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SME DEVELOPMENT AND DCFTA IN GEORGIA

Building Competitiveness
of Georgian SMEs and
Enabling them to Benefit
from the DCFTA

Achievements in 2017

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LIST OF ACRONYMS

AA	Association Agreement
BMO	Business Membership Organisation
BMZ	Federal Ministry for Economic Cooperation and Development
BSCI	Business Social Compliance Initiative
BSO	Business Services Organisation
DCFTA	Deep and Comprehensive Free Trade Area
EBRD	The European Bank for Reconstruction and Development
EEN	Enterprise Europe Network
EFQM	European Foundation for Quality Management
EG	Enterprise Georgia
EU	European Union
EU4Business	Initiative of the European Union that encompasses a technical and financial assistance package of EU-funded projects that support SMEs
FDI	Foreign Direct Investment
GCCI	Georgian Chamber of Commerce and Industry
GITA	Georgian Innovation and Technology Agency
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GoG	Government of Georgia
GNFC	Georgian National Film Centre
HoReCa	Hotel/Restaurant/Café (abbreviation used in Europe for the food service industry)
ICC	International Chamber of Commerce

ICT	Information and Communication Technology
IEC	Information, Education, Communication
IPR	Intellectual Property Rights
KPI	Key Performance Indicator
LTE	Long-term expert
MoA	Ministry of Agriculture of Georgia
MoES	Ministry of Education and Science of Georgia
MoESD	Ministry of Economy and Sustainable Development of Georgia
NCEQE	National Center for Educational Quality Enhancement
OECD	Organisation for Economic Co-operation and Development
PPD	Public-Private Dialogue
R&D	Research and Development
PSD TVET SC	Private Sector Development and TVET South Caucasus Programme
SDGs	Sustainable Development Goals
SME	Small and Medium-sized Enterprise
SME DCFTA GE	“SME Development and DCFTA in Georgia” Project
SPA	State Procurement Agency
SWOT	Strengths, Weaknesses, Opportunities and Threats
ToR	Terms of Reference
VC	Value Chain
VET	Vocational Education and Training

EXECUTIVE SUMMARY

“SME Development and DCFTA in Georgia” Project helps Georgian SMEs **become more competitive in order to benefit from opportunities under the DCFTA**. In its second year of implementation, the project (hereinafter SME DCFTA GE) made considerable progress in achieving targets via effective interventions across all five result areas. Targeted measures have been developed and applied in cooperation with esteemed partners and stakeholders, enabling SME DCFTA GE to meet its objectives and deliver tangible results.

In the course of 2017, SME DCFTA GE has strengthened its cooperation with government partners. SME DCFTA GE launched two comprehensive measures in support of the **Export Development Strategy** and the **National Apparel Sector Development Strategy**, based on high-level consultations with government stakeholders and contributions from local and international experts.

On the operational level, SME DCFTA GE continued its support to government institutions in strengthening their capacities to **better serve the business sector**. This will help SMEs in the context of DCFTA implementation and adaptation to the standards and regulations of the European market. The targeted measures were aimed to help respective government institutions better inform and serve SMEs through Information, Education and Communication (IEC) activities.

In June, the Ministry of Economy and Sustainable Development of Georgia (MoESD) officially launched a web portal – **DCFTA.GOV.GE** – with support of SME DCFTA GE. MoESD is the coordinating agency for the DCFTA implementation process across the government, and development of a website as a new communication tool ensures transparency of the process. The creation of the website was envisaged by 2016 National Action Plan for the Implementation of the

Association Agreement between Georgia and the EU and serves as an indicator for fulfilling commitments on transparency in trade-related policy-making (Association Agenda 2.4). Furthermore, SME DCFTA GE funded the production of 5 video instructions for the website, which provide a guide through the rules and requirements that Georgian producers have to comply with in order to be able to export into the EU.

Together with Enterprise Georgia (EG) and Georgia’s Innovation and Technology Agency (GITA), SME DCFTA GE has initiated a project to help Georgian enterprises become active members of the Enterprise Europe Network (EEN). The first information event – **EEN Info Day** – brought together over 80 participants from the business sector, informing them about the opportunities provided by the network. Further support is also allocated to Enterprise Georgia on the refinement and delivery of services to SMEs under the “Produce in Georgia” programme.

SME DCFTA GE supported partners in various **public-private dialogue** platforms. In 2017 these included PPD events in 4 thematic directions that engaged government agencies, businesses, and civil society organisations on the following topics: Human capacity development needs in DCFTA-relevant industries; Vocational skills for DCFTA; State Procurement Agency information events e-system of public procurement, and ICC Georgia training on INCOTERMS 2010 rules and PPD.

In its effort to contribute to the capacity building of the Georgian Chamber of Commerce and Industry (GCCI) to better channel business support to SMEs, the project **helped GCCI get acquainted with the EFQM Excellence Model** – an internationally accepted framework for excellent leadership and management. In total, 12 members of management and staff are now trained and prepared to support this process, which will lead to increased effectiveness and efficiency

as well as development of high-quality products and services for Georgian businesses.

In another undertaking with GCCI, SME DCFTA GE established the **DCFTA Information Centre**, with offices in 4 regions. By means of this Centre, GCCI will develop institutional capacities in AA/DCFTA related advisory and training services. In its first year of operation, the Centre's offices reached out 1,500 SMEs through consultations and field meetings; collected and analyses data on the challenges SMEs in the regions face; and on the shortage of knowledge about the benefits that free trade with the EU brings and the requirements of the EU market.

Cluster development is a trademark of SME DCFTA GE and provides a practical framework in which the project contributes to improving competitiveness of selected Georgian SMEs, enabling them to reach and succeed in the EU market. With the clustering methodology championed by GIZ in Georgia, SME DCFTA GE currently supports more than 150 Georgian SMEs, benefiting altogether more than 1,000 employees. Following a thorough process of assessment and screening, the project finally channelled its tailor-made interventions into **4 sectors – furniture/interiors, apparel, film production and ICT**. The specific intervention in each sector is at a different stage; however, the pool of entrepreneurs that the project engages in all four areas, the level of international expertise, and the high level of interest from key government partners who have embraced this approach are promising signs. 2017 has already brought the first accomplishments: **2 clusters have been formally registered** (furniture and film), with a management structure in place; five apparel companies are in negotiations with potential EU buyers, and four of them are ready for a BSCI audit; the first joint product of furniture producers and interior designers has been featured at the WineExpo2017.


SME DCFTA GE assessed the EU market potential for **Georgian honey exports**. The


comprehensive process included research and analysis, high-level stakeholder engagement, a roadmap for exporting Georgian honey and initial attempts in branding and marketing.

SME DCFTA GE is implemented under the framework of **EU4Business in Georgia**, and its mandate is aligned with the three EU4Business strategic priorities: strengthening policy and regulatory frameworks, improving the knowledge base and business skills, and improving access to markets. The ultimate goal of the project is to contribute to making Georgian SMEs competitive via policy development, upgrade of skills and capacities, and internationalisation.

SME DCFTA GE ensures and promotes women participation by engaging more **women entrepreneurs** in Tbilisi and the regions via various networking and capacity building activities, as well as in the context of its cluster development efforts.



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“SME DEVELOPMENT AND DCFTA IN GEORGIA” PROJECT OVERVIEW

Project Title	SME Development and DCFTA in Georgia
Project Acronym	SME DCFTA GE
PA Grant Agreement Number	ENI/2015/366-905
Duration	4 years
Project Starting Date	25 November 2015
EU Co-Funding	5,033.940 EUR
Implementing Body	Private Sector Development and TVET South Caucasus Programme at the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Objectives of the Action	<p>The overall objective is to lay the ground for empowering the SME sector to ensure a broad-based growth.</p> <p>The specific objectives are:</p> <p>(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 SMEs’ agencies, business membership associations (BMOs) and business service associations; (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, sector and local levels; (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 as whole, including supporting clustering, networking and business collaboration initiatives; (4) Provide for EU linkages and integration with the Georgian SME sector (including specifically facilitating the set-up 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.</p>

Expected Results under Component 1	<ol style="list-style-type: none"> 1. Improved institutional capacities of central administrations to design and implement specific measures within the SMEs context. 2. Strengthened public-private policy dialogue: improved cooperation between line ministries, SMEs bodies/agencies and stakeholders (including business and sector associations) involved in SMEs/DCFTA related areas.
Expected Results under Component 2	<ol style="list-style-type: none"> 3. Strengthened capacities of SMEs bodies/agencies to channel business support to SMEs, to help the latter in meeting DCFTA requirements.
Expected Results under Component 3	<ol style="list-style-type: none"> 4. Improved capacity of business and sector associations, business service providers, BMOs to provide effective services to SMEs.
Expected Results under Component 4	<ol style="list-style-type: none"> 5. Enhanced integration of Georgian SMEs bodies/agencies with EU, regional and/or international platforms.
Main Implementing Partner	Ministry of Economy and Sustainable Development of Georgia (MoESD)
Implementation	Private Sector Development South Caucasus Programme, implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ)

IMPROVING THE ENTERPRISE DEVELOPMENT FRAMEWORK AND SME PARTICIPATION IN THE POLITICAL DIALOGUE

RESULT AREA 1: Improved institutional capacities of central administrations to design and implement specific measures within the SMEs context

SME DCFTA GE continues to support the Government of Georgia (GoG) in its efforts to develop the country's export potential and boost Georgia's export promotion, in particular by increasing placement of Georgian products on international markets through contemporary trade channels, such as e-commerce.

SME DCFTA GE works closely with the MoESD and Enterprise Georgia (EG) in two strategic directions:

- Support for Export Development Strategy
- Support for National Apparel Sector Development Strategy

Export Development Strategy

The overall objective of the export development effort is to contribute to development and diversification of the country's export structure through a comprehensive, systematic, and sustainable approach.

SME DCFTA GE has agreed with GoG on priorities and outputs of the process. The work is now underway to produce the following:

- Export Development Strategy Document;
- Action Plans for the development of **4 export-oriented value chains**, with competitive analysis for target markets;
- Capacity building and manuals (value chain selection, competitive analysis, and action plan design) for government staff to enable them to carry out such research and analysis independently, thus contributing to the **sustainability** of this undertaking.

"I am sure that the level of effort and diligence put into this strategy document will deliver important messages on export development, when finalised."

