



# **ECONOMIC PROSPERITY INITIATIVE (EPI) ANNUAL REPORT**

YEAR 3

OCTOBER 1, 2012 – SEPTEMBER 30, 2013

Wednesday, October 30, 2013

Deloitte Consulting LLP produced this publication for review by the United States Agency for International Development.

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USAID ECONOMIC PROSPERITY INITIATIVE

CONTRACT NUMBER: AID-114-C-10-00004

DELOITTE CONSULTING, LLP

USAID/CAUCASUS

WEDNESDAY, OCTOBER 30, 2013

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# ACRONYMS

ACF	Action Contre la Faim
ACT	Azerbaijan Competitiveness and Trade
ADB	Asian Development Bank
AG	Agriculture Sectors Component
AML	Anti-Money Laundering
ANSI	American National Standards Institute
AYEG	Association of Young Economists of Georgia
BACAP	Deloitte's Customized Business Association Capacity Building Program
BAS	Business Advisory Services
BDS	Business Development Services
BEE	Business Enabling Environment Component
BIRG	Business Initiative for Reforms in Georgia
BoG	Bank of Georgia
CC	Cross Cutting Component
CIT	International Rail Transport Committee
CRA	Civil Registry Agency
CSPA	Competition and Stage Procurement Agency
CTC	Caucasus Transit Corridor
CYPRESS	Deloitte's Performance-Based Capacity Development Methodology
DEA	Data Exchange Agency
DMC	Destination Management Company
EBRD	European Bank for Reconstruction and Development
ECM	European Cities Marketing
EPI	Economic Prosperity Initiative
EPO	European Patent Office
EU	European Union
FAO	Food and Agriculture Organization
FHC	Frontline Hospitality Course
GBDC	Georgian Business Development Center
GCB	Georgian Convention Bureau

GCC	Gulf Cooperation Council
GCR	Global Competitiveness Report of the World Economic Forum
GDA	Global Development Alliance
GEW	Global Entrepreneurship Week
GIA	Georgian Insurance Association
GIBTM	Gulf Incentive, Business Travel & Meetings Exhibition
GICT	Georgian International Container Transport
GITOA	Georgian Incoming Tour Operators Association
GLA	Georgian Logistics Association
GlobalGAP	Global Good Agricultural Practice
GNIA	Georgian National Investment Agency
GNTA	Georgian National Tourism Administration
GoG	Government of Georgia
G-PAC	USAID's Policy, Advocacy and Civil Society Development in Georgia Program
GWA	Georgian Wine Association
HEPA	Hazelnut Exporters and Processors Association
HPA	Hazelnut Producers Association
ICC	International Codes Commission
IDP	Internally Displaced Person
IEE	Initial Environmental Examination
IFC	International Finance Corporation
IG	Inspector General
IMS	Investment Management Services
IPR	Intellectual Property Rights
ISSET	International School of Economics at Tbilisi State University
LG	Laura Gachava
M&S	Manufacturing & Services Sectors Component
M&O	Management & Operations Component
MICE	Meetings Incentives Conferences and Exhibitions
MoA	Ministry of Agriculture
MoES	Ministry of Education and Science
MoESD	Ministry of Economy and Sustainable Development
MoF	Ministry of Finance

MoJ	Ministry of Justice
MoU	Memorandum of Understanding
NAPR	National Agency of Public Registry
NASP	National Agency for State Property
NBG	National Bank of Georgia
NEO	USAID's New Economic Opportunities Program
NGO	Non-governmental Organization
PCT	Patent Cooperation Treaty
PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PMCG	Policy and Management Consulting Group
PMP	Performance Monitoring Plan
PPP	Public Private Partnership
PTB	German Institute of Metrology
QI	Quality Infrastructure
RCI	USAID's Regional Competitiveness Initiative
RED	Rural Economic Development of the Southern Regions of Georgia
RIA	Regulatory Impact Analysis
RS	Revenue Service
SCC	Supply Chain Council
SCOR	Supply Chain Operation Reference
SDC	Swiss Agency for Development and Cooperation
SOE	State-Owned Enterprises
T&L	Transport & Logistics
TFS	Trade Facilitation System
TFW	Tbilisi Fashion Week
TLC	Tbilisi Logistics Center
ToT	Training of Trainers
UNDP	United Nations Development Program
UNECE	United Nations Economic Commission for Europe
UNIFEM	United Nations Development Fund for Women
UPOV	International Union for the Protection of New Varieties of Plants
USG	U.S. Government
VAT	Value-Added Tax

VoC	Vocational College
WCO	World Customs Organization
WEF	World Economic Forum
WFD	Workforce Development
WG	Working Group
WRAP	Worldwide Responsible Accredited Production
WSET	Wine and Spirit Education Trust



## 1.0 EXECUTIVE SUMMARY

The results of the parliamentary elections that took place on the first day of EPI's third year profoundly changed the political landscape in Georgia and with it EPI's priorities for economic policy reforms. As the priorities of the new government became clear, a number of EPI's policy initiatives were suspended. EPI's support to newly elected leaders across key ministries became transitional, focused on securing buy-in for ongoing reforms and identifying new opportunities to bring Georgian policies in line with international best practices.

Many of EPI's relationships in government organizations endured after the election, and they ultimately served as a foundation on which to build ties with new senior leaders. Through this period, the quality of EPI technical assistance, the strength of ties EPI has forged between public and private stakeholders, and results in targeted value chains continued to demonstrate EPI's value as a neutral, supportive partner in Georgia's economic development. EPI was able to immediately engage with new Government of Georgia (GoG) counterparts as early as two months after the elections.

As a result, in the first quarter of Year 3, EPI was able to support USAID as an advisor to the new government. EPI continued to focus on building sustainable structures between the public and private sectors, strengthening economic governance through dialog and engagement. A focus on mechanisms to engage the public and private sectors together has resulted in tangible, far-reaching policy improvements, and it has catalyzed a sea change in the way the public and private sectors interact in meeting Georgia's toughest economic and policy challenges. Among them, three activities especially stand out:

- EPI facilitated the development of an agrarian land registration strategy and implementation plan, bringing together three ministries in an effective inter-ministerial dialog.
- EPI supported the Minister of Finance to establish a sustainable public-private working group to simplify and clarify the Tax Code, a long awaited initiative by the Georgian businesses and taxpayers.
- EPI designed a state property management and privatization strategy and implementation framework. With EPI support, GoG management of state property will become more efficient and transparent, and unproductive assets will be freed or repurposed to support growth.

EPI support also resulted in tangible improvements to the economy in target value chains, where new mindsets and business practices promoted by EPI are taking root. Georgian producers and enterprises have seen improved productivity and revenues, and a new focus on quality and high-value markets as keys to economic prosperity has begun to take hold.

Through the end of Year 3, EPI facilitated a total of USD 196.5 million in domestic finance, including investments and commitments, loans, leasing and other financial products.<sup>1</sup> EPI activities supported a total of USD 280 million in exports, almost doubling the target of USD 150 million. Results included 10,459 new jobs in target value chains, of which close to 90%

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<sup>1</sup> During Year 3, USAID modified the EPI contract to remove a high-level result target for foreign investments. During Year 3, new investment pursuits added to GNIA and EPI's pipeline totaled USD 84.3 million.

are in M&S sectors. M&S companies have seen average revenue increases of 35%, or USD 266 million across 593 businesses. EPI's assistance in Year 3 focused on enabling value chain enterprises to take more ownership of their own capacity building. In addition to the various sector associations that are emerging as focal points for policy advocacy and sector strengthening activities, the seeds of other organizations—like the Georgian National Convention Bureau in MICE tourism or a chapter of the Supply Chain Council in transport and logistics (T&L)—have been sown for development in Year 4.

In the agricultural sectors, estimated revenue increases averaged 63%, to USD 61 million, across 8,577 farms and 301 agribusinesses, and 2,068 new hectares are now being cultivated under improved technology or management practices as a result of EPI assistance. EPI supported the formation of 46 informal farmer groups, and EPI advisors effectively linked agricultural training at EPI's Knowledge Plots to some 2,000 farmers. The resulting improvements to their access to finance and quality inputs have markedly improved overall productivity and quality, and during the Year 3 mandarin and hazelnut harvest periods these groups have already seen commercial benefits. EPI specifically focused on directly linking the informal farmer groups with processors to create the right market incentives for Georgian producers to increase quality. For the first time, farmers have seen tangible, financial benefits, and the changing mindset that is resulting is one of the most significant achievements facilitated by EPI in its agricultural activities.

In the hazelnut sector, these quality improvements resulted in direct commercial linkages for processors with Ferrero, which is now sourcing an increased amount of hazelnuts from Georgia under quality standards that exceed European Union (EU) benchmarks. EPI also focused on connecting processors, packing houses and greenhouse operators to high-value markets in Ukraine, Belarus, and the EU that increased their incentives to improve management of their operations, adoption of standards, such as GlobalGAP by a mandarin grower association and its packing house, and build trust at the sector level. This level of trust has now manifested in an increased interest by agricultural actors to create associations or cooperatives that will be the focus of EPI's assistance during Year 4 of the project.

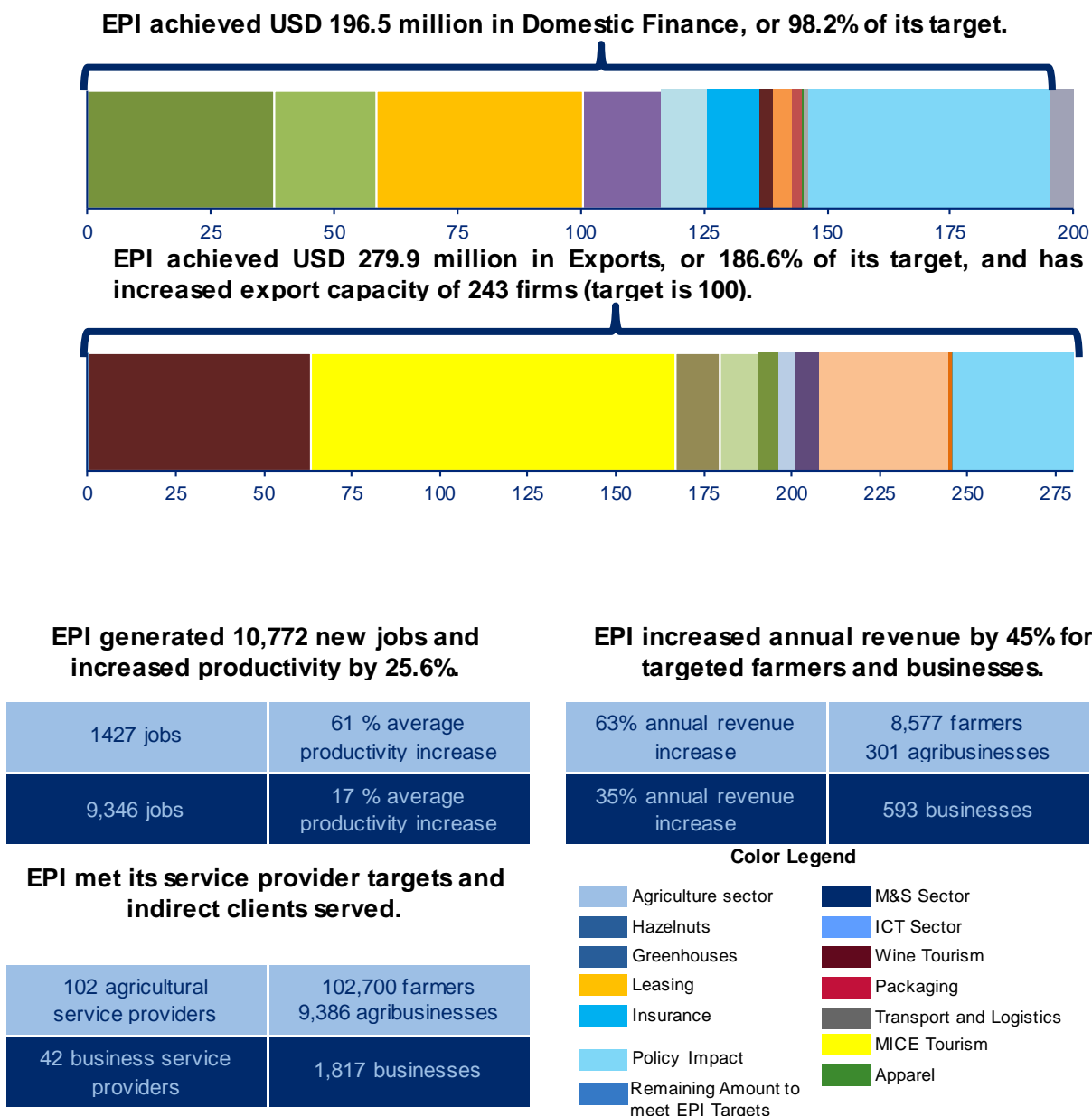
EPI continued to facilitate commercial linkages between value chain enterprises and buyers in domestic and export markets. EPI also focused on strengthening the skills of workers through successful workforce development, especially in the apparel and wine tourism value chains, and support to four vocational colleges (VoCs) introduced public-private partnership models into the workforce development space. EPI training built the skills and improved customer service in tourism and hospitality, and more Georgian educators will seek to acquire internationally-recognized certifications for continuous delivery of courses after EPI ends.

In the T&L sector, EPI supported the GoG to improve the competitiveness of the Caucasus Transit Corridor (CTC), and stakeholders across the public and private sectors have ramped up the development of a national trade data exchange. EPI also supported these same public and private stakeholders' international linkages at the third regional conference on trade and transport facilitation.

Finally, EPI has itself evolved in important ways. True to the values of "Georgians for Georgia," Deloitte transitioned leadership of the project and its components to Georgian leadership. These professionals will be among the most powerful agents of sustainability that

EPI leaves behind, as they take the skills and experience they have gained under EPI and advance their careers in the public and private sectors.

**Figure 1: EPI Results Dashboard**



## 2.0 INTRODUCTION

This annual report documents the results and progress made in the Economic Prosperity Initiative (EPI) in Georgia, covering the third year of implementation, from October 1, 2012 to September 30, 2013. It starts by documenting EPI's progress and results during the year and since project start, including a summary of completion of outputs and progress against the Year 3 Work Plan. Annexes include the utilization of interns (Annex 1), resources and cooperation with other U.S. government (USG) agencies (Annex 2) and local partners (Annex 3) and success stories (Annex 4).

## 3.0 CHALLENGES

The outcome of parliamentary elections that took place on October 1, 2012 created both challenges and opportunities for EPI. Within the context of broad USG engagement with the new government and facilitated by USAID leadership, EPI was able to quickly adapt to the new political landscape to continue to implement existing reforms or introduce new policy reforms that were identified as a priority by the new government. While some policy initiatives were temporarily put on hold, EPI was able to leverage its project reputation as a trusted and neutral technical advisor to commence engaging with newly elected policy makers. The projects relationships with numerous mid-level officials across ministries and agencies, while building strong partnerships with interested private sector stakeholders to participate and contribute to previous or new policy reform initiatives, allowed EPI to quickly ramp up the policy reform initiatives. This approach allowed EPI to continue smoothly its critical reform initiatives in the after-math of the parliamentary election results and despite a complete change-over of all high-level policy decision-makers. In some cases, the shift in government priorities resulted in cancellation or suspension of certain activities and subsequent reallocation of resources to other priority areas, such as international building code adoption that has been postponed to Year 4 of the project.

This change has been recognized by EPI's contract modification, also incorporating the recommendations of the USAID Inspector General (IG) audit that took place in 2012. The amendment also included a budget realignment that allowed EPI to use its resources for new policy and business enabling environment initiatives that were requested by USAID and the GoG in the aftermath of the October parliamentary elections. The budget realignment also reduced the expected ceiling of the grants program and modified the ceiling of several subcontractors in line with the approved Work Plan. The contract amendment includes the following key features:

- Adjusted high-level result targets.
- Clarified economic governance tasks and requirements.
- Simplified performance monitoring process and reporting.
- Clarified sub-component benchmarks.
- Clarified agricultural component activities.
- Clarified non-agricultural component activities.
- Revised budget items and indirect rate ceilings and base.

During Year 3, USAID also conducted a mid-project external evaluation conducted by Mendez England and Associates. The overall findings of the report were overwhelmingly

positive with regards to EPI's ability to serve as a neutral connector between the public and private sectors and also recommended that activities focused on building policy analysis capacity and engagement with agribusinesses, both of the activities prominently featured in Year 4 work plan.

## 4.0 PROGRESS OF ACTIVITIES BY COMPONENT

### 4.1 BUSINESS ENABLING ENVIRONMENT COMPONENT (BEE) (GANTT CHART LEVEL 40000)

EPI has successfully brought together public and private sector stakeholders, developing a foundation for public-private dialog around identified policy challenges or opportunities. EPI's remaining interventions will build on that foundation, emphasizing the preparation of government and private sector counterparts to take on full ownership of joint activities.

#### 4.1.1 IMPROVE REGULATORY ENVIRONMENT AND LICENSING (GANTT CHART LEVEL 42300)

##### BUILDING CODES

Early in the project, the adoption of building codes was identified as a high-priority reform by the GoG, and EPI provided significant assistance with the adoption of International Building Codes during the first two years of the project. At the beginning of Year 3, EPI engaged a local NGO, the Georgian Institute for Building, to build its capacity in the adoption and implementation of building codes. The institute was tasked with the development of an illustrated guide on non-structural building codes based on the International Code Council's (ICC) guide.

Because of changes in the GoG, however, USAID soon suspended building code activities, awaiting an expression of continued interest by new leadership of the Ministry of Economy and Sustainable Development (MoESD) to continue drafting and adoption of new building codes. At the time, EPI suspended activities, the MoESD was considering two basic models for drafting Georgian building codes – Eurocodes and ICC codes – pending impact assessments on both. EPI collaborated with the new leadership to accelerate the decision-making process by providing all necessary information on ICC model regulation, including EPI's impact assessments on the Non-Structural Building Code and brief comparative analyses of Eurocodes and ICC codes.

Due to continued delays in the GoG's decision-making process, EPI realigned funding intended for building code support to other GoG priorities. Late in Year 3, the

##### **BEE Key Areas of Assistance in Year 3**

- International accreditation of two Georgian laboratories
- IPR Registration E-filing System
- Increasing GNIA's capacity to implement targeted investment promotion
- Trade Facilitation System (TFS)
- Transparent voluntary compliance, including:
  - Establishment of Tax Regulatory Review Working Group.
  - Initiation of a payment simplification system
  - Promotion of a fact-based and data-informed tax policy decision process
  - Development of a leasing taxation manual
- Consultative process in policy-making, including
  - Tax Regulatory Framework Review Working Group
  - TFS Steering Committee
- Transparent and effective procurement system
- Increased institutional capacity of public and private sector institutions
- Law on Cooperatives promoting farmer cooperation

MoESD expressed interest in reviving these activities, and should the MoESD make the a decision to implement ICC codes, EPI will likely restore assistance in this area in Year 4.

### **INCREASE AWARENESS OF AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI) ACCREDITED GEORGIAN LABORATORIES**

EPI saw a significant milestone at the end of Year 2, when two private laboratories achieved accreditation under leading international standards. At the beginning of Year 3, EPI hosted an official ceremony granting ANSI/ACCLASS accreditation certificates to Wine Laboratory and Multitest. The event was attended by leading agribusiness representatives and exporters, who learned about the new services offered by laboratories and the benefits associated with them.



**Photo 1. ANSI Laboratory Accreditation Ceremony**

Both laboratories successfully passed an annual surveillance assessment by an ANSI/ACCLASS auditor to verify continued compliance with accreditation requirements under ISO/IEC 15 025 *General requirements for the competence of testing and calibration laboratories*. In the course of the assessment, Multitest expanded its accreditation scope to include three new test methods for wine and water, further strengthening the quality and standards framework underwriting Georgia's growing exports.

