the GCCI, approached SME DCFTA GE with the request to establish a DCFTA Information Centre office in Batumi. The project approved the request in light of its importance and the contribution of additional resources by the ACCI.



Upon refurbishment of office space for the DCFTA Information Centre in Batumi and the recruitment and pre-entry training of a long-term expert, the office became operational in December 2017. SME DCFTA GE provided for the branding of the Batumi office and organised an open-door day on 9 March 2018 with a view to introducing the services to local business associations. The event was attended by major private sector development stakeholders and businesses from Adjara. SME DCFTA GE also supported the participation of the DCFTA Information Centre in public events co-funded by the project – the Women's Business Forum (Batumi, March 2018) and Europe Day (Batumi, October 2018).

### Renovation of Kutaisi Office

To provide for the renovation of the GCCI's premises in Kutaisi, the Chamber attracted additional financial support from the German Federal Ministry for Economic Cooperation and Development (BMZ) through Sequa GmbH, the IHK Academy Munich and Upper-Bavaria and the EU through SME DCFTA GE. The contributions as well as the arrangements for bidding, contracting, monitoring and accepting the renovation work were jointly agreed upon by the parties. The renovation work was completed on time with the desired quality and within the agreed budget. The refurbished office space as well as the repaired and upgraded amenities provide a productive working environment for both staff and SME visitors.



### Connecting SMEs in Regions

The activities of the DCFTA Information Centres in the regions increased the intensity of interaction among industry players, building trust and momentum for private sector actors to cooperate more closely by forming in-

dustry associations to promote common interests. The GCCI welcomed these developments and promoted the establishment of industry associations by co-founding and providing further support through the centres and its other regular services. In total, **three industry associations were established or expanded their operations** in 2017-2018: the Georgian Greens Producers' Association, the Kiwi Producers' Association and the Alliance of Beekeepers of West Georgia. They actively engaged in the SME trainings and were supported via the facilitation of dialogues with government bodies and enhanced connections with sales companies and industry technology leaders as well as consultancies on quality assurance, marketing and exports.



### Western Georgia Business Forum for SMEs

The GCCI organised a Western Georgian Business Forum in the newly refurbished premises of the GCCI in Kutaisi on 15 February 2019. The event was organised in cooperation with the Ministry of Economy and Sustainable Development of Georgia, SME DCFTA GE and the Academy of Munich/Upper Bavaria Chamber of Industry and Commerce (IHK). Up to 200 SMEs from Georgia's western regions attended the forum. The Deputy Minister of Economy and Sustainable Development of Georgia and the Head of the Cooperation Section at the Delegation of the European Commission to Georgia welcomed the forum participants.



The format included presentations and discussions about the implementation of the EU-Georgia agreement on the Deep and Comprehensive Free Trade Area (DCFTA) and the challenges in this process. Participants were informed about the existing programmes and facilities that support SMEs in adapting to the DCFTA requirements and prepare them for export to the EU market. GCCI representatives shared information about the DCFTA Information Centre's consultation and training services as well as TVET services that the GCCI Imereti Regional Office offers.

The forum provided a good opportunity to reach out to local business representatives on the existing support projects and facilities that are offered by the EU to SMEs across Georgia's regions to help them adapt to the DCFTA requirements and develop export capacities.



### DCFTA Information Centre Handover

The GCCI announced that it stood ready to sustain the provision of the DCFTA Information Centre services beyond the SME DCFTA GE project's lifetime at least until the end of 2020.

The GCCI committed itself to ensuring the full-scale functioning of the existing DCFTA Information Centre offices in Batumi, Zugdidi, Kutaisi and Gori to provide ongoing face-to-face, telephone and electronic consultations and referrals, outreach services and trainings for SMEs.

The full handover of the financing operations from the project to the GCCI was marked by a special event, entitled DCFTA Information Centre – Achievements in Serving Georgian SMEs, and held on 24 June 2019. It highlighted the progress made by the GCCI via its DCFTA Information Centre services in raising the awareness of SMEs in Georgia's regions about the requirements and opportunities vis-à-vis the DCFTA as well as the mechanisms of support for SMEs in obtaining technical, advisory and financial assistance. More than 200 entrepreneurs from across

Georgia, representatives of the business community and international organisations participated in the event. The GCCI presented the results of the two year-long cooperation with SME DCFTA GE in establishing and delivering essential DCFTA-related services to Georgian SMEs in the regions. GCCI representatives showcased success stories and discussed the next steps to sustain, develop and up-scale the highly demanded services across the country.

SME DCFTA GE's survey of the DCFTA Information Centre beneficiaries (a random sample of 180 beneficiaries surveyed out of 1,047) reported they are either very satisfied or more or less satisfied with all of the services provided except for referrals and case follow-ups that need further improvement. Most businesses stated that they have received relevant information regarding the industry and/or DCFTA-related standards (80%) and indicated that they are willing to continue cooperation with the Centre. They also reported that they would recommend the Centre services to their acquaintances.



“

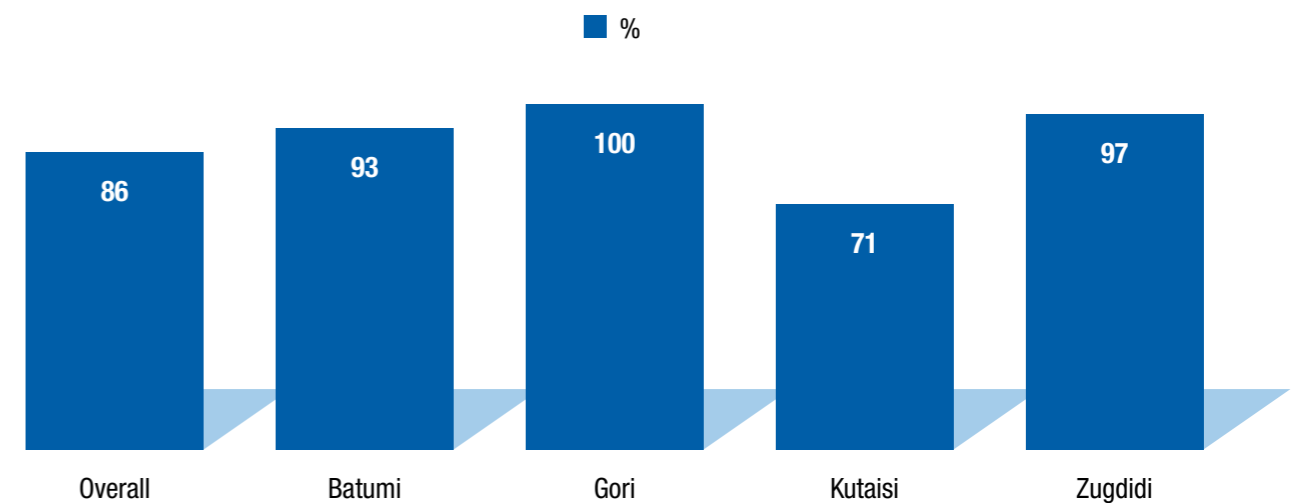
Supporting entrepreneurs in regions is one of the Chamber's main directions. Local SMEs are now able to receive detailed information about the requirements for accessing the EU market through services that our DCFTA Information Centre offices provide. We offer regular trainings on the ground. Raising awareness of local businesses will boost their development and will improve the quality of their products to match European standards.

**Nino Chikovani,**  
Former President of GCCI



”

### Would you continue cooperation with the DCFTA Information Centre?



Field meetings	2,678
Regional SMEs trained	2,657
In-office advisory	1,075
SMEs served through DCFTA Info services	6,410





**RESULT AREAS 4 AND 5:  
IMPROVED CAPACITY OF BUSINESS AND SECTOR  
ASSOCIATIONS, BUSINESS SERVICE PROVIDERS AND  
BMOs AND ENHANCED INTEGRATION OF GEORGIAN  
SME BODIES/AGENCIES WITH THE REGIONAL AND/OR  
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SUPPORTING GEORGIAN  
BUSINESS CLUSTERS

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GEORGIAN APPAREL  
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GEORGIAN FURNITURE CLUSTER

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GEORGIAN FILM CLUSTER

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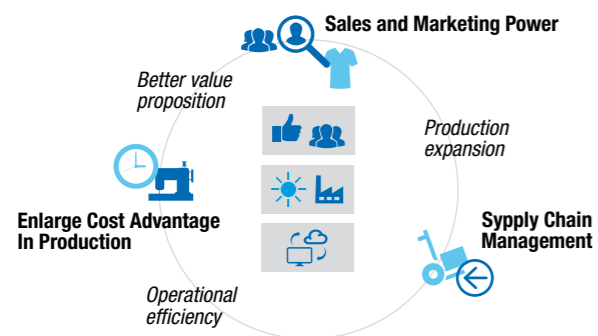
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PROMOTING INTEGRATION OF  
BUSINESS CLUSTERS AND  
NETWORKS IN RELEVANT EXISTING  
EU NETWORKS FOR ENTERPRISE  
DEVELOPMENT



## RESULT AREAS 4 AND 5: IMPROVED CAPACITY OF BUSINESS AND SECTOR ASSOCIATIONS, BUSINESS SERVICE PROVIDERS AND BMOs AND ENHANCED INTEGRATION OF GEORGIAN SME BODIES/AGENCIES WITH THE REGIONAL AND/OR INTERNATIONAL PLATFORMS IN THE EU

### SME Clusters / Networks initiated and linked with the EU



*Helping Georgian entrepreneurs organise themselves in clusters initiates teamwork and enables them to form the critical mass that is needed to overcome challenges, to strengthen competitiveness and to become attractive business partners for European clients. We are linking the Georgian companies not only with each other, but also with similar clusters in Europe, be they in Germany, France or Bulgaria.*

**Katja Kammerer**  
Programme Director, PSD TVET SC, GIZ



### Supporting Georgian Business Clusters

SME DCFTA GE helped Georgian SMEs link up in the business clusters to strengthen their competitiveness and develop export capabilities. It supported over 100 Georgian SMEs via a business clustering initiative across five sectors: furniture/interior design, film production/post-production, ICT, apparel and honey. Cluster member SMEs currently employ more than 1,400 staff members.

SME DCFTA GE put extra emphasis on a bottom-up approach as the most crucial element of a commercially feasible cluster is the ability and willingness of the member companies and organisations to work together on joint projects.

Both the GoG and a diverse number of independent private sector actors have reacted with great interest to SME DCFTA GE's introducing the topic of business clustering and engaged in identifying potential for business clustering in target sectors of the economy.

To initiate the process, SME DCFTA GE worked in close coordination with all relevant stakeholders to identify **26 industries** for consideration for business clustering opportunities. **Ten industries** were selected for analysis based on secondary research and government priorities.

Based on the findings of comprehensive studies and analysis, five priority sectors were targeted for intervention from 2017 onward: **apparel, film/film post-production, furniture/interior design, ICT, and honey/beekeeping** as they were considered to carry a strong potential for business network/cluster development.

Apparel	
Film	
Furniture / Interior Design	
Information and Communication Technology (ICT)	
Honey	
Trout	
Scrap Metal	
Plastics	
Dairy	
Poultry	

**A cluster** is a structure that is generally characterized as a geographically proximate group of interconnected companies, actors and institutions in a specific sector that work jointly on projects for improving the value chain they are in.

Cluster development is one of SME DCFTA GE's trademarks with GIZ being a champion in introducing this approach to Georgia on a wider scale and the GoG embracing it as a right step on the path of Georgia's further economic development.

