

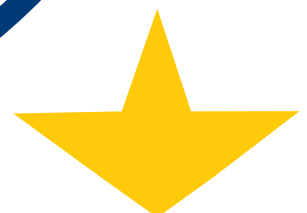


EU4Business

# SME POLICY TRENDS

NOVEMBER 2021 BULLETIN

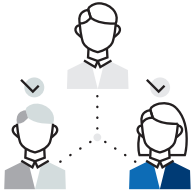
GEORGIA



[WWW.EU4BUSINESS.GE](http://WWW.EU4BUSINESS.GE)

# TRENDS IN SME DEVELOPMENT

## IN GEORGIA



Total SMEs in Georgia

**77,915**

of which

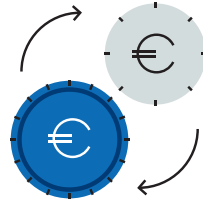
**950**

export

compared with total SMEs of

**75,467**

in 2020



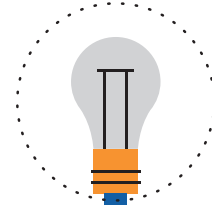
Government Resources supporting SMEs in 2021

**€691**

million

**4.46%**

of GDP

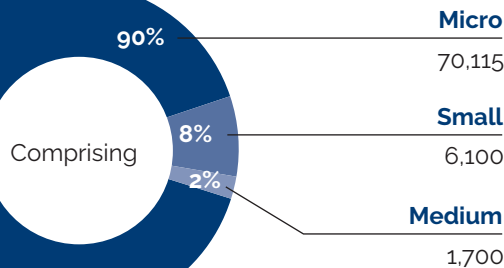


Latest SME Trends: year to date  
(compared to same period in the previous year)

	Qtrs I-II 2021	Qtr I 2021
Turnover	<b>+20%</b>	<b>-3.40%</b>
Jobs	<b>-3.00%</b>	<b>-10.60%</b>

	Jan-Feb 2020	Nov-Dec 2019
Exports	<b>+5.52%</b>	<b>+9.80%</b>



SMEs supported by the EU

amounted to

**18,947**

**24.3%**

of total in Georgia

in 2020

Estimated EU support to SMEs in Georgia

**€54.07**

million

(annualised budgets available as of January 2021)

Performance of EU supported SMEs in 2020, Annual Change:

Incomes **+9.4%**

Employment **+12.4%**

Exports **+3.3%**

# GOVERNMENT OF GEORGIA CURRENT SME POLICY

## LATEST POLICY DEVELOPMENTS ON GEORGIAN SME POLICY



...we need to **develop export-oriented local production**, promote small- and medium-sized businesses, attract foreign investment, and gradually integrate into the EU single market to make sure that benefits of economic development in Georgia affect each citizen of the country.

We are going to achieve this goal by strengthening small- and medium-sized enterprises (SMEs), encouraging innovation, improving the investment environment, reforming state-owned enterprises (SOEs), supporting minerals, energy and other sectors and developing infrastructure.

We have launched **a new state programme to promote foreign investment, the so-called FDI Grant**. A mechanism of pre-training of the workforce is being considered, along with other initiatives.

According to our plan, Enterprise Georgia as a programme will finance 1,300 new enterprises and 400 hotels, with a total investment budget of 6 billion ₾.

A scheme of promoting regional entrepreneurship will be introduced in order to provide technical assistance and support to SMEs, which means the development of business centres in 10 regions throughout Georgia... "

Also, rapid economic development and promotion of business should be one of the main tasks of the Government of Georgia.

**Link** [Government Performance Report Delivered by the Prime Minister of Georgia at the Plenary Session of the Parliament of Georgia on 25 June 2021](#)



# SME DEVELOPMENT STRATEGY

OF GEORGIA 2021-2025

PUBLISHED 13.07.21

## OBJECTIVES

- Create / expand opportunities for the creation and development of small- and medium-sized enterprises focused on sustainable development
- Increase the competitiveness of SMEs by promoting entrepreneurial skills and entrepreneurial culture
- Increase the use of financial market instruments by SMEs
- Improve the competitiveness of SMEs by promoting the growth of SME exports, market access, and internalisation
- Improve the competitiveness and productivity of SMEs through promoting electronic communications, IT, innovation, R&D
- Utilise the economic potential of women by promoting the development of women entrepreneurship
- Promote modern resource efficient entrepreneurship

## TARGETS

Compared to the base year (2019):

- Increase in value added of SMEs by 20%;
- Increase in employment by SMEs by 10%;
- Increase the productivity of SMEs by 20%.