*Mariam Gabunia
Department for Foreign Trade
Policy, MoESD*

The methodology for selection, analysis and development of the value chain is unique and developed specifically to fit the Georgian context. The project calls it the **LUPA**¹ (Local Unrevealed Potential Assessment) methodology. It differs from approaches developed until now in that it 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 exist in the country only in a nascent state but have the potential to successfully develop and compete on export markets.

¹ "Lupa" means "magnifying glass" in the Georgian language.

LUPA has a strong potential to become an annual prospect-screening tool for GoG for prioritization of local industries/VCs as well as for resource allocation. It will provide an important contribution to development of a smart specialization strategy for Georgia at a later stage. By piloting this methodology as a part of the project's intervention, SME DCFTA GE will also provide a good picture of existing gaps in data availability and develop recommendations on enhanced data collection by GoG agencies. In order to ensure sustainability of this process, the methodology will be handed over to GoG. A team of leading international consultants has developed LUPA for selection, analysis, and development of value chains for the Georgian context.

National Apparel Sector Development Strategy

In the context of SME DCFTA GE support to Georgia's apparel industry via clustering, a comprehensive effort has been launched, with participation of leading international and local experts, aimed at the development of a national apparel sector strategy. The focus of the proposed strategy is to position **Georgia by 2025** as a well-known producer of **high-quality apparel goods**, manufactured in a **socially and environmentally compliant manner** at a **competitive price**. The goal of the strategy is identified as follows:

Georgian apparel industry is one of the most productive industries, attracts FDI and contributes towards significant share of export value and jobs.

SME DCFTA GE offers a **two-tier approach** to the strategy:

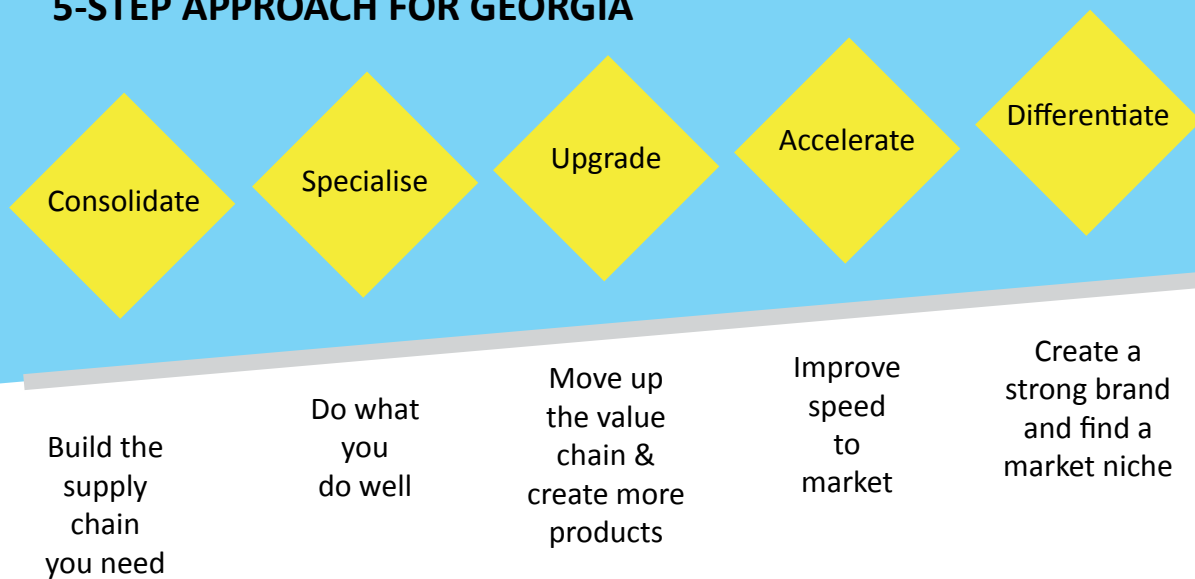
- Industry level – creating an enabling environment for strong and sustainable industry growth,
- Company level – enabling companies to plan and expand their operation.

The Strategy will focus on policy, infrastructure, management capacities as well as skills and education. **The scope of the action** has been defined to include the following:

- Industry level – conduct of further research to include an update of industry data, mapping, review of existing policies and best practices; elaboration of an action plan based on stakeholder engagement, and implementation across the four focus areas – policy, infrastructure, management capacities, skills, and education.
- Company level – enabling companies to plan their capacities and to expand operations on the EU/world market.

It has been agreed with the MoESD that a one-year process will start in March 2018.

5-STEP APPROACH FOR GEORGIA



Two comprehensive hearings with international experts were conducted in June and December 2017, respectively, to assess the status of the Georgian apparel sector and map the way forward.

E-Commerce

SME DCFTA GE supports GoG in laying the groundwork for development of e-commerce services for the Georgian private sector. The key objective is to develop the capacities of Enterprise Georgia to support Georgian companies on their way to access international markets, especially the EU, by taking advantage of e-commerce opportunities. SME DCFTA GE intervention contributes to the services that EG will offer.

A team of international consultants conducted an assessment of the current situation and SWOT analysis of shortlisted products for e-commerce. SME DCFTA GE also ensured sustainability by building the capacity of EG to conduct such assessments independently.

The expected results of this effort were originally oriented only to the generation of a methodology for selection and shortlisting of products for e-commerce platforms, identification of technical barriers to e-commerce-based trade by Georgian SMEs, a manual detailing the instructions to successfully design and deploy such process and a training. The methodology is now upgraded into the service **GE-Commerce – Georgian E-Commerce Development Service**. The team of international consultants will guide and support up to five cases (products) and enable respective companies to successfully establish their offer for e-commerce in the markets of the EU, and/or USA, and China. SME DCFTA GE chooses diverse cases that can serve as an example of good practices regarding support to Georgian SMEs for e-commerce. Success stories of SMEs selling via e-commerce platforms will be used to enhance the visibility of this new service.

Process in 2017



ACTIVITIES AND RESULTS

- The methodology for the service was developed together with Enterprise Georgia (August 2017).
- **285 companies** identified and included in the database (pure agriculture, dairy and alcohol producers were excluded from the database, according to EG requirements) and were subjected to the first selection tool. Companies that demonstrated awareness of the importance of exports and e-commerce, as well as the willingness to commit resources and time, were selected for the next step.
- A longlist of **153 companies** was elaborated with a ranking, following the second evaluation that looked at product characteristics, company characteristics, international exposure, and readiness.
- A shortlist of 5 cases was selected among the longlist companies for SWOT, markets, and technical barriers' analysis.
- 5 companies selected at this stage for a detailed SWOT analysis and further potential support:
 - **Gotsi** – Leather products and accessories,
 - **Farkoni** – Natural products from herbs and wild berries,
 - **Marilisi** – Jewellery, including enamel,
 - **Silver nice** – Jewellery/silver, enamel,
 - **Altersocks** – printed socks.
- **5 analyses** (SWOT, market, and technical barrier analysis) are being completed or initiated as per selected companies. The next steps include completion of plans for each company and implementation of respective solutions. Options regarding logistic partnerships (DHL, UPS, etc.) are being considered, assessed and will be further negotiated and designed.
- **Success stories** to be used for visibility of service.

The results of this effort depend on commitment, resources, and implementation of decisions by the companies, EG, logistic service providers and other local stakeholders that may be involved.

RESULT AREA 2: Strengthened public-private policy dialogue

In its effort to address existing needs in coordination and alignment of DCFTA related skills development among small and medium-sized enterprises, SME DCFTA GE continues to support various PPD platforms, including ones offered by the project stakeholders and partners. In 2017 SME DCFTA GE worked in the following **4 thematic directions**, by engaging government agencies, businesses, and civil society organizations and by fostering public private dialogue:

- Human capacity development needs in DCFTA relevant industries,
- Vocational Skills for DCFTA,
- Boosting SME participation in public tenders,
- INCOTERMS 2010 rules and their applications.

PPD on Skills Development for DCFTA

SME DCFTA GE suggests that a more systematic skills-focused approach must be utilised by DCFTA relevant government entities, business community (including BMOs, BSOs), international development partners, and other stakeholders to assist Georgia's private sector with the gradual introduction of AA/DCFTA-related standards and regulations in the country 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 needs for DCFTA;
- Developing relevant qualification offers and making them accessible to SMEs;
- Elaborating institutional mechanisms for channelling DCFTA-related sectorial skill needs into occupational/vocational standards, the National Qualifications Framework and programmes of general, vocational, and higher education and certificate/informal trainings.

In parallel to the first European Vocational Skills Week that took place in Brussels on 5-9 December 2016, SME DCFTA GE organised 2 events, one in Kutaisi (Imereti region) and the other in Tbilisi, providing a multi-stakeholder platform for discussing DCFTA-related skill needs of Georgian businesses and workforce as well as the ways how to upgrade knowledge, skills and expertise of economic agents operating in Georgia to address these needs.

Georgia's Way to the European Market – Vocational Skills in the Context of 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 (GCCCI). It brought together **100 participants** representing higher and vocational education and training providers, academia, business community and local authorities.

Presentations and discussions focused on the following topics:

- Government policies and current 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);
- Training needs assessment – results of assessment of 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, education and communication needs of Georgia's businesses in the regions – findings of the regional meetings held by GCCCI.

Skills for 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 ministries and agencies, 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.

The keynote addresses by high-ranking government officials, EU and GIZ representatives highlighted the importance of multi-stakeholder cooperation for developing the right skills mix in the Georgian business sector for taking advantage of the opportunities created by the AA/DCFTA between the EU and Georgia, presentation of best international practices of organising the work of sectorial skills councils in the EU, and panel discussion on DCFTA related skills needs of Georgian businesses laid a solid foundation for the subsequent 5 parallel work group sessions.

Each work group assessed the situation in each of the five sectors prioritised by the GoG considering their relevance to and growth potential related to the AA/DCFTA implementation: engineering; heavy and light industries (incl. food processing, glass, paper, plastics and wood processing; clothing materials mining, wine); services (HoReCa, tourism, and related); construction and architecture; and transportation. Guided by a team of international and local facilitators each work group conducted a sectorial SWOT analysis and proposed steps to achieve adequate levels of skills development in the respective sectors.

SME DCFTA GE produced a strategic workshop report summarising the plenary and group work sessions. The report identifies common problems and important issues to be tackled by the GoG and country's development partners and puts forward specific recommendations.