**Key characteristics of clusters** are operations in the same/across related industries:

- Pooling of know-how, knowledge and expertise.
- Sharing of human resources, equipment/assets, infrastructure.
- Joint efforts for fostering skills; development and implementing enterprise standards.

**Key benefits** for member companies are:

- Reduction of input costs through the combination of orders – cost optimisation, enhanced profitability.
- Improvement of sales through the exploitation of new/external markets.
- Upgrading of the quality of work through the introduction of harmonised standards.
- Increased trust, transparency and cooperation through the joint acceptance of a code of conduct.
- Better access to qualified skills through joint education programmes.
- Accelerated and facilitated introduction of innovations through the joint identification of appropriate techniques and their use.
- Higher work performance through the exchange of experience and qualified dialogue.
- Expansion of the client base – enhancing capacities for production, negotiations with business partners (buyers, sellers, investors), government.

#### Lessons Learned in Georgia:

##### Tailor-made sector and a country specific approach is required

- Success factor industry experts.
- Demand-driven, client-based approach leads to success.
- Careful selection of sectors needed.

##### Quality needs time

- At least one year is necessary to establish a cluster.
- Finding the right actors and getting them involved.
- Creating joint understanding, willingness to cooperate, organise and formalise, conduct a pilot project.
- Study tours as “eye-openers, and the important role of academic players.

##### Investing in quality pays off

- Higher sustainability.
- More SMEs reached by core cluster members.

## Georgian Apparel Cluster Initiative

Georgia focuses on providing apparel manufacturing services to various western brands. Currently, all producers are involved in the CMT (cut, make, trim) activities. It is noteworthy that major international buyers use the Outward-Processing Trade practice; that is, all materials are imported, including fabric, thread and accessories.

The creative industry or fashion per se operates independently. Only very few producers sell in-house designed apparel and the production volume is not to be compared to CMT providers/exporters.

The first industry study that SME DCFTA GE produced looked at the apparel/textile industry in Georgia – MoESD considered this sector bearing potential for the exploration of clustering opportunities.

The project analysed the entire value chain from the sourcing of raw materials/textiles to design and fashion. SME DCFTA GE engaged an international expert with hands-on experience in apparel and textile value chains in Europe and Asia as well as a local consultant. The key findings:

1. **Building up a textile industry not recommended** as investment costs would be very high and job effects would be minimal.
2. Developing niche sectors such as **silk (or wool) would be an option** but would require a long-term approach and significant investments.
3. **Apparel is an industry with concrete export** potential for Georgia building on four comparative advantages:
  - a. Low labour and energy costs.
  - b. Qualification and skills of workers and management in the industry.
  - c. Favourable business environment.
  - d. Logistics and transport network.
4. The key challenge for the apparel industry in Georgia is the **lack of adherence to international standards** – a prerequisite for European buyers to consider Georgia as a location for sourcing.

The strategy for actions that SME DCFTA GE implemented in this area followed recommendations that were put forward by experts and aimed at the **development of a sustainable apparel industry in Georgia**. The focus was put on the establishment of quality, health, safety and sustainability standards across partner companies and on the promotion of clustering among the apparel companies practicing these standards.

Of the initial five companies mapped out for potential collaboration, SME DCFTA GE worked with four local producers (jointly employing over 800 workers) across four themes:

- **Enabling Georgian apparel producers to comply with EU industry standards** – Implementation of Business Social Compliance Initiative (amfori BSCI) standards for social responsibility, workplace safety and workforce protection through on-site advisory by international experts. The companies were selected based on the evaluation of their willingness and commitment to invest in implementing EU standards.

#### APPAREL INDUSTRY NEEDS

Promote European standards across the sector.

Attract more foreign buyers to diversify export structure and stronger integration with EU markets.

Address the growing issue of the lack of skills in the labour force.

Focus on niche sales to capture higher value markets.

Strengthen the regulatory system benefiting the sector.



In cooperation with the EU-GIZ project, we were able to prepare for the BSCI audit. At the outset of the process we went through the audit and received a relatively low rating, thus our goal was to improve our assessment. At the next audit we received the highest rating level A, mainly due to the assistance provided by the project.

**Tamar Vakhania**  
MPT Georgia



- **Connecting Georgian producers with EU buyers** – By providing them with capacity building, support in presentation skills and organising trade missions.
- **Promoting an apparel association initiative** – The development of a common platform and extending policy advisory services to both the private sector and the government of Georgia.
- **Contributing to the creation of an enabling environment for strong and sustainable industry growth** – Laying the ground for the development of the national apparel industry development strategy.

In 2016-2019 SME DCFTA GE closely engaged with the MoESD/EG and partner companies through on-site advisory services provided by national and international experts. SME DCFTA GE worked on the following key areas:

**Implementing amfori BSCI standards** for social responsibility, workplace safety and workforce protection – All four partner companies worked on upgrading their operations and management in line with international BSCI standards. In 2018 **MPT Georgia** passed the amfori BSCI audit, attaining the highest rank – “Grade A.”

**Improving sample and quality management** – The project provided trainings on the quality of sample production as well as operational and marketing management. The companies increased their capacities for sales samples, the installation of showrooms and costing. The companies gained a more coherent understanding of adjusting production quality to specific customer demands and price points. Technical competences of fitting and pattern quality in sampling process were also increased. Three partner companies produced a management handbook to be able to act and communicate in the areas of quality management, working conditions and the environment.



## amfori BSCI Code of Conduct

Our enterprise agrees to respect the following labour principles set out in the amfori BSCI Code of Conduct.

### amfori BSCI Principles



#### The Rights of Freedom of Association and Collective Bargaining

Our enterprise respects the right of workers to form unions or other kinds of workers' associations and to engage in collective bargaining.



#### Fair remuneration

Our enterprise respects the right of workers to receive fair remuneration.



#### Occupational health and safety

Our enterprise ensures a healthy and safe working environment, assessing risk and taking all necessary measures to eliminate or reduce it.



#### Special protection for young workers

Our enterprise provides special protection to any workers that are not yet adults.



#### No bonded labour

Our enterprise does not engage in any form of forced servitude, trafficked or non-voluntary labour.



#### Ethical business behaviour

Our enterprise does not tolerate any acts of corruption, extortion, embezzlement or bribery.



#### No discrimination

Our enterprise provides equal opportunities and does not discriminate against workers.



#### Decent working hours

Our enterprise observes the law regarding hours of work.



#### No child labour

Our enterprise does not hire any worker below the legal minimum age.



#### No precarious employment

Our enterprise hires workers on the basis of documented contracts according to the law.



#### Protection of the environment

Our enterprise takes the necessary measures to avoid environmental degradation.

### amfori BSCI Approach



#### Code Observance

Our enterprise is obliged to protect workers' rights as mandated by the law and the amfori BSCI Code.



#### Workers' Involvement and Protection

Our enterprise keeps workers informed about their rights and responsibilities.



#### Supply Chain Management and Cascade Effect

Our enterprise uses the amfori BSCI Principles to influence other business partners.



#### Grievance Mechanism

Our enterprise provides a system to collect complaints and suggestions from employees.

[www.amfori.org](http://www.amfori.org)

**amfori** BSCI  
Trade with purpose



Important changes have been made in Matera Holding with support from the EU and GIZ, particularly, regarding improvement of our operational system and its compliance with European standards.

**Anna Vepkhvadze**  
FH Matera







**Generating new business linkages** – In September 2017, the project organised a trade mission for five Georgian apparel producers with the participation of EG representatives and facilitated by international consultants. The delegation participated in the international exhibition, Munich Fabric Start, they got information about trends in the apparel industry and improved their knowledge of how to organise for participation in international trade fairs. Meetings took place in Berlin and Hamburg. Over the course of four-and-a-half days, Georgian producers met six prospective buyers, two institutions and four other organisations.

The mission generated interest from potential buyers from the EU – as evidenced by the follow-up exploratory visit of a major German buyer to Georgia in February 2018 – but it also revealed further needs in terms of improving the companies' management and operational capacities. These needs were later addressed under the advisory support activities with the participating companies.

**Facilitating local orders** – The first local order facilitated by the project was for hotel staff uniforms by Elselema for the Grove Design Hotel.

**A test production for potential international buyers** – Samples for the work clothing of factory employees of a leading European automobile manufacturer were provided and counter samples were produced by MPT and Materia. After 12 months of extensive work involving international consultants, the participating companies were able to meet the requirements of the manufacturer gaining an opportunity to win a contract for a first order of 2,000 pieces of work wear (status: February 2020).

**Advisory to the government on export development and generation of higher value-added products** – Through on-site work with the companies, roundtables with producers and a deep examination of the supporting sectors (logistics, ICT, infrastructure, education), the project team consolidated a review of the apparel industry in Georgia, sharing the results with the MoESD and EG and presenting an Apparel Industry Development Roadmap in December 2017 that would then prepare the ground



for the elaboration of a comprehensive sectoral strategy. The overarching objectives of the strategy were defined as the specialisation of Georgian production and exports in niche products and the positioning of the industry as one of the most productive industries able to attract FDI and contribute towards a significant share of export value and job generation.

### **Value Chain Analysis and Action Plan for the Apparel Sector**

The apparel industry was selected by the MoESD for further in-depth value chain analysis. SME DCFTA GE engaged its local and international experts in the undertaking of a comprehensive study and action plan. Measures were put forward for the development of the apparel industry in four strategic fields of action: **policy, infrastructure** (on the national level that requires support from the GoG and its development agencies), **skills development** and **management** (on the company level).

A comprehensive document was presented to the Minister of Economy and Sustainable Development of Georgia together with a similar analysis of the furniture sector. The Minister expressed thanks for the “good work” undertaken. At the request of the EG, follow-up questions were answered by the international experts. Based on the feedback from key governmental stakeholders, the document was finalized in summer 2019 and formally accepted with expressions of gratitude by Enterprise Georgia.





## Georgian Furniture Cluster

In 2016 the JSC Partnership Fund brought the “Craftsmen City,” an agglomeration of over 120 diverse companies in the Avtchala district of Tbilisi, to the project’s attention. These companies operate across different components of the furniture value chain, ranging from micro enterprises to processing facilities.

The companies cooperate in an ad-hoc manner with the characteristics of their cooperation fitting into the context of linkages of companies that are usually members of a cluster. SME DCFTA GE explored the potential for clustering in the agglomeration.

In late 2016, SME DCFTA GE engaged a leading international industry and cluster development expert to review the “Craftsmen City” and assess the overall state of the furniture industry to initiate a business clustering effort and the creation of the Cluster Initiative Group.

The initial pilot project consisted of the establishment of working groups focused on developing joint cluster products, a cluster structure and a development plan, a communication and marketing plan and on identifying and addressing key skill needs. In January 2017, SME DCFTA GE supported the outbound missions of potential members of the Georgian Furniture Cluster (GFC) to leading industry fairs (IMM Cologne and Passagen). It also supported Georgian furniture producers and interior designers committed to entering into joint production with their Bulgarian counterparts to participate in a study tour to Sofia. Linkages to a peer cluster in Bulgaria were established. Equipped with the knowledge of current trends in both Western and Eastern European markets, the Georgian furniture producers and designers cooperated by creating a joint wine furniture collection which was presented at Wine Expo 2017, an annual wine exhibition event in Georgia.