## BUDGET COMMITMENTS

**€80**  
million

(from State Budget), plus in-house provision of services funded from administrative expenses.

# MAJOR INSTRUMENTS

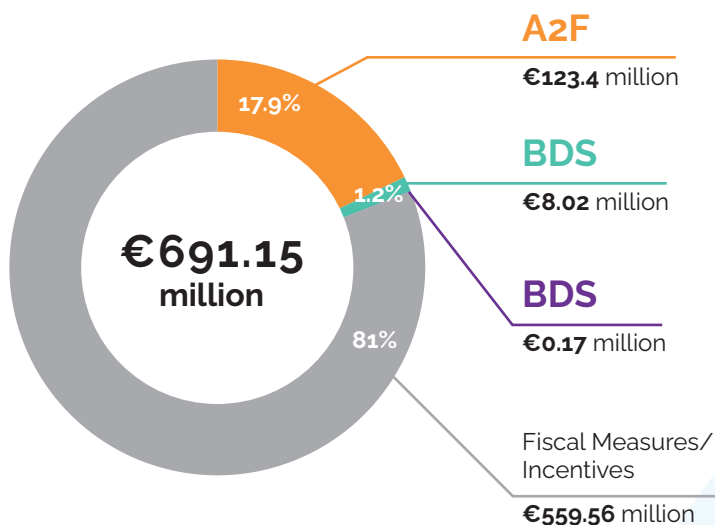
## AVAILABLE FOR SMES IN GEORGIA

These are instruments that were active in 2021, some of which have ended already

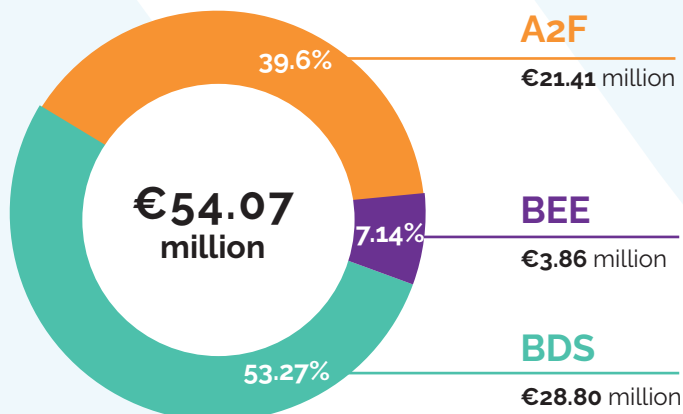
The following instruments to support SMEs are categorised in line with EU4Business to allow comparison and coherence of EU support in Georgia