Findings and recommendations include the following:

- 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 skills training of their staff;
- Links and communication between businesses and higher and vocational education institutions need to be established and/or promoted;
- VET providers need to become responsive to the increased demand for vocational technical expertise in Georgian workforce;
- There is a need to raise awareness among Georgian businesses how the AA/DCFTA affects the need for skills development of their staff and to help them uncover which skills they need to develop to benefit from opportunities created by 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 benefits of the AA/ DCFTA.

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

PSD TVET SC is now implementing a comprehensive programme on vocational skills developing and implementing dual TVET programmes in the identified priority areas (tourism, wine, and construction).

PPD on Public Procurement

As part of SME DCFTA GE contribution to Georgia's gradual approximation with the EU acquis, the project supports state institutions in fulfilling obligations undertaken in accordance with the Association Agreement between Georgia and the European Union, and particularly, DCFTA. The project supported the State Procurement Agency (SPA) in organising a series of PPD events for procuring entities and private sector representatives. These events aimed at disseminating information about implemented and upcoming reforms and related legal changes in the field of state procurement to fulfil obligations under the AA/DCFTA, to introduce new services and to encourage SME participation in public tenders.

SME DCFTA GE supported **4 PPD events in the regions** during the summer and fall of 2017, which took place in Kutaisi, Borjomi, Anaklia, and Telavi and brought in up to **150 participants**. All sessions were led by top-ranking managers and specialists of the SPA.

The topics introduced to and discussed with audiences of the events included the following:

- Changes in the Law on State Procurement;
- New rules and regulations;
- Innovations in compiling white and black lists of suppliers;
- Revisions in the regulations governing the work of the dispute settlement council;
- New procurement procedures and methods;
- New recommendations and guides for implementing state procurement;
- Newly introduced e-services to facilitate public procurements.

An interactive format included discussions and Q&A, where the audience actively inquired about legal innovations and new services offered by the SPA, as well as the appeals procedures and dispute resolution. Participants presented specific experiences and expressed their views on legal changes and amendments. SPA representatives provided feedback and clarifications and took note of proposals by event participants. The SPA used this opportunity also to arrange a number of follow-up meetings with concerned SMEs.



INCOTERMS 2010 Rules Training and PPD

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. Two events were held in Batumi and two in Tbilisi in the period from September to November 2017.

These series of events were motivated by the understanding that Georgian SMEs need not only to upgrade goods and services they produce up to the EU standards but also to know how to engage in international trade in order to trade with the EU business partners risk-free and on most favourable terms. Furthermore, the events were conceived to inform the audience about existing PPD platforms where they can voice their needs for assistance in accessing the EU market and global markets in general. The events provided opportunities to 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, for example, the development of testing laboratories in western Georgia (water, agricultural products), support with certification procedures (e.g., pallet fumigation, phytosanitary and pest certifications), awareness building about EU standards on product packaging and labelling, etc.

Interest in the events grew over time so that the **number of participants reached 143** instead of the planned 120. The majority of participants came from the private sector.



Based on participant evaluation and feedback, further training needs have been identified for SMEs, BMOs and BSOs serving SMEs, national tax authorities and other relevant state bodies:

- Trainings on Incoterms 2010 rules in smaller groups (max. 20 participants) with more industry profile case studies and practical work;
- Awareness raising about PPD (role, benefits, and current state), tools for dialogue, advocacy, and ways for obtaining needed information through sector specific trainings;
- DCFTA benefits and obligations for SMEs and practical implementation;
- Introductory trainings on drafting international trade contracts for the same target audience;
- Development of sector-specific guidebooks on drafting international trade contracts, covering sector-related EU requirements.

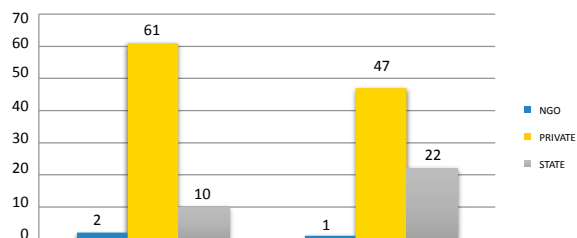


Figure 1: Breakdown of participants in Tbilisi and Batumi (Sep-Nov 2017)



DEVELOPING CAPACITY OF SME SUPPORT INSTITUTIONS FOR IMPROVED SERVICE DELIVERY

RESULT AREA 3: Strengthened capacities of SME bodies/agencies to channel business support to SMEs to help in meeting DCFTA requirements

Supporting GoG's DCFTA Communication

GoG attaches high importance to establishing an effective communication on the benefits that DCFTA brings, particularly for the Georgian business sector, including SMEs. To this end and with support of SME DCFTA GE, MoESD launched an online information sharing platform – **DCFTA.gov.ge** – as a tool for communication and awareness building, to ensure effective online information sharing on the DCFTA implementation process with all interested parties, including Georgian SMEs.

Website Goals:

- Inform interested parties, on a permanent basis, of the benefits, opportunities and advantages provided by the DCFTA;
- Inform interested parties on the implementation progress of DCFTA commitments;
- Raise awareness among Georgian exporters and support the export of Georgian goods and services on the EU market;
- Inform interested parties regarding EU grants and other financial support projects carried out within the framework of the DCFTA;
- Inform interested parties regarding the ongoing reforms and legislative initiatives under the DCFTA, in order to receive feedback and recommendations.



“With this website the MoESD fulfills its objective of ensuring transparency of the government policy-making with regard to 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 to the EU market. The website also offers a mechanism for collecting feedback from any interested party on reforms and legislative initiatives introduced in the context of DCFTA implementation.”

*Genadi Arveladze
Deputy Minister, MoESD*

SME DCFTA GE has contracted a PR and communication company to support MoESD in management of the DCFTA website.

The website offers a special section for business that includes information and data on

- Tariffs,
- EU internal market,
- Public services offered to meet technical requirements set out by the DCFTA,
- Standardisation,
- Certification,
- Food safety,
- Rules of origin,
- Custom procedures,
- Trade statistics.

SME DCFTA GE supported development of **5 video instructions** that describe public services, provided by the Georgian government institutions to business as well as 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 procedures for exporting to the EU. All five video instructions are available on the DCFTA website.

SME DCFTA GE is focused on ensuring sustainability of the effort through capacity development of the respective staff to manage the website independently, and the modalities for the subsequent handover are currently under consideration.



Supporting the State Procurement Agency in SME Outreach

SME DCFTA GE supports the efforts of SPA in communicating with Georgian business sector on the latest requirements and opportunities for SMEs and public procurers – in addition to the e-Procurement, new e-services were launched by the SPA in response to business sector demand. A new e-market web-based system, a new eGovernment services (connected to the e-treasury and RS.GE) and other e-services are being designed and developed to support business-oriented policy. In order to raise 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:

- Printing of 3 revised publications: “300 Frequently Asked Questions”; “Users’ Guide to the Unified E-platform for State Procurements”; and “A Guidebook for Public Procurements”. In total, 1,000 copies of each publication have been distributed among representatives of SMEs and public procurers.
- Developing an informational video on Georgian e-procurement system to include latest updates and success stories aiming at informing and engaging SMEs and increasing competition in upcoming e-tenders. The objective of the video is to inform about the ways in which an e-procurement system increases transparency, as well as free and fair access to public tenders. Production of video is underway.

Strengthening Capacity of Enterprise Georgia and GITA in Delivery of Services to SMEs

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

Georgian business community, and SMEs in particular, about existing EU programmes and networks.

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

Enterprise Georgia, GITA and as of recently, Georgian Chamber of Commerce and Industry (GCCCI) are Business Contact Points (BCC) of 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 organizations. 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, how to distribute products, how to find technology to drive innovation and cooperate in research and development projects. EEN Georgia Consortium’s task is to help companies in creating a profile of the company with products description on EEN platform and finding business partners.

For this purpose, 12-17 June 2017 SME DCFTA GE organised a business trip for 2 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 who are engaged in EEN and provide for consultation services, financial instruments, transfer of knowledge, technology and know-how. These included Investitionsbank Schleswig-Holstein (IB. SH), 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



“The Government of Georgia expresses appreciation to the European Union for the extensive support in the process of developing Government’s Four Point Reform Agenda through the various instruments and resources. Enterprise Europe Network is one important instrument that attracts international business partners. It also provides for the private sector development in manufacturing and supports export promotion in line with international standards. I hope that Georgian SMEs, start-ups, mid-caps, as well as large companies will take advantage of the opportunities offered by EEN, Georgia’s Innovation and Technology Agency and Enterprise Georgia.”

*Giorgi Cherkezishvili
Deputy Minister, MoESD*

companies and research institutions involved in the clusters are working together to enhance their innovativeness and competitiveness.

The objectives of this training are as follows:

1. Capacity development in utilization of the tools offered by EEN via hands-on practice in the Foreign Trade Department of the WTSH – a long-standing member of EEN Germany. The capacity building was performed under the guidance of Ms. Annette Moritz, a foreign trade consultant of EEN Georgia consortium.
2. Establishment of linkages with SMEs of Kiel and Schleswig-Holstein and promotion of business opportunities in Georgia, stemming from partnerships with local companies.
3. Exchanging learned practices with other staff members of EEN Georgia consortium organizations, as well as other potential stakeholders, involved in service provision to the SMEs.

The following notable results were achieved during the visit:

- Two business offers from Georgia ready for external review and subsequent submission to EEN;
- First contacts established for promoting further bilateral cooperation with German companies in development of innovation and technologies in Georgia and support of start-up ecosystems;
- Agreement reached with TUTECH on the possibility of assisting Georgian start-ups via sharing experience and providing free access to co-working space, arranging exchange programmes for young innovators.

Prior to this visit SME DCFTA GE supported Enterprise Georgia and GITA in organising the first Georgian **Enterprise Europe Network Info Day** event on 18 May 2017. EEN Info Day brought together representatives of Georgian SMEs. Over **80 participants**, mostly SMEs, were informed about the opportunities offered by

“The combination of local knowledge and international expertise is the key for the success of the Enterprise Europe Network. A success we invite Georgian SMEs to take part in, too.”