*The furniture industry has all the right ingredients to become a new force in the Georgian economy. Our goal was to contribute to turning the country’s human and natural resources into competitive advantage and internationalise it. To achieve this, we needed to enhance synergy of furniture producers, creative and technical education institutions and very talented Georgian designers.*

**Genoveva Christova**  
International Cluster Development Expert



The Georgian Furniture Cluster was officially established in August 2017 as a formally established business cluster in Georgia, now connecting 35 local furniture producers (SMEs), interior designers, an educational institution and a business association, represented by an elected management board. Since June 2018, a dedicated Cluster Manager runs the operations of the cluster, financed partially by contributions from cluster members and partially by the project. With SME DCFTA GE’s support, the GFC also developed a joint brand identity and an online platform – [cluster.ge](http://cluster.ge).

The mission of the GFC is to enhance the profitability and competitiveness of cluster members on both local and export markets. Georgian Furniture Cluster members have committed to joint production in order to take advantage of market opportunities in Georgia and Europe through economies of scale. Specifically, they committed to capacity building and organisation development, the establishment of a creative space through offering apprenticeships, organising competitions for young furniture designers and internationalisation. The project supported the cluster in all these directions.

The Cluster Development Roadmap and Action Plan implemented from 2017 to 2019 included:

- Capacity building and organisation development of the GFC.
- Development of the GFC Creative Space (apprenticeship curriculum for young designers, design competitions).
- Internationalisation of the cluster (participation in trade shows and promotional events).

### Development of Cluster Management Body and Member Capacity Building

One of the prime interests of the Georgian furniture SMEs in joining the cluster was to increase their sales. The cluster promised its members opportunities to consolidate production capacities for achieving higher quantity



and value orders whilst also matching them with interior and product designers. The ability of the cluster to provide practical services to (and tailored to the needs of) the members has been identified as its main pillar. SME DCFTA GE supported the development of the capacities of the GFC’s management in steering the cluster and delivering services to its members. As a result:

- A service package for the cluster members was developed and integrated that included seven services -



**identification and acquisition of joint orders, business linkages abroad and internationalisation, export procedures and requirements, preferential designer services/cross-VC linkage through connecting with designers and as well as hosting in-house designers, marketing and promotion, partnerships with government bodies and institutional partners (EG, GCCI) and access to information (governmental support programmes).**

- A selection mechanism of the cluster secretariat was introduced, approved and implemented.
- A new member attraction and promotion system was put in place with management trained in the process.

In terms of capacity building measures, a Training Needs Assessment (TNA) methodology was carried out with current and perspective (committed) cluster members, technical skills gaps were identified and mitigation measures were suggested.

Over the course of two years, with the close engagement of the project team and international consultants, the cluster managed to **establish a sustainable, self-governed structure with the further diversification of its management board in 2019.**

SME DCFTA GE produced a development strategy for the GFC and a three-year business plan (2019-2021) that extended to a period beyond the EU-GIZ project for sustainability purposes.

#### Expansion of the Cluster into Regions

To strengthen the cluster's standing and visibility within the industry across the country and to simultaneously gather information regarding value chain processes beyond Tbilisi, SME DCFTA GE commissioned a regional analysis. Comprehensive data collected during four missions to Tbilisi, Kutaisi, Batumi and other regions, fed into the extensive export value chain analysis and the furniture VC map, depicting the locations of cluster members and regional enterprises.

#### Connecting Furniture Producers with Designers

SME DCFTA GE's efforts to link producers with designers resulted in the establishment of a group of talented Georgian designers willing to cooperate with producers within the cluster. A series of workshops and events for companies and designers were conducted with support from international consultants.

To test competencies and the potential for cooperation between furniture producers and designers, SME DCFTA GE organised a competition for a design idea project in 2017 on the topic of a Wine Presentation Furniture Collection. The objective of the initiative was to highlight local creative potential and link it to the production process. Winning collections were exhibited at Tbilisi Wine Expo 2017.

The technical assistance and capacity development sessions provided by leading international expert helped the designers improve their work in line with international market requirements. The Let's Do It Through the Cluster – Product Development and Branding Through Design workshop in 2018 brought together 70 participants from the industry. The exchange offered ideas and strategies on how to create brands and launch them on the international market. This was a milestone event that led to the establishment of a designer sub-group within the cluster. As a result, their offerings were lighter and presented a unique, local Georgian look rather than the interpretations of popular Scandinavian and Italian design trends visible in their older portfolios.

The preparation of the collection for export provided the cluster management and the companies with practical knowledge on export-oriented production. Producers and designers improved the transport efficiency of the objects, not only in terms of weight but also shape, which was never an issue for the local market. This adaptation also raised interest in the standardisation of production and the certification of factories (through international certification) as a necessary step for export-minded expansion.

#### GFC at International Industry Fairs – From Visitors to Exhibitors

Before launching the clustering effort, SME DCFTA GE decided to take advantage of the furniture and design fairs in Cologne, Germany to enhance the knowledge and experience of both potential cluster members, Georgian experts as well as government representatives.

In January 2017, a delegation consisting of the management and selected companies of the "Craftsmen City," Enterprise Georgia, the Export Development Association, furniture designers and led by a key international field expert visited IMM Cologne (internationale möbelmesse) – the leading European furniture trade fair. The visit provided the delegation with opportunities to:

- Review new design trends and assess the capacity of

the Georgian furniture industry against these new trends – The group gained a good understanding of the EU market needs and possibilities/timespan of matching these needs.

- Explore contract manufacturing possibilities on the global furniture market providing the delegation a better understanding about the export readiness of the furniture sector.
- Establish linkages between Georgian furniture producers and designers – Delegates exchanged their insights on furniture production and design that could be eventually reproduced by the cluster companies.

In 2018, cluster member companies were given additional opportunities to attend two important industry events – three outdoor furniture producers visited a leading outdoor furniture expo in Cologne (spoga+gafa) accompanied by EG representatives. Another three cluster members visited the Metal Expo Istanbul in Turkey.

Visits to international trade and exhibition events provided a valuable experience encouraging companies to diversify production and find new business partners, expand their ambitions and present their own products at international industry events and better understand and adapt to current international trends and customer demands.

SME DCFTA GE's support for new product development and branding workshops and advisory that took place throughout 2018 led to the participation of GFC member interior designers at the PASSAGEN 2019 – a interior design exhibition platform running in parallel with IMM Cologne where over 190 designers and design studios are dispersed across designated areas throughout the city with an average visitor turnover of over 160,000. This was the first time for the designers to present their works under the unified Design Georgia brand with organisational support from the EG.

Following the selection and prototyping of winning furniture designs, SME DCFTA GE supported the transportation of the products to the PASSAGEN venue in Cologne where an exhibition stand was organised and GFC designers and producers exhibited the wine presentation furniture for the international community and the furniture and interior design industry.

Each of the items showcased under the Design Georgia brand possessed its own character and presented a wide range of functional, innovative, eco-friendly and conceptual approaches to design and manufacturing.



*Through participation in international fairs we connected with designers. They visited our factory, observed the production process, assessed our capacity and developed trust. This eventually led to a joint project – furnishing of a residential space.*

**Anton Grigolishvili**  
Eurostyle-XXI







*Participation in such exhibitions is very important for the further development of Georgian product design. For our company, this was a very interesting experience as we learned first-hand about how companies and designers present their products and market them. We also received some feedback from the visitors which will guide our company in meeting the demands of the European market.*

**Nia Mgaloblishvili**  
Designbureau



The Design Georgia exhibition was listed among the top ten places to visit at the fair along with some of the world's most renowned designers. All four design studios presenting under the Design Georgia brand also made the list of 22 nominees for the PASSAGEN Prize for up-and-coming designers.

Parallel to the fair, Georgian furniture producers were invited by the Hettich Group, one of the world's leading manufacturers of furniture fittings, to visit their factory near Cologne. Georgian furniture producers had the opportunity to observe the Hettich Group's production sites, thus getting a better understanding of the quality needs they would have to satisfy in order to be able to supply such a buyer. Unexpectedly, the learning experience did catch the interest of the Hettich Group to explore the GFC as a potential supplier.

In April 2019, four members of the GFC, accompanied by representative of Enterprise Georgia, visited the INTERZUM Cologne, one of the leading international trade fairs in the world for the suppliers of the furniture industry under the guidance of a sectoral expert where they established linkages and identified opportunities for supplying buyers in the EU.

#### Joint Projects of Cluster Member Companies

In 2018-2019, cooperation among cluster members led to the successful acquisition and implementation of joint projects. Some examples are the following:

- Three companies submitted a joint bid and won a public tender to equip one of the service areas of the Ministry of Internal Affairs.
- Two companies built pavilions for the 43rd Chess Olympiad in Batumi.



- Two cluster members collaborated to produce prototypes for a large-scale project by the biggest Georgian construction company, JSC m<sup>2</sup> Real Estate.
- Two companies joined forces in furnishing a brand bakery shop.
- A cluster member furniture manufacturer and a designer successfully collaborated in furnishing a private apartment.

#### International Linkages for Equipment Upgrade

GFC members were linked with Bulgarian furniture producers by the project consultant company, Ligna Group, enabling them to access second-hand machinery that matched the companies' scale and needs criteria. Despite being second-hand, the machinery still provided superior performance to the previously used low-cost equipment. The companies' willingness to invest in additional machinery speaks volumes for their enhanced confidence in pursuing expansion. This was a notable shift from the initial situation during the 2016 needs assessment conducted by the project when the surveyed companies mostly looked for grants for procuring equipment, rather than expressing readiness to invest themselves.

#### Promotion of the Industry and Sector Prioritisation by the GoG

SME DCFTA GE's work with the furniture industry has had a strong impact on raising the awareness and popularity of the sector in Georgia, especially among key governmental authorities. The industry was customarily seen as primarily targeting the domestic market despite its turnover and employment numbers. At a high-level international event in October 2018, the Minister of Economy and Sustainable Development of Georgia publicly announced the prioritisation of the Georgian furniture industry for export and called for investors to explore this opportunity – specifically mentioning the efforts of establishing and strengthening of the Georgian Furniture Cluster.

Enterprise Georgia assigned a dedicated staff member to manage the furniture, toys, and architecture and design services portfolio for export promotion and development. The EG also conducted an in-house furniture industry research study and supported several local and international study tours for industry players.

The furniture cluster tour for toy producers (organised by the EG, SME DCFTA GE and GFC's management board



in 2018) encouraged toy producer companies to amalgamate geographically as part of their internationalisation strategy. Three companies applied to the EG's training course for export managers where they presented this strategy at the final certification exam.





### Value Chain Analysis and Action Plan for the Furniture Industry

As per the request from the GoG, SME DCFTA GE explored the Georgian furniture and woodworking industry for export development potential through an in-depth analysis. To develop exports based on the value chain of woodworking and furniture in Georgia, a tailor-made strategy was proposed which included three pillars based on preconditions for the implementation of the different upgrades. For each one of the pillars and the preconditions, specific strategic actions in the form of concrete operational measures were designed.

A comprehensive document was presented to the Minister of Economy and Sustainable Development together with the aforementioned analysis of the apparel sector. The Minister expressed thanks for the “good work” undertaken. At the request of the EG, follow-up questions were answered by international experts. Based on the feedback from key governmental stakeholders, the document was finalized in summer 2019 and formally accepted with expressions of gratitude by Enterprise Georgia.