Building on this milestone, EPI expanded its focus to increasing awareness of the international accreditation process and the benefits that internationally-recognized accreditation can bring to other laboratories in Georgia. In February, EPI hosted an ANSI/ACCLASS workshop with some 40 representatives of testing laboratories from a variety of sectors, including food, pharmaceuticals, construction materials and oil. Participants learned about accreditation procedures and requirements under applicable international standards, and Multitest and Wine Laboratory shared their experiences with the ANSI/ACCLASS accreditation process and the benefits they have already seen to date.<sup>2</sup> Other laboratories have expressed interest in learning more about ANSI/ACCLASS and international accreditation.

Strengthening the case for accreditation, in Year 3, EPI also conducted an impact assessment of international accreditation in the wine industry. The study identified total quantifiable annual savings for the industry at some USD 1,245,000, or about 2.3% of the total annual wine export, with savings coming from two primary sources. First, the analysis demonstrated that accreditation eliminates the need for costly testing of wine in foreign laboratories, which averages four times the expense of testing by local laboratories. Second, the high credibility of test results by an internationally accredited laboratory affect the frequency of repeat tests by customs inside the exporting country, which takes five days on average.

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<sup>2</sup> In attrition to improved operations and efficiencies, both laboratories saw significant revenue increases. Wine Laboratory's revenue increased by 32% and Multitest's rose by 9%. In addition to revenue increases, the laboratories are able to strengthen the underpinnings of quality across the wine and other agricultural sectors and enhance the GoG negotiation with the Russian quality standards authorities as part of Russian market opening for Georgian agricultural products.



## POLICY ADVOCACY CAPACITY BUILDING

In Year 3, EPI transitioned from ad hoc focus groups to an institutionalized, fact-based policy advocacy process led by business associations. As part of its empowerment of the private sector to participate in and affect the policy reform process, EPI provided technical assistance to sector business associations through Deloitte's Customized Business Association Capacity (BACAP) building program. Our advisors helped build the advocacy capacity of sector business associations and raise their role in public-private dialog (PPD).

At the same time, to ensure that policy reforms are based on data and evidence, EPI carried out economic impact assessments of several major policy reforms that have been, or are going to be, implemented with project support. In several cases, our advisors conducted the analysis with GoG counterparts to support their better understanding of the benefits and costs of policy reforms. In Year 3, EPI has:

- Conducted a diagnostic assessment and workflow analysis of the activities of the Georgian Textile and Footwear Producers Association
- Facilitated the establishment of the Hazelnut Exporter and Producer Association (HEPA), setting up communication between the association and the Revenue Service (RS) on tax issues
- Facilitated a robust consultative process on the TFS and a number of tax policy initiatives.
- Completed Regulatory Impact Analyses (RIA) on regulatory reforms of Risk Based Audit and Building Codes, the Sakpatenti E-filing system, Customs Warehouse Regime Simplification and International Accreditation of Laboratories.

In Year 4 EPI will continue its support to sector business associations. While the M&S Component will adopt Deloitte's CYPRESS capacity-building methodology<sup>3</sup> to conduct diagnostic assessments of associations and co-develop customized action plans, the BEE component will focus on building associations' policy advocacy capacity and helping them establish effective communication channels with government agencies. EPI will facilitate several PPD events, which will be led by the associations themselves. Potential areas for policy advocacy may include, but will not be limited to, revision of the tax penalty regime, revision of tax and customs provisions, a transportation strategy, a free zone regulatory and institutional framework concept, as well as others as opportunities and demand arise.

OUTPUTS	STATUS
Non-structural building code adopted as a government resolution	Postponed to Year 4
Building Code Practical Guide developed	Postponed to Year 4
A grant issued to a Georgian organization to support code adoption and implementation (if GoG interest continues)	Postponed to Year 4

<sup>3</sup> CYPRESS, Deloitte's Performance-Based Capacity Development Methodology, engages beneficiaries as key participants in the process of defining and setting goals, performance indicators and engages them as partners in the process of change. By working with beneficiary organizations and providing them the information *they* need to set understandable and attainable goals for their organization, the methodology redefines the dynamic between "provider" and "recipient," improving results and building sustainability into the system.

OUTPUTS	STATUS
Structural part of the building code drafted	Cancelled
Impact assessment of laboratory accreditation on Georgian wine exports	Completed
10% increase of revenues for accredited laboratories due to increased demand for their testing services	Completed – Wine Laboratory's revenues increased by 32% and Multitest's annual revenues increase by 9% in the period, and there is every expectation that they will continue to rise.

#### 4.1.2 PROPERTY RIGHTS (GANTT CHART LEVEL 42400)

##### SAKPATENTI E-FILING SYSTEM

In Year 3, EPI continued to support development of Sakpatenti's Intellectual Property Rights E-Filing System (IPREFS) system in order to simplify intellectual property rights (IPR) registration procedures. The first stage of the IPR e-filing system implementation – trademark registration – was completed in May and launched in June. The system initially functioned for two months, during which time the applicants were able to register their trademarks online at <http://efiling.sakpatenti.ge/>. More than 200 online applications were filed during that period.

Because the system lacked a financial (payment) module, the development of which was outside of EPI's scope, in August, Sakpatenti temporarily suspended the trademark module and contracted UGT separately to build that functionality. The system will be operational by the end of November. The new system allows for online registration and processing of IPR objects; paperless communications between applicants, patent attorneys and Sakpatenti; and contains a fully integrated online payments system. Therefore, the system ensures simple, transparent and time-efficient IPR processes for all customers of Sakpatenti.

##### LAND REGISTRATION

In Year 3, EPI was involved in the design of an agricultural land ownership and registration reform, which was identified by EPI in early 2011 as one of the key constraints to agricultural development. In coordination with a specially-designated Intergovernmental Working Group led by the Ministry of Agriculture (MoA), EPI developed the initial concept, and then facilitated the development of a *Reform Land Registration Strategy and Action Plan*. The recommended strategy addressed the need to establish policies that deal effectively with all types of owners who received land as part of the original agrarian reform process. The action plan defined the program governance structure, set the implementation timeline and phases, identified necessary human and technical resources and outlined the overall budget.

Throughout the year, the MoA and the Ministry of Justice (MoJ) led discussions of the strategy and action plan through an established Interagency Council for Improvement of Land Management in Georgia with various government counterparts, including the MoA, Ministry of Infrastructure, MoESD, the Agrarian and Legal Committees of the Parliament, as well as several experts, and obtained positive feedback and informal approval of the strategy and action plan. Next steps include the preparation and launching of pilot project of reform land registration anticipated to start in January 2014.



EPI has also engaged in an active dialogue with other donors, such as the World Bank, Food and Agriculture Organization (FAO) and the EU, to obtain their technical and financial support for this large-scale reform initiative. In Year 4, EPI will continue to provide targeted technical assistance and advisory support to the GoG in its implementation of this high-impact reform, which aims to register the land property of over 730,000 households and set the foundation for sustainable, long-term agricultural and rural development in Georgia.

OUTPUTS	STATUS
Sakpatenti e-filing system software developed	In Progress – The full functionality will be completed by November 2013
Land Registration Concept	Completed
Land Registration Strategy and Action Plan	Completed

#### 4.1.3 INVESTMENT SECTOR ECONOMIC GOVERNANCE (GANTT CHART LEVEL 42500)

As part of Year 3, EPI realigned the Investment Management Services (IMS) function under the BEE component to increase focus on the investment servicing phase of investment promotion. This is where coordination with relevant government agencies and ministries is required to service interested investors during the process of establishing a business and investing. EPI's contract modification during Year 3 removed the foreign investment high-level result, and USAID indicated preference to focus instead on other policy reforms activities and capacity building.

#### INVESTMENT OUTREACH

In March, EPI completed its pilot project to support the development of targeted investment promotion activities in Turkey. Since 2011, EPI's assistance has been focused primarily on supporting the Georgian National Investment Agency (GNIA) to introduce proactive, targeted model of investor outreach and investment facilitation to complement its national branding and other promotional activities.

EPI's support has consisted of:

- Providing extensive training and mentoring to GNIA's leadership and investment promoters;
- Supplementing GNIA's efforts by establishing a team of investment promotion specialists in Istanbul, Turkey to reach out to Turkish investors, arrange site visits and conduct follow-up;
- Arranging roadshows and meetings for GNIA and MoESD representatives;
- Coordinating investment presentations at the Turkey Apparel Expo in 2012; and
- Developing a pipeline of more than USD 630 million in committed and potential investments.

Similarly, EPI worked in parallel to enhance the capacity of other investment promotion organizations, such as the MoA, Batumi Investment Agency, Tbilisi City Hall Property Management and Economic Development Service and Ozurgeti Municipality to successfully facilitate and support new investments. These efforts included introductory and advanced

trainings from leading specialists in best practice models of investment promotion and mentoring key partners to develop resources to support national promotional campaigns and initiatives.

GNIA's implementation of the proactive, targeted investment promotion model has been a tremendous success, which is reinforced by their institutional focus to develop strategies to target investors, prepare presentation materials and reach out to these investors with clear goals.

As EPI's investment outreach pilot project successfully came to an end, EPI has shifted its focus on an effective and smooth transition of investor relationships to GNIA and capacity building of stakeholders. EPI is now involved in supporting some of those investment opportunities that can create transformational impact for EPI value chains or sectors.

### ***PROACTIVE OUTREACH IN TURKEY***

EPI's investment promotion consultant in Turkey actively promoted investment among Turkish investors primarily in four main sectors: apparel/textile, heated greenhouse vegetable production, T&L and paper packaging.

In coordination with the EPI team in Tbilisi, EPI's consultant in Turkey made presentations to more than 60 potential investors and business associations, resulting in seven site visits for 18 investors during Year 3. As a result, the new investment pursuits added to GNIA and EPI's pipeline totaled USD 84.3 million for Year 3, with USD 75.3 million in the apparel and textile sector, USD 4 million in the agriculture sector and USD 5 million in the packaging sector.

### ***INVESTMENT OUTREACH MISSIONS, ROADSHOWS & FORUMS***

EPI's agricultural investment promotion support continued to focus on the heated greenhouse industry. Accordingly, on December 27, EPI's IMS project manager made a presentation on investment trends for the heated greenhouse vegetable production sector at the 3<sup>rd</sup> EPI Greenhouse Forum (please see *Greenhouse Vegetables Action Plan Implementation* under 4.1.11 AG Value Chain Action Plan Implementation (Gantt Chart Level 24000) below). Additionally, EPI provided follow-up services to three greenhouse investors, whose projects total about USD 30 million to help them incorporate their companies, purchase land and find qualified employees.

## **INVESTMENT FACILITATION AND SERVICING**

### ***INVESTOR SITE VISITS***

While some investment transactions were put on hold before and immediately following the October 2012 elections, many investors remain interested in conducting site visits to investigate the investment opportunities in Georgia. EPI worked with GNIA to conduct seven site visits for 18 investors in Year 3, ranging from apparel to agribusiness sector. During the process, EPI built the capacity of GNIA and relevant authorities, including municipal authorities, on articulating the value proposition of specific investment opportunities, investor communications and site visit design.

## ***POST-INVESTMENT DECISION SERVICES FOR INVESTORS***

EPI actively worked with investors, who had already made the decision to invest in Georgia, to assist them in executing their investment strategies. Specifically, EPI assisted several investors by:

- Connecting investors to legal firms to assist them in the company incorporation process;
- Working with the GoG and private sector to identify potential investment properties;
- Researching tax, customs and other regulations that will impact their investment
- Coordinating employee training needs with vocational colleges.<sup>4</sup>

## ***ADDRESSING OBSTACLES TO INVESTOR SERVICING***

After the October 2012 elections, EPI worked with the new leadership of the GoG's investment promotion bodies. At the time, due to anticipated policy changes, efforts to address specific policy-related obstacles were postponed by GNIA. EPI, however, provided its support to other organizations, such as Amcham Agribusiness Committee, to articulate policy positions with regards to land-related policy issues facing new and existing investors.

## **INTRODUCTION OF NEW INVESTOR AFTERCARE SERVICES**

In early Year 3, EPI postponed activities in this area due to a change in GoG investment promotion bodies. In the aftermath of the elections, GNIA confirmed that with the establishment of a Business Ombudsman role, they did not anticipate to establish an after-care function within their agency and therefore no further assistance was required by EPI for the remainder of the project.

## **INVESTMENT PROMOTION CAPACITY BUILDING**

### ***TRAINING IN PROACTIVE PROMOTION & INVESTOR SERVICING***

In Year 3, EPI worked closely with the South Caucasus Mission of Action Contre la Faim (ACF) International to develop investment promotion training materials for regional and municipal leaders. The materials focus on providing local authorities with a greater understanding of the livelihood programs/strategies in place in Georgia and how they can more actively contribute to regional economic development.

In response to significant interest among regional and municipal leaders, EPI partnered with GNIA and ACF International to conduct training for this group on "Investment Promotion and the Role of Local Authorities in the Process" in Tbilisi and Kutaisi, in March and June respectively.

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<sup>4</sup> For example, EPI worked with one investor who had purchased land in the Ozurgeti Region to build an apparel factory by coordinating with vocational colleges to train new employees. Likewise, EPI assisted Turkish greenhouse investors by connecting them to legal firms in Georgia. EPI also assisted an organic fertilizer investor to import machinery, obtaining and sharing information from MoESD and MoF on trade, customs and tax regulations. In January, a large greenhouse investor established two companies and leased office space in Batumi. EPI helped identify potential properties for the investor to build up to 15 hectares of greenhouses and a distribution center.

EPI conducted the training jointly with GNIA, and approximately 50 leaders from Tbilisi, Kakheti and Kvemo Kartli attended in Tbilisi, while 30 local leaders from Imereti and Samegrelo participated in the Kutaisi trainings. Key topics of the training included how to:

- Identify investment opportunities in specific municipalities and regions;
- Identify the municipality's value proposition;
- Develop proposals for investors;
- Coordinate with GNIA in the investment promotion strategy development process;
- Develop partnerships with the GoG bodies, other municipalities, the private sector, and the donor community to promote investments in the regions;
- Participate in GNIA's investor site visits and work with investors; and
- Provide aftercare services to current foreign investors.

Upon completion of the program, the participants completed a questionnaire to assess the training program, materials and learning topics. The results demonstrated a strong appreciation of the training workshop, as 96% stated that the training met its stated goals, 95% stated that they would use the training materials in their current work and 90% stated that their knowledge and skills increased as a result of the training.

#### *PROACTIVE OUTREACH MENTORING & COACHING*

After engaging with the new leadership of the GoG's investment promotion bodies, EPI suspended activities in this area for the remainder of the project.

#### *PROMOTIONAL MATERIALS DEVELOPMENT*

After engaging with the new leadership of the GoG's investment promotion bodies, EPI suspended further assistance in this area. GNIA took over promotional materials development, and produced investment promotion pitch books, which are posted on their website.

#### *INVESTOR INFORMATION SYSTEM*

EPI transitioned investor information material to GNIA and MoESD. Due to the separation of functions, the two entities have not yet determined which entity will showcase the information on their websites; however, staff from both organizations use the material to respond quickly to investor communications for feasibility study inputs.

OUTPUTS	STATUS
Four investment promotional trainings for GIPP member organizations	Completed – Due to contract modification, this activity has been revised. To date - 3 workshops completed, for 90 regional/local municipality leaders and for Georgian journalists
Website publishing of the Investor Information System	Completed – The information has been provided to GNIA and MoESD.
4 investment outreach missions in Turkey to meet with potential investors and investor groups	Completed – Due to contract modification, this activity has been revised. EPI completed one outreach mission.

OUTPUTS	STATUS
Support 10 investment transactions with GNIA and other GIPP members	Completed – Due to contract modification, this activity has been revised. EPI supported 62 transactions.
Facilitate site visits for 25 investors	Completed – Due to contract modification, this activity has been revised. EPI facilitated 18 site visits. Additional site visits may be supported on an ad hoc basis.

#### 4.1.4 INTERNATIONAL TRADE AND CUSTOMS (GANTT CHART LEVEL 42600)

In Year 3, EPI's assistance in the area of trade and customs continued from Year 2, recognizing that trade facilitation and the development of a cargo corridor was one of the top priorities for the GoG and the private sector. To date, EPI has made significant progress in:

- Improving customs operations and procedures;
- Institutionalizing customs time and cost measurement studies;
- Developing an exporter's guideline for easier access to Turkey, CIS and EU; and
- Setting up a public-private trade facilitation system (i.e., an advanced form of a single window that spans public and private stakeholders).

#### REGIONAL TRADE FACILITATION

On June 24-25, EPI jointly, with the RS, MoESD, USAID Regional Competitiveness Initiative (RCI), United Nations Economic Commission for Europe (UNECE) and International Rail Transport Committee (CIT), served as a lead organizer of the 3<sup>rd</sup> Regional Conference on Trade Facilitation and CTC Promotion in Batumi. The conference brought together representatives from customs, railways, ports and the business community from Georgia and neighboring countries, as well as the international community, to examine progress in the implementation of trade facilitation measures, Single Window mechanisms and transport corridor development in the region. The conference also served as an excellent networking opportunity for T&L sector representatives. Over 114 members from six countries participated and 33 presentations were made. After the conference, EPI organized site visits for guests to demonstrate the infrastructure of Georgian ports and border crossing points. Organizers concluded the conference with adoption of the Batumi Declaration, stating their vision about next steps, opportunities to be explored and key challenges to trade facilitation.



Photo 2. EPI COP Tina Mendelson (at left) and USAID Mission Director Stephen M. Haykin at the Regional Trade Facilitation Conference

#### TRADE FACILITATION SYSTEM (TFS)

During Year 3, EPI continued to support the development and implementation of the TFS. EPI worked with key stakeholders involved in the TFS process to continue momentum with development of the system. With EPI assistance, TFS steering committee meetings continued to take place throughout Year 3 where the stakeholders reviewed the demo version of the TFS and provided their feedback.

By the end of Year 3, EPI developed an action plan for a public outreach campaign to increase stakeholder/user understanding of the system in anticipation of the roll-out. The action plan aims to raise awareness of the TFS and its importance for Georgia as a whole, and in particular for the private sector engaged in international trade, especially freight forwarders. Since the effectiveness of this system depends largely on the engagement of all parties involved in international trade, EPI will deepen discussions with the private sector to encourage their active participation in the process.

In Year 4, EPI will assist stakeholders to design and implement a governance model for the TFS to fairly represent the interests of multiple public and private sector stakeholders, which will be approved by the TFS steering committee. EPI will also complete a RIA on the TFS to identify system benefits and savings for the public and private sectors. The system will be completed and rolled out in 2014.

### **CUSTOMS CARGO RELEASE TIME STUDY**

In Year 3, EPI organized a customs time measurement workshop in collaboration with the RS. The workshop was led by World Customs Organization (WCO) representative Shujie Zhong, who introduced best practices in conducting a time measurement based on lessons learned in certain Asian Pacific customs administrations. Based on discussions from the workshop, the RS, with EPI assistance, made final corrections to the study's action plan, methodology, questionnaires, composition of the working group and respective roles in anticipation of conducting the study in November 4-10, 2013. All these supporting materials were developed with the support of EPI subcontractor PMCG in Year 2 of the project. The objective of the study is to help the RS identify problem areas and take corrective actions to improve customs efficiency, which in turn would help Georgia better meet transport planning, tight production schedules and inventory management system needs that cross-border trading requires.

### **TRAININGS ON INCOTERMS RULES**

This activity was cancelled during Year 3 due to shifts in GoG priorities, and resources were reallocated to other activities.