*Annette Moritz
Foreign Trade Consultant*

the Enterprise Europe Network, 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). As EEN business contact points in Georgia, Enterprise Georgia and GITA stand committed to helping Georgian companies register business proposals on the EEN platform, connect them with international partners and help them benefit from the great opportunities that international markets offer. Following this event **2 Georgian SMEs won contracts** with European companies.

Capacity Building of Enterprise Georgia

SME DCFTA GE's overall approach to Enterprise Georgia staff capacity building includes on-the-job trainings/learning-by-doing, through accompanying GIZ-hired consultant activities in Georgia's business sector. Throughout 2017, Enterprise Georgia staff members

- Accompanied furniture mission in Cologne, January 2017, to attend IMM Cologne and Passagen 2017 – top trade fairs on furniture and design;
- Were invited to roundtable discussions with Georgian apparel companies and international experts on PPD topics and association (April-December 2017);
- Participated in the workshops with members of furniture, film, and ICT clusters;
- Took part in tailor-made EEN training programme in Kiel, Germany, June 2017;
- Led apparel trade mission in Germany, September 2017;
- Participated in development and implementation of methodology aimed at identifying perspective cases of companies and products to export their products through electronic trade channels (e-commerce), August-December 2017:
- Participated in development of e-commerce strategies for 5 shortlisted companies; the placement of their products through e-trade channels is ongoing (December 2017 – May 2018);
- Participated in implementation of methodologies toward identification and analysis of high perspective export products (both goods and services).

In addition, all sectors covered by SME DCFTA GE cluster development component are prioritised and have a **special portfolio manager appointed at Enterprise Georgia**. This shows the high degree of ownership SME DCFTA GE activities have achieved already at this stage.

On 18-19 November 2017, a **strategic workshop** was organised with facilitation of international strategy consultant for EG management and staff – up to **60 participants**. The workshop resulted in the following:

- A gap analysis on the institutional goals;
- An extensive stakeholder analysis;
- A Strengths Weaknesses Opportunities Threats (SWOT) analysis;
- Action points based on the SWOT that can become the basis for an emergent strategy for the organisation.

Enterprise Georgia identified **6 strategic directions**: planning, monitoring and evaluation; communication; research; new approaches like “ready made products” (turn-key opportunities) for presentation to investors and “result-oriented activities”; improving existing support programmes; generating additional funding; personnel and staff development.

In line with these strategic directions 10 action points have been elaborated with respect to:

1. Communication (reputation, awareness, and trust building of EG in public),
2. Business intelligence,
3. A one-stop-shop concept,
4. SME Development,
5. FDI (plus logistics and infrastructure),
6. Exports,
7. Promotion of direct linkages with private sector,
8. Creation of an innovation space for start-ups and SMEs,
9. Less bureaucracy and more flexibility,
10. Maintaining motivated and skilled staff in EG.



Action point 10 refers to the relatively high turnover from management to the operational level. This imposes a potential risk for the sustainability of SME DCFTA GE capacity building measures.

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GCCI Journey to Excellence

Since January 2017, with support of SME DCFTA GE, the Georgian Chamber of Commerce and Industry has undertaken a journey to excellence – that is to exceed the expectations of its stakeholders through excellent products and services, increasing effectiveness and efficiency and being a role model for Georgian business as well as for the public sector. In order to do so, GCCI has adopted the European Foundation for Quality Management (EFQM) Excellence Model – an internationally accepted and adopted framework for excellent leadership and management.²

GCCI started its journey by learning about the model and how it is applied. In February 2017, **12 participants** joined the “EFQM Journey to Excellence” training that was provided by an EFQM-licensed trainer and were qualified to support GCCI in using the EFQM Framework. GCCI then began to apply this knowledge in the implementation of two strategic projects – one related to the creation and operation of the DCFTA Information Centers and one related to the improvement of the GCCI representation offices in regions.

² For more details visit www.efqm.org. GIZ is also a member of the EFQM and has been an active user of the EFQM Excellence Model for many years.

EFQM Levels of Excellence – Recognition Scheme

“Excellence” is a concept that combines ensuring product and service quality with making sure that an organization (as a whole) continuously develops and adapts with a view to becoming and remaining excellent in all respects. The main characteristic of excellent organizations is that they achieve and sustain outstanding levels of performance that meet or exceed the expectations of all their stakeholders. In addition, excellence is a way of working with staff to better include them in the development process, increasing motivation, engagement and loyalty.

Excellent organizations achieve and sustain outstanding levels of performance that meet or exceed the expectations of all their stakeholders. The EFQM Excellence Model allows people to understand the cause and effect relationships between what their organization does and the results it achieves. At the same time, the Model also helps organisations understand and manage the complexity in which any organisation operates in today’s environment of globalization, increasing need for flexibility and adaptability and increasing expectations of customers and other stakeholders. The Model is pragmatic and practical, developed by leading

organizations, to stimulate continuous improvement.

The Model is comprised of a set of three integrated components:

- The Fundamental Concepts of Excellence: these define the underlying principles that form the foundation for achieving sustainable excellence in any organization.
- The Criteria: these provide a framework to help organizations to convert the Fundamental Concepts and RADAR thinking into practice.
- The RADAR: RADAR is a simple but powerful tool for driving systematic improvement in all areas of the organization. RADAR stands for Results, Approach, Deployment and Assessment and Refinement.

The beauty of the Model is that it can be applied to any organization, regardless of size, sector or maturity. It is non-prescriptive and takes into account a number of different concepts. It provides a common language that enables users to effectively share knowledge and experience, both inside and outside their own organization (for more information see www.efqm.org).

The interventions with GCCI – that included **7 activities** in the form of workshops, trainings, and consultancy in the span of 10 months – were all designed and implemented in a way that supported learning by the members of the organization so that they are more able to manage and lead GCCI towards continuous improvement. There was a significant focus on enabling the top management team with respect to management in general, and project and process management specifically. This approach will support the sustainability of the interventions and increase the likelihood that the effects of SME DCFTA GE support will continue in the long term. However, the benefits for GCCI will depend on the stability of the top management team and its ability to work together as a team with excellence in mind.



ACTIVITIES AND RESULTS

- Agreement on the way forward: GCCI Management Commitment, next steps, etc.
- 12 persons trained and prepared to support the EFQM Journey towards Excellence.
- Review and definition of GCCI stakeholders; SWOT analysis; Review and revision of vision; Definition of GCCI values; Definition of GCCI strategy and strategic objectives and indicators.
- Improvement of knowledge and implementation of project management tools and techniques based on EFQM RADAR logic.
- Detailed project management through action plans (Gantt Charts).
- Regular reviews of project progress and updating of action plans.
- Development and strengthening of team spirit between members of GCCI staff (including regional representations and DCFTA experts).
- Completed self-assessment with strengths and opportunities for improvement.
- Selection of 2 new improvement projects based on current priorities at GCCI.
- Definition of 2 new improvement projects based on RADAR logic and as a basis for applying for EFQM recognition “Committed to Excellence”.
- Development of an understanding of process management as a method and tool for increasing efficiency and effectiveness.
- Creation of the GCCI process landscape (first draft).
- Definition of two process flow charts for GCCI processes (first drafts) as examples.

Support for GCCI's DCFTA Information Centre

The DCFTA Information Centre (the Centre) was established under the framework of a Memorandum of Understanding between SME DCFTA GE and GCCI. This cooperation aims to develop institutional capacities of the GCCI in AA/DCFTA-related advisory and training services. The following services are included:

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

Operations of the Centre are currently coordinated by GCCI office in Tbilisi and run in 4 field offices in **Gori, Kutaisi, Zugdidi, and Batumi**.

In the first year of operation, the Centre's offices reached out to **1,500 Georgian SMEs** through consultations and field meetings. The long-term experts (LTEs) collected and analysed data on major challenges faced or perceived by regional SMEs in adapting to AA/DCFTA requirements.

In the course of year, the DCFTA Info Centre organised **30 thematic information sessions/trainings** for local business/SMES, **on average 6 per office**, with a focus on the standards and requirements of the EU market (food safety, SPS, modern technologies in agriculture,

basics of bio agribusiness, etc.). In total **621 entrepreneurs** participated, with more than 90% of respondents giving a positive feedback about the trainings (response rate to the training evaluation forms of 80%). Consultation topics included

- Information on DCFTA,
- HS Code identification,
- Tariffs,
- Rules of origin,
- Customs duties & procedures,
- Communication with state agencies,
- EU regulations.

Monitoring visits implemented by the SME DCFTA GE project experts and an international consultant revealed the need to improve



DCFTA INFO CENTRE:

Consultations to over
1,500 SMEs

30 thematic information
sessions/trainings to

SMEs – average **6** per

office with participation of

621 local entrepreneurs,

90% positive feedback

“As a result of EU-GIZ support, the DCFTA Information Centre became one of the most sought-after services GCCI now offers, and we are grateful to the “SME Development and DCFTA in Georgia” Project, which provided us with an opportunity to develop this service to the benefit of a more active communication with SMEs, particularly in the regions. Due to the efforts of dedicated local experts, the Centre has provided consultations to over one thousand entrepreneurs, both via office and field meetings. This service also includes arrangement of training sessions specifically tailored to fit the needs of SMEs and dozens of trainings have been already delivered. We expect that interest in the Centre will grow over time; however, the role that DCFTA Information Centre already plays in raising awareness about DCFTA among Georgian SMEs is noteworthy.”

*Nino Chikovani
President of GCCI*

work conditions and the environment of the office space and amenities of the DCFTA Information Centre Office in Kutaisi. SME DCFTA GE seconded a short-term expert in construction and energy-efficient materials for construction to check the need in and the validity of the preliminary cost estimates of renovation works shared by the GCCI. Based on the expert’s assessment and follow-up discussion with the GCCI it was decided that the GCCI will commission a comprehensive design and renovation works planning and costing documents to prepare a tender for renovation works to be financed through funds available from the SME DCFTA GE project as well as other donor and GCCI’s own resources.

Reorganisation. The in-depth analysis of the results of functioning of DCFTA Information Centre Offices at various locations carried out jointly by the GCCI and the SME DCFTA GE revealed sub-optimal operation of Signagi and Tbilisi offices. In Signagi the weak performance of the office was attributed to a low number of SMEs at this location and to low interest in DCFTA related consultancies and trainings in the region as a whole. As a result, the decision in October 2017 was made to close this office.