Government of Georgia



EU4Business 2020



# ACCESS TO FINANCE (A2F) INSTRUMENTS

	Georgian programmes		EU support	
	million		million	
<ul style="list-style-type: none"> <li>→ "Enterprise Georgia"                             <ul style="list-style-type: none"> <li>• Co-financing Interest (Universal Business Component €5.938 m and Industrial Component €4.0 m</li> <li>• "Subsidised Mortgage Loan" €4.0 m</li> <li>• Small hotel support €2.7 m</li> <li>• "Mortgage Loan Support " for Loan Co-financing €8.5 m (from "Enterprise Georgia");</li> </ul> </li> <li>→ "Preferential Agrocredit" for Loan Co-financing (from Rural Development Agency); €31.0 m</li> </ul>	€56.19	A2	45.54%	<ul style="list-style-type: none"> <li>1.03%</li> <li>A1 5.58%</li> <li>A3 €0.115</li> <li>A5 4.62%</li> <li>€0.115</li> <li>A6 2.57%</li> <li>€0.115</li> <li>A7 10.16%</li> <li>€0.115</li> </ul>
<ul style="list-style-type: none"> <li>→ "Enterprise Georgia"                             <ul style="list-style-type: none"> <li>• Universal Business Component – Guarantees (from "Enterprise Georgia"); €3.8 m</li> <li>• "Credit Guarantee Scheme" €13.5 m</li> <li>• Mortgage Support for collateral €0.9 m (from "Enterprise Georgia");</li> </ul> </li> <li>→ "Preferential Agrocredit" for collateral (from Rural Development Agency); €8.3 m</li> </ul>				<ul style="list-style-type: none"> <li>A8 76.03%</li> <li>€0.115</li> </ul>
<ul style="list-style-type: none"> <li>→ "Enterprise Georgia" / Universal Business Component for Grants to Co-financing (from "Enterprise Georgia"); €1.08 m</li> </ul>	€26.48	A4	21.46%	A1
<ul style="list-style-type: none"> <li>→ "Enterprise Georgia" / Micro and Small Entrepreneurship Component (from "Enterprise Georgia"); €4.0 m</li> <li>→ Startup Support                             <ul style="list-style-type: none"> <li>• for Prototyping €0.1 m</li> <li>• Startup GENIE ); €3.8 m (from Innovation and Technology Agency)</li> </ul> </li> <li>→ GITAs Matching Grants (from Innovation and Technology Agency); €1.4 m</li> <li>→ Food industry grants for electricity (from "Enterprise Georgia"); €0.998 m</li> <li>→ SME Development and Innovation (from Ministry of Regional Development and Infrastructure of Georgia); €16 m</li> <li>→ Rural Development Agency Support                             <ul style="list-style-type: none"> <li>• Support of Beekeeping Cooperatives €0.04 m</li> <li>• Support of Cooperatives €0.9 m</li> <li>• Dairy Modernisation €5.4 m</li> <li>• Tea Plantation Rehabilitation €0.1 m</li> <li>• Agro - Processing and Storage Enterprises; €5.9 m</li> <li>• Agricultural Landowners €0.6 m</li> <li>• Agroinsurance €3.0 m</li> <li>• Plant the Future €10.8 m</li> <li>• Agricultural Mechanisation €1.4 m</li> </ul> </li> </ul>	€1.08	A6	0.87%	A2
	€39.65	A7	32.13%	A3
				A4
				A5
				A6
				A7
				A8

A1

Capped Loss Recovery

A2

Interest Rate Subsidy

A3

TA to PFIs

A4

Capped Guarantees

A5

Currency Hedging Subsidy

A6

SME Incentive Grants (linked to loans)