### Integration with EU Projects and Networks

In October 2018, the GFC took a major step towards internationalisation with its official registration for the **European Cluster Collaboration Platform (ECCP)**, a service facility of the Cluster Internationalisation Programme for SMEs (funded under COSME), launched in 2016 by the European Commission’s DG GROW. The ECCP provides networking and information support to clusters and their members, aiming to improve their performance and increase their competitiveness through transnational and international cooperation.

### TAF 2019 and Association Design Georgia

One of the outcomes of PASSAGEN was a resolution of the designers to strengthen their integration as a network. The group decided to create a brand that would unify the Georgian furniture and interior design scene both locally and internationally: Design Georgia. The brand would be-



gin with the GFC member designers and gradually expand to include the entire national industry. To make a strong statement throughout the Georgian industry and clearly position themselves, the designer sub-group that took part in the PASSAGEN fair decided to organise a follow-up event locally. The Tbilisi Arts fair (TAF) was identified as the best setting for showcasing Georgian contemporary product design as it focuses on the vibrant emerging art scenes in the regions of Black, Caspian and Baltic Seas and brings together collectors, curators and art professionals from around the world.

The exhibition was supported by the EG and SME DCFTA GE. In addition to the four members of the Georgian Furniture Cluster, other designers selected through the competition organised by the EG and the GFC also presented their products – in total 16 designers and design studios. The exhibition proved to be one of the major highlights of the fair. It proved to be a major milestone in positioning the GFC/Design Georgia on the local market – the MoMA even allowed Design Georgia to feature its products at the designated venue for one additional month, free of charge.

In the aftermath of the TAF success, the Design Georgia group decided to formalise their platform into a business association under the same name. The vision of the association is to advance the profession of furniture design and its positive impact in the marketplace. It aims at becoming the voice of the industry and build and maintain professional connections between furniture designers and producers. It will advocate for a greater understanding of the value of furniture design among industry stakeholders and enhance the professional development of its members through enriching learning opportunities at all levels. Association services include:

- Creating and maintaining educational events and incentives; exhibitions, markets, workshops, site visits and trainings.
- Providing local and international industry-related information.
- Developing tools to help members reach clients and society at large.
- Increasing the awareness of international standards.
- Participating in international events and initiatives.





## Georgian Film Cluster

The Georgian film industry possesses a high potential for generating wide economic impact and spill-over effects – positively affecting and driving demand for catering, accommodation, entertainment, transportation, logistics, security and other types of services during production projects (especially in rural areas which otherwise see limited economic activity). It has also become a priority sector for the GoG which put forward an incentive programme, Film in Georgia.

SME DCFTA GE launched support for the establishment of the film cluster after conducting a sector assessment per the request of the MoESD and identified key objectives that would be well served via the introduction of business clustering in the sector. These included:

- Introduction of skills development opportunities and platforms across the sector according to international standards;
- Introduction of financial incentive programmes (such as the GoG's Cash Rebate Programme) for post-production services;
- Promotion of the representation of the post-production sector internationally;
- Co-financing trainings abroad and arranging apprenticeships and internships at European studios;
- Introduction of cross-sectoral trainings for production and post-production specialists;
- Adoption of foreign education courses and their adaptation to the Georgian context.

Whilst the initial focus was made on the post-production part of the industry, key partners (MoESD and Enterprise Georgia) requested the expansion of the scope of the value chain to include the entire film sector.

SME DCFTA GE support in 2016-2019 focused on bringing leading audio-visual professionals together under the umbrella of the Georgian Film Cluster through the capacity building of the cluster and its members, on the one hand, and promoting Georgian filmmakers on the national and international stages, on the other.

The project engaged a team of various international and local experts for three years who provided continuous advice to the cluster on:

- Development of a sound business strategy for the Georgian Film Cluster with all relevant stakeholders that forges direct links to EU markets together with establishing its organisational and steering structures.
- Provision of Technical Assistance (TA) support to the cluster's sustainability by mobilising funds from national and international funders as well as potential investors.
- Creating a Public Private Dialogue (PPD) platform and advisory to the government to produce a greater understanding between industry figures and high-level

government executives of any legal and regulatory issues hindering the industry's development as well as challenges in the form of new market realities and technological changes.

- Capacity development of local filmmakers working in the production and post-production sector, especially their technical and marketing skills in line with EU market needs and opportunities.
- Linking cluster members to European/international counterparts to foster the integration efforts of the Georgian audio-visual industry into European markets.

### Pilot Project and Establishment of the Cluster

To develop a common vision and establish trust among potential members of the cluster, SME DCFTA GE offered the development of a joint pilot project that would then lead to the formal registration of the cluster. The working group of key industry representatives (both individuals and companies) and support agency representatives (Enterprise Georgia, Georgian National Film Centre), under the guidance of international and local consultants, identified three major areas for possible pilot projects to work on from early 2017 onwards: code of conduct, web platform, trainings and apprenticeships.

The Georgian Film Cluster was registered in August 2017 with its membership increasing from 13 initial members to 40 by end of 2019. Its diverse membership (individuals and companies) enables the cluster to offer clients a full range of services to ensure a customised, integrated suite of production and post-production services or stand-alone services at any stage of the production process.

The cluster has been pursuing the following main goals:

- To establish linkages between Georgian and international film producers, including the identification of new opportunities for trainings and apprenticeships abroad.
- To serve as a unified voice to lobby for industry interests and programmes with the GoG and international partners.
- To assist government agencies in developing film industry-related policies and obtaining industry data.
- To promote the Georgian film industry abroad.



The cluster expansion was achieved through project-supported industry networking meetings which introduce the cluster to its potential members. Such meetings also helped link Georgian film industry players with potential foreign partners. As one example, the September 2018 networking meeting with Luxembourg-based producer Paul Thiltges, sponsored by SME DCFTA GE, was attended not only by current but also by prospective members of the cluster, thus contributing to the promotion of this platform among the wider pool of industry professionals.

The project advised the cluster to develop a systematic membership process based on specific rules and criteria. By openly communicating the procedure and requirements for becoming a member (to be posted on the cluster website), the cluster could increase its credibility among industry professionals. The idea behind creating this selection process was that it could be easily transferred to any other form of selection process, whether it be for in-/outbound missions or participants for trainings, internships or market exposure.



*The main idea behind the film cluster that united us was to become a strong voice in Georgian audio-visual industry.*

**Natia Nikoleishvili**  
Executive Producer





## GEORGIAN FILM CLUSTER CODE OF CONDUCT

The Georgian Film Cluster and its members strive to further develop the Georgian film industry, we recognize the role of the organisation's stewardship and at times our responsibility to ensure that the adoption of best practices and technologies are adequate to ensure the industry's success and the provision of high-quality services to our partners locally and worldwide.

### Fair Business Practices:

I (or My Company) will use every opportunity to improve public understanding of the role of the film industry by following fair business practices, specifically:

- I will demonstrate a commitment to excellence in all aspects of my profession and will consistently promote and encourage the highest level of ethics within the industry.
- I will respect my partners' and clients' interests and timelines and will provide services to them on time as stipulated in a contract.
- I will provide payments to my partners on time to ensure that their goals and expectations are met.
- Considering tight schedules and deadlines for projects across the industry, I will ensure to compensate the overtime work of crew members and respect the turnaround time to ensure a safe and fair working environment.

### Intellectual Property:

- I will recognize that intellectual property rights are important company assets and will protect and maintain our intellectual property rights. Furthermore, I will respect and make every effort not to infringe upon the intellectual property rights of others.
- I will use only licensed software for my work which will ensure not only honesty and trustworthiness in all my relationships but also my reliability in performing my assigned responsibilities.

### Production Quality:

- I will ensure that a quality check is performed prior to the delivery of the final product to a client.
- I will always strive to maintain proficiency by updating technical knowledge and skills.
- I will have due regard for the physical environment and for public safety, health and well-being.

## Support to Mobilisation of Funding and Technical Assistance (TA) Support

To provide for the sustainability of the cluster, SME DCFTA GE offered comprehensive advice on the mobilisation of additional funds and technical assistance that focused not only on the generation of funding opportunities but also building the capacities of cluster members to identify such opportunities and prepare applications and promotional materials targeting potential donors and funders (both in response to calls as well as unsolicited proposals), lead negotiations and fundraise from international institutions, (European Union, etc.).

The project provided an actionable, detailed database of potential funders and investors to the cluster. The database included a wide mixture of organisations and companies (over 60), mainly local or regional. Through international advisory, cluster board members were supported with the preparation for an application submitted to the EU National Institutes of Culture, EUNIC, a European Union cultural network supported by the Creative Europe fund working in the areas of cultural diplomacy and cultural relations. With this, the cluster is well positioned to apply for the forthcoming EUNIC calls in 2020.

The project also researched for potential funding opportunities in development cooperation and successfully connected the cluster with other international donor programmes operating in Georgia and targeting creative industries.

## Creating a Public-Private Dialogue (PPD) Platform

SME DCFTA GE support for the PPD platform included two components: the creation of case studies to showcase the different obstacles faced by local film professionals and the organisation of roundtables on the most pressing issues between industry professionals and high-level government executives.

As a part of the cluster's development strategy, recommendations were provided to strengthen the industry through a better legal framework and more support from the government. This would require a comparative analysis of the legal and regulatory environment of the Georgian



film industry in relation to other countries. As for one step, the project provided the cluster with a case study on taxes - four recommendations were delivered on the issue of taxes in the film industry in Georgia. The project also put forward recommendations for the improvement of the business enabling environment and framework conditions. These were included into a letter to the office of the Georgia's Business Ombudsman.

The project also advised the GoG (EG) on the work-in-process of the expansion of the Cash Rebate programme to include post-production.

## Georgian Film Cluster Development Strategy

One of the key aspects of the cluster's action plan for 2018 was to put a long-term institutional development strategy in place. The strategy would address numerous topics and challenges from mapping the organisation's way forward following the completion of the project to solidifying its long-term vision, mission, objectives and actions. The strategy included a SWOT analysis of the cluster that included the following to threats to be countered:

- Sustainability: Reduce the dependency on donor/ sponsor support and secure long-term funding.
- PPD: Support for putting the cash rebate plan of Film in Georgia into law to secure its future existence.
- Organisation: Revise the selection process to make it transparent and fair as well as to ensure that new members share the cluster's vision and goals.

The strategy was developed in close collaboration with the founding cluster members and reflected discussions with all key industry stakeholders, including on the governmental side – the EG as responsible for managing the film industry incentive plan – Cash Rebate programme, and the GNFC – the state agency responsible for funding and developing national films and promoting them internationally.

The strategy comprised a comprehensive roadmap (action plan) for the three years (2019-2021) with KPIs/ milestones and deliverables of the cluster's future actions regarding the strategy's key pillars: organisational development, sustainability, private-public dialogue (PPD), internationalisation and education. It aimed at closing the gaps in the Georgian film industry and its state and international support, making Georgian film, its staff and its environment more attractive to international funders and deepening already existing networks whilst at the same time improving conditions for local film professionals.