### **GEORGIAN PLAIN LANGUAGE VERSION OF ORIGATION CERTIFICATION RULES FOR EXPORTS TO EU, TURKEY AND CIS**

Based on the intense interest of exporters and potential investors, EPI worked with the MoESD and RS to develop an exporters guidelines, which provide answers to one of the most frequently asked question among investors: "What are the minimal processing operations or other criteria that goods should meet to receive Georgian origination status for preferential customs treatment upon exportation to EU, Turkey and CIS?" The guide also highlights the EU, Turkey and CIS customs duty treatment differences for goods exported from Georgia under preferential trade regimes and regular goods. In the upcoming year, EPI plans to engage in intensive discussions with the MoESD and RS to incorporate their feedback through periodic joint work sessions. Upon finalization, the guide will be shared with the business community.



## PROMOTE EXPORT ORIENTED PROCESSING

This activity was cancelled due to changes in GoG priorities, and resources were reallocated to other activities.

## FOCUS GROUPS TO IDENTIFY CUSTOMS POLICY GAPS

In Year 3, EPI transitioned from the ad hoc focus groups to the institutionalized, fact-based and business association led policy advocacy process. GLA organized a PPD on issues in the T&L sector with EPI support. EPI in collaboration with World Bank organized another PPD event in T&L sector. For more information, please refer to *Transport & Logistics (T&L) Value Chain Action Plan Implementation* under 4.1.15 M&S Value Chain Action Plan Development (Gantt Chart Level 33000) . EPI also facilitated several PPD events on TFS including two steering committee meetings.

OUTPUTS	STATUS
Georgian plain language version of origination certification rules for exports to EU and CIS is adapted and developed	Completed – Draft finalized
Customs Cargo Release Time Study institutionalized	Completed – RS with EPI support put the appropriate mechanism in place and the first exercise will be carried out in November 2013
At least 5 focus groups to identify customs policy gaps conducted	Completed – Customs policy issues have been identified (5 PPD meetings conducted to date in transport and logistics sector)
Initial phase for TFS developed and implemented	In Progress
GDA for TFS development established	Completed – As discussed under PPP/GDA section, EPI used an existing MoU as a framework for the PPP instead of setting up a GDA to eliminate the administrative burden for 10+ stakeholders
Regional trade facilitation conference	Completed

### 4.1.5 TAX SYSTEMS (GANTT CHART LEVEL 42700)

Improved tax administration and tax policy has remained a key priority to businesses and the GoG. During Year 3, EPI achieved significant progress towards targeted results through:

- Establishment of Tax Regulatory Review Working Group, a sustainable public-private mechanism to discuss tax issues with the private sector and improve tax legislation based on best practices.
- Initiation of a payment simplification system to simplify tax payment and the refund process for taxpayers.
- Promotion of a fact-based and data-informed tax policy decision process with the involvement of private sector.
- Development of a leasing taxation manual aimed at improved transparency of tax enforcement in the area of financial leasing.

- Building an institutional capacity of the RS through the training of RS tax auditors on applying IAS and IFRS to the tax audit process under Georgia's new tax regulations.

## **SME INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) RECONCILIATION WITH TAX CODE PROVISIONS**

The reconciliation of the Tax Code with IFRS will be conducted as part of the Tax Regulatory Framework Review, referenced below.

## **TAX REGULATORY FRAMEWORK REVIEW**

EPI has been supporting tax reforms to improve tax voluntary compliance and ensure business participation in the tax administration and policy decision making process. In Year 3, the new leadership of the Ministry of Finance (MoF) requested EPI's assistance to support the establishment and operation of the public-private Working Group (WG) consisting of highly qualified tax and customs experts, provided by EPI long-term staff, EPI's subcontractor PMCG, and RS officials. The WG works to identify key tax and customs issues for the business based on the tax dispute resolution cases, current manuals, tax surveys and tax rulings. This process represents a public-private consultative process where the private sector plays a significant role.

The EPI-facilitated Tax Regulatory Review Working Group completed the drafting of amendments to 10 articles of the Tax Code regulating value-added tax (VAT) issues. VAT issues included:

- Double value-added taxation;
- Imports;
- VAT credit during barter transactions;
- VAT taxable transactions for non-entrepreneurial entities;
- VAT mandatory registration; and VAT taxation under long-term contract and intangible assets.

In July, the International Finance Corporation (IFC) and RS organized an off-site meeting of the WG in Kobuleti to discuss the VAT and other tax issues and the proposed changes to the Tax Code. Private sector representatives from leading audit and consulting firms and high officials from the RS participated in the discussion. The WG incorporated feedback from the workshop and further reviewed the draft amendments to the VAT section of the Tax Code, and started revisions to the income tax and profit tax sections of the code. Revisions are related to deduction of losses, taxation of dividends, gross income, income earned from Georgian sources and accrual methods of accounting, among others. These recommendations will be transposed with the MoF into legislative amendments.

In Year 4, EPI will continue to facilitate the WG activities to address these and other identified issues. EPI will also assist the RS in its outreach and consultative process to ensure a predictable tax environment for businesses. This will primarily entail supporting the advance publication of draft Tax Code changes for comments once revisions are drafted.



## **IFRS/INTERNATIONAL ACCOUNTING STANDARDS (IAS) TRAININGS TO RS TAX AUDIT DEPARTMENT**

During Year 3, EPI consultant Naira Kharkheli developed trainings to educate the staff of the RS Tax Audit Department and building their skills in applying IAS and IFRS to the tax audit process under Georgia's new tax regulations. The trainings, which took place in March and April to 40 participants, aimed to improve auditors' understanding of the key differences between financial and tax reporting and allow them track the accuracy of deductions related to taxable bases. Taxpayers will also benefit from greater clarity and efficiency in RS tax audits.

The training program was then taken over by the U.S. Treasury and will continue through the end of December 2013.

## **LEASING TAXATION MANUAL**

During Year 3, EPI leasing consultants developed a draft of the Leasing Taxation Manual in close collaboration with the leasing industry. EPI has incorporated initial feedback from the RS into the manual. In Year 4, EPI will work with the RS to finalize the manual and facilitate its adoption by the RS. The manual will provide tax auditors, leasing companies and lessors detailed rules on the application of financial leasing legislation, which will encourage the growth of the leasing industry in compliance with international best practices.

## **TAX PAYMENT SIMPLIFICATION**

In Year 3, EPI assisted the RS with drafting changes to the Tax Code and secondary tax legislation in order to create a simplified tax payment system that would automatically allocate appropriate amounts to specific destinations. Such a system will contribute to the accuracy of the information on tax liabilities and tax payments required for a well-functioning tax audit selection system.

EPI's consultant Irakli Siradze completed analysis of the business processes reflecting the new tax payment scheme. The procedural issues identified through the analysis were discussed at the RS Interdepartmental Committee session. The committee was established primarily for the purpose of tax payment reform. Mr. Siradze also prepared draft changes to the law on the restructuring of bad debts, budget and tax codes, as well as proposed amendments to five tax regulations. The RS plans to finalize software development by October 2013 and test the system by end of the calendar year. In parallel, changes to the legislation will be adopted. EPI will continue to work with the RS in Year 4 to support implementation of the system, as well as to prepare an impact assessment of the tax payment simplification in collaboration with the RS and MoF. The RS anticipates to roll out the system in January 2014.

## **DEVELOPMENT OF LOSS DEDUCTION RULES FOR THE APPAREL INDUSTRY**

This activity was cancelled due to changes in GoG priorities, and resources were reallocated to other activities.

## **FOCUS GROUPS TO IDENTIFY TAX POLICY GAPS**

In Year 3, EPI transitioned from ad hoc focus groups to an institutionalized, fact-based and business association-led policy advocacy process. EPI hired a tax consultant to help sector

business associations to conduct tax policy advocacy. In Year 3, EPI started building the advocacy capacity of HEPA and the Textile and Footwear Producers Association.

EPI worked with hazelnut processors in bringing policy issues affecting the industry to the GoG. The policy paper on tax issues has been developed by EPI in collaboration with hazelnut processors. Twenty-nine companies signed a letter addressed to the Minister of Finance, Nodar Khaduri, regarding tax simplification for the industry, specifically the inclusion of hazelnut kernels in the list of primary products that are VAT exempt and simplification of purchase documents for processors and exporters.

EPI also held discussions with Textile and Footwear Producers Association on tax issues such as production loss deduction and import duties on raw materials.

OUTPUTS	STATUS
20 employees of the RS Tax Department trained on IFRS/IAS	Completed – 40 employees have been trained in the first and second sessions completed in March and April 2013
Tax payment system simplified	In Progress
Leasing taxation manual developed and adopted	In Progress
Implementation of a public-private working group to review and simplify tax regulatory framework	In Progress – The WG has been established and VAT provisions of the Tax Code have been revised.
Proposed concept paper to address tax issues of hazelnut industry	Completed
At least 5 focus groups to identify tax policy issues conducted	Completed – 5 PPD meetings to date: mandarin sector, hazelnut processors, apparel manufacturers and in T&L sector)

#### 4.1.6 PROCUREMENT AND PRIVATIZATION SYSTEMS (GANTT CHART LEVEL 42800)

During Year 3, EPI continued to support the improvement of state property management and privatization systems to ensure the transparent and efficient management and privatization of remaining state property.

### PROCUREMENT

#### *AN ONLINE SUPPLIER GUIDE: “DOING BUSINESS WITH THE GEORGIAN GOVERNMENT”*

To improve the rate of business participation in state procurement, EPI supported the development of a supplier guide, which provides information about state procurement needs and opportunities, as well as guidance on using the Competition and State Procurement Agency’s (CSPA) online procurement system. Drafted in Year 2 of the project, the guide was subsequently updated in Year 3 due to changes in the procurement process.

The supplier guide is available in four languages, including English, Russian, Armenian and Azeri and published through the CSPA’s web portal (<http://suggest.procurement.gov.ge/>). It will also be available on private sector stakeholders’ websites, including the Georgian Small and Medium Enterprise Association, AmCham and the Business Association of Georgia. This guide serves as an important step in promoting transparency in government procurement and further engaging the private sector in the public procurement process.

### *FOCUS GROUPS TO IDENTIFY PROCUREMENT POLICY ISSUES*

This activity was cancelled and resources were reallocated to other activities.

OUTPUTS	STATUS
Supplier Guide finalized and presented to the business community	Completed

## **PRIVATIZATION**

### *PRIVATIZATION STRATEGY*

During Year 3, at the request of the new leadership at the MoESD, EPI commenced support to the National Agency of State Property (NASP) under the MoESD to modernize its privatization strategy for state-owned enterprises (SOEs). EPI's privatization expert developed the Privatization and Property Management Strategy with detailed recommendations on privatization methods, guidelines and approaches, primarily focusing on state-owned enterprises and immovable assets. EPI presented the strategy to, and successfully gained consensus with, the Minister, Deputy Minister and NASP staff with recommendations on expediting the disposition of its inventory of assets, developing asset disposition strategies, introducing new techniques to handle low value assets and restructuring state debts.

### *PILOT PROJECT ON STATE PROPERTY INITIAL IDENTIFICATION*

Based upon EPI's recommendations, NASP requested EPI's technical assistance to conduct a pilot project on the state property initial identification in Rustavi and Gori municipalities with the involvement of university students. The pilot project was launched in August 2013. Over a two-month period, 16 interns identified 146 state-owned objects (a total area of 147 hectares) in Gori and 306 state-owned objects (a total area of 602 hectares) in Rustavi. Out of the objects identified by the students, 273 objects (a total area of 649 hectares) were evaluated as potentially interesting for domestic or foreign investors. The interns also verified 453 state-owned objects that were already registered with the National Agency of Public Registry (NAPR) and collected additional necessary information about these objects, including taking photographs and assessing the conditions for these properties as well. At the end of September, EPI submitted the database of information and all supporting materials to NASP. This pilot project was designed and implemented to serve as a model for NASP to accurately plan and implement similar projects on a larger scale throughout Georgia. The pilot project also contributed meaningfully to the development of valuable professional knowledge and skills among the university students, which NASP can leverage as it rolls out a larger campaign.

### *PRIVATIZATION AND STATE PROPERTY MANAGEMENT POLICY DEVELOPMENT*

In response to the MoESD's request for technical assistance to improve NASP's internal policies and procedures with the goal of privatizing non-strategic SOEs, EPI's consultant on privatization procedures, Luc Caltrider, has been advising NASP's Analytical Group in several areas. EPI's activities during Year 3 included designing and introducing a new data collection and reporting system for active and inactive SOEs, providing assistance on strategy development for state property management and privatization activities, and beginning the development of rules-based frameworks for the classification, stratification,

and disposition of SOEs and assets. EPI has also advised on the development of a *User Guide for the Data Collection Template* and has provided guidance on the development of a database to consolidate the SOEs' operational, legal, and financial information. This database will maintain records of critical data related to individual SOEs, which may include legal documentation, business descriptions, historical financial information, a fixed asset register, a record of claims on the SOE and its assets, and a record of debts and liabilities.

During Year 4, EPI will advise NASP's Analytical and Strategic Planning Groups on the development of a rules-based policy framework and selection criteria to establish a systematic process for determining whether an SOE should be privatized, liquidated, restructured, processed through bankruptcy, or maintained as a strategic SOE.

### **MARKETING AND COMMUNICATION TRAININGS**

In September, EPI also provided trainings on marketing and communications skills to 10 NASP staff members, including the Deputy Head of NASP and the Heads of the Strategic Planning, Marketing and Sales Departments and the Call Center. Topics included branding and brand development, strategies for building public trust, use of marketing research tools and conducting effective marketing and sales. In addition to theoretical modules, the participants were divided into groups for practical exercises, in which participants worked together to identify target groups and develop key messages. As a result of the trainings, NASP revised its branding strategy and tactics according to the recommendations outlined in the training module on effective branding.

### **LAND BUYER'S GUIDE**

This activity was cancelled due to GoG priorities, and resources were reallocated to other activities.

### **FOCUS GROUPS TO IDENTIFY LAND PRIVATIZATION AND LEGALIZATION RELATED POLICY ISSUES**

This activity was cancelled, and resources were reallocated to other activities.

OUTPUTS	STATUS
An automated State Property Management System for the MoESD	In Progress – The quality assurance process has been complete. The system is currently under development by MoESD with EPI support.
Privatization strategy development	Completed
Privatization strategy implementation	In Progress

## **4.1.7 AGRICULTURAL POLICY ENVIRONMENT (GANTT CHART LEVEL 42900)**

### **PROMOTION OF SMALLHOLDER ORGANIZATIONS INTO GROUPS**

During Year 3, BEE collaborated with AG to promote smallholders' unification into groups through various legal instruments (cooperative, partnership, association) provided for by Georgian legislation. EPI BEE and AG teams developed a draft model charter to support the establishment of farmer groups among its value chain growers. The suggested model of cooperation was based on joint agricultural activities (joint input supply and uniform agricultural practices) and marketing. The draft charter attempted to regulate in a clear and

simple way the basic principles of cooperation, such as (i) members' rights and duties, (ii) division of powers and responsibilities (general meeting and board of directors), (iii) profit/loss distribution and (iv) liquidation.

In December 2012, EPI became actively involved in the drafting of the Law on Agricultural Cooperatives. Three public-private discussions and several working meetings were conducted to reach a consensus on basic concepts and provisions stipulated by the law. Throughout the year, EPI, as well as the MoA and Agrarian committee, in close collaboration with NGOs, civil society and other donors, continued to remain actively involved in discussions related to the draft law.

In July, the Parliament of Georgia adopted the Law on Agricultural Cooperatives by the third and final hearing. The law defines the status of an agricultural cooperative and the basic principles and rules regarding its formation, membership and management. An entity with this status will become eligible for special government support programs, such as tax concessions, access to finance and extension services. An agency under the MoA is mandated to grant status and monitor compliance of the cooperatives with the new law.

## LAND REGISTRATION

In Year 3, EPI was involved in the design of an agricultural land ownership and registration reform, which EPI advisors identified in early 2011 as one of the key structural constraints to agricultural development. In coordination with a specially designated Intergovernmental Working Group led by the MoA, EPI developed an initial concept and then facilitated the development of a *Reform Land Registration Strategy and Action Plan*. For further information, please refer to Land Registration under 4.1.2 *Property Rights (Gantt Chart Level 42400)* above.

## DEVELOPMENT OF LOSS DEDUCTION RULES IN THE HAZELNUT INDUSTRY

This activity was cancelled due to changes in GoG priorities, and resources were reallocated to other activities.

## IMPLEMENTATION OF STANDARDS (HACCP, GLOBALGAP)

The BEE team continued to provide support to EPI agricultural sectors with the adoption of international standards, such as GlobalGAP. For further information, please refer to 4.1.11 *AG Value Chain Action Plan Implementation (Gantt Chart Level 24000)*.

OUTPUTS	STATUS
Adjustment of loss deduction rules for hazelnut processors	Suspended – The RS suspended loss deduction rules activity
Effective small holders cooperation model developed	In Progress – The model will be developed based on the new law on agricultural cooperatives

## 4.1.8 CORE TEAM OF REFORM SPECIALISTS (GANTT CHART LEVEL 43000)

During Year 4, in keeping with the theme of “Georgians for Georgia,” EPI continued developing the consulting skills of its core EPI team throughout the year by mentoring, on-the-job training and delivery of specialized training. At the same time, the sustainability of the

existing policy team was enhanced by transitioning the staff to Deloitte Georgia to continue their consulting and policy advice to the GoG and the private sector after EPI project end.

During Year 4, EPI's Management and Implementation Advisor, Dennis Hall, will provide additional training in order to continue to build on EPI staff's high professionalism and ability to carry out complex assignments during the final year of the project and beyond project end. For more information on specific skills development activities, please refer to 4.1.29 *EPI Staff Development (Gantt Chart Level 19000)*.

## **4.1.9 CROSSCUTTING POLICY AND REGULATORY ACTIVITIES** (GANTT CHART LEVEL 47000)

### **4.1.10 E-GOVERNANCE ACTIVITIES (GANTT CHART LEVEL 47100)**

#### **PROJECT MANAGEMENT TRAINING**

In Year 3, EPI concluded a six-week training launched in December on General Project Management and ICT Project Management to five project managers from EPI beneficiaries (Sakpatenti and DEA) as well as 10 EPI staff involved in project management activities (value chain managers, BEE subcomponent managers, and component and deputy component leaders). At the end of March, training participants presented project proposals and obtained training certificates.

#### **E-GOVERNANCE PROJECTS**

In the sections above, under each sub-component, specific activities and resources associated with e-Governance system implementation are described in more detail. In summary, during Year 3, EPI continued to support the implementation and development of the following systems:

- An e-filing system for Sakpatenti (see 4.1.2 *Property Rights (Gantt Chart Level 42400)*)
- A TFS (see 4.1.4 *International Trade and Customs (Gantt Chart Level 42600)*)

OUTPUTS	STATUS
Referenced under BEE sub-component areas above	Completed
Project management training conducted	Completed

## **4.2 AGRICULTURE SECTORS COMPONENT (AG)** (GANTT CHART LEVEL 20000)

The overarching goal of EPI's agricultural component remains to catalyze Georgia's agriculture sector as an engine of Georgia's economic growth. Through improved standards and techniques, human and institutional capacity development, policy improvements and linkages to high-value export markets, targeted value chains will see income and employment growth. Through improvements in quality and productivity, farmers will expand exports and increase their share of the domestic market.



#### 4.2.1 AG VALUE CHAIN ACTION PLAN IMPLEMENTATION (GANTT CHART LEVEL 24000)

##### HAZELNUT VALUE CHAIN ACTION PLAN IMPLEMENTATION

In Year 3, through the GDA between USAID, Ferrero, and Ferrero's subsidiary, AgriGeorgia LLC, as facilitated by Deloitte, EPI implemented a range of successful hazelnut value chain activities. Efforts focused on Knowledge Plot training to increase farmers' productivity and quality, and more than 1,000 farmers and service providers benefited from improved hazelnut production methods and post-harvest handling practices. By directly linking the informal farmer groups with processors, the processors recognized the quality improvements that EPI's farmers have achieved and offered a significant price premium for the hazelnuts. This has created the right market incentives for Georgian producers to increase quality for the first time, and it is one of the most significant achievements facilitated by EPI in its agricultural activities. Furthermore, the quality improvements also facilitated commercial linkages with Ferrero, which is now sourcing an increased amount of hazelnuts from Georgia.