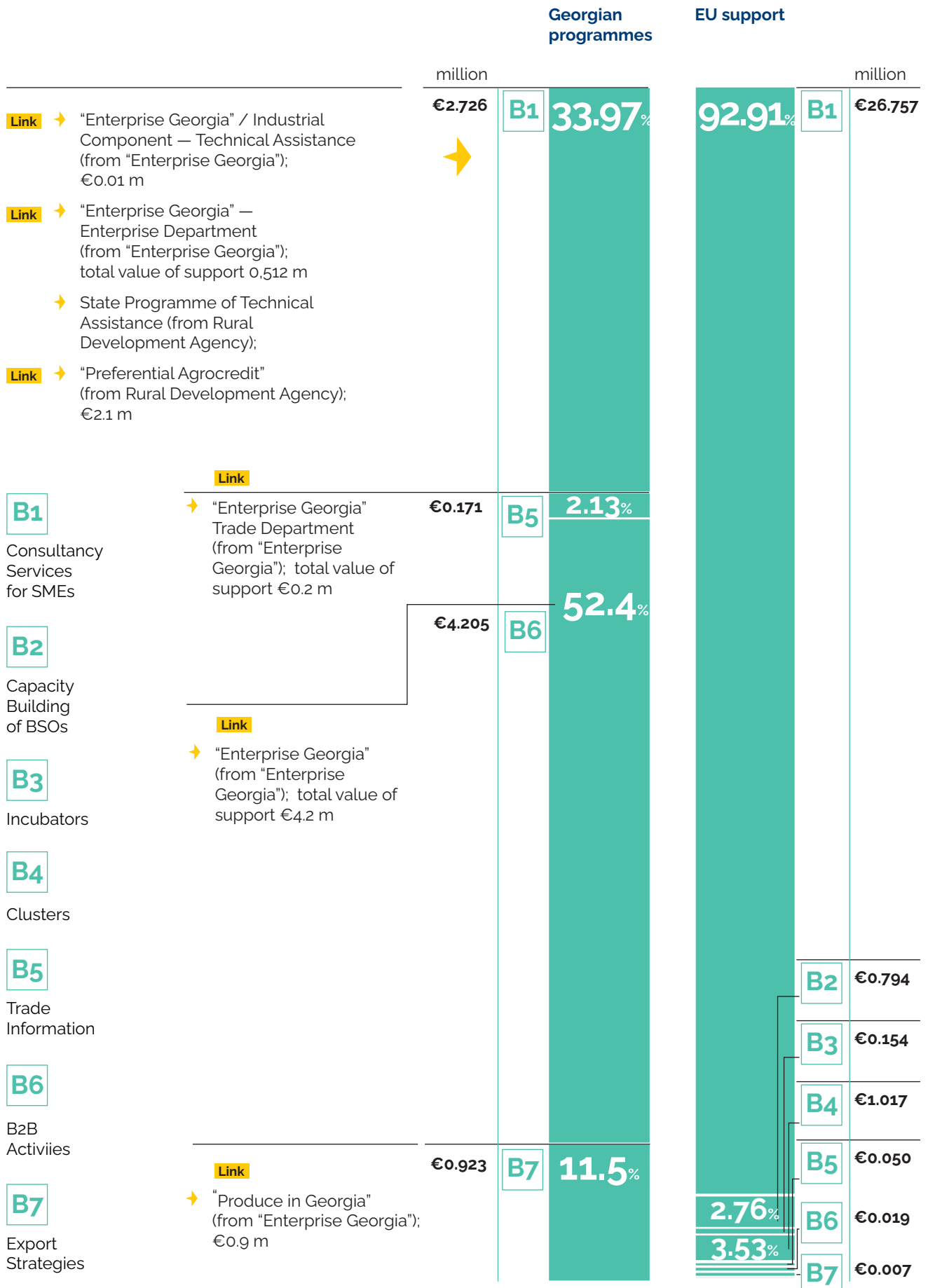
A7

Grants to SMEs

A8

Structured Funds

# BUSINESS DEVELOPMENT SERVICES INSTRUMENTS



## FISCAL AND OTHER INSTRUMENTS



Reimbursement of overpaid VAT through the system for automated VAT refund (operated by MoF / Treasury Service); total value of support €458.830 m

[Link](#)



Payroll tax break on the amount of 750 ₾ of salaried staff whose salaries are up to 1,500 ₾ (operated by MoF / Revenue Service); total value of support €60.728 m

[Link](#)



Exemption from property tax for enterprises in tourism sector (operated by MoF / Revenue Service); total value of support €40.0 m

[Link](#)



Virtual IT Zone where individuals and IT companies are exempted from profit tax.

[Link](#)

# NATIONAL INSTITUTIONS FOR SME DEVELOPMENT IN GEORGIA

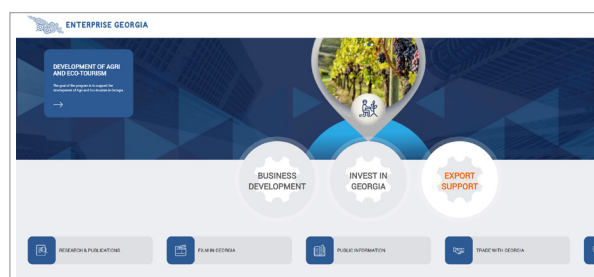
## ENTERPRISE GEORGIA

**Established**  
2014

**Annual Budget**  
€867,000

**Staff**  
70

[Link](#)



## GOALS



Promotion of entrepreneurial activity in Georgia by supporting entrepreneurs — assisting with the creation of new enterprises as well as the expansion and refurbishment of existing enterprises.



Promotion and development of Georgian exports by increasing the competitiveness of local products and the overall volume of goods directed towards international markets.



Attraction, promotion, and development of direct foreign investment in Georgia.