### Industry-wide Development Strategy Outlook

In addition to the development strategy for the cluster, the project experts created the foundation for an industry-wide development strategy for the next years. Some directions coincide with the goals of the cluster, such as education, copyright and networking. The successful implementation of foreign and domestic film productions in Georgia is identified as a key factor that will lead to an im-



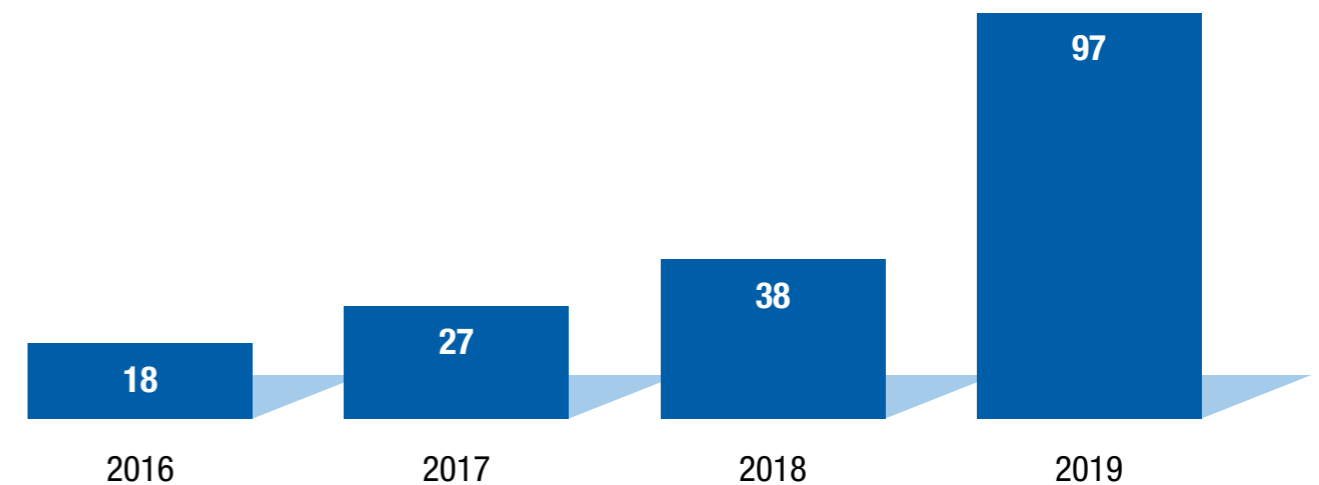
*We want to convey to the government that the film industry requires a specific approach for policy and taxation issues. In my opinion the cluster is a very good instrument to lobby and protect the interests of the sector and of those employed in the sector.*

**Vladimer Katcharava**  
20 Steps Productions



## Georgian Film Industry Turnover 2016-2019

■ In mln GEL



proved external visibility, attract international funding and sponsoring opportunities as well as raise local working standards to an international level which will ensure fast and efficient economic growth for actors such as SMEs working in the audio-visual industry in Georgia.

### Partnerships and Capacity Development

With SME DCFTA GE's support, the cluster established cooperation agreements with international institutional partners that helped enhance its outreach with industry players in Europe and beyond:

- In May 2019, a Memorandum of Understanding was signed with the International Emerging Film Talent Association (IEFTA) which would support financing the participation of Georgian filmmakers in film markets (Cannes 2019) and to support the cluster in the candidate selection process. Given the IEFTA's long-term interest in Georgia, its partnership with the cluster has potential to develop beyond the project.



*We have a clear vision. We have agreed in which direction the Georgian film industry shall develop and where we want to stand in three years from now. The cluster is a platform where voices of all movie professionals shall be united so that the sector develops in the right direction.*

**David Vashadze**  
Cluster Director





The IEFTA brought six filmmakers from around the globe to southern France to participate in the Marché du Film's Industry Workshops Programme between 14-20 May 2019, including one Georgian Film Cluster member who



attended three days of classes with top professionals in the industry, learned about new industry trends, film financing, co-production and distribution whilst sharing his experience and goals alongside building his network.

- The School of Film Agents (SOFA) held its 6th annual workshop in Tbilisi in April 2019. The workshop gathered both upcoming film and post-production professionals from Middle and Eastern Europe, Germany, Greece, Israel, Central Asia and the countries of the South Caucasus as well as some high-level professionals as their mentors. With the unique opportunity to connect the cluster with such a diverse and significant group of actors (both emerging and senior professionals), the project facilitated a networking event that promoted the establishment of linkages and the initiation of a discussion on potential opportunities as well as solicited the interest of other workshop platforms to explore Georgia as a destination for hosting similar seminars.
- In July 2018, the cluster signed an MoU with **Bridging the Dragon**, a Berlin-based networking platform that provides advisory services on identifying and utilising collaboration opportunities between film production companies from Europe and China. This partnership will further enhance the Georgian film industry's channels to the Chinese market whilst promoting it as an integral part of the European film industry.
- Partnership agreements with **international training providers** opened up new opportunities for Georgian professionals to benefit from trainings (often with scholarship support).
  - Adam Mickiewicz Institute: The link with the renowned centre in Warsaw was established in May 2018, enabling three cluster members to participate in a workshop.
  - Film Spring Open Foundation: This partnership agreement provided for the preferential placement of cluster members at workshops organised by Film Spring Open in Poland.

With SME DCFTA GE's support, five cluster members benefited from trainings at leading international institutions such as:

- Erich Pommer Institut, Potsdam, Germany: Two producers took part in an intensive workshop course, Clearing Rights for Film and TV. They acquired practi-

cal knowledge on how to identify and clear rights fast and efficiently and acquainted themselves with best practices and strategies for clearing rights.

- School of Film Agents, Cologne, Germany: A post-production supervisor received tailored tutoring from European post-production houses to develop a Post-production Platform. The Post-production Platform is a map of post-production capacities in the Georgian film industry, offering access to technicians and artists, freelance specialists, and experienced companies. The platform is envisioned to function as a planning tool, allowing users to estimate their project's budget and build up a dedicated team of professionals for post-production in Georgia.
- International Federation of Film Archives, Bologna, Italy: A film restoration specialist attended a summer school in film restoration technologies and techniques.
- APostLab, Amsterdam, the Netherlands: An audio post-production project manager was trained and coached during intensive workshops on post-production chain management.

To ensure a fair selection of these beneficiaries from among cluster members, a major pre-requisite for co-funding by SME DCFTA GE was stipulated. This pre-requisite required the applicants to first solicit funding from the training provider institution.

#### Establishment of WIFT Caucasus

Prior to joining the cluster, several members had initiated negotiations with the Women in Film and Television (WIFT) network to establish a branch office in Georgia that would cover the region. WIFT is the leading membership organisation for women working in creative media in the US and Europe. Members of the organisation come from a broad range of professions spanning the entire creative-media industry.

The effort was significantly scaled-up after establishment of the cluster and the involvement of international consultants in the process from 2017 onwards. The project supported cluster board member's participation in the annual reception hosted by Women in Film and Television (WIFT) Germany at Berlinale in February 2019. The event's title was Gender, Genre and Big Budgets.

Further consultations followed and in July 2019, WIFT Caucasus was officially launched, based in Tbilisi, with

Georgian filmmaker, Nana Ekvimishvili, also a consultant for the cluster, being elected President.

Through WIFT and its various other chapters, the Georgian Film Cluster gains access to a remarkable network of professional female filmmakers which can provide training or technical assistance support to the film cluster and its female members.

#### Integration with EU Markets

As part of the internationalisation component of SME DCFTA GE's support to the cluster, the project actively promoted the participation of cluster members in international film festivals and markets. Georgian Film Cluster members showcased their projects, forged new partnerships, signed new co-production deals, connected with new financiers and film funds and vastly expanded their professional network.







*Joining the film cluster has brought concrete results. At the time, we were working on a feature film project. With the support of the EU and GIZ we were able to attend the Cannes Film Market, where we had the opportunity to meet face-to-face with our European partners. As a result, we reached agreement on Georgian, French and Italian co-production.*

**David Isakadze**  
Magnet Films



Contract signings as well as the promotion of the cluster were some of the successes from cluster member participation in major film industry events in Cannes, Berlin and the Annecy Animation Film Festival, among others. During the project-supported visits to film markets, up to ten contracts were signed by cluster members. A project managed by two cluster members was picked up by the distribution company Pluto Film and screened at the Tokyo International Film Festival and other events. One Georgian post-production studio was able to close a financing gap during a meeting at the European Film Market in Berlin and successfully completed a film project. Four members of the cluster met film festival organisers and three were selected to have their productions screened at international festivals.

#### Cluster Branding and Website

SME DCTA GE supported the Georgian Film Cluster in the development of brand identity and an online presence via its website – [filmcluster.org](http://filmcluster.org). The website communicates the cluster's key messages to Georgian and foreign industries and serves as a gateway to the country's film industry for foreign players who want to explore business opportunities in Georgia, from co-production with local companies to outsourcing post-production services. The site provides comprehensive information about Georgia's film industry as well as the general business environment, infrastructure, international flight linkages, tourism, etc. The project also helped develop a cluster brochure as an important promotion and marketing tool.

#### Improvement of Business Processes

To streamline the establishment of linkages between Georgian and foreign industry players, SME DCFTA GE supported the enhancement of the business management processes and capacities of cluster members by equipping them with Movie Magic Scheduling and Movie Magic Budgeting. These software products are international standards in the industry and now allow local companies to optimise their budgets and schedules for film production, thus greatly improving project and business operations management.

#### Georgian Film Industry Conference

To raise the profile of the Georgian Film Cluster within the local industry, SME DCFTA GE supported the cluster in organising the first Georgian Film Industry Conference in October 2019. Over 100 film industry professionals and other invited guests met to discuss the current state of affairs within the fast-growing Georgian film industry and prospects for its further promotion and development. The Ambassador of the European Union to Georgia, the Deputy Minister of Economy and Sustainable Development and the GIZ PSD TVET Programme Director welcomed conference participants. The second panel of the conference specifically targeted film industry professionals. International donor representatives shared information about forthcoming support to the sector and international production highlights and the growing opportunities for Georgian filmmakers to grow and expand their reach internationally, including by means of joining the cluster. The second panel proceeded in an engaging interactive format.

The Georgian Film Cluster now strives to position itself, on the one hand, as a private sector-driven institution for development that provides a sustainable, institutional industry partner to the government and, on the other hand, as a network of businesses seeking to secure foreign market business opportunities for its members.







## Georgian ICT Cluster

The GoG identified innovation and digital technologies as key accelerators for the country's economic development, channelling its efforts toward digital transformation across all sectors of the economy. SME DCFTA GE's support for the development of Information and Communication Technologies (ICT) of Georgia via the introduction of business clustering falls into this strategic context of strengthening the digital economy. As in the case of other target sectors, here again the project started its intervention with a study that assessed the potential for clustering in Georgia's ICT sector, looking at current operating conditions, key growth constraints and opportunities to create synergies through cluster development. The study showed that there was a nascent ICT community in the country which was ready to take advantage of its strengths and opportunities to reach EU markets. Sector development, however, was impeded by the lack of managerial and soft skills (project and organisational management, business analytics, market intelligence, marketing, etc.) which can be addressed through expert advisory and cluster development, starting with the existing ICT community in Tbilisi (based at the Mioni Centre).