Weaknesses in the operation of the DCFTA Information Office in Tbilisi have been attributed to a number of factors including a wide range of responsibilities defined for an LTE at Tbilisi office to perform analytical, methodological, coordination and liaison functions on top of the regular functions of an LTEs to provide consultations, to carry out field meetings, to organise SME trainings, to network with partners and others. To remedy the situation and to achieve a better integration of the DCFTA Information Centre functions into the GCCI the decision was made to incorporate DCFTA Information Centre into the core structure of the GCCI and assign a dedicated manager – a head of structural unit of the GCCI with duties to organise and supervise the operation of the Center and its offices, with the support of two staff members.

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 to which the project agreed, considering the substantiation of the request and contribution of additional resources by ACCI guaranteeing the overall efficiency of the support.

SME DCFTA GE supports ongoing capacity building and development of services offered by the DCFTA Information Centre, including, through further trainings of LTEs contracted to lead its offices, on AA/DCFTA related matters and effective communication.

SME DCFTA GE has also mobilised additional expertise for advice and support in the development of additional services of the DCFTA Information Centre offices. A SWOT

analysis was conducted to evaluate the services provided by the DCFTA Information Centre offices and provide recommendations for improvement, including specific actions, practical tools, and the scope of potential additional external support.

DCFTA Info Centre Visibility. In order to raise visibility of the Centre activities, GCCI collaborates with Radio 106.3, which airs a 45-minute “DCFTA info” programme during primetime once per month. The programme reviews the activities of the Centre and discusses AA/DCFTA-related topics with the invited guests representing governmental entities and the business community.

The Center has also developed a brand identity (including a logo, brochure, etc.) with the support of the SME DCFTA GE project and in close collaboration with the EU Delegation to Georgia.

A SUCCESS STORY:

Establishment of Georgian Greens Producers’ Association and subsequent training outputs

The idea to establish the Georgian Greens Producers’ Association originated from some of the SME representatives consulted at the DCFTA Information Centre Office in Kutaisi. The rationale for organising businesses in greens primary production, processing, storing, packaging, labelling, transporting, and marketing to boost the production and to promote exports of Georgian greens in the EU was further explored and communicated with potential stakeholders by the LTE providing services at the Kutaisi office. Considering the high interest among relevant businesses in establishing such an organization, the idea was further discussed at the level of the GCCI’s Board and the decision was made to support this initiative. Georgian Greens Producers’ Association was established in June 2017 by nineteen founding partners, one of which is the GCCI and the others are SMEs or individuals active in the relevant field. The association got further support from the DCFTA Information Centre office in Kutaisi in the form of DCFTA-relevant consultations and trainings of its members. The themes of the consultations and trainings included topical issues of modern technologies of green production, conditions for transporting, packaging and labelling, requirements of Global G.A.P., plant protection and pest control, basics of bio agricultural production, etc.

PROMOTING ENTERPRISE DEVELOPMENT VIA CLUSTERING AND SUPPORT TO BUSINESS NETWORKS AND ENHANCED INTEGRATION OF GEORGIAN CLUSTERS WITH EU

RESULT AREA 4: Improved capacity of business and sector associations, business service providers, BMOs

The **cluster development** is one of SME DCFTA GE trademarks with GIZ being a champion in introducing this approach to Georgia on a wider scale, and GoG embracing it as a right step on the path of Georgia's further economic development. With the clustering methodology SME DCFTA GE currently supports more than **150** Georgian SMEs benefiting altogether more than **1,000** employees. This work is underway in the furniture, apparel, and film production sectors, with similar activities upcoming in the ICT sector

In 2017 the cluster development efforts targeted 5 priority sectors: **apparel, film production/post-production, furniture/interior design, ICT, and honey/beekeeping**. Selection of these sectors is based on comprehensive study and analysis and each demonstrates a strong potential for business network/cluster development.

Business Clustering in Georgia – First Lessons Learned:

- 1. Tailor-made** sector and a country specific approach is required
 - Success factor industry experts
 - Demand-driven, client-based approach
 - Careful selection of sectors
- 2. Quality needs time**
 - At least 1 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
- 3. Investing in quality pays off**
 - Higher sustainability
 - More SMEs reached by core cluster members

SME DCFTA GE supports business clusters, as networks of interconnected businesses

Key characteristics 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

- Cost optimization
- Enhanced profitability;
- Expansion of the client base
- Enhancing capacities for production, negotiations with business partners (buyers, sellers, investors), government.office with participation of 621 local entrepreneurs, 90% positive feedback

SME DCFTA GE promotes **engagement of women entrepreneurs** in cluster development. All interventions in the area are aimed at establishing a good balance of men and women and the project already offers a good representation of women in the current cluster membership.

WOMEN Representation IN CLUSTERS

Furniture: 32 cluster members in total, **2** members are women (6%). **10%** of employees in manufactories or workshops are women.

Apparel: 5 cluster members in total; **2** directors of companies are women; **95%** of employees in manufactories are women.

Film: 20 cluster members in total; **9** members are women (45%). **40%** of employees in companies are women.

ICT: potential cluster members – **15** companies; **5%** of employees in companies are women.

“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
PSD TVET SC*



The very first study conducted by SME DCFTA GE covered the apparel and textile sector in Georgia. Key finding – there is a strong case for enhancing the apparel value chain. The study recommended introduction and implementation of quality, health, safety, and sustainability standards, and developing clusters that implement these standards in Georgia’s apparel sector.

The project’s intervention currently covers:

- Support for **4 local producers** (employing **600** people) in implementation of Business Social Compliance Initiative (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. Objective: Enable Georgian apparel producers to comply with EU industry standards.
- Support for **5 local producers** in establishing linkages with foreign buyers, providing them with capacity building, support in presentation skills and development of promotional material. Objective: Connect Georgian producers with EU buyers.
- Development of a common platform – **Apparel Association** – and extending policy advisory services to both the private sector and the government of Georgia. Objective: Launch Apparel Association Initiative.
- Laying the ground for the development of the national **apparel industry development strategy**. Objective: Contribute to creation of enabling environment for strong and sustainable industry growth.

Process in 2017



Industry needs:

- Attract more foreign buyers, to diversify export structure and **stronger integration with EU markets**.
- Implement **European standards** and obtain relevant certification.
- Address the growing issue of lack of **skills in young labor force**.
- Focus on **niche sales**, to capture higher value markets.

THE 5 PARTNER COMPANIES SELECTED

Elselema Ltd.

Elselema Ltd has two factories, one in Tbilisi and the second in the town of Lanchkhuti (currently under reconstruction). After finishing the reconstruction works, 120 tailors will be employed in the Lanchkhuti factory. Besides the apparel business, Elselema is also an official representative and distributor of the German company PFAFF (Industrial sewing machines), Swiss company BERNINA INTERNATIONAL AG (family sewing and embroidering machines) as well as representative and distributor of German company MADEIRA Garne (sewing and embroidering threads) in Georgia.

Eurotex LLC

GEO-M-TEX LLC was established in 2015. The company received additional funding of GEL 3 million from the state programme "Produce in Georgia". This investment was used for renovation of the production building and purchasing of additional machinery and equipment. In March 2012, a representative of EGERIA Group Marina Blakunova visited Tbilisi in order to identify local companies from the apparel sector that have capacity to produce products for the European market. Marina Blakunova started cooperation with different factories, among them with GEO-M-TEX LLC. Further on, it was decided to establish a new company which will manage the factory owned by GEO-M-TEX LLC. The new company – Eurotex LLC – took over the management of the factory owned by GEO-M-TEX LLC. Eurotex LLC is at 100% owned by EGERIA Group. Currently, Eurotex manages the company's day-to-day operations and is responsible for production, marketing, and sales of the company products. Eurotex started production of models developed by Georgian designers under its own brand, to be marketed on the local market.

Fashion House Materia Ltd.

Fashion House Materia is a premier manufacturer of custom sewn goods in Georgia. The Materia label is comprised of the signature Ready-to-Wear collection, Made-to-Measure and Materia Uniforms & Apparel. Fashion House Materia has more than 12 years of experience providing customers with advice and expertise. The company also specialises in sample making, pattern making, grading, marking, cutting, sewing, embroidering, and fabric sourcing. In addition to the massive production capacity, the company has two own brands Materiel and Dots:



CONNECTING BUSINESS PARTNERS
FROM GEORGIA AND THE EU
Trade Mission in the Apparel Industry

A Cooperation Project between GIZ and SUSA in the framework of the EU4Business Programme
September – October 2017



- Materiel is Georgian designers' premium brand since 2012. By creating a venue for artistic self-expression, Materiel helped the advancement of the Georgian fashion scene and aided the cultivation of talented Georgian designers who previously lacked the domain of artistic particularization.

- Dots is a Contemporary Brand since 2016. It is a new Georgian fashion brand that is offering unique concept of young and talented Georgian designers creating brand new and innovative collections for domestic and foreign customers. Dots is dedicated to stunning, functional style with affordable prices.

MPT Georgia

The company was founded by Per Egebjerg (MID Pro Tex A/S) and Mikheil Getia, who has 10 years of experience in the apparel industry sector. From 2007 to 2011, he worked at the Danish company Madsen Textile as a Company Manager. From 2011 to 2015, he worked as a Manager at the Georgian

Textile Group (GTG). In 2016, Mikheil Getia, together with MID Tex A/S decided to establish a new company which was oriented on fulfilling orders for the MID Pro Tex A/S, in partnership with DK company (Denmark) – one of the biggest textile wholesaler in Denmark.

Textile Company Imeri

Textile Company Imeri has almost 90 years' experience of working in the textile industry. The company was founded on September 27, 1928. Company is mainly oriented on production of ladies' and men's garments. For the last 20 years the company exports 95% of its output to the European Union market. On August 26, 1996 the former state enterprise was registered and transferred into a Joint-Stock Company. Since 2011, the factory produces women's and men's clothing for the local market as well. Currently, Imeri owns three shops, two of which operate in Kutaisi and one in Tbilisi. Since 1997, Imeri cooperates with the German company LEBEK International Fashion GmbH & Co KG which is still one of the factory's main partners of Imeri. Since 2012, Imeri has been collaborating with Italian company EGERIA Ltd. which became one of its main partners.