By actively managing the GDA, Deloitte also strengthened communication between processors and Ferrero. This helped establish a firm foundation of trust among industry actors and facilitated the creation of robust new commercial relationships. As a result,

Ferrero established linkages with three Georgian processors to process their hazelnuts, while sharing with the industry the specific quality requirements for connecting Georgian processors to high-value global supply chains. EPI efforts also sparked the formation of HEPA, to strengthen the voice of firms in the hazelnut value chain to advocate for positive change in the tax code, strengthen Georgia's position in export markets and take advantage of new and expanding market linkages.

In Year 4, EPI will build on these results, focusing on the long-term sustainability of the stakeholders and commercially viable linkages and to continue to contribute to an increase in marketable yields and revenues for hazelnut growers and agribusinesses and additional investment in the sector.

##### Year 3 Highlights in the Hazelnut Value Chain

- Knowledge Plot training to more than 1,000 farmers and service providers to increase productivity and quality
- Linking of informal farmer groups with processors, who now offer a significant price premium for the hazelnuts due to improved quality
- Commercial linkages with Ferrero, which is now sourcing an increased amount of hazelnuts from Georgia
- Formation of HEPA to strengthen the voice of firms in the hazelnut value chain in policy advocacy and strengthen Georgia's position in export markets
- Formation of HPA, which includes 300 members that are representatives of informal farmer groups and
- Approval of EPI-supported Law on Agriculture Cooperatives, which lays out the legal framework for farmer groups to formalize into cooperative enterprises that will enjoy numerous benefits, including tax concessions, access to finance and extension services
- Increased linkages with export markets and international buyers, including contracts with local processors and exporters for approximately 2,000 tons of hazelnuts with Voicevale
- Sustainability of EPI hazelnut training program through grant agreement with Agroservice Association, which has now taken over the program in cooperation with GDA partner Ferrero

## SMALLHOLDER GROUPINGS AND OTHER ASSOCIATIONS

In Year 3, EPI established 17 farmer groups in the hazelnut value chain, and our advisors supported the development of an “access to inputs” program that allowed farmers to secure no-interest credit for the purchase of critical inputs, including pesticides, fertilizers and soil analysis services. The organization of growers into groups allows member growers to combine output and to market directly to end-buyers. Specific details of this program are discussed under *4.1.14 Small Holder Groups (Gantt Chart Level 27000)*.

During Year 3, the MoA placed increasing focus on farmer group development, and, together with the Parliament, initiated work on the elaboration of legislation governing farmer group activities. As discussed under *4.1.7 Agricultural Policy Environment (Gantt Chart Level 42900)*, in July 2012, the Parliament of Georgia approved the Law on Agriculture Cooperatives, which lays out the legal framework for farmer groups to formalize into cooperative enterprises. The law provides for a number of benefits, including tax concessions, access to finance and extension services, which will be available to cooperatives.

With GDA partner Ferrero, EPI facilitated the creation of the Hazelnut Producers Association (HPA). To date, this association has 300 members, who are representatives of EPI’s informal farmer groups. This year, Ferrero supported the association by providing some limited infrastructure and equipment (de-husking machines and a storage building). During Year 4, through the GDA, EPI and Ferrero will facilitate linkages between the HPA and newly formalized cooperatives or other groups.

EPI also assisted with the formation of HEPA, which was officially registered in July. The association’s role is to strengthen the voice of firms in the hazelnut value chain to advocate for positive change in the Tax Code, strengthen Georgia’s position in export markets and take advantage of new and expanding market linkages. Twenty-six companies are currently members of the association.

## MARKET ACCESS

During Year 3, EPI worked with hazelnut stakeholders through participation in several events and visits in order to identify areas of assistance and cooperation in strengthening the sector, as well as to achieve improved access to new markets. A summary of events and visits is as follows:

- EPI, jointly with Ferrero, hosted a roundtable with stakeholders (Ferrero, AgriGeorgia, hazelnut processor ANKA and sustainable trader and certification company PAKKA), donors (EBRD, EU) and financial institutions (TBC Bank and Swiss Credit MFI) to outline areas of cooperation across key leverage points in the value chain in order to assist farmers in producing higher quality hazelnuts. The discussion focused on the adoption of quality standards, collection points and storage facilities, training programs, buyer contracts, payment schemes for farmers and financing opportunities (see *4.1.22 Access to Finance (Gantt Chart Level 16600)* for follow-up activities regarding development of a new financing product).
- Thirty-seven Georgian hazelnut processors met to discuss existing constraints and opportunities in the sector. The roundtable presented an opportunity to bring a larger group of processors together for the first time to achieve a broader consensus of priorities. In particular, the roundtable reinforced the importance of



building the capacity of associations to effectively represent the industry in advocating positive changes to the Tax Code, facilitating access to finance and inputs and strengthening Georgia's position in export markets.

- EPI accompanied a delegation of seven agribusinesses to attend the Fruit Logistica trade fair in Berlin where hazelnut processors and mandarin exporters met with importers and international buyers from various markets including Ukraine, Russia and EU. In preparation for the trade fair, EPI helped to develop company profile brochures as part of EPI's Business Development Services (BDS) Program, as well as provided marketing and branding training for effective trade fair participation.
- EPI also assisted a delegation from global dried fruit and nut company Voicevale to meet with HEPA. Voicevale supplies European markets with over 55,000 MTs of nuts and dried fruits annually, an average of 12 full container loads daily. As a result of the visit, EPI managed to link local producers with Voicevale and facilitate the export of an additional 450 MT of hazelnuts at a value of USD 2.7 million. Voicevale plans to import a total of 2,000 MT of hazelnut from Georgia during the 2013-14 seasons.

### *PRODUCT ENHANCEMENT, CERTIFICATIONS & STANDARDS*

During the hazelnut roundtable that took place in March, EPI discussed issues connected with the recognition of international quality standards of hazelnuts with processors and exporters. In April, EPI and its stakeholders, including processors, as well as farmer group leaders and members, participated in a workshop organized by GIZ on Hazelnut Quality Standards and Metrology. The event was a follow-up to the CALIDENA workshop organized jointly by EPI and GIZ and covered international standards, metrology, quality guidelines, new markets and innovations in the hazelnut sector. GIZ also presented its Export Coaching Program to hazelnut processors and exporters.

Through its GDA with Ferrero, EPI continued the second cycle of annual hazelnut production training sessions to farmers in Samegrelo in order to increase their yields and quality. Details of this activity are discussed in *Workforce Enhancement* below.

### *WORKFORCE ENHANCEMENT*

At the beginning of Year 3, EPI conducted surveys to obtain farmers' feedback on their experience with EPI training during Year 2 of the project and identify any specific gaps where the project should focus during the Year 3 cycle of trainings. As a result, EPI and Ferrero adjusted the training materials to better address the needs of small-scale farmers with a focus on practical lessons, including tree shaping, pruning, thinning and application of fertilizers. The program decided to use a new site for the training located in the Orsantia village. The orchard at this site is similar to those of the local farmers with 15-20 year old hazelnut trees.

In November, EPI signed a grant agreement with Agroservice, who provides support to EPI in the implementation of the hazelnut training sessions and other value chain activities as requested by EPI. In December, EPI, Agroservice and the GDA partner Ferrero launched the second annual hazelnut production trainings in Samegrelo. The first session of this annual training focused on pruning, planting and fertilizer application. A total of 944 farmers, including 150 ANKA beneficiary farmers, have attended the trainings. EPI relied on new

farmer groups, that EPI helped to establish, to identify new trainees for this year's training cycle. In addition, the following groups of participants attended the training:

- Due to administrative issues and different priorities, USAID's New Economic Opportunities (NEO) project was not able to participate in the training, however, EPI was able to engage the participation of USAID's Azerbaijan Competitiveness and Trade (ACT) project's agronomists from Azerbaijan.
- EPI also trained eight new students from the Agrarian University who attended the farmer training session as well as a separate training-of-trainers session in Zugdidi at the Ferrero plantation.
- Several hazelnut processors and de-husking service providers attended the training sessions together with the farmers (final number to be provided after analysis of all PMP beneficiary forms collected at the training program).
- EPI's Community Outreach Specialist focused on mobilizing women farmers and has partnered with the United Nations Development Fund for Women (UNIFEM) and other relevant women groups to engage an increased number of active women farmers. More than 150 women farmers attended the training, almost tripling the number of women farmers in the previous annual training session.

The second session of the Second Annual Training Program for hazelnut producers took place on February 24-28 to approximately 372 farmers from 16 villages on the topic of new orchard establishment. Given that the training focuses on setting up new orchards and expansion of the plantations, only those farmers who had an expressed interest in setting up new plantations were mobilized for training. The training took place at Zugdidi University and Ferrero's AgriGeorgia plantation in Chitatskari village. In addition to farmer training, Ferrero agronomist Fabio Piretta conducted a training-of-trainers (ToT) session for eight students from Agrarian University.

During hazelnut producer trainings, EPI's access to finance manager delivered trainings to 87 farmers on financial products available for agricultural production and inputs. The training demonstrated details of financial instruments such as 0% agricultural commodity credit, low cost (3%, 7-8%) agricultural loans, leasing and crop insurance. More details are discussed under *4.1.22 Access to Finance (Gantt Chart Level 16600)*.

### **VALUE CHAIN LINKAGES AND PARTNERSHIPS**

EPI, in cooperation with GIZ and German Institute of Metrology (PTB), conducted a CALIDENA workshop in October in Samegrelo. This was the first event to assemble 38 actors in the hazelnut sector from different hazelnut-producing regions of the country and local and foreign buyers, as well as representatives of quality infrastructure (QI) institutions, which includes certification bodies, testing laboratories and regulatory bodies (MoA and MoESD). Workshop participants discussed the main gaps and challenges affecting hazelnut product quality and services provided by QI institutions, identified solutions and elaborated a draft action plan to improve product and process quality within the hazelnut value chain. Implementation of interventions outlined in the draft action plan will ensure the establishment of better linkages and communication between the hazelnut sector, regulatory bodies and QI, as well as improvement of services rendered by QI institutions to the hazelnut industry,

with the ultimate objective to increase the competitiveness of Georgian products in global markets.

As a result of the CALIDENA workshop PTB, together with EPI and other stakeholders, developed a draft Hazelnut Manual. This manual covers all aspects of the production process and includes descriptions of modern hazelnut processing technologies. A final version of the manual will be released at the end of 2013.

OUTPUTS	STATUS
10 farmer organizations formed	Completed – EPI supported the formation of 17 farmer groups. EPI will engage with these groups in Y4 to support potential formalization as cooperatives.
Hazelnut processor roundtable held (March 2013)	Completed
Partnerships established with 5 input providers	Completed
Nut and Dried Fruit Congress in Barcelona, Spain on May 21-23, 2013	Cancelled – Due to leadership changes at the MoA
Preparation for the ANUGA trade fair study tour in October	In Progress
Preparation for the Fresh Produce Ukraine participation as exhibitors in November	In Progress
Hazelnut Processors and Producers Forum (June 2013)	Postponed to Year 4 – This event will be postponed to take place after the Fresh Produce Ukraine trade fair and once the capacity of the two associations is further developed
Formation of the Hazelnut Producers Association	Completed
Four series of Hazelnut KP training held for 1,120 trainees	Completed – 944 trainees participated in the first series, 372 trainees participated in the second series and 809 farmers participated in the third series of trainings related to IPM in hazelnut orchards
Business training for 100 women farmers held	Completed – Training is ongoing. To date 206 women farmers have participated in the training
Pricing information system established	Completed – The technical platform has been completed and a pilot implemented.
UNIFEM women groups included in EPI farmer grouping activities	Completed
CALIDENA workshop held	Completed
CALIDENA action plan developed	Completed
Creation of the Hazelnut Exporters and Processors Association	Completed

## MANDARIN VALUE CHAIN ACTION PLAN IMPLEMENTATION

In Year 3, EPI focused on support to new and existing farmer groups to strengthen the entire value chain and improve farmers' abilities to meet market demand beyond Georgian markets. Support ranged from improving access to inputs and taking advantage of pricing power to supporting packing houses and farmers to obtain GlobalGAP certification.

EPI advisors trained more than 1,000 farmers and agribusinesses on good mandarin production and post-harvest handling practices and assisted Subtropic Association to attain GlobalGAP certification for its packing house and 10 member farmers. Drawing on a program that EPI designed in cooperation with the MoA and the Georgian Fruit and Vegetables Export Company (Export Company), the government of Adjara identified 10 packing houses and made the infrastructure available to the private sector to support exports.<sup>5</sup>

In Year 4, EPI will create lasting linkages between successful farmer groups and motivated, quality-oriented exporters seeking reliable supplies of high quality mandarins.

### **SMALLHOLDER GROUPINGS AND OTHER ASSOCIATIONS**

Following a similar approach to the hazelnut value chain, in Year 3, EPI supported the establishment of 29 village-based farmer groups. Efforts focused on communities with EPI Knowledge Plot trainees and ensured that an increasing number of women farmers were drawn into participating with these groups. EPI also facilitated interest-free credit for fertilizers, pesticides and other inputs. For more information regarding access to finance and inputs, please refer 4.1.22 *Access to Finance (Gantt Chart Level 16600)*.

### **MARKET ACCESS**

*Market linkage to Ukraine.* In November, EPI organized a visit for Georgian mandarin exporters Skhalta, Global Ltd. and Georgian Mandarins Ltd. to Kiev, Ukraine. EPI worked with Bridges Business Program in Ukraine to facilitate meetings between Georgian exporters and the following supermarket chains: Fozzy Group, Tam Tam, PAKKO, Krai, Megamarket, Furshet, Silpo, Western Retail LLC and Auchan. These meetings helped Georgian mandarin exporters to learn about buyer requirements and establish market linkages with higher-end segments of the Ukrainian market. The trip resulted in lucrative linkages for Georgian mandarin exporters. Below is a summary of the results of various linkages with the Ukrainian market:

- After the trip to Ukraine, EPI hosted the Commercial Director of Ukrainian supermarket chain Fozzy Group in Imereti and Adjara to meet with local agribusinesses and Subtropic Association. Subtropic completed negotiations and signed a contract with Fozzy Group. As part of a five-year USD 10 million contract, Subtropic has shipped 780 MT of Georgian quality mandarins to the high-end Ukrainian market. EPI linked another beneficiary company Georgian Mandarins Ltd.

### **Year 3 Highlights in the Mandarin Value Chain**

- Establishment of 29 farmer groups in Adjara and Guria
- Facilitation of interest-free credit for fertilizers, pesticides and other inputs
- Knowledge Plot training to more than 1,000 farmers and agribusinesses
- Assistance to Subtropic Association in obtaining GlobalGAP certification for its packing houses and 10 member farmers, resulting in the first shipment of Georgian mandarins to EU
- Provision of infrastructure to 10 packing houses by government of Adjara through a program designed by EPI, MoA and the Georgian Fruit and Vegetables Export Company
- Establishment of lucrative linkages between Georgian exporters and high-end markets in Ukraine and Belarus

<sup>5</sup> The full scheme was never implemented by the Central government.

to Fozzy Group, as well, which resulted in another immediate shipment of 100 MT of Georgian mandarins to Ukraine.

- EPI organized a two-day field visit for Ukrainian retail chain representatives to Georgia. The representatives met with local producers and packers. As a result of this visit, representatives of PAKKO retail chain negotiated a contract with Subtropic to ship at least 1,000 MT of mandarins to Ukraine in 2013.
- In January, Fozzy Group's representatives and EPI staff visited Adjara to meet with Subtropic and Georgian Mandarins Ltd. regarding the future mandarin shipments to Ukraine. The meeting concluded with an agreement for the association and Georgian Mandarins Ltd. to ship at least 1,500 MT of Georgian mandarins during the upcoming season to Ukraine, a doubling of the amount that was exported this year.

#### Entering the EU Market: Recommendations

- **Production**
  - Introduce new varieties (including early maturing) and products to extend production season and assortment
  - Support mandarin sector with the nurseries and improved access to credits and inputs
  - Start introducing relevant quality standards as required by the target market
- **Post-harvest handling and packaging**
  - Help producers introduce waxing and modern grading technologies
  - Introduce and expand water resistant cardboard packaging material
- **Logistics**
  - Identify international or Georgian transport agents with the fresh shipment experience in Europe
  - Efficiently source mandarins from farmer groups to achieve sufficient scale and consistency of supply
- **Marketing**
  - Identify retail chain suppliers in EU and work with them directly on export instead of relying on brokers

During Year 3, EPI, the MoA and the Export Company developed an export support scheme. They agreed on joint implementation of activities that would connect EPI's farmer groups, and 10 packing houses to high-value buyers in Ukraine, Belarus and Baltic states. While the MoA and the Partnership Fund both recognized the necessity of organized export activities, GoG officials were reluctant at that point to modify their existing citrus sector subsidy support.

Meanwhile, EPI continues support of existing packing houses – Subtropic Association's AgroExport and Georgian Mandarin. The project also identified three new stakeholders, who are all committed to develop citrus exports to the Ukraine and other markets.

In July, six citrus exporters, along with EPI staff members, visited Belarus to meet with eight wholesale and retail companies (five of which are large-scale companies) and discuss mandarin export possibilities. Most of the importers were ready to import Georgian mandarins, once Georgian exporters satisfied certain criteria related to quality and payment terms. Importers asked exporters to assign short-term representatives in Belarus to participate in the quality assurance process and subsequently would like to begin trial shipments to gauge the quality of Georgian mandarins. AgroExport has already signed a contract valued at USD 1 million with Euroopt and Vegafruit Ltd. to export mandarins during the upcoming season.

EPI engaged marketing advisor, Remer Lane, to assist with further development of mandarin export schemes. During his consultancy, Mr. Lane met with the Export Company to discuss issues related to the export of Georgian citrus and with the Minister of Agriculture of Adjara,



Zaur Putkaradze, to discuss the issues and constraints facing the mandarin sector in the coming season, including diversification of export markets, logistics constraints and the current lack of organized exporters. Mr. Lane developed an action plan for the promotion of Georgian mandarins in export markets.

- [Mandarin trial shipment to Europe.](#) Upon completion of the GlobalGAP certification process, Subtropic shipped the first 20 tons of GlobalGAP certified Georgian mandarins to the EU market using one of EPI's T&L beneficiaries. A group of producers together with EPI staff members involved in mandarin consolidation visited Austria to observe the procedures related to import and sales of the mandarins once they entered the European market. Due to T&L issues and the delayed timing of the truck's arrival in Vienna, the pallets were sold with different buyers in Austria and Slovakia to test the market, resulting in low overall price per kilogram. Nevertheless, a standardized and mature EU citrus market remains a viable diversification strategy for Georgian mandarins as the value chain continues to improve its quality and post-harvest handling and logistics/transportation. EPI developed specific recommendations and lessons learnt for capturing the EU market (see box).



Photo 3. Mandarin Trial Shipment to EU

- [Trade fair participation.](#) In February, two companies from the citrus and fruit sectors also attended the Food Logistica trade fair in Berlin. Representatives met with the potential and existing citrus buyers, including Fozzi Group and PAKKO. They also met with seven Russian wholesalers that import citrus. EPI also met with the trade fair organizers, who welcomed the idea of hosting Georgian companies as exhibitors during next year's event.