### Establishment of the Cluster

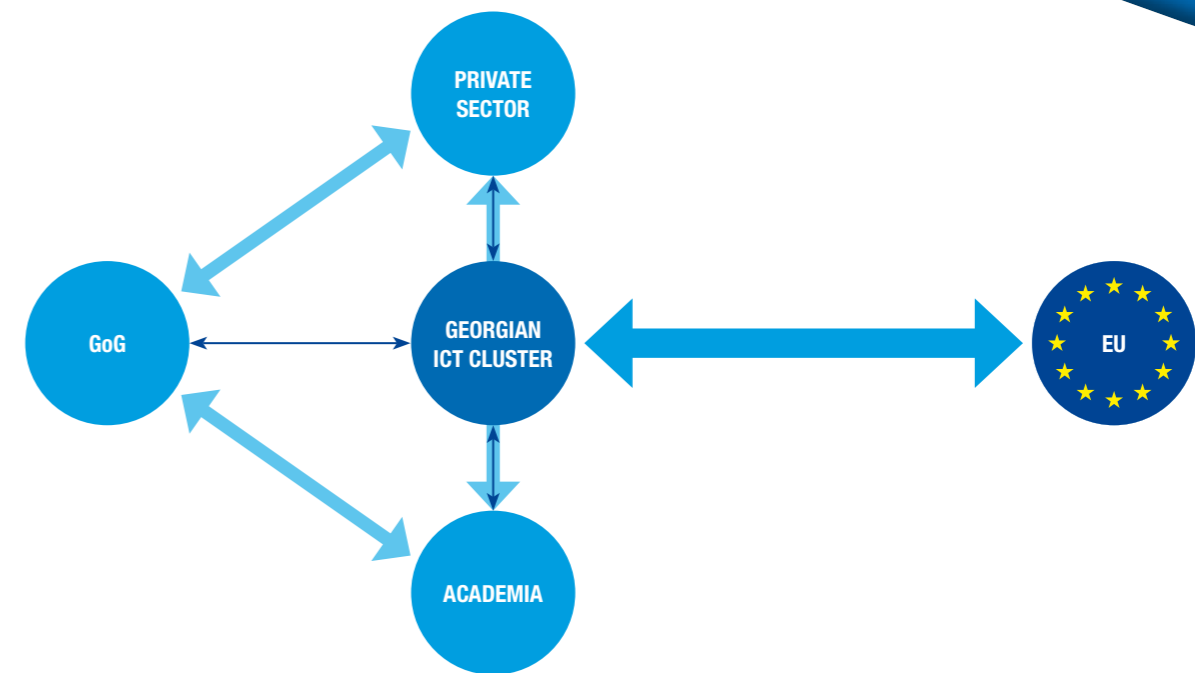
The creation and development of the ICT cluster was deemed to be an important step toward increasing the sector's competitiveness. A well-developed ICT sector can support growth in other sectors by providing creative and innovative solutions for a range of industries (apparel, filmmaking, design, architecture, and others). Also, it can provide quality services to the public sector at municipal, regional and national levels.

From the beginning of 2018, a team of international consultants, mobilised by SME DCFTA GE, from Estonia, Latvia, Austria and Germany brought in their substantial practical experience in the operation and growth of ICT clusters. Under the leadership of the Baltic Innovation Agency, they helped in developing a tailor-made solution for the Georgian ICT cluster. International advisory interventions included strategy development, thematic workshops, individual mentoring of ICT companies, support to the board and the cluster manager and the organisation of study visits to Latvia and Estonia.



*Establishment of the ICT Cluster is important as far as it stimulates cooperation between the ICT industry players, supports industry development considering current challenges and boosts the export of Georgian ICT services and products that will have a positive effect on the economy and the creation of innovative start-ups.*

**David Kiziria**  
Innovative Systems Management



SME DCFTA GE started a series of workshops in March 2018 that provided extensive advisory support for potential cluster members on issues ranging from the rationale of establishing the cluster to setting the directions for future joint efforts: policy advocacy and legislation, workforce development and internationalisation. The future members of the ICT cluster agreed to jointly address the regulative and legislative barriers to the development of the sector in close cooperation with the GoG and other stakeholders, address workforce skill challenges in cooperation with educational institutions and join forces to increase the export competitiveness of cluster member companies. As a result, the cluster initiative group developed the cluster's vision, leading to a joint understanding of the trends in Georgia's ICT industry and the cluster's role. Also, key factors with the highest potential impact on cluster members were identified and the structure of the cluster was elaborated, including organisation and management, legal aspects, leadership and management, balancing competition and cooperation, the financial model, the cluster charter and the role and qualifications of the cluster manager.

The group decided to:

- Exploit the benefits of working together and, by **intensifying cooperation**, contribute to a better economic performance and **higher productivity/profitability**.
- **Consolidate resources** and activities for **reducing individual costs** and for addressing the needs and demands of the member companies.

SME DCFTA GE facilitated the first formal presentation of the cluster on the side-lines of EuroDIG 2018 that took place in Tbilisi in June 2018 with the organisational support of the MoESD. The cluster was formally established in July 2018 bringing together 11 companies operating in the ICT sector.

Over the course of more than one year, the cluster yielded positive results that included two joint projects implemented by cluster member companies – on the development of ICT banking solutions and a mobile application for municipal travel planning.



In addition, the Georgian ICT Cluster became a partner and supporter of two projects: Teaching Entrepreneurship in Vocational Schools, financed by the US Government and implemented by the NGO Environment and Development, and an action on the introduction of dual TVET programmes in the ICT sector in Georgia, implemented by GIZ's PSD TVET SC.

To increase the visibility of the cluster, SME DCFTA GE supported the development of cluster branding, including a promo brochure. The cluster developed a dedicated website – [ictcluster.ge](http://ictcluster.ge) with its own resources.



### Cluster Strategy and Action Plan

In July 2018, the Georgian ICT Cluster companies discussed the vision, mission and main goals of the cluster as well its strategic objectives and the required actions for achieving the stated goals with the support of international consultants.

The mission of the cluster was defined as that of a collaborative platform for ICT industry stakeholders that supports the establishment of business linkages locally

and internationally to increase the competitiveness of the Georgian ICT industry and ultimately contribute to the economic development of the country.

The Georgian ICT Cluster would enable its member companies to become regional leaders in the sector, go borderless and deliver high quality ICT products and services worldwide. The benefits of the cluster development were identified as follows:

- Stronger competitive position
- Higher productivity
- Increased exports
- Improved framework conditions
- Improved efficiency

The Georgian ICT Cluster has three main goals and respective objectives:

- Increasing the sales of ICT companies both locally and globally through building strategic alliances for export.
- Improving the skills of professionals working in the ICT industry and developing educational programmes that will be adapted to the needs of ICT industry stakeholders and the market trends.
- Promoting the establishment of a well-functioning ICT policy framework for supporting ICT companies in Georgia.

Recommendations on a set of actions per each strategic goal were also elaborated.

### Preparing a Platform for the PPD on the Current Challenges Faced by the ICT Sector

A finalised Cluster Strategy and Action Plan was presented in a PPD event with the participation of governmental stakeholders (MoESD, EG, GITA).

In addition, a dedicated work group was set up for a functional and continuous dialogue and communication be-

tween cluster stakeholders and the government related to the development of the Georgian ICT cluster beyond the SME DCFTA GE period. The group included members of the cluster and other representatives nominated by the cluster (companies), high level government officials and other policy-makers who have the means to influence the development of cluster policy and ICT cluster framework conditions and key international experts from the expert pool who committed themselves to carrying out bi-annual progress review sessions as a part of the PPD structure.

### Connecting with European Clusters and ICT Industry Players

SME DCFTA GE supported an **outbound mission to Latvia and Estonia** in June 2018 which brought together Georgian ICT companies and representatives of the MoESD, the EG and GITA. The 11 ICT company representatives learned about the experiences of the Latvian and Estonian ICT clusters, met with peer companies and learned about the roles of the ministries of economy and private sector support agencies in cluster development.

Via study visits to Estonia and Latvia, cluster members improved their knowledge and experience regarding co-operation modalities with educational and governmental institutions, the organisational setup of ICT clusters as well as leadership and management issues.

The Georgian ICT Cluster member companies were provided an opportunity to meet with Estonian and Latvian counterparts in a **B2B exchange event** organised by SME DCFTA GE in cooperation with the MoESD, GITA and the EG in June 2019. The event provided a good opportunity for the Georgian ICT Cluster to present itself and raise the awareness of international participants and colleagues within the industry about current priorities and the cluster's action plan. Georgian, Estonian and Latvian companies engaged in the identification of prospects for cooperation and possible joint projects with their counterparts from Estonian Helmes, B2B-Trade OÜ, Elisa Eesti



AS, AS Levira, the cooperation platform Smart City Lab, Tallinn University of Technology and the Latvian accelerator Buildit Latvia.

Another **study tour** for Georgian ICT cluster companies to Latvia was organised in November 2019 with the aim of increasing their business linkages and cooperation possibilities with ICT companies in Latvia and the Baltics in general. The study tour included meetings with a Latvian ICT cluster and discussing possible cooperation opportu-



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*This visit provided a good overview of the main Georgian ICT developments and offered concrete possibilities for better connecting Georgian ICT ecosystem with Estonian and Latvian counterparts as well as to find new partners and launch new cooperation project between the involved countries.*

**Rene Tonnison,**  
Baltic Innovation Agency

”



nities both on cluster and company levels as well as the participation in one of the biggest ICT conferences in the Baltics, the Digital Freedom Festival, which was an intense multi-session two-day event, attracting more than 1,500 participants from Latvia, neighbouring countries and visitors from all around the world. The conference served as a great opportunity for Georgian ICT cluster members to use networking and matchmaking possibilities for linking with new cooperation partners and developing business ideas.

#### Connecting with Other Clusters

In one of the project's last events, the project provided a platform for connecting different clusters under the theme of digital transformation and its effects on economic sectors. The inter-cluster cooperation workshop, **Digitalising the Georgian Economy**, took place in November 2019 with guidance from the project's international experts engaged in the development of a national cluster policy and the Georgian ICT Cluster.

The workshop promoted the establishment of contacts among the apparel, film, furniture and design sectors and ICT clusters and provided opportunities to discuss potential collaborations across the issues pertaining to the digital transformation of export-oriented industries.

*Information on this event is included in the Result Area 2 section of this report.*

“

*This workshop gave me a good understanding of the needs of other clusters with regard to digital transformation and got me thinking about how my company and ICT cluster could help solve challenges in other sectors, bring Georgian companies to the next level. It also presented new opportunities for my own business.*

**Nikoloz Berelidze**  
Innotec

”

#### ICT Value Chain Analysis

As a part of SME DFTA GE's effort in the development of export development strategies, an ICT Value Chain Analysis and Action Plan was elaborated with local and international experts, exploring the role of global ICT value chains in digital transformation processes. The study aimed at:

- Helping to get a better understanding where Georgia stands today and identify the potential ways to move up in those value chains.
- Putting the current ICT development situation in Georgia into a comparative context with Armenia, Azerbaijan, Estonia and Lithuania.
- Providing general policy recommendations and suggesting specific actions on how Georgia could move up in global ICT value chains with a particular focus on software development services.

Results of a comprehensive data analysis, strategic recommendations and possible action plans for the Georgia ICT industry were presented to the Vice Minister of Economy and Sustainable Development, the EG and GITA and were gratefully accepted by the representatives of these institutions.





## Export Development for Georgian Premium Honey

The AA/DCFTA enables Georgia to export 1,500 tonnes of honey to EU markets every year. Since 2016, upon meeting certain food surveillance conditions, Georgia gained the right to export honey to the EU – after the country's inclusion in the list of “third countries” for honey export.

This said, obstacles remained for Georgian honey to access the EU market and this had to do with the deficiencies in compliance with the quality standards across the whole value chain, starting from beekeeping to the actual packaging, storage and sales. SME DCFTA GE launched its intervention in this sector per the initial suggestion from the GCCI that was followed by an expression of interest from the then Ministry of Agriculture. Starting from 2016, the project committed itself to supporting beekeeping and the honey industry, involving a leading German-based research laboratory, Alnumed GmbH, and later the Bavarian State Institute of Viticulture and Horticulture (LWG) in the assessment of the honey sector and a subsequent course of actions that would create the groundwork for a comprehensive action package for export development of Georgian honey.