Partner Company Overview

	ELSELEMA	EUROTEX	MATERIA	MPT	IMERI
# OF FACTORIES	1 (+1 upcoming)	1	1	1 (+1 partner)	1
EMPLOYEES	150 (+120)	355	193	36 (+200)	480
AVERAGE WAGE / MONTH	GEL 400	GEL 400	GEL 600	GEL 600	GEL 400
MAIN PRODUCTS	Uniforms, capes & cloaks, winter clothes, knitwear, waterproof clothing	Coats, down jackets, trousers, dresses, skirts	Uniforms, sportswear, fashion and contemporary upper wear	Dresses, T-shirts, pants, skirts, blouses, jumpsuits	Suits, dresses, skirts, shirts, T-shirts, coats, jackets, cloaks, uniforms



Trade Mission to Germany

On 4-8 September 2017, the project organised a trade mission for 5 Georgian apparel producers, with participation of EG representatives and facilitated by international consultants, aimed at

- Connecting Georgian businesses with European buyers for the purpose of establishing business partnerships and identifying sourcing opportunities.
- Developing capacities of Georgian companies and local experts in understanding requirements of European companies toward foreign partners in terms of standards, business relations, etc.
- Participation in international exhibition “Munich Fabric Start” and review of the trends in the apparel industry. Improved understanding of businesses and experts of the organizational matters related to foreign trade fairs and participation.

Over the course of four-and-a-half days, Georgian producers met 6 prospective buyers (Remei AG, Koppermann, Drykorn, Miles GmbH — Li & Fung, Feldtmann, Otto Group), 2 institutions (Textilbündnis Association and Öko-Tex) and 4 other organizations. The meetings took place in Munich (including the trade fair premises), Berlin and Hamburg.



“Best matchmaking effort that Georgia’s apparel industry has experienced through national government or international development support.”

*Elguja Mamasakhlisi
Elselema Ltd.*

ACTIVITIES AND RESULTS

- **4 Georgian producers upgraded to international standards.**
- **4 Upgraded producers ready for BSCI audit.**
- **5 Georgian producers:**
 - Engaged in negotiations with 6 potential buyers from the EU;
 - Linked up with 6 more key partners from the EU;
 - Solicited interest of the Retail Branch of Otto Group – 2nd largest online retailer with EUR 5 billion in sales (interested to visit Georgia in early 2018), and of Li & Fung – 250 offices and distribution centers in over 40 markets across the globe.
- **4 Georgian Apparel Producers improved fire safety, production layout, storage management, chemical handling, documentation management, and occupational health & safety.**
- After the trip to Germany, IMERI decided to work on implementation of BSCI standards, to meet requirements of European buyers.
- **1st Local Order facilitated by the Project: Hotel Staff uniforms by Elselema LLC, for Grove Design Hotel.**

In cooperation with Enterprise Georgia and the Georgian National Film Centre (GNFC), GIZ has launched an initiative to support the establishment of a film cluster. The cluster's mission is to enable its members through joint efforts to promote the Georgian film industry, providing necessary trainings and establishing new contacts. The cluster currently brings together **16 Georgian production and post-production professionals** with ties to international partners.

SME DCFTA GE support to the film cluster:

- **Is aligned with the government priorities** – initial steps to explore the film post-production industry for clustering opportunities were taken in response to a request from the MoESD.
- **Contributes to the film industry's development** – the project closely cooperates with Enterprise Georgia, an implementing agency for the newly launched film industry incentive programme "Film in Georgia" that aims to promote Georgia as the Eastern European Filming Destination by offering local and international producers up to 25% rebate on qualified expenses incurred in Georgia.
- **Is based on a substantial industry assessment** – value chain assessment and player profiling has been conducted as part of a study of the film post-production industry, which serves as a basis for recommendations to the government.
- **Introduces specific focus** – on film production and post-production industry.
- **Looks at the bigger picture** – by expanding the scope of the value chain for potential support from post-production to overall film production/digital sector.
- **Brings in leading international expertise** – international experts advise on the development of the cluster.

The long-term goals of the clustering effort in this sector are

1. Representation of Georgian film production and post-production companies in the EU and other foreign markets for sourcing opportunities.
2. Organisation and support for networking events for cluster members. Support promotion and marketing through joint cluster website, guide, catalogue, etc.
3. Provision of services to cluster members oriented on capacity development, through educational materials, peer learning, organization of trainings and apprenticeships with foreign counterparts.
4. Promotion of fair and transparent business practices through a Code of Conduct.

"The establishment of Georgian Film Cluster is the best thing that could have happened to Georgian Film Industry."

*Khatuna Khundadze
Georgian Film Studio*

Process in 2017



Code of Conduct

The cluster members have agreed on the main principles of the Code of Conduct:

Respect for Fair Business Practices

- Provide services to clients on time
- Provide payments on time
- Compensate overtime
- Respect turnaround time

Respect for Intellectual Property Rights

- Respect copyrights
- Use licensed software

Respect for Production Quality

- Perform quality check
- Maintaing a high quality of services for our clients



Georgian Film Cluster membership structure and types are defined and include Principal Members, Associate Members, Institutional Members and Honorary Members, with respective eligibility criteria developed. To support its membership base, the Cluster will offer a wide range of services, including but not limited to the following:

- Skills Development – Create online educational resources; Organise or facilitate professional training programmes and apprenticeship. Descriptions for 5 Training Courses have been developed for: Post-production Supervisor, Post-production/VFX Technology, Production Management, Script Supervisor, and Sound Design.
- Discounts through Group Purchasing Programmes – Negotiate and offer member discounts for services, including: legal, financial, leasing, software, etc.
- Promote Local Business – Members will be able to receive services from other member companies at discounted prices.
- Promote the Industry – Organise or support networking events for cluster members; Develop promotional tools (website, guide, brochures, etc.); Create a Rate Card; Create a database of industry players (with ratings); Conduct annual customer satisfaction surveys.
- Serve as an Industry Lobbyist – Promote, facilitate, or sponsor necessary legislative changes to support and ensure sustainable growth in the industry.

The cluster is divided into 3 professional groups:

Group 1

- Directors
- Writers
- Cinematographers

Group 2

- Producers
- Executives
- Line Producers/
Production Managers
- Marketing and Sales
- Assistant Directors

Group 3

- Post-production Supervisors
- Sound
- Visual Effects (VFX)/
Color Grading/Editing
- Design

Within the framework of a brand identity development process, a web platform with a databank of Georgian Film Cluster is in the works to offer an access to

- Industry information – statistics, background, cluster member profiles;
- Education opportunities – trainings/ apprenticeship; library; useful links and tools;
- Guiding materials – information about production studios, post-production, freelancers, location database, link to actor database.

The website is envisioned to serve as a communication and learning tool for cluster members as well as a platform for awareness raising among international film community about the capabilities and potential of the Georgian film industry.

SME DCFTA GE is currently in a process of mobilising international expertise to support the Cluster in following directions:

1. Elaborate **Georgian Film Cluster Development Roadmap** and mobilise extra funding and technical assistance (TA) support.
2. Create of a Public-Private Dialogue (PPD) platform and advisory to the Government – study and analyse the needs of private sector with regard to government regulations and legislation; bring in international best practices; establish PPD as platform for providing policy advice to GoG.
3. Capacity Development – organise trainings and apprenticeships with EU companies and clusters.
4. Integration with EU markets – prepare and execute participation of Georgian Film Cluster in at least 3 international film markets in Europe for the purpose of matching cluster members with international counterparts to foster business linkages.



CLUSTER INTERNATIONALISATION IN 2017

Cannes International Film Festival (FIF) and Market (MIF)

19-25 May 2017

SME DCFTA GE supported the participation of 10 cluster members in the Cannes International Film Festival and Market with the aim of fostering new European industry partnerships for Georgian Film Cluster members. Joined by GIZ consultants, cluster members met with a number of European organisations specialised in educational programmes and trainings, which could help facilitate internships in private companies and studios, designed especially for cluster members and their staff. Relevant EU training programmes previously identified at the Berlinale in February were pursued in Cannes, in order to learn more about existing trainings and apprenticeship opportunities available to Georgian Film Cluster membership. In total, up to 25 meetings were held, including with representatives of European organisations that focus on film financing, co-production, industry networking, legal issues, etc.

Cluster participation in FIF and MIF illustrated the Cluster's collective capacity to establish international sectorial linkages and partnerships with relevant EU companies and institutions, thus increasing its export potential within the EU and beyond. At the same time, Cluster members' exposure to such international forums provided them with a better understanding of what is actually required for the internationalization of the sector.

Berlin Film Festival and the European Film Market (EFM)

11-14 February 2017

The Georgian Film Cluster project team and international consultant visited Berlinale with the purpose of gathering information on existing film industry training programmes offered to film professionals in the post-production sector and to identify potential prospects for future apprenticeships for Cluster members. Information was gathered on potential partners for cluster apprenticeships throughout the EFM, where over 360 film company exhibitors were present and during the Creative Europe conference, attended by over 200 film professionals interested in learning about "digital media content" challenges and new industry trends.

In total 5 members of the Film Cluster attended Berlinale. Georgia was represented by 4 films competing in the official selections. the Georgian National Film Center (GNFC) booth in the EFM exhibition hall served as a networking and promotional base.

ACTIVITIES AND RESULTS

- The Georgian Film Cluster was registered in August 2017 as a non-profit (non-commercial) legal entity.
- A 1-year action plan has been developed and is being implemented.
- Cluster members have launched negotiations with several foreign productions
- Facilitated the signing of a contract for a major British-French-Italian-Georgian production in Georgia, with the support of the UN ("**Negative Numbers**") via supporting participation of a cluster delegation at the **Cannes Film Market**.
- **2 Georgian cluster members** trained at one of the key European training providers on media law and management – **Erich Pommer Institut**.
- **1 cluster member** participated in the Annecy International Animation Film Festival and its Market (MIFA).
- **2 leading experts** from **L'Immagine Ritrovata** (Bologna, Italy) visited Georgia to support the government's film restoration efforts aimed at conservation of Georgian cinematic heritage.



In Focus: FURNITURE

Founded in August 2017, the Georgian Furniture Cluster (GFC) is the first formally established business cluster under the framework of the EU4Business Initiative in Georgia, which currently connects **32 local furniture producers (SMEs)** and is represented by an elected management board.

SME DCFTA GE officially launched the Cluster on 27 October 2017 in a presentation attended by GoG, EU and industry representatives.