EPI is continuing to assist producers to expand market linkages through trade fair participation, in particular the upcoming Fresh Produce Ukraine trade fair and Fruit Logistica 2014, both of which will take place in Year 4. Mr. Lane provided marketing and branding trainings to 19 mandarin packing houses and exporters, which also covered effective trade fair participation.

### **PRODUCT ENHANCEMENT**

After completion of the first annual cycle of mandarin production training sessions from Year 2, EPI assessed the adoption of its recommendations from the program. Based on consultations with farmers who participated in training sessions on pruning, orchard floor management and integrated pest management, implementation of best practices demonstrated through the program resulted in significant improvements in orchards – trees are healthier and farmers expected high quality and large caliber of fruit. In comparison with the last year, yield was increased by 25% and that is mainly because of the good agriculture practices adopted by the farmers. One of the major achievements is that 60% of the participants adopted new pruning techniques.

The impact of the program has even reached beyond the direct participants of the trainings – the farmer-trainees have been sharing their knowledge with their peers in the community and EPI validated that at least two neighboring farmers have replicated the same simple best practices and methods in their own orchards.

In addition to improving production practices, EPI's packing consultant assisted packinghouse Agroexport and four other packing house representatives through on-the-job trainings and recommendations to implement packing requirements and techniques for high-value markets, including packing and palletizing mandarins according to international standards. The training was conducted at the Batumi packing house owned by Subtropic and covered grading standards, sorting and packaging techniques.

On January 31, EPI along with the MoA and the Ministry of Agriculture of Adjara, conducted the Mandarin Supply Chain Forum in Batumi, which was attended by more than 110 participants, including participants from Ukraine, such as Fozzy Group representatives and the CEO of Bridges Consulting Company. EPI presented its market assessment for Georgian citrus. A representative of the Export Company presented experience from trial shipments to Ukraine. Representatives of the packaging industry discussed the possibilities connected with modern packaging materials. EPI's mandarin production consultant Cindy Fake and representatives from freight forwarder and packaging companies briefed the audience on the challenges and opportunities within the mandarin sector and provided recommendations on export issues.

### *CERTIFICATIONS & STANDARDS*

EPI assisted Subtropic's member farmers and the association's packing house Agroexport to obtain GlobalGAP certification, in early December. This was a major achievement for the Georgian agricultural sector, as this was the first farmers association in Georgia to obtain GlobalGAP certification. Subsequently, Subtropic sent the first trial shipment of Georgian mandarins to the EU.

EPI continued to promote the GlobalGAP certification process among other farmers and packing houses. On April 17-19, EPI delivered GlobalGAP trainings to seven mandarin growers who were interested to join Subtropic and obtain GlobalGAP certification. The trainings covered GlobalGAP standards, occupational health and safety, food safety and basic hygiene rules and requirements. EPI provided the new farmers all the necessary documentation and guidance for complying with GlobalGAP standards. New farmers should receive certification by November 2013 during the second annual certification cycle.

In May, international certification body TUV SUD conducted the semi-annual GlobalGAP audit of Subtropic Association to verify the compliance of producers with GlobalGAP scheme requirements. The audit included on-site inspection of three randomly selected farmers and service providers, which provides pesticide spraying services and fertilizers to the farmers. The association successfully passed the semi-annual audit and received useful recommendations from the auditor on further implementation of the scheme.

### *WORKFORCE ENHANCEMENT*

At the beginning of Year 3, EPI expert Cindy Fake returned to Georgia to conduct a ToT session for eight agronomists from Adjara and Guria at the Batumi University Knowledge Plot. The training focused on defining the maturity conditions of fruit and determining the

right sugar/acid ratio. The trained agronomists then delivered training to 985 farmers in the middle of November, prior to the harvest. This training completed the first annual cycle of training. EPI's grantee, Agroservice, took over preparations for the second cycle of training for a new cohort of farmers in February 2013. Ms. Fake provided an additional training in February for mandarin trainers on extension and teaching methodologies, which was also attended by hazelnut trainers, who shared their experience regarding the teaching methodologies employed during hazelnut training sessions.

In February, the second annual training program was launched to a new class of 940 mandarin growers and 23 service providers from 40 villages in Adjara and Guria. The sessions were led by the agronomists trained by Ms. Fake. During various training sessions, EPI's standards and compliance consultant provided guidance on environmental best practices in pesticide storage, application and disposal, and EPI's access to finance manager delivered trainings to 410 farmers on financial products available for agricultural production and inputs. The training demonstrated details of financial instruments such as 0% agricultural commodity credit, low cost (3%, 7-8%) agricultural loans, leasing and crop insurance. More details are discussed under *4.1.22 Access to Finance (Gantt Chart Level 16600)*.

#### VALUE CHAIN LINKAGES AND PARTNERSHIPS

In May, EPI linked representatives of Didube Market, who expressed interest to participate in mandarin exports, with the existing packing houses and a box producer in Adjara. The company also requested technical assistance from EPI in mandarin consolidation and export. EPI also linked GeoFood with Bridges International, Fozzy Group and Ukrainian fruit company PAKKO. GeoFood was preparing to export fresh fruit to Ukraine and Belarus, starting with stone fruit and then continue with mandarins in November 2013.

EPI continued to build on its productive partnership with the Ministry of Agriculture of Adjara, as well as with the agricultural faculty of Batumi Shota Rustaveli State University. This partnership was crucial to the process of achieving GlobalGAP certification and to promote mandarin exports. A representative of the Ministry of Agriculture of Adjara was a member of the GlobalGAP implementation team at Subtropic. In addition, the students from the agricultural faculty of Batumi Shota Rustaveli State attended all the GlobalGAP trainings.

EPI also continued working with local packaging companies to support agricultural exports through improved packaging that meets international palletizing/packaging requirements. For further details on these activities, please refer to *Paper, Paperboard, Corrugated Value Chain Action Plan Implementation* under *4.1.15 M&S Value Chain Action Plan Development (Gantt Chart Level 33000)*.

OUTPUTS	STATUS
10 farmer organizations formed	Completed – EPI will engage with 29 mandarin farmer groups in Y4 as potential beneficiaries of formalization support.
1st Mandarin Forum held	Completed
Market Familiarization Trip to Ukraine Held	Completed
Ukraine Reverse Trade Mission in December 2012	Completed
Fruit Logistica, Germany, February 2013	Completed



OUTPUTS	STATUS
Packing training provided to 5 packing houses	Completed
Three series of Mandarin KP training held for 1,000 trainees	In Progress – two series of Mandarin KP trainings held with participation of 940 farmers and 23 service providers
Partnerships established with 5 input providers	Completed
Business training for 100 women farmers held	Completed – More than 206 women farmers have been trained
GlobalGAP certification obtained by Subtropic Association	Completed
Trial mandarin shipment	Completed
Preparation for the exhibit on the Fresh Produce Ukraine 2013 (November)	In Progress
Preparation for the exhibit on the Fruit Logistica 2014 (February)	In Progress
Trade mission to Belarus 2013 (August)	Completed
GlobalGAP Action Plan developed for European market access (depending on pilot trial shipment outcome)	Completed – Mandarin marketing action plan includes recommendations for expanding and diversifying market access
Marketing Action Plan for citrus developed	Completed – Mandarin marketing action plan includes recommendations for expanding and diversifying market access
Development of citrus quality and safety guidelines	Completed – Developed as part of GlobalGAP
Development of the post-harvest handling scheme for farmer groups and packing houses	Postponed to Year 4
Recruitment and training for the packing house staff members	Postponed to Year 4
Training on post-harvest handling for farmer groups and farmers participating in export scheme	In Progress – Some of the training will extend into Year 4

## GREENHOUSE VEGETABLES ACTION PLAN IMPLEMENTATION

The EPI greenhouse vegetables value chain activities aim to increase the off-season production of Georgian vegetable crops, to in turn support increased exports and expanding Georgian farmers' share of domestic market consumption. EPI has already made a significant impact in the sector, supporting a rise in technology adoption rates for greenhouse operators to 90% to date. Based on EPI PMP beneficiary reported yields, greenhouse farmers have incrementally improved their productivity by 15%, or USD 5 million in additional sales or displaced imports.

### Year 3 Highlights in the Greenhouse Value Chain

- Significantly higher yields and revenue reported by greenhouse producers due to adoption of best practices from EPI greenhouse training program in Year 2
- Organization of 3<sup>rd</sup> Greenhouse Forum, bringing together 100 greenhouse operators, input suppliers, retailers, potential investors, relevant governmental institutions, the Agrarian University, financial institutions, donors and other stakeholders
- Recognition of Menji as the most successful greenhouse in terms of implementing best practices and EPI recommendations at the forum

## **MARKET ACCESS**

EPI continued support of market access for local greenhouse producers. Three companies will participate in the upcoming Ukraine Fresh Produce and Fruit Logistica trade fairs, which will take place in Year 4.

## **BUSINESS MANAGEMENT IMPROVEMENT**

In December, EPI's greenhouse expert David Dumaresq conducted audits of 30 EPI's existing and new greenhouse operator stakeholders to gather progress to date, identify key successes and weaknesses of the industry and compare against baseline data that was collected last year. One of the key findings showed that those greenhouses that participated in EPI's trainings in Year 2 had significantly higher yields and revenue due to adoption of best practices.

EPI organized the 3<sup>rd</sup> Greenhouse Forum on December 27. The forum brought together over 100 greenhouse operators, input suppliers, retailers, potential investors, relevant governmental institutions, the Agrarian University, financial institutions, donors and other stakeholders to discuss the current status of the sector and opportunities for cooperation and growth. Mr. Dumaresq shared his findings with the audience on the status of the sector, providing key recommendations to address specific weaknesses and focusing on both production techniques and marketing.

Input suppliers and retailers also presented their initiatives and promoted modern technologies relevant to greenhouse vegetable production. At the forum, EPI specifically recognized Menji Ltd. as the most successful greenhouse in terms of implementing best practices and EPI recommendations. Menji received a certificate award as The Best Greenhouse Operator of 2012-2013 in Georgia.

## **SMALL HOLDER GROUPINGS AND OTHER ASSOCIATIONS**

During Year 3, greenhouse producers expressed interest to form a Greenhouse Producers Association. The association would strengthen the communication and cooperation between producers in order to guarantee a high-quality supply of the produce and improve their marketing. Producers requested EPI to assist them in the process of the association's creation and development, which EPI plans to complete during Year 4.

## **WORKFORCE ENHANCEMENT**

Mr. Dumaresq conducted a one-day training for approximately 20 greenhouse producers in the Tskaltubo district of West Georgia who had been unable to attend last year's greenhouse training. Greenhouse crop management, modern production technologies and new crops were the main topics of the training.

During Year 3, EPI transferred all relevant greenhouse training materials to the Agrarian University so that they could continue using it for their students. However, the Agrarian University was interested in setting up a greenhouse laboratory to test different varieties and techniques and less as a vocational facility. As a result, EPI did not actively support the laboratory initiative, which required very specific biological and scientific resources.

OUTPUTS	STATUS
30 greenhouse operator audits conducted	Completed

OUTPUTS	STATUS
3 <sup>rd</sup> Greenhouse Forum held	Completed
Greenhouse training program transferred to an educational provider	Completed
Preparation for exhibit in Fresh Produce Ukraine 2013 (November)	Completed
Preparation for exhibit in Fruit Logistica 2014 (February)	Completed
Trade Mission to Belarus 2013 (August)	Completed
Facilitation of the Greenhouse Producers' Association (August 2013)	In Progress

## OPEN FIELD VEGETABLE VALUE CHAIN ACTION PLAN IMPLEMENTATION

In Year 3, EPI focused its activities on three key areas of activities: investment promotion with domestic and foreign investors (especially cold storage) and building sustainability of the training program through effective transition to other programs and local service providers.

### WORKFORCE ENHANCEMENT

EPI distributed its open field vegetable training materials to USAID NEO. EPI also provided open field vegetable (onion, garlic, carrot and potato) training materials to farm service center Alva, which will upload the materials to its website so that more farmers are able to benefit from modern vegetable growing technologies. It is important to disseminate this information among the farmer groups that are ready to operate and share experience in production and post-harvest handling practices with each other.

EPI had been providing input to the Rural Economic Development of the Southern Regions of Georgia (RED) project funded by Swiss Agency for Development and Cooperation (SDC) in the Samtskhe-Javakheti region and had planned to provide its potato training materials to RED for their own training activities, including provision of an additional level of support, if needed, to better tailor material to RED project farmer needs. However, due to potato disease problems in Georgia, RED suspended the implementation of planned potato value chain activities.

### BUSINESS MANAGEMENT IMPROVEMENT

The RED project postponed activities related to the potato technologies training program and cold storage forum. EPI has already developed all the training materials (both the electronic and printed versions) for the above-mentioned training program. If RED continues implementation of the program, EPI is ready to provide all the available materials.

OUTPUTS	STATUS
Partnership formed with other donors to implement training program	Cancelled – This activity will transition to RED project.
Cold storage forum supported (pending RED project's inception report approval)	Cancelled - This activity will transition to RED project.

#### **4.2.2 IMPROVE ACCESS TO AGRICULTURAL INFORMATION** (GANTT CHART LEVEL 25000)

##### **AGRICULTURAL PRICE AND MARKET INFORMATION DISSEMINATION**

EPI helped develop the concept of a simple SMS/price information system for hazelnut stakeholders. The concept focused on:

- Collecting information on prices from various farmers, consolidators and processors;
- Processing data; and
- Disseminate the data via SMS messages to stakeholders, including members of the HEPA, HPA and representatives of informal farmer groups.

In August, EPI piloted the SMS price information system, which disseminates hazelnut price information to approximately 300 hazelnut farmers daily in Samegrelo. The system allows farmers to closely monitor hazelnut prices by specific collection points, which is collected by EPI grantee Agroservice. EPI has engaged a number of value chain stakeholders in the initiative – including AgriGeorgia, HPA and HEPA – to maximize transparency and lay a foundation for the sustainability of the system. The tool is built in Microsoft Excel software that enables data collection and analysis, as well as development of standardized SMS messages.

Drawing on stakeholder feedback and data from pilot operations, the basic program will work, and its low operating costs will support its long-term sustainability. However, to be successful, the program will need a business model that will cover its costs and a governance model that will insulate the tool from price manipulation or market distortion. In Year 4, EPI will work closely with stakeholders to refine the business model and identify the best “home” for the system. Advisors will focus on a governance framework that meets market and stakeholder needs and mitigates risk of conflict.<sup>6</sup>

OUTPUTS	STATUS
Pricing information system established	Completed

#### **4.2.3 IMPROVE SUSTAINABLE ACCESS TO SUPPORT SERVICES** (GANTT CHART LEVEL 26000)

In order to build the capacity of local agricultural service providers in the delivery of training programs and additional value chain activities, EPI issued two grants to Georgian service provider, Agroservice, to support EPI in the implementation of the hazelnut and mandarin value chain programs, effectively transferring its Knowledge Plot training of farmers and agribusinesses to the service provider. During this process, Agroservice is building its long-term capacity to implement value chain activities beyond the life of the EPI project. EPI supports Agroservice in building its long-term capacity in the development of extension services and delivering training programs through the grant mechanisms. During Year 3, recorded videos on mandarin and hazelnut training programs, which allow farmers to view best practices at home and share with their neighboring farmers as well. Agroservice will use

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<sup>6</sup> The association of producers, HPA is a logical choice to fairly represent the selling community, but as a new organization, it will require some capacity building and sustainability to present a viable choice.

these videos for future training of farmers and investors in hazelnut and mandarin production and post-harvest training activities.

OUTPUTS	STATUS
Videos of hazelnut training produced	Completed
Videos of mandarin training produced	Completed
EPI training material transferred to 50 agricultural and business service providers	In Progress – EPI training materials were transferred to 35 service providers for dissemination to the farmers (29 during this quarter and 6 during last quarter). EPI will train 50 additional service providers in Y4.
20 service providers participating in EPI training	Completed – To date 34 service providers have participated in the training sessions (29 during this quarter and 5 during last quarter).

#### 4.2.4 SMALL HOLDER GROUPS (GANTT CHART LEVEL 27000)

During Year 3, EPI actively engaged with growers in 24 mandarin and 23 hazelnut growing villages to discuss their limited access to required production inputs, adherence to proper agronomic practices, and small land plots that create issues related to economies of scale, which were major factors constraining productivity, cost effectiveness and incomes.

To address these identified shortcomings EPI decided to support growers to organize into groups and has determined a financial scheme that would link them with input suppliers, financial institutions and buyers. The financial scheme will allow growers to access needed production inputs at affordable terms and conditions. It considers employing a financial guarantee mechanism and a voucher/agricultural card system for farmers to obtain needed inputs, payable after marketing of production (also see 4.1.22 Access to Finance (Gantt Chart Level 16600)).

The organization of growers into groups allows member growers to combine output and to market directly to end-buyers. Farmers expressed interest in forming groups and participating in the scheme. A number of representatives from supply chain players also showed interest to become involved in the implementation of the EPI-designed financial scheme. This scheme coupled with group adherence to proper production and post-harvest handling practices are expected to achieve substantially increased productivity, improved quality and higher incomes within these sectors.

*"Increasing yields is our top priority and through EPI's training program we have been learning what to do to achieve better results. In addition, within the group we exchange ideas, share experience and make decisions as one team. This by all means will help to increase our revenues and make our business successful."*

- Marika Gabisonia, member of women's farmer group

EPI, in collaboration with Georgia's largest agricultural input providers, laboratories, and microfinance institution Credo, developed schemes that facilitated the creation of two new financial products; (a) interest-free agricultural commodity (fertilizers, chemicals) loan and (b) interest-free service loan for soil analyses. Approximately 570 small-scale mandarin and hazelnut growers, who are members of the recently established farmer groups, accessed interest-free commodity and service loans in the amount of USD 202,500.

After sharing the model with the MoA, the Ministry decided to use this model and expand it in order to offer the same scheme of 0% agricultural installment to farmers countrywide. The development of this scheme will cause a reduction of the current interest rate of 15-25% that was so far offered by Credo to 0%. Members of hazelnut and mandarin farmer groups are now able to access agricultural inputs and services on consignment terms with a 0% interest rate. For more information regarding EPI's assistance to farmer groups, as well as association development, please refer to the value chain sections above.

OUTPUTS	STATUS
Georgian Greenhouse Producers' Association Formed	In Progress
20 village-based farmer groups formed	Completed – To date 46 farmer groups have been formed.
Presentation of input access scheme	Completed – 5 input suppliers and 4 laboratories presented their products and services to the farmer group leaders
Roundtable with the financial institutions and input suppliers	Completed – EPI organized roundtable with the input and service providers and MFI Credo
Implementation of access to input scheme	Completed

### 4.3 MANUFACTURING & SERVICE SECTORS COMPONENT (M&S) (GANTT CHART LEVEL 30000)

The overall goal of EPI's M&S component is to build long-term sustainability among a portfolio of manufacturing and services value chains, resulting in enhanced productivity, increased exports, market linkages, jobs growth and increased revenue. EPI's assistance in the first half of the project laid a strong foundation, and Year 3 activities motivated the value chain enterprises to take more ownership of their own capacity building. As EPI enters its final year, efforts will be targeted even more closely on key leverage points and higher impact initiatives within value chains, with the goal of increasing long-term sustainability of the sector stakeholders.