The initial assessment looked at three key elements and produced respective recommendations:

- **Marketing strategy** for exports to the European market and for generating a high-end brand for Georgian honey – Combining marketing for honey with other traditional export products, advertising for tourism, promotion of Georgia as a traditional beekeeping locale, etc.
- **Education of beekeepers** to enable them to supply sufficient amounts of raw honey – The information about the necessary changes in beekeeping practices must be made quickly and readily accessible. Also, beekeepers must adapt to modern beekeeping practices in order to increase the yield of honey per hive and improve the operation of a larger number of hives.
- **Measures to increase product safety and prevent food fraud** – A preliminary study suggested a high risk that pharmaceutically active substances or incorrectly processed honey would be found. Hence, it recommended a large-scale screening on safety to be

carried out under the auspices of the Ministry of Agriculture or another suitable governmental body. Beekeepers had to be shown how pharmaceutical substances could be avoided by the proper treatment of the colony and suitable sanitary measures.

SME DCFTA GE engaged in a more in-depth study of the existing beekeeping practices and facilities as well as the government's surveillance infrastructure and capacities. Several missions by high-profile international experts took place, focusing on providing advice on processing and equipment, honey testing, beekeeping standards and practices in the EU. During a high-level workshop in February 2017, SME DCFTA GE presented its findings and recommendations to key governmental and EU stakeholders and secured their support on the way forward. Also, the project ensured that there were no overlaps with other EU-funded projects that benefit the sector (ENPARD).

Following research and stakeholder consultations, SME DCFTA GE put forward a Roadmap for Exporting Georgian Honey, the so-called TAPLI (Trading Apiary Products Locally and Internationally) PROJECT that was agreed with the EU and governmental stakeholders and relied on a market-driven, holistic approach.

From this time onward, the project focused on examining honey producers across Georgia for potential cooperation and found a company in the Racha region that controlled the full honey value chain from farming to bottling. The company, as a member of a local cooperative, was able to mobilise produce that would be enough for drawing initial interest among traders of honey on the EU market.

SME DCFTA GE launched a marketing action for Georgian export honey to prepare for the prospective participation of the first export batch of honey in the leading European Food Fair – Anuga 2017 in Cologne, Germany. The concept of Georgian premium honey – TAPLI – was developed. The project produced branding for two to four profiled honey varieties, labels and a packaging concept for each of the profiled honey suitable for strategic markets (main emphasis on Germany but also other EU markets) and a promotional brochure.







SME DCFTA GE engaged with the selected company in the preparation of safe export batches under the TAPLI branding for Anuga 2017. However, the process, which included feedback from an international expert, stalled at that stage after samples of the processed honey failed to comply with EU standards.

In 2018, SME DCFTA GE continued its efforts to obtain some batches of honey through further advisory assistance to the selected entrepreneurs. A few steps were taken by producers in Racha to remedy the existing shortcomings:

- Honeycombs were replaced.
- Only EU-approved drugs were used for the treatment of bees.
- Honey from previous years was no longer used to feed bees to prevent cross-contamination.
- Application of inverted syrup in the food ration was discontinued for a few weeks before flowering to release the sugar content in the honey.

In June 2018, an expert from the University of Bayreuth visited cooperatives in the Racha and Samtskhe-Javakheti regions, examining production facilities and beekeeping sites. Their recommendations focused on the improvement of workflow plans, the safety of processing, hygiene rules, the better utilisation of production capacities and marketing options. To enhance the coordination of activities with other stakeholders, meetings were held with the NFA, ADA and the World Bank.

Consultants from the Bavarian Institute for Viticulture and Horticulture (Bayerische Landesanstalt für Weinbau und Gartenbau – LWG) visited Georgia in July 2018 and met with national beekeeping experts and representatives of the Racha-based cooperative. They monitored the honey harvest and homogenisation processes and provided recommendations for the improvement of harvesting and processing as well as disease treatment, queen rearing and colony selection, the renewal of honeycombs, winter feeding, the inspection of bee colonies, the standardisation of honey supers and frames, hygienic measures, the storage of extracted honey and a consultation system for beekeepers.



*The process was quite arduous with many aspects to tackle along the way. Whilst we had the theoretical knowledge of the standards and the procedures to be put in place, it would have been impossible to apply them without the support from international advisors provided by the EU-GIZ project.*

**Giorgi Iashvili**  
Geo Naturali Ltd.



SME DCFTA GE continued the mapping of quality honey producers across Georgia. Honey samples from major honey production areas in the country were sent to Germany and analysed according to stringent international criteria and the latest technological standards (quality parameters of Georgian honey, chemical profiles, compliance with quality guidelines and others). From the 104 samples analysed by the specialised laboratory, only 20 samples fulfilled European standards. Nevertheless, as the 20 honey products fulfilled the highest criteria for premium honey, they could provide the basis for the **first mapping of Georgian quality honey**.

By the end of 2018, the work had progressed so well that the first Georgian premium honey under the newly created brand, TAPLI, was ready for export to the EU after the samples from two producers – Geo Naturali and an individual entrepreneur, Tamaz Ghlonti, successfully passed screening at the German laboratory.

Both producers presented their products at the **International Green Week (IGW)**, a one-of-a-kind annual international exhibition of the food, agriculture and gardening industries in Berlin that took place on 18-27 January 2019. The Georgian stand at the IGW was organised by the MEPA and included a variety of other agriproducts beyond TAPLI. SME DCFTA GE also provided support to the entrepreneurs in obtaining the required certificates, customs clearance, transportation and other logistics that enabled the delivery of the **first batch (500 jars/180 ml each) of premium Georgian honey to the EU**.

At the final stage of the ALNuMed, LWG experts produced draft guidelines for beekeeping that included chapters on technical skills for honey processing, quality monitoring during honey production, monitoring of the traceability of produced batches, developing a legal framework for the quality and safety of honey, good sanitary and veterinary practices in beekeeping, the improvement of productivity and the maximisation of the added value of honey. The guidelines were then translated and adapted into Georgian by a local expert and submitted to the MEPA for comments and review. Once the text was finalised and approved by the Ministry, the **National Guidelines for the Production of Quality Honey** was published and



*This was the first case of Georgian honey reaching the European market and our participation in the IGW provided a unique opportunity to establish international business contacts.*

**Vakhtang Ghlonti**  
Ghlonti Beekeeping





distributed among industry representatives, beekeepers and other stakeholders in an official ceremony. The event took place on 14 November 2019 and was organised by the project in cooperation with the MEPA. The event also included a seminar for beekeepers on Honey Safety and Honeybee Veterinary Medicine delivered by a local field expert.

SME DCFTA GE ensured the sustainability of its support efforts for the sector by developing a plan on how other donors could continue supporting the sector beyond the project phase and holding respective discussions with representatives of international organisations.

By implementing this demanding and comprehensive three-year support programme that included the entire journey of Georgian honey from the field to the European customer's table, SME DCFTA GE contributed to improved beekeeping practices and identified honey producers and products with export potential to the EU. By end of 2019, over 5,000 jars of Georgian honey under the TAPLI brand were exported to Germany with more to follow in the coming years.

Based on the success of the TAPLI project, two local producers who engaged with the project are planning to **establish a cluster** that will maximise the success they have achieved and build a platform uniting local producers of quality honey wishing to export to Europe.

“

*Development of beekeeping sector and export capacities for Georgian premium honey that complies with the European food safety requirements is a government priority. As a key stakeholder, the Ministry has been actively engaged from day one in this initiative with the representatives of EUD and GLZ in Georgia. As a result of this close collaboration we now have a comprehensive programme of a targeted assistance, which includes also guidelines for Georgian beekeepers on good practices and export oriented high-quality honey production.*

**Levan Davitashvili**  
Minister of Environmental Protection  
and Agriculture of Georgia

”

## Support to the Trout Sector

Based on the results from a study on the development of a comprehensive action package for trout export and sector development in Georgia and upon requests from governmental partners, SME DCFTA GE conducted a targeted initiative in the Adjara Autonomous Republic, one of the most promising regions in Georgia for the trout industry.

The main objective of the project's intervention was to provide targeted advisory services on trout farming in western Georgia and develop recommendations.

SME DCFTA GE mobilised international expertise from a leading international consulting company in the aquaculture sector to implement an intervention consisting of two measures: (a) the provision of on-site technical advice to selected trout farms in Adjara and nearby regions (focused on farms that operate hatcheries) to address shortcomings in hatchery management and rearing of fry and (b) the organisation of a two-day workshop on trout breeding, hatchery, nursery and grow-out operations, biosecurity and fish health (focused on preventative measures), water quality management and other issues.

On-site consultancy support to trout farms was provided in March 2018, covering 20 farms in Adjara and Guria. The findings of the mission were summarised in a report which served as a basis for the selection of topics for a follow-up workshop. A total of 20 trout farmers in Adjara received on-site advisory services.

A two-day technical advisory workshop was conducted in June 2018 bringing together 45 trout producers from Ad-

jara as well as representatives of local authorities, MEPA agencies, the ACCI, business associations and VET colleges from western Georgia. Also, a delegation of ten trout producers from Shida Kartli joined the workshop with the project's support based on the requests of farmers channelled through the DCFTA Information Centre in Gori.

To maximise information sharing, the international experts prepared a guideline manual on documenting and treating trout diseases – the main export barrier. The manual, entitled Trout Diseases: Signs, Documentation and Recommended Treatment, was translated into Georgian and distributed among the workshop participants. The electronic version was delivered to the MEPA, the GCCI and the ACCI for further distribution through their networks and channels.





## Export Potential in Other Sectors Explored

In response to a request from governmental stakeholders and partners, SME DCFTA GE explored additional sectors/industries for export development potential. For this purpose, the project studied the following sectors:

### Poultry (chicken and other domestic birds such as turkey, duck, geese, etc.)

#### Key Findings:

- EU market entrance for Georgia is potentially difficult;
- Georgia's poultry production is 35% of its total consumption;
- Increasing domestic production to reduce imports instead of concentrating on exports would be an advisable strategy for Georgia;
- All large poultry producers are HACCP certified;
- Access to the EU poultry market could be achieved for selected companies before the entire sector is ready (pet-snacks made out of diced chicken is a promising market in the EU).

### Dairy (food and beverage products produced from fresh or reconstituted milk)

#### Key Findings:

- Limited potential for Georgia to export dairy products to the EU;
- Niche market for cow milk or buffalo milk matsoni (value added product);
- Advisable strategy for Georgia for a short-term outlook is the development of domestic markets (including the stable quality of products);
- Domestic milk production is not sufficient; concentrate on import substitution.

### Trout Farming

#### Key Findings:

- Trout farming in Georgia is still at an early stage;
- Domestic market for trout could be developed which could significantly increase the added value that can potentially be realised;
- If developed, a trout sector development programme for Georgia should be aimed at improving: (i) technical knowledge of fish farmers and establishing sustainable trout farm models, (ii) supplier network and aquaculture gear accessibility, (iii) veterinary and hygiene knowledge and services for the fish farming sector and (iv) knowledge in fish processing and marketing.