## MAIN ACTIVITIES

1. Promoting and supporting the development of new enterprise as well as the expansion of existing operations by providing financial assistance to the entrepreneurial community;
2. Coordinating, organising, and co-financing of B2B exhibitions, helping Georgia-based companies and/or Georgian exporters make new business connections, identify potential partners, diversify production, and penetrate new export markets.
3. Connecting foreign buyers with Georgian producers.
4. Registering companies on Produce in Georgia's interactive trading platform [www.tradewithgeorgia.com](http://www.tradewithgeorgia.com), as well as promoting Georgian products and services to international audiences.
5. Providing detailed information associated with the documentation and certifications necessary for exports from Georgia, including customs procedures and tariffs in foreign markets.
6. Providing education, training, and increasing the professional capacity of export managers working with export-oriented companies within Georgia.



# GEORGIAN INNOVATION TECHNOLOGY AGENCY

Established  
2014

Annual Budget  
€323,674

Staff  
31

## GOALS

Formation of an ecosystem which improves all kinds of innovations and technologies in Georgia to promote a commercialisation of knowledge and innovations.

To stimulate using innovations and technologies in all fields of economy.

To create an environment for the growth of innovations and high-tech products

## MAIN ACTIVITIES

1. Establishment and management of a network of industrial innovation laboratories, promotion of Georgian innovations and technologies in various industries, development of export-oriented software solutions, programming and IT services.
2. Creation of technological parks stimulating innovation and the use of technology in the country; promotion of the development of IT business, innovative entrepreneurship, and implementation of

3. Promote innovation and commercialisation of knowledge.
4. Development and financing of projects, programmes, and infrastructure to facilitate the commercialisation of innovations and technologies.
5. Stimulate cooperation between business and academia.
6. Facilitate the establishment of innovative and competitive start-up companies.

7. Promote new business initiatives based on innovation and knowledge.
8. Implementation of various programmes to stimulate research and development in private business.
9. Develop export potential of Georgian innovations and technologies.
10. Attract domestic and foreign investments to Georgia's innovation and technology sector.

# RURAL DEVELOPMENT AGENCY

Established  
2011

Annual Budget  
€2,781,402

Staff  
366

## GOALS

Creating an environment conducive to the increased competitiveness, and sustainable production of high-quality goods.

Introducing international food safety standards in agriculture sector.

Promoting the well-being and prosperity of farmers and rural residents.

## MAIN ACTIVITIES

1. Implementing a wide variety of programmes initiated by the Ministry of Environmental Protection and Agriculture to facilitate development of the agriculture sector in Georgia.
2. Carrying out research, promoting the establishment of farms in the country, and integrating international standards and methodologies in agricultural works.

# CHAMBER OF COMMERCE OF GEORGIA

## SUPPORTS SMES WITH:

1. business development information
2. business contacts
3. organisation of various networking and promotion events
4. commercial missions

# BUSINESS ADVOCACY MECHANISMS

IN GEORGIA

The following mechanisms are in place to engage in dialogue between private sector and Government on business reform and advocacy in Georgia:

## Advisory Council of Private Sector Development Facilitation (MoESD)

### OBJECTIVES

- Promote constructive dialogue with the private sector;
- Identify and discuss issues hindering private sector development;
- Preparation of proposals and relevant recommendations on private sector development, including small and medium enterprises;
- Review the implemented, ongoing, and planned reforms related to development of the private sector, including small and medium enterprises;
- Ensure transparency of ongoing and planned legislative and institutional changes in the manner prescribed by law and, to this end, organise discussions and roundtables.

### MEETING FREQUENCY:

- Quarterly (last held 07.05.2021)

### SECRETARIAT:

MoESD: **Mrs. Tsisnami Sabadze**  
tsisnami@moesd.gov.ge

## DCFTA Advisory Group of the Georgia-EU Association Council

### OBJECTIVES

- Review implemented reforms related to the DCFTA;
- Consult on planned and ongoing reforms, and legislative and institutional changes related to the DCFTA implementation process;
- Consult on the employers, employees, and consumers adaptation processes to the DCFTA requirements;
- Review DCFTA's implementation Action Plan and relevant reports.

### MEETING FREQUENCY:

- Annually (last held 01 December 2020)

### SECRETARIAT:

MoESD: **Mrs. Mariam Gabunia**  
mgabunia@moesd.gov.ge