#### 4.3.1 M&S VALUE CHAIN ACTION PLAN DEVELOPMENT (GANTT CHART LEVEL 33000)

##### APPAREL VALUE CHAIN ACTION PLAN IMPLEMENTATION

##### MARKET ACCESS

During Year 3, EPI maintained its focus on increasing the industry's understanding of global apparel market trends by ensuring the repeated presence of stakeholders at carefully selected trade shows, providing opportunities to meet potential buyers and suppliers and facilitate exports. Presence at the trade shows contributed to promoting Georgia's outsourcing opportunities to a large group of potential buyers. Five

##### Year 3 Highlights in the Apparel Value Chain

- Identification of new buyers by Elsema and low-cost raw material suppliers by Geosport and Demetre 96 due to participation at ISPO Trade Fair in Munich
- Successful execution of sample orders by Laura Gachava and Imeri for Turkish manufacturer MATAD textile
- Assistance to Imeri in obtaining WRAP certification, which will take place in Year 4 and will help open doors to European markets
- Strengthening of Georgian Textile and Footwear Producers Association through Deloitte's Business Association Customized Assistance Program (BACAP)
- Linkages between local designers and buyers from CIS market, in collaboration with Tbilisi Fashion Week



companies and the Georgian Textile and Footwear Producers Association attended two major international apparel trade fairs (in Munich and Frankfurt) and have established new sourcing contacts, while building their management capacity (both owners and sales managers) to attend such trade fairs in the future. Prior to attendance at the trade fairs, companies received sales and marketing skills development trainings from EPI marketing consultant Remer Lane.

Meanwhile, apparel manufacturer Elselema won two small-scale state announced tenders to produce uniforms for the Fire Department and the Department of Corrections and Legal Assistance of Georgia. Unistyle is currently negotiating with the GoG to open a state-supported apparel factory through the Female Corrections Department, which will create jobs for 400 female prisoners and produce uniforms and clothing for various governmental institutions.



Photo 4. Texprocess Trade Fair in Frankfurt

EPI hosted a representative of MATAD Textile to explore outsourcing opportunities in Georgia. After visiting factories in Kutaisi and Tbilisi, the Turkish manufacturer expressed interest in collaborating with several local companies. MATAD placed sample orders with Georgian companies to explore their potential for sizable future orders and based on the quality of samples, MATAD will work with Laura Gachava (LG) and Imeri to commence production in the year four, once several issues are addressed, such as setting acceptable price

for both parties, and short lead time. LG will produce light viscose and mixed fabrics, while Imeri will likely produce coats. The quality of produced garments met with the requirements set by MATAD, although the long-term contract hinges on accurate pricing, which remains a subject of a negotiation EPI will continue to facilitate.

### ***CERTIFICATION & STANDARDS ATTAINMENT***

As a part of export promotion activities, during Year 3, EPI assisted two apparel companies in obtaining Worldwide Responsible Accredited Production (WRAP) certification. EPI's Standards and Compliance Consultant helped increase awareness among Imeri apparel factory in Kutaisi and Miller & Co in Tkibuli of the importance of compliance as a pre-requisite to European market entry. The two companies adopted WRAP policies and regulations prepared by EPI, made changes to their factories to meet WRAP requirements and conducted trainings for their staff on the 12 WRAP principles. Imeri is on its way to achieving WRAP certification, which is anticipated to take place in Year 4. Ultimately, Miller & Co. decided to postpone certification activities due to unstable financial conditions.

As a result of frequent interaction with potential buyers, two more factories, Demetre 96 and Elselema, expressed their interest in implementing WRAP standards, and EPI will assist them in a general assessment of the factories and estimating the associated costs to facilitate their decision with proceeding with WRAP certification.

EPI's efforts to broaden awareness of global standards were arguably instrumental in LG apparel making the decision to seek out and earn an ISO 9001 certificate in January. The importance of compliance with international standards emerged as a crucial factor for local



companies to attract business from international buyers after participation in international trade shows. LG also recently signed a 10-year contract with global brand Moncler.

During Year 4, in light of global apparel industry developments, EPI will continue to build awareness on the relevance of certification among manufacturers and assist in implementation of ISO standards in other factories that are prepared to become more competitive and attractive both at the local and international market.

### *WORKFORCE ENHANCEMENT*

Apparel workforce enhancement activities are described under *Workforce Development: Apparel Industry Support* under 4.1.21 *Establish Public-Private Partnerships* (Gantt Chart Level 16400).

### *INFRASTRUCTURE DEVELOPMENT*

During Year 3, EPI provided assistance to local business associations through BACAP.<sup>7</sup> As part of the program, EPI launched a diagnosis and workflow analysis activity with the recently formed Georgian Textile and Footwear Producers Association. The diagnosis determined the association's strengths, weaknesses, opportunities and challenges, followed by a customized action plan to assist the association to enhance its performance, offer better services to its members and thereby achieve long-term self-sustainability in the future. While working with the association on identification of weaknesses, EPI also facilitated linkages with the Lithuanian Association and Bavarian Textile Association.

### *PRODUCT AND SERVICE DEVELOPMENT*

In order to support the apparel sector to develop higher value-added products and services, EPI continued to identify opportunities to expand market linkages for fashion designers, increase the demand for their products and create the necessary incentives for them to establish commercial linkages with local apparel manufacturers, including via introduction of local brands. One of the fashion designers, Avtandil, expanded its collaboration with Imeri for its mass production brand.

In collaboration with Tbilisi Fashion Week (TFW), EPI also facilitated linkages for local designers with the CIS market by sponsoring a buyer familiarization trip of three buyers from Kazakhstan. The buyers attended Tbilisi Fashion Week on April 20-26, and expressed interest in collaboration with local manufacturers to outsource production to Georgia. In addition to their interest in outsourcing, upon meeting with local designers, one buyer purchased the entire collection of local designer Kikala Studio. EPI is continuing to facilitate the linkage between foreign buyers and local manufacturers, with the support of TFW, to pursue outsourcing opportunities in Georgia.

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<sup>7</sup> See *Policy Advocacy Capacity Building* under 4.1.1 *Improve Regulatory Environment and Licensing* (Gantt Chart Level 42300).

OUTPUTS	STATUS
At least 1 value chain group workshop conducted each quarter	Completed – EPI supported the creation of the Georgian Textile and Footwear Association and facilitated 2 meetings to date. Additional 7 value chain meetings, including trade fair preparation meetings, were conducted during this quarter, and 10 to date.
At least 3 subcontracting orders established between Turkish-owned and Georgian-owned companies	In Progress – Matad Textile and Zara are considering outsourcing with 3 companies
Participation at 2 Trade shows (Munich and Frankfurt)	Completed – ISPO Munich and Frankfurt trade shows
2 companies accredited to WRAP	In Progress – 1 company is in the process; 1 company temporarily suspended the process. 2 more companies expressed interest to implement WRAP standards in future.
2 awareness events for Georgian fashion designers and apparel manufacturers conducted	Completed – EPI together with Tbilisi Fashion Week facilitated the creation of awareness on local fashion and apparel industry among the Post-Soviet designers interested in outsourcing in low cost countries like Georgia.
Assist at least 2 new Georgian apparel manufacturers commencing exports	In Progress – Export activities are expected to be executed in Year 4
Assist 2 vocational colleges to partner with apparel manufacturers on internship programs	Completed – Tbilisi, Kutaisi, Batumi vocational colleges established partnership with Miller & Co., LG, Imeri. Materia, and Adjara Textile
Business enabling environment providing support to Georgian Textile & Footwear Association	In Progress – Support provided through Georgian Textile and Footwear Association. In Y4 EPI will facilitate at least two roundtable meetings with Associations to build public-private linkages and strengthen capacity to identify, quantify and propose solutions to policy constraints.
Sales and marketing training for local apparel manufacturers	Completed

## PAPER, PAPERBOARD, CORRUGATED VALUE CHAIN ACTION PLAN IMPLEMENTATION

### MARKET ACCESS

Corrugated packaging has rarely been used in transportation and packaging of Georgian produce. EPI has been promoting the usage of corrugated packaging for produce to facilitate the selling of Georgian produce as a premium product in traditional export markets, such as Ukraine, and to enter new high-value markets, especially in Europe. With EPI facilitation, Georgian box plant, Legi Group, received orders from five Georgian greenhouses and various fruit producers. Legi Group and another local company, Georgian Paper Making, also attended EPI's 3<sup>rd</sup> Greenhouse Forum in order to further facilitate business contacts with Georgian greenhouses.

In February, EPI and four of its packaging beneficiary companies (Legi Group, Milangi, Neoprint and Georgian Paper Making) attended the Fruit Logistica trade fair in Berlin, in

addition to participants from the agricultural sector (see *Hazelnut Value Chain Action Plan Implementation 4.1.11 AG Value Chain Action Plan Implementation (Gantt Chart Level 24000)*). The trade fair allowed the Georgian delegation to learn about the latest trends and innovations in fresh produce corrugated packaging. EPI assisted Georgian company representatives to meet with producers of packing paper and plastic packaging for vegetables from Finland, UK and Italy, to discuss details for future cooperation.

## PRODUCT AND SERVICE DEVELOPMENT

During Year 3, EPI assisted Georgian paper mill, Neoprint, in identifying and procuring water and moisture-resistant coating to introduce new water and moisture resistant test-liner (a packing paper variety). EPI identified Ukrainian consulting company Skan to develop action plans for Georgian paper mills Neoprint and Paper+ on the introduction of cost effective and efficient manufacturing processes, equipment upgrades and materials to meet the requirements of current and potential customers. As recommended by EPI, Neoprint decided to introduce a new product moisture-resistant test-liner destined for production of corrugated packaging for produce shipment and EPI assisted in identification of the moisture-resistant coating.

EPI translated and distributed box plant action plans for the produce market detailing how Georgian box plants may further develop their manufacturing processes to meet international quality and standard requirements to supply the domestic fresh produce market. Based on EPI's recommended action plan, box plant Legi Group consolidated its production lines in one unit in Gori, saving an estimated USD 100,000 per year. This also allowed it to establish more effective quality control, improving the quality of packaging.

### Year 3 Highlights in the Packaging Value Chain

- Execution of orders by Legi Group from five local greenhouses and various fruit producers
- Assistance to paper mill Neoprint in identifying and procuring water and moisture-resistant coating to introduce new water and moisture resistant test-liner
- Consolidation of Legi Group's production lines in one unit in Gori, saving an estimated USD 100,000 per year, as recommended by EPI's action plan
- Business plan development assistance for Legi Group, through EPI's BDS program, which will result in adding the non-corrugated packaging production line facility and launching the production of moisture-resistant corrugated packaging for agricultural products
- Participation of local box plants in EPI's Mandarin Forum, resulting in interest from mandarin exporters in locally ordering corrugated boxes for the 2013 mandarin season
- Sourcing of corrugated boxes by local factories within the domestic market, for the first time, instead of importing them from Turkey

As a result of EPI's active promotion of agricultural packaging production in Georgia, Legi Group plans to begin expansion of its agricultural packaging activities in 2014. To support the company's expansion, EPI identified an opportunity for business plan development for Legi Group through EPI's Business Development Services (BDS) Program. The business plan focused on the business expansion of the packaging company towards adding the non-corrugated packaging production line facility. Legi Group plans to implement the activities outlined in the business plan in 2014 in order to launch the production of moisture-resistant corrugated packaging for agricultural products.

## CERTIFICATION & STANDARDS ATTAINMENT

EPI short-term packaging advisor Randy Phares had developed individual recommendations and detailed plans for four EPI beneficiary box plants to introduce quality standards and

procedures. Paper consulting company Skan developed individual recommendations and implementation plans for two EPI beneficiary paper mills to establish basic quality control systems to standardize packing paper quality and create basic standards. EPI has translated all these studies and will distribute among beneficiaries to serve as guides for the companies to introduce standards and testing procedures to improve quality of manufactured products.

In Year 4, EPI will conduct a workshop with Georgian paper mills and box plants to facilitate on-site testing, quality procedures, safety and product quality standards their attainment of quality standards. During the event, Georgian and English versions of the studies will be distributed among the value chain companies and the importance of the standards and on-site testing attainment will be emphasized.

### *VALUE CHAIN LINKAGES AND PARTNERSHIP*

Through EPI facilitation, five greenhouses are currently purchasing boxes from Legi Group.

On January 31, three Georgian box plants participated in EPI's Mandarin Forum in Batumi. The companies presented the advantages for corrugated packaging for international transport of mandarins to Georgian mandarin exporters and growers. As a result, mandarin exporters are interested in ordering corrugated boxes for the 2013 mandarin harvest season. Currently, negotiation are underway between the parties and final results will be reported in Year 4.

As a result of EPI's involvement and support, for the first time, local factories are sourcing corrugated boxes within the domestic market instead of importing them from Turkey. EPI facilitated the establishment of links between Turkish-invested Adjara Textile and Georgian packaging companies Georgian Cardboard, Legi Group, Milangi and Georgian Paper Making.

EPI had planned to assist packaging companies to establish a Georgian Paper and Corrugated Board Association at the request of the value chain players. Ultimately, the majority of companies comprising the entire value chain (4 out of 7) withdrew their interest in establishing an association. Without a sufficient number of organizations participating in the association, EPI decided to cancel this activity.

OUTPUTS	STATUS
On-site testing, quality procedures, safety and product quality standards development for Georgian paper mills	Completed
Agricultural Packaging Needs and Packing Paper Export Demand Assessment	Completed
Participation in Fruit Logistica trade show in Berlin by 4 companies	Completed
New Produce Packaging Promotional Event held in Tbilisi	Cancelled – The event has become part of Establishment of Linkages between Box Plants and Agricultural Products Producers/Exporters activity planned in Y4
2 Paper Mills Individual Action Plans developed	Completed
Business plan developed for Legi group to introduce moisture resistant corrugated board production	In Progress
Workshop with Georgian box plants and paper mills to facilitate quality standards attainment as part of standards and quality seal introduction	Postponed to Year 4

OUTPUTS	STATUS
Establishment of Association of Georgian Paper and Corrugated Board	Cancelled – Insufficient number of companies willing to establish association
At least 1 established partnership between Georgian paper/box plants and foreign paper/pulp and corrugated packaging research institution/association	Completed – Partnership established with Ukrainian Paperboard Association and Ukrainian Paper and Pulp Association

## TRANSPORT & LOGISTICS (T&L) VALUE CHAIN ACTION PLAN IMPLEMENTATION

Building on activities from Year 2, EPI turned its focus during Year 3 on investment facilitation, CTC promotion, and strengthening of T&L sector skills and capacity through the establishment of a Supply Chain Council (SCC) Chapter in Georgia.

### MARKET ACCESS

In October, EPI's T&L sector manager and the president of the Georgian Logistics Association (GLA) attended the SCC Conference in Madrid. During the visit, they met with the SCC Executive Director who confirmed the organization's interest in establishing a SCC Chapter in Georgia in cooperation with the GLA. The SCC Executive Director Joseph Francis visited Georgia on June 24-25 to attend the 3<sup>rd</sup> Regional Conference on Trade Facilitation and CTC Promotion, where he presented SCC chapter establishment perspectives in Georgia and the region, as well as the concept and benefits of Supply Chain Operation Reference (SCOR) standards to stakeholders. GLA, supported by EPI, also delivered a presentation on supply chain capabilities in Georgia. Mr. Francis also met with leading Georgian private sector representatives, as well as the president of Georgian Technical University and the Deputy Minister of Defense.

On June 4-7, EPI and GLA participated in the International Transportation and Logistics Exhibition in Munich, where they met with the leading companies in the global T&L sector, including the Port of Hamburg, Pollzug, SSI Schaffer, SAP, Rehnus, Dachser and Miltzer & Munch and Interrail. Interrail expressed interest in the Tbilisi Logistics Center (TLC) project and possibly visiting Georgia, while SAP and SSI Schaffer were interested to help GLA with T&L sector educational programs.

EPI participated in a discussion of Poti port business process optimization, organized by APM Terminals, which included representatives from customs, shipping lines and off-dock terminal operators. APM Terminals presented an optimized operational scheme of container berth, which was agreed in advance with customs authorities. Participants agreed to re-arrange the roles and responsibilities according to the new operational scheme, which can reduce container processing time at the port. This business process is being integrated into the TFS. For further details on the TFS, please refer to *Trade Facilitation System (TFS) under 4.1.4 International Trade and Customs (Gantt Chart Level 42600)*.

### Year 3 Highlights in the Transport & Logistics Value Chain

- Promotion of two strategic T&L projects, Tbilisi Logistics Center (TLC) and the Agricultural Products and Food Logistic Hub, representing a total amount of USD 101 million in investment opportunities
- Installation of modern technology by three T&L companies, due to linkages formed by participation in EPI T&L sector workshop
- Completion of a competitiveness analysis of the CTC, which was broadly disseminated among key stakeholders in the government and private sector
- Support to Georgian T&L stakeholders to establish a Supply Chain Council (SCC) chapter in Georgia



During Year 3, EPI supported the promotion of two strategic T&L projects, Tbilisi Logistics Center (TLC) and the Agricultural Products and Food Logistic Hub, representing a total amount of USD 101 million in investment opportunities. EPI supported negotiations between the MoA and the Asian Development Bank (ADB) regarding the Agricultural Products and Food Logistic Hub project. For the TLC project, the company attracted international finance organization which agreed to invest USD 21.5 million in infrastructure.

### *PRODUCT & SERVICE ENHANCEMENT*



**Photo 5. T&L Sector Workshop on Modern Technology**  
Trans – installed this technology in their companies.

During Year 3, EPI and its ICT beneficiary WIMP LLC brought together 20 representatives of leading Georgian transportation companies, government officials and associations for a T&L sector workshop. The workshop primarily discussed the use of modern technology in improving transport and logistics operations. As a result of the linkages formed and information exchanged at the event, three T&L companies – Gulf, GA Logistics and Alfa

Through its BDS program, EPI completed a marketing research study for Georgian logistics company Contralo. The study included feedback from approximately 120 companies and will help EPI's T&L beneficiary company to improve its services by better tailoring them to customers' needs.

### *BUSINESS MANAGEMENT IMPROVEMENT*

During Year 3, EPI finalized a study on the Competitiveness Analysis of the CTC. The study delivered specific recommendations to key stakeholders in the government and private sector, focused on diverting transit goods from neighboring transit routes through Russia and Iran, increasing T&L investment along the CTC and increasing the competitiveness of T&L services. The study was broadly disseminated with Georgian and international audiences, including through the AmCham Investor.ge magazine and through EPI's presentation at the American Georgian Business Council annual conference in Washington, DC in December.

In order to increase the corridor's competitiveness, EPI is supporting Georgian T&L stakeholders to establish the SCC Chapter and introduce SCC standards (specifically the SCOR model) in Georgia. EPI facilitated negotiations with SCC Executive Director Joe Francis regarding SCC Chapter creation in Georgia during his June visit to Tbilisi. The first step will be for SCC and GLA to sign a Memorandum of Understanding (MoU) and establish GLA as the SCC representative in Georgia. This has several benefits. Mainly, with the co-representative agreement, GLA will: 1) gain credibility among members; 2) lower its start-up costs; 3) be involved in the SCOR instruction preparation process for SCOR trainings; and 4) secure time to translate and prepare all necessary documents and materials for chapter creation. Specifically, the MoU outlines the following support from SCC over the next three years:

- Provide GLA members with access to SCORmark

- Host a periodic webinar for GLA membership to explain the reference framework and metrics and how to use it within member organizations
- Host a periodic webinar for GLA membership to explain how to perform Benchmarking using the SCORmark® system
- Allow GLA members to attend Supply Chain World Europe events at SCC member rates
- Allow GLA members to attend SCOR® Framework and Implementation training at the SCC member rate
- Promote the SCC/GLA relationship to membership via association communications
- Promote a GLA-hosted Web event to promote specified GLA topics for SCC members in region
- Promote GLA events via email and inclusion in the SCC newsletter

EPI will focus in Year 4 on promoting the CTC and strengthening the T&L capabilities of Georgian enterprises through the establishment of a SCC chapter in Georgia.

#### *CERTIFICATION & STANDARDS ATTAINMENT*

In November, EPI's supply chain expert Ned Glattly delivered a six-day workshop on the SCC's SCOR model. Participants of the workshop included representatives of eight leading Georgian companies from the T&L and other related sectors, including McDonald's, Coca-Cola, ABC Pharmacia, BICT, Smart, GLA, Marshe and DHL Georgia. The workshop focused on the foundational elements of the SCOR model and utilization of a process reference model to diagnose and improve supply chain performance through the application of process modeling, scorecard development and benchmarking, best practice application and skillset development.