The Cluster has been established on the basis of an existing geographical agglomeration of about 170 furniture producers and service providers who rent or own working space at the privately held premises in the Avchala district of Tbilisi – the Craftsmen City. Given the longstanding shared physical premises and frequent communication among manufacturers, SME DCFTA GE focused on formalization of the cluster and capacity building.

SME DCFTA GE has connected furniture producers with the interior designers united under the brand of Georgian Furniture Underground. The Cluster now brings together manufacturers from Craftsmen City, Georgian Designers Association, Export Development Association, Visual Arts and Design School to develop the export potential of Georgia's furniture industry.

Georgian Furniture Cluster members committed to joint production, in order to take advantage of market opportunities in Georgia and in Europe through economies of scale. Specifically, they committed to capacity building and organization development, establishment of a creative space through offering apprenticeships and organising competitions for young furniture designers as well as to internationalization. The project supports the Cluster in all these directions.

According to the National Statistics of Georgia, local furniture production and employment in the industry have experienced steady growth in the 2009-2014 period, with 3,200 people employed and local production estimated at approximately EUR 50 million.



Process in 2017

SME DCFTA GE engaged a leading European furniture cluster manager to support the GFC in raising awareness about the benefits of clustering in the furniture industry. Over **60** furniture producers, designers, and educators participated in the first seminar in March 2017 that introduced the concept and benefits of business clustering in this industry as well as provided a platform for participants to connect and share experiences. The workshop provided a good illustration of the readiness of the participating representatives of Georgia's furniture industry to cooperate in finding solutions to the common problems in this sector, hence providing a fertile ground for further project interventions.

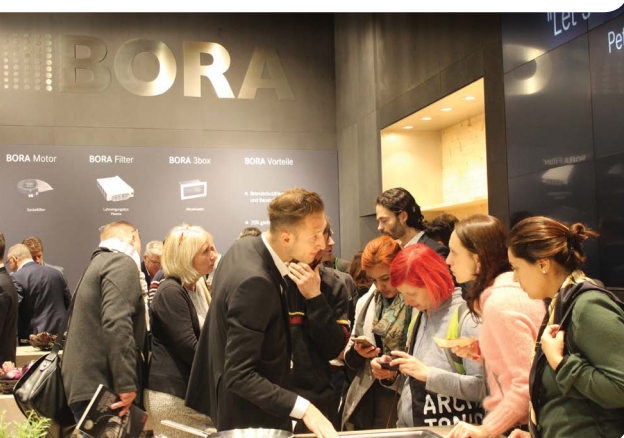
The project activities in 2017 included:



“The visit to IMM Cologne convinced me that organisation of services in a cluster and its structuring is important, and it will add to the logistical convenience that derives from close geographic proximity of member companies.”

*Irakli Koberidze
Owner and Manager of
Craftsmen City Cluster*

- **Study of the setting** – Collecting data on “Craftsmen City”, industry needs assessment, establishment of a Cluster Initiative Group.
- **Getting to know the market** – 5 members of furniture cluster, joined by 3 designers visited IMM Cologne (Internationale Möbelmesse) – the leading European Furniture Trade Fair – 17-22 January 2017 in Germany. The purpose of the visit was trifold: to review the new design trends and assess the capacity of Georgia's furniture industry along these new trends; to explore the contract manufacturing possibilities on the global furniture market; to establish linkages between Georgian furniture producers and designers. The delegation members covered both IMM (furniture) and Passagen (interior design) exhibitions, respectively.
- **Introduction to European clusters** – Visits to German Wood and Timber clusters in Cologne and Bulgarian Furniture Cluster in Sofia with the purpose of sharing experiences and seeing first-hand how a successful, export-oriented cluster works.
- **Coaching** – Extensive continuous process led by a leading European expert.
- **Pilot project** – For the purpose of testing competencies and the potential for cooperation between furniture producers and designers, SME DCFTA GE organised a competition for the design idea project on the topic of “The Wine Presentation Furniture Collection.” The objective of the initiative was to reveal local creative potential and link it to the production process. Winning collections were exhibited at Tbilisi WineExpo 2017.



SME DCFTA GE is mobilising international expertise to support further development of GFC via

- Development of a cluster management body and cluster members' capacity building;
- Elaboration and drafting of furniture cluster development roadmap;
- Competitiveness and internationalization plan;
- Creating a public-private dialogue platform;
- Demand-driven advisory services to cluster management;
- Further general assessment of Georgia's furniture industry.

The Cluster Development Roadmap and Action Plan for 2017-2019 is envisioned to include:

Capacity Building and Organizational Development of GFC

- Support in development of member services
- Creation and development of GFC brand and online portal with cluster members' profiles
- Training, coaching, study tours
- Support to introducing modern standards for management, production process, raw material sourcing, work safety, work ethics and labor standards

Development of GFC Creative Space

- Apprenticeship curriculum development for young designers
- Organization of furniture design competitions and support for participation in international design competitions

Internationalization of GFC

- Export promotion of cluster members through participation in tradeshows and other promotional events



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

*Genoveva Christova
International Cluster
Development Expert*



“Georgia offers a great potential for artistic talent, but there is a lack of practical knowledge, skills and infrastructure. As a result, we often see examples of furniture design that are visually attractive, but ergonomically incorrect, with limited functionality. The Georgian Furniture Cluster has connected yet unconnected people.”

*Nino Sekhniashvili
artist and owner of Nectar
Gallery*

ACTIVITIES AND RESULTS

- First Georgian Cluster registered on 27 August 2017 as a non-profit (non-commercial) legal entity.
- Official launch of GFC on 27 October 2017.
- GFC currently consists of **32** members.
- Over **30** companies (manufacturers and designers) attended 2 study tours in Germany (IMM Cologne) and Bulgaria.
- **2** partnership agreements with Bulgarian Furniture Cluster and Design group in Germany.
- **2** wine furniture collections developed by **6** producers – **4** designers (first attempts of industry cooperation and lessons learned).
- First joint participation of GFC at the WineExpo Georgia in June 2017.
- Cooperation with Visual Arts and Design School of Free University, last year design faculty students to do internships in GFC companies.
- **2** training sessions with over **100** participants from the industry.
- GFC has mobilised funds for renovation and reconstruction of its premises in the Craftsmen
- SME DCFTA GE supported the development of GFC brand identity to include creation of a Georgian Furniture Getaway web portal.

In Focus: Beekeeping and Honey

The Georgian honey sector is striving to formalise and transfer from small-scale subsistence farming to commercial production. A handful of Georgian honey processors exist, and most have developed their capacities through donor assistance. A major share of the aid is contributed by EU programmes, such as ENPARD. Since 2016, upon meeting certain food surveillance conditions, Georgia gained the right to export honey to the EU – an opportunity that is yet to be fully realised.

SME DCFTA GE stays committed to contribute to developing beekeeping and the honey industry as well as to the formulation of a comprehensive action package for export development.

The project has mobilised leading international expertise to support the project in assessing the sector and developing an action plan for intervention. The initial assessment looked at three key elements and produced recommendations:

- Marketing strategy for exports to the European market and for generating a 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 need to adapt modern beekeeping practices to increase the yield of honey per hive and to improve the operation of a larger number of hives.

- Measures to increase product safety and to 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 under the auspices of the Ministry of Agriculture of Georgia (MOA) or another suitable governmental body. Beekeepers need to be shown how pharmaceutical substances can be avoided by proper treatment of the colony and suitable sanitary measures.

“The analysis and advisory provided by the EU-GIZ project on honey was the most comprehensive and targeted assistance we have received so far. We look forward to implementation of the comprehensive programme suggested by our European partners.”

*Nodar Kereselidze
Deputy Minister, MoA*





DCFTA enables Georgia to export up to 1,500 tons of honey on the EU market every year.

In 2017, SME DCFTA GE focused on a more in-depth study of existing beekeeping practices and facilities, as well as 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 EU. During a high-level workshop in February, 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.

A set of recommendations were presented to key stakeholders on the following topics:

- Governmental Surveillance Programme – Extend the range of substances tested; prioritise expansion of MoA laboratory method portfolio; and improve sampling scheme.
- Investment Programme Equipment – Re-evaluate the number of needed equipped processing/bottling factories; more small-scale homogenising; balance of productivity/idle time to optimise cost.
- Improving Quality – Mapping of safe and high-quality honey/honey varieties; education of beekeepers on good beekeeping practice; developing a coherent national definition of good beekeeping practice by government; and one organisation for professional beekeepers recognised by government.
- Improving Safety – Mapping of safe and high-quality honey/honey varieties; education of beekeepers; regulation needed to ensure compliance of importers and prevent trade in forbidden substances.
- Processing of Honey – consultancy for processing technology; establishing expertise; provide training/consultancy on quality management; allocate resources for on-site quick testing for residues.

Process in 2017



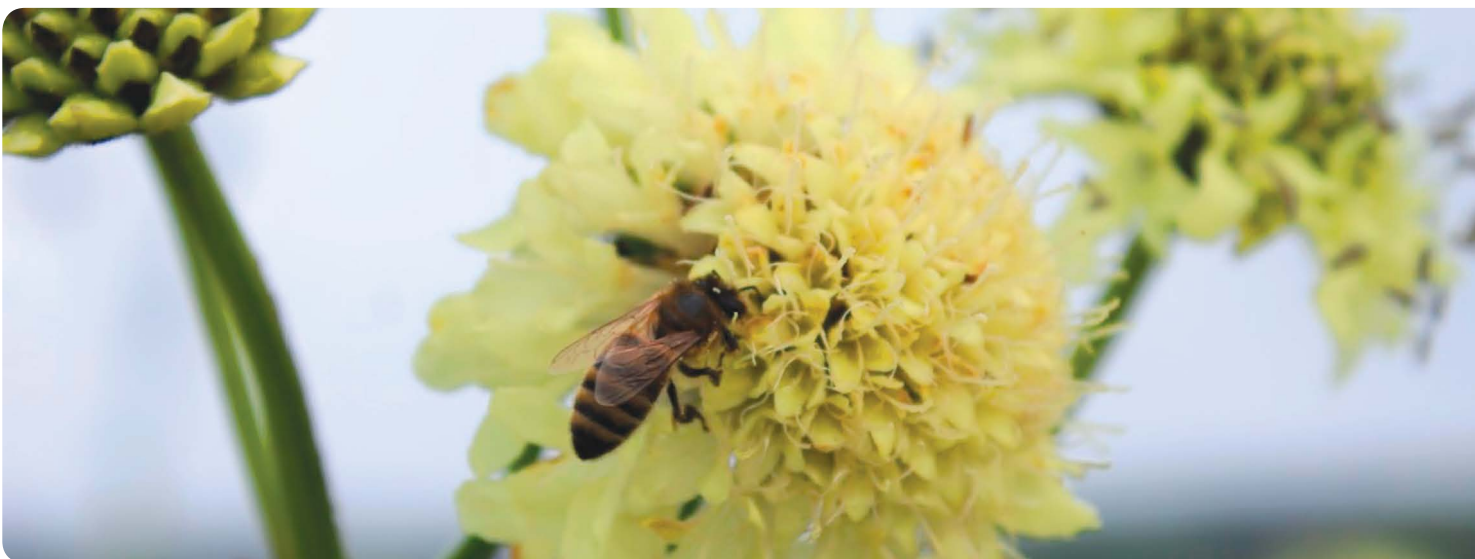
With support from international consultants, SME DCFTA GE has examined existing honey producers across Georgia and identified a company in control of full honey value chain from farming to bottling. The company has mobilised produce that would be sufficient for drawing initial interest among traders of honey on the EU market. SME DCFTA GE engaged with the company in preparation of safe export batches for prospective participation in the leading European Food Fair – Anuga 2017 in Cologne, Germany – and started development of a research-based marketing and branding concept. However, the process, which included feedback from an international expert, stalled after certain forbidden substances (antibiotics) were discovered in the samples of processed honey after scrupulous testing.