### Scrap Metal

#### Key Findings:

- Scrap metal has been Georgia's number one export for almost two decades after gaining independence (copper, aluminium, zinc, etc.);
- There are several barriers to the growth of exports in this direction: (1) domestic shortage of raw material and (2) lack of appropriate legal framework to legalise the supply of raw materials from private persons;
- The shortage of supply of scrap metal is due to competition by temporary exporter agents who buy materials collected by private persons and export them directly without adding value;
- Collection and supply of scrap metal to processors is often not a formal procedure due to most scrap collectors not being registered and lacking the willingness to do so in the future;
- There are three major Georgian companies working on the processing of scrap metal and exporting special semi-finished alloys to western and European car manufacturers.
- Problems exist at the grassroots level, fiscal issues of raw material purchase and export taxation;
- The companies otherwise seem very well established and handling the processing itself very well.

### Polymer Industry (plastics)

#### Key Findings:

- The value chain is represented only partially;
- Highly unlikely that a primary production of polymer granules or a machinery industry, manufacturing suitable machines for producing final plastic goods, can and will be built-up;
- Most of the companies did not have any official standards (ISO certifications) implemented;
- Mould production (a core value chain component) is essentially absent in Georgia. This results in ongoing reliance on foreign markets;
- Banks consider the plastics industry as a risky one, hence, credit financing costs from commercial banks have become very high, preventing additional capital investments;
- No interest from polymer manufacturers toward clustering rendered this possibility unlikely.

## Promoting Integration of Business Clusters and Networks in Relevant Existing EU Networks for Enterprise Development

SME DCFTA GE's approach toward promoting the internationalisation of business clusters relied on four main directions:

- Involvement of international consultants at all stages of the cluster development process, thereby bringing in best international expertise and know-how.
- Development of specific action plans for the successful internationalisation of established business clusters.
- Systemic learning from successful clusters in Eastern Europe (Bulgaria, Estonia) and Western Europe.
- Support cluster member participation in international trade missions, fairs and forums to boost their linkages with European buyers and counterparts.
- Utilisation of the EEN network for the purposes of connecting Georgian clusters with EU clusters which would allow Georgian clusters to tap into the financial assistance tools offered by the EU.



## CONTRIBUTING TO EU4BUSINESS COMMUNICATION AND VISIBILITY

The key message of SME DCFTA GE's communication:

**Helping Georgian entrepreneurs to become more competitive and benefit from the opportunities created by the free trade agreement with the EU.**

With its communication and visibility efforts, SME DCFTA GE targeted small and medium-sized enterprises across the country, business support and business member organisations by:

- Contributing to/supporting governmental efforts in raising awareness about the benefits of the DCFTA;
- Empowering Georgian SME representatives with the knowledge of EU standards and requirements as they attempt to access the EU market;
- Promoting information/experience sharing in the establishment of business clusters and networks among Georgian SMEs and their subsequent integration into EU networks.

SME DCFTA GE's communication and visibility actions have been aligned with the **EU4Business framework in Georgia**. The project ensured that all visibility standards for the EU and German Government funded projects were duly applied to the respective project actions.

SME DCFTA GE provided contributions to the Georgia page of the EU4Business website – [eu4business.eu](https://eu4business.eu). Project success stories were published on the website of the EU Delegation in Georgia.

At the closing, SME DCFTA GE produced five videos on Business Clusters in Georgia – one general video and four sector specific video stories on apparel, film, furniture and ICT clusters/network.

SME DCFTA GE's visibility actions included the following:

- **Over 120 stories/interviews** on the project's success stories and achievements on TV and in print and online media.
- **Project publicity** via news coverage of major partner events and event videos.
- **Five project videos** – Business Clusters in Georgia (available on the GIZ YouTube channel)
- **Three support measures for partner institution communication efforts** – [DCFTA.gov.ge](https://dcfta.gov.ge) as a primary communication platform of the MoESD on the DCFTA, a promotional video for the State Procurement Agency on the benefits of the e-procurement system, branding and promotion of the DCFTA Info Centre of the GCCI.



## ANNEX 1: KEY PERFORMANCE INDICATORS (KPIs)

NR. INDICATORS RELATED TO PROJECT OBJECTIVES		
1	Indicator	A number of specific measures aimed at supporting SMEs in adapting to the DCFTA are regularly designed and implemented by relevant central administrations.
	Indicator type	Output
	Current value	Achieved: 1. SME Strategy and Action Plan 2. National Cluster Development Programme 3. National Guidelines for the Production of Quality Honey 4. Methodology on Analysis and Prioritisation of the Export Potential of Specific Sectors 5. Methodology on the Development of E-Commerce 6. Furniture Value Chain Analysis and Action Plan for the GoG 7. Apparel Value Chain Analysis and Action Plan for the GoG 8. ICT Value Chain Analysis and Action Plan for the GoG
	Target value	At least three specific priority measures related to the adaptation of the DCFTA are designed and implemented.
	Relevant objective	Improved institutional capacities of central administrations to design and implement specific measures within the SMEs context.
2	Indicator	Institutionalised political dialogue processes with regular, structured meetings on the enterprise development agenda are positively evaluated by public and private sector participants.
	Indicator type	Output
	Current value	Achieved: Five strategic conferences and 12 events 1. Conference on IPR 2. Conference on Skills for the DCFTA 3. Georgian Film Industry Conference 4. Digitalising the Georgian Economy – Inter-cluster Cooperation Workshop 5. Presentation of the National Guidelines for the Production of Quality Honey 6. PPD event series (5) with the SPA 7. PPD event series (4) with the ICC Georgia (INCOTERMS) 8. PPD event series with the MoESD-PSDAC (2) 9. One sectoral dialogue event on honey
	Target value	A regular topic-oriented PPD process on the enterprise development agenda, following up on the recommendations of three annual conferences is managed, including the monitoring of the results of the meetings.
	Relevant objective	Strengthened PPD for improved cooperation between line ministries, SMEs, bodies/agencies, and concerned stakeholders (including business membership and sector associations, CSOs, R&D institutions and others) involved in SME- and DCFTA-related areas.

3	Indicator	Services provided by public SME support institutions are diversified with satisfactory performance results (customer evaluation).
	Indicator type	Output
	Current value	Achieved: Seven services launched or developed further 1. MoESD: DCFTA website (dcfta.gov.ge) and video instructions (5) for business on export of products to the EU market 2. GCCI: DCFTA Advisory Services: In-house and on-site consultations on the DCFTA in regions via DCFTA Information Centres 3. GCCI: Training Package for SMEs: Sectoral expert trainings for SMEs in the regions 4. GCCI: Service and management quality improved through EFQM 5. GCCI: Over 6,410 SMEs served in regions via consultations, referrals and trainings by DCFTA Info offices 6. EG/GITA/GCCI: Information and Outreach Service Package for SMEs on the Enterprise Europe Network 7. SPA: Information and Outreach Service Package (three publications and one video) for SMEs on procurement under the DCFTA
	Target value	At least of six business support services (information, advice, training, etc.) are newly designed or adapted/ tested and further developed.
	Relevant objective	Strengthened capacities of SME bodies/agencies (EG/GITA and others) to channel business support to SMEs to help them meet DCFTA requirements.
4	Indicator	Business and sector associations, business service providers and BMOs provide diversified services to business networks/clusters, showing satisfactory performance (customer evaluation).
	Indicator type	Output
	Current value	Achieved: <ul style="list-style-type: none"> <li>• 26 sectors analysed</li> <li>• Ten business networks studied</li> <li>• Five clusters/networks supported</li> <li>• Up to 100 SMEs served through clusters/networks</li> <li>• Current cluster SMEs employ more than 1,400 staff</li> <li>• Over 200 SMEs identified as potential members for the existing five clusters/networks</li> </ul>
	Target value	Five business networks/clusters in the main regions/sectors, 300 SMEs.
	Relevant objective	Improved capacity of business and sector associations, business service providers and BMOs to provide effective services to SMEs.

5	Indicator	Business clusters identified as suitable for integration into existing EU clusters establish sustainable, institutionalised connection to EU networks.
	Indicator type	Output
	Current value	Achieved: <ul style="list-style-type: none"> <li>• Five sectors studied: plastics, scrap metal, dairy, poultry, and trout</li> <li>• Five sectors identified as suitable: apparel, furniture/interior design, honey, film and ICT</li> <li>• Five clusters connected internationally</li> <li>• First export of Georgian premium honey to the EU</li> </ul>
	Target value	At least ten Georgian business clusters are identified and five are connected to suitable EU clusters and networks.
	Relevant objective	Enhanced integration of Georgian SME bodies/agencies with EU, regional and/or international platforms.

## LIST OF ABBREVIATIONS

<b>AA</b>	Association Agreement
<b>Amfori BSCI</b>	Business Social Compliance Initiative
<b>ACCI</b>	Adjara Chamber of Commerce and Industry
<b>ADA</b>	Austrian Development Agency
<b>BMO</b>	Business Membership Organisation
<b>BMZ</b>	German Federal Ministry for Economic Cooperation and Development
<b>BSO</b>	Business Support Organisation
<b>COSME</b>	EU Programme for the Competitiveness of Small and Medium-Sized Enterprises (SMEs)
<b>DCFTA</b>	Deep and Comprehensive Free Trade Area
<b>EFQM</b>	European Foundation for Quality Management
<b>EG</b>	Enterprise Georgia
<b>EU</b>	European Union
<b>EU4Business</b>	Initiative of the European Union that encompasses a technical and financial assistance package of EU-funded projects that support SMEs
<b>EuroDIG</b>	The Pan-European Dialogue on Internet Governance
<b>FDI</b>	Foreign Direct Investment
<b>GCCI</b>	Georgian Chamber of Commerce and Industry
<b>GITA</b>	Georgia's Innovation and Technology Agency
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
<b>GoG</b>	Government of Georgia
<b>GNFC</b>	Georgian National Film Centre
<b>HACCP</b>	Hazard Analysis Critical Control Points (HACCP) is an internationally recognized method of identifying and managing food safety related risk
<b>ICC Georgia</b>	International Chamber of Commerce in Georgia
<b>ICT</b>	Information and Communication Technology
<b>KPI</b>	Key Performance Indicator
<b>LTE</b>	Long-Term Expert



<b>MEPA</b>	Ministry of Environmental Protection and Agriculture of Georgia
<b>MoESD</b>	Ministry of Economy and Sustainable Development of Georgia
<b>MoES</b>	Ministry of Education and Science of Georgia
<b>MoU</b>	Memorandum of Understanding
<b>NCEQE</b>	National Centre for Educational Quality Enhancement
<b>NFA</b>	National Food Agency
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>R&amp;D</b>	Research and Development
<b>PPD</b>	Public-Private Dialogue
<b>PSD TVET SC</b>	Private Sector Development and TVET South Caucasus Programme
<b>PSDAC</b>	Private Sector Development Advisory Council of the MoESD
<b>SBA</b>	Small Business Act
<b>SME</b>	Small and Medium-sized Enterprise
<b>SME DCFTA GE</b>	SME Development and DCFTA in Georgia project
<b>SPA</b>	State Procurement Agency
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats
<b>ToR</b>	Terms of Reference
<b>TVET</b>	Technical and Vocational Education and Training
<b>VC</b>	Value Chain

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URL links: [eu4business.eu](http://eu4business.eu); [dcfta.gov.ge](http://dcfta.gov.ge); [cluster.ge](http://cluster.ge); [filmcluster.org](http://filmcluster.org); [ictcluster.ge](http://ictcluster.ge); [amfori.org](http://amfori.org)  
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