EPI beneficiary Gebruder-Weiss, a European T&L company, expressed interest to participate in SCC related activities, mainly SCOR training, workshops and seminars that will be organized in Georgia in October and November. Gebruder-Weiss is one of the largest companies operating in Georgia, having recently completed construction of a logistics center near Tbilisi International Airport with an investment of approximately EUR 8 million.

#### *VALUE CHAIN LINKAGES AND PARTNERSHIP*

EPI continued the promotion of modern technology implementation among T&L stakeholders during the reporting period. As a result, EPI beneficiary WIMP LLC managed to install a new control and trucking system on 50 trucks from seven transportation companies. Twenty-five more transportation companies are currently in the final stage of negotiations.

Leveraging EPI's World Economic Forum (WEF) Global Competitiveness Report (GCR) competitiveness initiative and EPI's collaboration with the World Bank, on May 15, EPI and the World Bank organized a PPD on issues in the T&L sector. The dialog identified three major areas for improvement: legislation, education and infrastructure. On June 18, EPI and GLA organized another PPD on the T&L sector, where participants decided to establish a special group of T&L public and private sector representatives that will meet on a regular basis to discuss relevant and pressing topics affecting the sector.



OUTPUTS	STATUS
Trade and Transit Analysis (2011-2012)	Cancelled
SCC Chapter created in Georgia	In Progress – SCC confirmed that they will sign an MoU with the GLA to serve as an official SCC representative in Georgia, as a first step toward establishment of a chapter in the future
10 T&L companies obtain SCOR Model certification	In Progress – The actual certification exam is funded by the participants and is to take place within 12 months of course completion, by November 2013 (in either Istanbul or Kiev)
Participation at International Logistics Exhibition in Munich	Completed
Participation at SCC Conference in Madrid	Completed
SCOR Training Sustainability Action Plan developed	Completed – As part of an Action Plan of Establishing Supply Chain Council Chapter in Georgia (Recommendations and Action Plan)
CTC Promotion Action Plan developed	Completed
Regional Conference on Trade Facilitation and the CTC Promotion	Completed
Develop value proposition material to explain the importance of improved supply chain management capabilities for the transport and logistics (T&L) sector development in Georgia and in the CTC	Completed
Public-Private Dialog on Trade Facilitation and Logistics between the public and private sectors to improve T&L sector and trade in Georgia	Completed
3 CTC promotion events held	Completed – 3 events held to date (Second and Third TFS Steering Committee meetings, and Batumi Trade Facilitation and Transit Corridor Promotion Conference).
10 companies adopting modern fleet management and tracking solutions in partnership with Georgian ICT provider	In Progress – 7 companies adopted new solutions. (installed on 50 trucks) and negotiations with 25 companies underway
Visit of the Executive Director of the SCC	Completed
SCC and GLA Co-Representation Agreement signed	In Progress
GLA, an official representative of SCC, engaged to conduct supply-chain capacity building activities	In progress

#### 4.3.2 IMPROVE COMPETITIVENESS OF TOURISM SECTOR (GANTT CHART LEVEL 35000)

Prior to Year 3, in order to strengthen their understanding of tourism demand, EPI, in partnership with GNTA, conducted a year-long study (4 quarterly surveys plus one pilot survey, covering the period from July 2011 to June 2012) of international and domestic tourist profiles, expenditures, satisfaction and perceptions. This information will be used to formulate targeted policies and will help measure the real contribution of the tourism sector to the overall Georgian economy. The survey process, in line with EU and UN World Tourism Organization recommendations, was then undertaken by GNTA. During Year 3, EPI

provided guidance on survey quality and analysis of the results, while GNTA engaged a market research company to conduct surveys and post results for further analysis on the newly developed GNTA statistical website.

Throughout the year, GNTA continued implementation of the tourism survey on a monthly basis, following the methodology provided by EPI. Implementation of the survey on a monthly basis allows GNTA and the tourism industry access to more frequent and detailed data and it will promote business analysis on international visitors to Georgia..

OUTPUTS	STATUS
GNTA implements a tourism survey following the methodology provided by EPI with some revisions based on guidance given by GIZ	Completed
Statistical website operational sharing tourism survey data and border statistics to a broad audience for further analysis and use	Completed

## WINE TOURISM VALUE CHAIN

### MARKET ACCESS

A critical aspect of developing any tourism value chain is creating awareness, interest, motivation to purchase, and demand for tourism products. In earlier project years, EPI had mobilized wine tourism expert Tim Clarke, who is the Director of UK-based Arblaster & Clarke Wine Tours, to generate increased awareness of Georgia as a wine tourism destination internationally among industry professionals. During Year 3, Mr. Clarke brought a group of wine tourists to Kakheti as part of the first Georgian wine tour hosted by this leading wine tourism company. Mr. Clarke noted overall satisfaction with the wine tour experience in Georgia among participants, especially regarding the quality of wine, hospitality, food and people. He also cited several issues including inconvenient flight arrival/departure times, quality of ground transportation and hotels in the region that will be taken into consideration for the company's next tour to Georgia.

On March 14-17, EPI supported the participation of the head of the Georgian Incoming Tour Operators Association (GITO) at the International Wine Tourism Conference in Zagreb, Croatia as a speaker on wine tourism and infrastructure, as well to participate in networking meetings. She also participated in meetings to organize the 2014 International Wine Tourism Conference in Tbilisi. As a result, the International Wine Tourism Conference 2014 will be held in Tbilisi, which will spotlight Georgia as a wine tourism destination among international wine tourism players.

#### Year 3 Highlights in the Wine Tourism Value Chain

- Addition of Georgia to UK-based Arblaster & Clarke Wine Tours route
- Securing of the 2014 International Wine Tourism Conference in Tbilisi, resulting from participation of the head of the Georgian Incoming Tour Operators Association (GITO) at the International Wine Tourism Conference in Zagreb, Croatia
- Successful outreach to Ukrainian market through visit of EPI-identified Ukrainian TV stations, magazines, newspapers and bloggers to 11 tourism sites in Kakheti and Mtskheta-Mtianeti, resulting in extensive media coverage of Georgian wine tourism in Ukraine
- Development of an electronic version of the Georgia Wine Route Map in Georgian and English increasing the visibility and accessibility of the wine tourism sites of the 57 Georgian Wine Route destinations

During Year 3, the Deputy Minister of Economy and Sustainable Development facilitated the establishment of a tourism working group that serves as an advisory group to GNTA. A majority of EPI tourism stakeholders, including GITO and Georgian Wine Association (GWA), participated in the working group. Through this working group, several areas for EPI assistance were identified. Recognizing that Ukraine has the most developed air transit with Georgia and airlines operating Georgian routes are low-cost, thus creating a beneficial



**Photo 6. Ukrainian Journalists Visit Georgian Wine Tourism Sites**

environment for wine tourism export to Ukraine, EPI identified and recruited top-rated Ukrainian TV stations, magazines, newspapers and bloggers to participate in Georgian wine tourism promotion. In May, EPI, together with the GITO and GNTA, hosted 19 Ukrainian media representatives from top ranking TV, magazines, newspapers, online media and tourism websites. During the visit, the representatives visited 11 wine tourism sites in Kakheti and Mtskheta-Mtianeti, conducted interviews and filmed news pieces for various

programs. As a result of the visit, TV stations produced 14 telecasts and a 15-minute movie dedicated to Georgian wine tourism and traditional Georgian winemaking. The telecasts and movie have been aired 19 times on the most popular Ukrainian TV channels. Bestselling Ukrainian magazines, newspapers and online editions produced more than 16 articles. Several media products about Georgian wine tourism that have been developed as a result of the visit are included below:

- <http://kanalukraina.tv/ru/episode/27306/>
- <http://kanalukraina.tv/episode/27324/>
- [https://www.youtube.com/watch?v=NXBFh\\_9riFE&feature=player\\_embedded](https://www.youtube.com/watch?v=NXBFh_9riFE&feature=player_embedded)
- <https://www.youtube.com/watch?v=WJMNJe70MU>
- <http://www.youtube.com/watch?v=1HKR5nPKgDE&feature=youtu.be>
- [http://www.youtube.com/watch?v=5gYVJNglt\\_4&feature=youtu.be](http://www.youtube.com/watch?v=5gYVJNglt_4&feature=youtu.be)
- <http://www.reporter.novy.tv/video/35138/Reporter-30052013-vypusk-1900>
- <http://youtu.be/OD7tCoQHLvM>
- <http://korrespondent.net/lifestyle/fooddrinks/1571419-vypili-za-rossiyu-semiletnee-rossijskoe-embargo-sygralo-na-ruku-gruzinskoj-vinnoj-industrii>
- [http://epigeorgia.com/images/ld\\_degustator4\\_kahetia2.pdf](http://epigeorgia.com/images/ld_degustator4_kahetia2.pdf)
- <http://www.segodnya.ua/life/travel/Puteshestvie-v-Kahetiyu-i-starye-vinnye-tradicii-Gruzii--443643.html>

This was the first Georgian wine tourism promotion international campaign and as a result of it, the wine tourism industry anticipates an increase in the number of wine tourists from Ukraine.

EPI also financed the development of an electronic version of the Georgia Wine Route Map in Georgian and English. A total of 4,000 hard copies of the map in both languages will be

printed and distributed among incoming and domestic tourists through tourist agencies and tourism information centers. The distribution of the map will substantially increase the visibility and accessibility of the wine tourism sites of the 57 Georgian Wine Route destinations.

In addition, EPI contributed content for the Tourism and Trade Guide to Georgia to promote Georgia as an international wine tourism destination. For more information on the guide, please refer to *Wine Tourism Value Chain* under *4.1.15 M&S Value Chain Action Plan Development (Gantt Chart Level 33000)*.

### VALUE CHAIN LINKAGES & PARTNERSHIPS

EPI in partnership with the Georgian Association of Guides organized a one-day conference in July for wine tourism stakeholders from West Georgia. The conference was dedicated to the importance of wine tourism and in particular, to the role of wine guides in wine tourism promotion. Forty representatives of the hospitality industry participated in the conference together with the wineries and wine cellars of Georgian Wine Route from Western Georgia.

As part of EPI media outreach, EPI conducted several wine tourism site visits for economic journalists to better understand and promote Georgian wine tourism offerings. For more information, please refer to *Economic Journalism Development* under *4.1.20 Increasing Economic Knowledge (Gantt Chart Level 16200)*.

OUTPUTS	STATUS
Four (public and private) stakeholders in the wine tourism sector implementing at least 2 coordinated activities	Completed – EPI implemented the Ukrainian bloggers, TV and printing media journalist visit to Georgia in partnership with GNTA, GITOA and Georgian wine tourism companies. GNTA in partnership with EPI developed wine route map in Georgian and English.
Identification and recruitment of Ukrainian top ranked TV stations, magazines, newspapers and blogs to engage them in Georgian Wine Tourism Promotion in Ukraine	Completed
Promotional Plan For Georgia's Wine Tourism Sector developed by stakeholders and facilitated by EPI	Completed – A draft plan has been developed by GWA and GITOA
Georgian Guides Association Workshop for Wine Tourism Stakeholders	Cancelled
Hosting GITOA and GWA Presentation to Wider Stakeholders of Promotional Plan For Georgia's Wine Tourism Sector	Cancelled
Co-financing support to GNTA for Georgian Wine Route Map development	Completed
Georgian Wine Tourism promotion through Tourism and Trade Guide to Georgia	Completed
At least 10 journalists with an increased knowledge about Kakheti's wine tourism opportunities, producing at least 30 articles or other media products for a wider audience in Tbilisi	Completed – 16 Journalists participated in site visits to Chateau Mukhrani, Schuchman Wines and Alaverdi Monastery Wine Cellar and produced 16 articles

## MICE TOURISM VALUE CHAIN

EPI served as the primary catalyst to spur development of the MICE tourism sector. Focused participation in trade fairs and facilitation of dialog between public and private sector stakeholders around the formation of a Georgian Convention Bureau (GCB) have markedly raised awareness and sparked participation by a wider number of stakeholders in EPI's activities, while annual MICE tourism arrivals have risen sharply.

### MARKET ACCESS

In November, representatives of the GNTA, Adjara Tourism Department, seven destination management companies (DMCs), two large hotels and EPI, exhibited Georgia as a MICE destination at the annual EIBTM International MICE Fair, one of the world's largest MICE exhibitions. This year, two new Georgian DMCs exhibited for the first time. The public and private sectors representatives held B2B meetings and presented Georgia's MICE tourism potential to international DMCs and industry professionals from various international markets. The largest interest in Georgia came from Russia, Ukraine, Poland, the Baltic countries and Spain. As a result of participation at the fair, several companies received more than 350 incentive tourism orders from Russia, Ukraine, Spain and the U.S.

In October, the Russian travel guide publishing agency "JAM Group International" visited Georgia to publish a guide about Georgia's tourism potential, with the focus on MICE tourism. One of EPI's beneficiaries, BTL Travel, hosted the representative of the publishing agency and introduced Georgia's tourism potential and perspectives. The guide was published in April 2013.

During the fall 2012, EPI, in cooperation with EPI, beneficiaries carried out a familiarization trip for 25 representatives from 23 international DMCs to Georgia. The DMCs were identified by Georgian enterprises within the MICE tourism sector based on their interests and target countries. This activity was an important follow up to attendance at the fairs in Barcelona and Frankfurt where the Georgian participants established contacts with international DMCs.

EPI supported the promotion of Georgia's MICE tourism sector and local DMCs assisting with the development of the Georgian Tourism and Trade Guide published in March. The guide will be updated and published annually. EPI produced a one-page overview of the sector and highlighted key messages for sector promotion. The guide is being distributed in Georgia and at international tourism fairs, as well as trade and investments fairs.

With EPI assistance, Georgian Events, Travel Shop, Georgica Travel and GNTA exhibited for the first time at the Gulf Incentive, Business Travel & Meetings Exhibition (GIBTM) MICE tourism fair in Abu Dhabi on March 25-27. GIBTM is a leading event for the meetings, incentives and business travel industry in the Gulf Cooperation Council (GCC) region and

### Year 3 Highlights in the MICE Tourism Value Chain

- More than 350 incentive tourism orders from Russia, Ukraine, Spain and the U.S. received by local companies as a result of participation at the EIBTM International MICE Fair
- Publication of the Georgian Tourism and Trade Guide to promote Georgia's MICE Tourism sector
- Visit to Georgia of approximately 70 incentive tourists from Poland as a result of participation at the GIBTM MICE tourism fair in Abu Dhabi
- Organization of the 2<sup>nd</sup> MICE Industry Conference & Workshop, which included a convention bureau presentation by Serbian Convention Bureau Director Milos Milovanovic
- Support to GNTA to create an updated MICE Tourism Catalogue
- Assistance to stakeholders in the formation of a Georgian Convention Bureau (GCB)



includes the participation of the world's leading business tourism destinations, venues, hotels, incentive package providers and technology innovators. As a result of participation, tour operator Georgica Travel partnered with Polish travel company Orbis Tour to bring Polish MICE tourists to Georgia. A group of approximately 70 incentive tourists from Poland visited Georgia in July. Georgica Travel also established a linkage with Russian MICE tourism company Business Travel Concept at the event, resulting in a visit for 45 incentive tourists from Russia in September.

### *PRODUCT & SERVICE ENHANCEMENT*

EPI, together with the MoESD, GNTA and ExpoGeorgia, carried out the “2<sup>nd</sup> MICE Industry Conference & Workshop” on April 12. The conference brought together more than 70 MICE tourism industry professionals to discuss a convention bureau concept and the role of government and private sector in the bureau’s development and implementation. A guest speaker, Milos Milovanovic, Director of the Serbia Convention Bureau, discussed the Serbian bureau’s experience of establishment in 2007 by a similar USAID project like EPI in Serbia, lessons learned, convention bureau membership benefits, best practices and the contribution of the bureau in tourism sector development. Participants raised various questions and confirmed, at the event, and separately after the event, their commitment to actively support the establishment of a bureau in Georgia.

EPI, with ExpoGeorgia, also supported venues, including Mtatsminda Park, Kopala, Tsitadini Venues and Krtsanisi Residence in exhibiting at the Caucasus MICE Tourism Fair in April, in order to increase the involvement of the venues in MICE business, establish wider contacts with the key industry players and promote the GCB establishment.

Also during Year 3, two new Georgian travel agencies, Georgian Discovery Tours and Discover Georgia added MICE products and services to their existing portfolio and participated in the EIBTM fair in Barcelona in November. The agencies also participated in organizing a familiarization trip for international DMCs. For the EIBTM fair, EPI assisted GNTA to create an updated MICE Tourism Catalogue.

### *INFRASTRUCTURE IMPROVEMENT*

EPI has been providing assistance to stakeholders in the formation of the Georgian Convention Bureau (GCB). EPI presented a convention bureau model to the First Deputy Minister of Economy and Sustainable Development. The model included a strategy, governance structure, financial model and the main functions of a GCB that the MoESD and GNTA are planning to establish with the private sector 2014. The model that EPI has proposed at the 2<sup>nd</sup> MICE Tourism Conference in April. According to the proposed model, MoESD is planning on establishing a convention bureau function within GNTA, with EPI support, in preparation for establishing an eventual stand-alone organization. The Convention Bureau is a key institution that presents the country to an external audience and brings together all the MICE private and public sector stakeholders so that they can jointly promote Georgia’s MICE sector and bid for different conference and exhibition opportunities internationally.

EPI has been assisting GNTA to effectively engage in PPD regarding the GCB, as well as candidates for the head of the bureau position and availability of state financing for creating and supporting the bureau. A PPD event will take place in Year 4, where GNTA will present the GCB model to private sector stakeholders.

## WORKFORCE ENHANCEMENT

In August, EPI assisted seven representatives of Georgian tourism enterprises, two representatives of GNTA and one representative of the Adjara Tourism Department to attend the European Cities Marketing (ECM) Summer School Training in Istanbul. The course, which was provided to more than 50 delegates, mostly from Europe, included cases studies, seminars and discussions on successful and failed examples of city MICE marketing. It brought students face to face with leading industry practitioners, through a seminar that reflected the latest trends, new technologies and practices in the MICE industry. Most importantly, the Georgian delegates had an opportunity to experience the process of preparing convention bureau technical proposals for international conference tenders and receiving feedbacks from industry professionals. Participants understood the importance of a convention bureau in MICE destination promotion. This training was an important step towards establishment of the GCB.

OUTPUTS	STATUS
Doubling of MICE tourism direct beneficiaries (from 8 to 16)	Completed – MICE Tourism direct beneficiaries increased to 25
6 international DMC familiarization visits conducted	Completed – Visits of 23 international DMCs conducted
MICE Service Providers and Venues Catalogue (electronic and printed)	Postponed to Year 4 – The catalogue development activity has been postponed and will be included as one of the first activities of Georgian National Convention Bureau
At least 10 tourism enterprises participate in MICE Tourism training program in Istanbul, August 2013	Completed – 9 representatives of tourism enterprises participated in the training. 10 Representatives of tourism sector participated in the Training
Georgian MICE Catalogue Update	Completed
Georgian MICE tourism promotion through Tourism and Trade Guide to Georgia	Completed
At least 10 Georgian tourism enterprises exhibit at EIBTM and IMEX	Completed for EIBTM – 11 companies participated Completed – In coordination with GNTA, IMEX trade participation was cancelled and instead 3 companies and GNTA first time attended GIBTM trade fair in Abu Dhabi by EPI support
The 14th International Tourism Fair in Georgia “Caucasus Tourism Fair” – CTF 2013	Completed
2nd Caucasus MICE Conference	Completed
Training for the Effective Trade Fair participation for GIBTM participants	Completed
Public and Private Stakeholders Discussion on Establishment Convention Bureau	In progress – EPI has facilitated separate discussions with public and private sector stakeholders on GCB. Early in Y4 EPI has brought the parties together and will intensify direct dialog efforts to support establishment of the GCB.