As a result of intensive research and consultations, SME DCFTA GE identified a Roadmap for Exporting Georgian Honey (TAPLI PROJECT), agreed with EU and governmental stakeholders, which relies on a market-driven, holistic approach and includes:

- Research – mapping Georgian honeys, assessing quality,
- Improved testing (private & surveillance) risk-based controls
- Modern processing plants (quick test labs, HACCP, IFS)
- Training Professionalization International Linkages
- Branding & Marketing “Made in Georgia”



Trading
Apiary
Products
Locally
Internationally



The TAPLI Project sets out a framework with 12 objectives:

1. Mapping honey by safety and quality standards across the country.
2. Adopting measures for homogenization of honey for export.
3. Adopting international honey production process guidelines.
4. Adopting Good Beekeeping Practices to spur the production of safe, high-quality honey.
5. Boosting productivity of bee colonies while maintaining safety and high-quality standards.
6. Adopting measures that ensure compliance of professional beekeepers with the newly adopted guidelines.
7. Determining readiness/potential for production of additional apiary products.
8. Determining demand for Georgian bee queens in the international market.
9. Determining the potential for value addition by pollination in Georgia.
10. Familiarising professional honey producers with EU regulations on food labelling, in particular honey.
11. Certifying authentic Georgian premium honey for export via a national quality seal.
12. Marketing for recognition of authentic Georgian premium honey.

SME DCFTA GE works close with the leading German state institute for beekeeping, the Bavarian State Institute of Viticulture and Horticulture (LWG).

ACTIVITIES AND RESULTS

- **2** fact-finding international missions and report on measures for preparation of Georgian honey for EU export.
- **1** high-level stakeholder workshop.
- **2** monitoring field visits by international expert in Racha.
- **2** batches (**12** bottles) of selected processed honey samples tested in Germany.
- Scientific evidence-based pilot branding/marketing project for Georgian honey developed (including design of a brochure, honey labels and a gift set).
- **2** training sessions with Georgian laboratory and selected honey producer company and cooperative.
- **1** article sponsored for National Geographic “The Story of Georgian Bee”.

SME DCFTA GE support for the Information and Communication Technology (ICT) sector falls under a larger context of developing the digital economy in Georgia. GoG has identified innovation and digital technologies as key accelerators for the country's economic development and channels its efforts toward expansion of the reach of digital development across all sectors of economy. SME DCFTA GE conducted 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.

Key findings:

- There is a nascent ICT community in Georgia, which is ready to take advantage of its strengths and existing opportunities to reach EU markets.
 - Sector development is impeded by a lack of managerial and soft skills (project and organizational 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) and preparing similar activities in other ICT centres in Georgia (e.g. Batumi).
 - Both market-driven and regulation-driven developments in the EU markets open significant opportunities for Georgian ICT companies to export both more-of-the-same, as well as new products (with the smaller size of Georgian companies, in certain cases, poised as a competitive advantage).
- and supporting its integration into the EU markets. The scope of work includes:
- Building on existing study conducted with national experts;
 - Cluster vision development, organisation, and management;
 - Cluster roadmap and framework conditions: PPD, advisory services for GoG;
 - Trainings on project management, branding, sales, export;
 - Trade missions, matchmaking, linkages with EU networks;
 - Certification of companies and stakeholders – needs assessment.

Based on this assessment, which included a survey of ICT firms, representatives of the GoG, and donor organizations through 35 key informant interviews, SME DCFTA GE initiated establishment of an ICT Cluster. As a starting point, companies located in the Mioni building have been selected as a pilot group for the project, to be provided technical assistance, via trainings and advisory, to develop sustainable business models.

SME DCFTA GE aims at setting up a fully operational ICT Cluster initiative in Georgia



Starting from November 2017, SME DCFTA GE has mobilised a pool of leading international experts – mostly experienced cluster managers from successful ICT clusters, as well as esteemed consultants, trainers, analysts, academics – from Germany, Austria, and the Baltic States. Their approach is closely linked with the framework of the European Cluster Excellence Initiative (ECEI), which was initiated by the European Commission in 2009 for the development of European Cluster Excellence Initiative methodologies and tools to support cluster organisations in improving their capabilities in cluster management and development. ECEI was a joint effort of 13 organisations (including the Baltic Innovation Agency from Estonia, the coordinator of this assignment) representing leading clustering knowledge and experience in Europe, both in terms of practice and policy development.

SME DCFTA GE will also support peer exchange between the governments of Georgia and Estonia with respect to the lessons learned from Estonian ICT ecosystem.

Planned for 2018



Expected outcomes include:

- Stronger competitive position for ICT companies,
- Higher productivity,
- Increased exports,
- Improved framework conditions,
- Improved efficiency.

SME DCFTA GE is in line with GoG efforts to strengthen and promote the Georgian ICT sector via establishing a common platform for companies to connect and cooperate with the purpose of future internationalization. The project supported Enterprise Georgia in organising a meeting with up to 60 ICT companies on 7 December 2017 aimed at intensifying a dialogue between the state and ICT sector on the best ways to further support development that will enable the companies to build their competitiveness on international markets.

ACTIVITIES AND RESULTS

- Pool of potential ICT companies identified for participation in the cluster initiative.
- A **14-month** action plan developed by international consultants.

SME DCFTA GE demonstrates its flexibility in responding to the requests from its key government stakeholders to explore additional sectors/industries for export development potential. For this purpose, the project studied **three additional sectors** in depth. A very brief overview of findings showed:

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

Key Findings:

- EU market entrance for Georgia potentially difficult;
- Increasing domestic production to reduce imports instead of concentrating on exports would be an advisable strategy for Georgia;
- The access to the EU poultry market could be achieved for selected companies before the entire sector is ready (e.g. pet-snacks made out of diced chicken is a promising market in the EU).

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

Key Findings:

- Limited potential for Georgia to export dairy products to EU;
- Advisable strategy for Georgia for short-term outlook is development of domestic markets (including stable quality of products);
- Domestic milk production not sufficient, concentrate on import substitution.

Trout Farming

Key Findings:

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

RESULT AREA 5: Enhanced integration of Georgian SMEs bodies/ agencies with EU, regional and/or international platforms

Promoting integration of business clusters and networks in relevant existing EU networks for enterprise development (EEN)

SME DCFTA GE approach toward promoting internationalization of business clusters relies on four main directions:

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

Internationalisation in 2017

- **19** international consultants engaged in cluster development efforts across **5** sectors.
- **34** cluster members participated in international trade fairs and visits with SME DCFTA GE support.
- **1** EEN-related event – First Enterprise Europe Network Info Day in Georgia – led by an EEN expert, brought together **80** SMEs to inform them about the opportunities that EEN offers, namely, 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 finance and for research and development and innovation (R&D&I).
- **1** business trip of **2** EG and GITA representatives to Germany, including meetings with EEN member organisations to discuss the ways in which EEN helps SMEs innovate and grow.

CONTRIBUTING TO EU4BUSINESS VISIBILITY

The SME DCFTA GE Communication and Visibility Strategy defines the approach for communicating core project activities and milestones effectively and in a timely fashion. It targets 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 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 establishment of business clusters and networks among the Georgian SMEs and their subsequent integration into EU networks.

The main message of the project is to help Georgian SMEs **become more competitive in order to benefit from opportunities under the DCFTA.**

The SME DCFTA GE Communication and Visibility Strategy is aligned with the **EU4Business framework in Georgia.** The project ensures that all visibility standards for EU-funded projects are duly applied to the respective project actions.

SME DCFTA GE provides contributions to the Georgia page of EU4Business website (<http://eu4business.eu/>), and stories are published on the website of the EU Delegation in Georgia.



SME DCFTA GE visibility in 2017:

Articles featuring project success stories:

- “Bringing Georgian Apparel to Europe” – EUDEL;
- “EU4Business helps establish first Georgian business cluster” – EU4Business;
- “EU4Business Supports Cluster Development in Georgia’s Furniture Industry” – EU4Business;
- “Preparing Georgian SMEs for exporting to the EU” – EU4Business;
- “Site on Georgia’s DCFTA launched” – EU4Business;
- “Government of Georgia launches website on free trade with the EU” – EUDEL.

TV appearances on project activities:

- Imedi TV – “No Time to Sleep” Saturday evening talk show featured a story on the founding the Georgian Furniture Cluster with 2 guests from SME DCFTA GE project and the cluster;
- TV Pirveli – “Business Morning” featured a story on INCOTERMS 2010 training series, with guests from SME DCFTA GE project and ICC Georgia;
- 4 stand-up interviews of SME DCFTA GE project representatives for national TV channels on: SME DCFTA GE support to DCFTA Information Centre, the launch of the furniture cluster, and the INCOTERMS 2010 training series.

Full media coverage of 9 project events.

ANNEX 1 - PROJECT TEAM

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