OUTPUTS	STATUS
Georgian National Convention Bureau established on a public-partnership model	In Progress – GNTA has expressed interest to commence several Convention Bureau functions, while waiting for final establishment of the bureau in 2014
Provide training and capacity building assistance in preparation to National Convention Bureau established	Completed
National Convention Bureau Feasibility study and Business Plan developed	In Progress – A draft presentation and business plan have been presented to MoESD and further adjustments will be made during the upcoming quarter

### 4.3.3 IMPROVE COMPETITIVENESS OF ICT SECTOR (GANTT CHART LEVEL 36000)

During Year 3, EPI continued demand-driven support to ICT companies as an enabling sector for other supported value chains and the Georgian economy as a whole, accelerating their productivity and growth through adoption of technology. Originally, EPI had planned to help establish an Innovation Center, through which a broad range of sector development issues such as market enhancement, new products and services development and workforce and infrastructure development. However, changes in GoG priorities forced public and private sector stakeholders to suspend or delay their contributions to the creation of the Innovation Center. The delays made it infeasible for EPI to support the center's establishment. As a result, EPI agreed with USAID to cancel the activity and realign the resources to other project activities.

*"Our company has been actively working with EPI team on developing IT solutions for various sectors. EPI has been providing much needed support and expertise, which has been greatly contributing to our company's development, visibility and growth. EPI has supported us with qualified experts, shared very interesting and useful studies, and assisted us with workforce needed for our company's growth."*

- Giga Umekashvili, Founder and CEO of EPI beneficiary WIMP LLC

### MARKET ACCESS

In November, the ICT Business Council and the DEA, with EPI assistance, organized the annual Georgian Cyber Security and IT Innovation Conference and Georgian IT Innovation Award 2012 in Tbilisi. The purpose of the conference was to establish and promote effective partnerships among the public and the private sector, associations and other IT industry-related organizations in Central and Eastern Europe, and the Baltic States, as well as the Caucasus and Middle Asia regions, in order to promote competitiveness, innovation and cyber security.

During Year 3, EPI's ICT beneficiary companies continued to expand their markets with EPI support, including the following:

- WIMP developed a technology system for the T&L sector, which so far has been adopted by seven Georgian T&L companies. Twenty-five more transportation companies are currently in the final stage of negotiations to adopt the system.
- Azry has developed and implemented an application to use eID student cards for public transportation.
- Liberty Bank started offering customers the option of obtaining cash from ATMs by using eID cards.

## **PRODUCT AND SERVICE ENHANCEMENT**

Building on EPI's support to the government's E-ID project during Year 2, EPI continued to support E-ID application development. Java developers from the ICT Business Council, in cooperation with the Ministry of Education and Science, delivered training on the use of student status information stored on ID cards to retailers, telecom operators, banks and other companies and organizations. The training, which took place at the Civil Services Development Agency of the Ministry of Justice, demonstrated the use of this information to provide specialized services, including discounts and promotions to students. Twelve representatives from nine companies, including Geocell, Caucasus Fast Food Company, Master Sport, Biblusi, MateksGeorgia and Mifasi attended the training. In total, more than 60 people from 50 companies attended eID technology related trainings and workshops.

The public registry office successfully implemented OpenID technology, which allows businesses to use E-ID cards for their clients' single sign-on services. In addition, two E-ID developers and a business analyst previously hired by EPI through the ICT Business council were hired by the public registry to continue assisting with enhancement of services using E-ID cards and applications.

As a follow-up to the Microsoft Imagine Cup 2012 competition during Year 2, Microsoft Georgia, together with EPI, organized the Microsoft Imagine Cup Award Ceremony to recognize the participation of the winners of the first Microsoft Georgia Imagine Cup student technology competition who attended the global finals in Australia in summer 2012.

Through its BDS program, EPI helped its beneficiary company Alta Software to identify the products and services necessary for Alta's new project, based on market research and recommendations provided to the company. Alta plans to develop a website aimed at introducing the one stop shop concept in money lending and borrowing, allowing potential customers to obtain comprehensive information about loans (including personal loans, business loans and leasing) from various financial institutions, compare their products and offerings, select the best options and obtain loan approvals online. Another project under BDS was the development of the market research study for the EPI ICT Beneficiary company ITS which will allow the firm to expand the services and products offering to improve customer satisfaction and increase sales.

## **INFRASTRUCTURE IMPROVEMENT**

As discussed above, in consultation with USAID, EPI removed the establishment of the ICT Innovation Center from its work plan.

In May, EPI participated in a working group meeting to develop an E-Government Strategy and Action Plan 2013-2018 for Georgia, organized by the EU Twinning Project and the DEA. EPI led the drafting of the e-Business part of the strategy and contributed findings and recommendations from its Innovation Center Feasibility Study. EU Twinning Project with DEA already submitted the final plan to the government.

## **WORKFORCE ENHANCEMENT**

Due to cancellation of the ICT Innovation Center, no workforce enhancement initiatives took place.

OUTPUTS	STATUS
30 mobile, gaming, business and E-ID apps and software developed	In Progress – 16 different applications are already developed including 8 Microsoft applications (as part of ImagineCup) and 8 eID applications . EPI in Y4 is planning to support different competitions and more applications will be developed
50 companies trained on Java application development and use	Completed – 50 companies trained on eID applications development and use
At least 3 ICT companies developing new solutions for EPI targeted sectors and value chains	In Progress – 1 company developed a solution for T&L, 1 company (ICT startup under GreenNet) is developing the CRM solution applicable to T&L and tourism (hotels) sectors. 1 company (ITNovations) has introduced the localized Hotels Management solution.

#### 4.3.4 BUSINESS DEVELOPMENT SERVICES (GANTT CHART LEVEL 37000)

In Year 3, EPI's BDS program continued to support consulting projects for EPI's value chain stakeholders in order to meet their needs to enhance management, marketing and organizational capacity. EPI partnered with the European Bank for Reconstruction and Development's (EBRD) Business Advisory Services (BAS) Program on certain BDS projects to leverage resources in order to meet EPI and EBRD BAS objectives.

Within the framework of EPI's cooperation with the EBRD BAS program, EPI helped Geguti 2005 to select a vendor, Management Systems Consulting, for the GlobalGAP certification project through a tender selection process. Geguti 2005 is EPI's agricultural sector beneficiary company, which operates herb production greenhouses and exports to the Eastern European market.

EPI also identified an opportunity for packaging beneficiary Legi Group to leverage the EBRD BAS program to develop Legi Group's business development plan, including introduction of a new product in their moisture-resistant packaging line, as well as construction of a new box plant in Gori. Legi Group selected Alliance Group Capital to serve as its consulting company advisor. For more information regarding EPI's packaging value chain activities, please refer to *Paper, Paperboard, Corrugated Value Chain Action Plan Implementation* under 4.1.15 *M&S Value Chain Action Plan Development (Gantt Chart Level 33000)*.

During Year 3, EPI conducted other BDS program projects as well for its beneficiary companies. EPI's BDS firm Innova successfully completed the Marketing Strategic Development for ExpoGeorgia, EPI's MICE beneficiary company. This will help ExpoGeorgia to expand and improve their services and become a prominent international exhibition center.

EPI also worked with students from various universities to develop business plans and marketing studies for eight EPI beneficiary companies from various sectors, including T&L, packaging and ICT (details are discussed under relevant value chain sections above). Through EPI's internship program, 20 interns with business and finance backgrounds were assigned to the beneficiary companies for two months to develop the materials. EPI and

Georgian Business Development Center (GBDC) Caucasasia provided coaching and mentorship to students to ensure delivery of quality finished products.

In September, EPI, together with ExpoGeorgia, successfully organized the first Business Development Forum and Conference, which was open to business consulting companies (e.g. management, financial, marketing, human resources, information technologies and other advisory firms), the financial sector (banks, investment companies, etc.) and international donor organizations working in the business development sphere to present their services and products.

OUTPUTS	STATUS
Marketing Strategy Development for ExpoGeorgia developed	Completed
2 additional BDS programs implemented through EPI	In Progress – 1 program completed
Develop Business Plans for 7 EPI beneficiary companies	Completed
Partnership with EBRD's BAS Program started and at least 10 projects conducted with them	Completed – Partnership with EBRD's BAS Program was established, with one project initiated. In Year 4, EPI will continue facilitating linkages between private companies and the program based on the demand.

#### 4.4 CROSSCUTTING ACTIVITIES COMPONENT (CC) (GANTT CHART LEVEL 16000)

During Year 3, EPI continued to provide relevant resources and tools across other EPI components to ensure efficient and effective program delivery. The overall goal of the CC activities is to:

- Increase domestic finance for EPI's value chains through promotion of leasing products, offering of financial advisory services, development of new financial products and expansion of crop insurance;
- Improve the skills of workforce within EPI's apparel, wine tourism and MICE tourism value chains;
- Integrate youth and women into EPI's value chains; and
- Improve the availability of economic and business information in Georgia and increase public knowledge about competitiveness.

##### 4.4.1 GENDER AND YOUTH INTEGRATION (GANTT CHART LEVEL 16100)

#### WOMEN INTEGRATION: WOMEN FARMER SURVEY IN EPI VALUE CHAINS IN ADJARA AND SAMEGRELO

In January, EPI completed surveying women farmers engaged in hazelnut and mandarin production. In total, 98 women from Adjara (55) and Samegrelo (43) regions have been interviewed. The objective of the survey was threefold:

- Identify the constraints limiting women participation in EPI-supported activities;

- Identify the training topics facilitating economic strengthening and empowerment of women across EPI value chains to customize the EPI Basic Business Skills and Entrepreneurship Training plan accordingly; and
- Use the survey findings to develop recommendations and innovative approaches for incorporation into the Gender Outreach Strategy to facilitate increased enrollment of women in EPI-supported trainings.

The survey showed that women are keen to participate in training activities, with the expectation that acquired skills and knowledge will facilitate their economic empowerment. Enhancement of women's participation in different educational events can be achieved through the adaptation and tailoring of the training curriculum to the target groups' needs.

## PROMOTION OF WOMEN ENTREPRENEURSHIP



**Photo 7. Building Business Skills of Women Mandarin Farmers**

EPI, in cooperation with its partner NGOs, including the Association of Young Economists of Georgia (AYEG), Georgian Business Development Center (GBDC)/Sense Selection, and Georgian Association of Women in Business, developed a Basic Business Skills and Entrepreneurship Training Program, which was modified and customized based on the women farmers' survey results to cover the specific training topics requested by women during the survey.

During Year 3, EPI and its partners delivered six Basic Business Skills Trainings for women farmers engaged in hazelnut and mandarin production in Samegrelo region. In total, 206 women farmers and small entrepreneurs from Samegrelo, Adjara and Kakheti were introduced to marketing, taxation, budget planning, record keeping, market information gathering and analyses, access to affordable credit and cost-benefit analysis. Women farmers gained new skills through practical content and exercises customized to their respective value chains. EPI's access to finance manager also provided training participants with valuable information about crop insurance, leasing and opportunities for affordable credit, offered by EPI stakeholder financial institutions.

## YOUTH INTEGRATION – INTERNSHIP PROGRAM

EPI continues providing internship opportunities to students from various universities and helps undergraduates and graduates to gain practical work experience and development of professional skills by engaging them in the delivery of EPI's value chain activities. The EPI Internship Program allows interns to provide assistance not only to EPI components, but to work directly with EPI stakeholders and demonstrate their professional capabilities to potential employers, with a prospect of getting a future job offer. As a part of its internship program, EPI also initiated a mentorship program that implies provision of assistance to EPI's former and current interns in developing specific skills and knowledge that will enhance their personal and professional growth. EPI consultants and managers volunteered to engage in this endeavor. The mentorship program will be easily accessible for all interns



who seek expert advice and coaching in their professional development. To date, six interns are participating in this program.

During Year 3, EPI engaged 57 interns in EPI value chain activities. Interns from leading universities in Georgia gained knowledge and experience in communications, workforce development, ICT, data collection, privatization, business plan development, agriculture and project operations areas. A complete list of interns who participated in EPI's internship program during Year 3 can be found in Annex 1.

For example, in response to the RS's request for interns, EPI selected various candidates to assist with the EPI-supported Tax Regulatory Review Initiative, which develops recommendations for legislative changes to the Tax Code and Tax and Customs Secondary Legislation. Vazha Petriashvili, advisor to the RS, participated in the interview process to select three suitable candidates. In addition to assisting the RS with development of the legislative changes, the interns will be able to gain insight into various tax and customs related issues. According to Mr. Petriashvili, in case of successful performance, after completion of the internship program at EPI, selected interns will have an opportunity to become permanent employees of the RS.

Through its BDS program, EPI is working with students from various universities to develop business plans and marketing studies for EPI beneficiary companies from various sectors, including T&L, packaging, ICT and agriculture. As many as 20 interns with business and finance backgrounds will be assigned to the beneficiary companies for two months. For more details regarding EPI's BDS activities, please refer to 4.1.18 *Business Development Services (Gantt Chart Level 37000)*.

*"I realized that, at EPI, I could acquire all I was looking for and even more: work experience in an international setting, potential network of connections both locally and globally and working in the sphere of investment promotion, where almost all the types of educational experience and the potential future areas of expertise I was considering would need to be utilized (finance, investment, economics and marketing). There was no chance in the world I would miss such an opportunity."*

- Rati Anjaparidze, former EPI intern and current Chief Specialist for the Investment Policy Division of the Investment and Export Policy Department in the MoESD

Participation in the EPI Internship Program helped many interns in their career growth. Upon completion of the EPI internship program, Rusudan Martirosyan, Nino Goderdzishvili, Mariam Kvakhadze, Tornike Davitashvili, Ketevan Kharebava, Tamar Kochakidze, Pavle Beridze, Tatia Udesiani, Ketevan Shekriladze, Irine Kurtanidze, Irakli Gotsiridze, Salome Maisuradze, and Nikoloz Anasashvili were all offered jobs at different organizations, including Western Union, LG, Rooms Hotel, Soft Master, Juridical company, RS, Channel 1, Procredit Bank and AT PKF UBC service.

OUTPUTS	STATUS
6 business skills targeted trainings delivered	Completed – 8 trainings delivered
200 women farmers/start-ups/entrepreneurs trained in basic and advanced business skills	Completed – 206 women farmers trained in basic and advanced business skills
24 interns engaged by EPI with 30% job placement	Completed – 37 interns engaged in total engaged during year three. Job placement of interns who completed EPI internship program during this quarter is at 86%, and overall job placement of EPI interns from the start of the project is at 75%.

OUTPUTS	STATUS
70 women farmers interviewed to identify constraints for participation in EPI trainings	Completed – 98 women interviewed
Outreach strategy for integrating women in EPI activities developed	Completed

#### 4.4.2 INCREASING ECONOMIC KNOWLEDGE (GANTT CHART LEVEL 16200)

These crosscutting activities address EPI's goal to increase business acumen and economic knowledge through developing economic journalism, enhancing the quality of business and economic information and dissemination channels and building awareness about competitiveness topics as they relate to the World Economic Forum's (WEF) Global Competitiveness Report (GCR).

#### ECONOMIC JOURNALISM DEVELOPMENT

During Year 3, EPI continued media outreach activities aimed at familiarizing economic journalists with competitiveness activities supported by EPI, as well as latest developments and trends in EPI targeted sectors in Georgia. Activities included media site visits to EPI value chains, as well as continuation of EPI's *Coffee and Conversation* series.

EPI conducted several site visits for journalists to wine tourism sites in Kakheti to learn more about the wine tourism value chain. In addition to visits to Alaverdi Monastery and Schuchmann Winery, 16 journalists visited Chateau Mukhrani to learn about wine tourism opportunities and discuss its trends, challenges and competitive advantages. The site visit enhanced the journalists' knowledge about the sector and supported greater availability of information about wine tourism among Georgian media. At Chateau Mukhrani EPI carried out a *Coffee and Conversation* session with key speakers from EPI, GNTA and Chateau Mukhrani.

In addition, EPI conducted a total of five *Coffee and Conversations* during Year 3, as summarized below:

- New technologies in the transport and logistics sector, where journalists met with the director of EPI beneficiary company WIMP to discuss new opportunities for increasing the efficiency of the sector participants.
- Two sessions dedicated to the wine tourism industry in Georgia, where journalists met with the representatives of GNTA, Guides Association of Georgia, EPI beneficiary companies Chateau Mukhrani and Schuchmann Winery, and discussed strengths and weaknesses of the sector.
- In partnership with GNIA, focusing on the role of FDI, the investment climate and opportunities in Georgia, instruments for investment promotion and investor management.
- Agricultural marketing in the hazelnut and mandarin value chains, led by marketing consultant Remer Lane, about key marketing opportunities and constraints in these sectors, as well as key areas of marketing, including product distribution, pricing and the need for effective export promotion.



OUTPUTS	STATUS
150 media products supported by EPI assistance	In Progress – 117 media products produced
At least 10 journalists trained	Completed – 15 journalists trained
2 media visits to EPI value chains	Completed – 3 visits carried out
2 large-scale trainings conducted together with USAID G-Media	Postponed to Year 4
6 “Coffee and Conversation” sessions conducted	Completed – 5 Coffee and Conversation sessions were carried out

## IMPROVING BUSINESS ACUMEN AND ECONOMIC KNOWLEDGE

During Year 3, in order to improve business acumen and encourage a dialog around business competitiveness in Georgia, EPI supported Global Entrepreneurship Week (GEW), an initiative sponsored by the US-based Kaufmann Foundation to promote entrepreneurship and innovation. This year, Georgia joined this initiative for the first time through the Innovation & Entrepreneurship Development Center. EPI supported GEW in Georgia by helping the Center design the overall agenda for a series of events, and then actively participated in two events. The first event, brought together policy-makers, business association leaders and media to participate in the workshop on “Business Environment in Georgia – Opportunities and Challenges for Entrepreneurs.” The event brought awareness to business enabling environment challenges and opportunities that currently exist for entrepreneurs. Economic profile media representatives and business school students actively participated in an interactive question and answer panel format.

The second event, hosted by the Deloitte Georgia office, focused on “Shifts in Global Sustainability from a Marketing Focus to Core Business Imperative: Opportunities for Georgian Entrepreneurs.” EPI facilitated discussions with the representatives of United Nations Development Program (UNDP), Eurasia Foundation, AmCham, Deloitte, Wissol Group/Smart and other representatives of private sector and civil society to discuss corporate social responsibility and sustainability which are now widely regarded as a business imperative for companies to maintain a competitive advantage. The workshop participants developed a draft concept for joint activities to be implemented in Georgia, such as B2B networking for social entrepreneurs with established businesses, establishment of commercial linkages with social entrepreneurs and other small businesses and awareness raising activities on CSR and sustainability opportunities.

EPI continued supporting the International School of Economics of Tbilisi State University's (ISET) Policy Institute to develop Georgia's first Competitiveness Report, in partnership with USAID's Policy, Advocacy and Civil Society Development in Georgia (G-PAC) project. After completion of the report, EPI facilitated a dialog between public and private sector stakeholders about strategies targeted at the improvement of the country competitiveness. More details are discussed under *World Economic Forum* below.

In order to increase business acumen among students, EPI is engaging business administration students to develop business case studies on specific EPI value chains and companies. EPI worked with educational institutions and facilitated the establishment of student teams from Caucasus School of Business, University of Georgia and Batumi Shota Rustaveli State University. EPI also engaged its interns in this activity. In total, 25 students

are participating in the project, including 10 students from Adjara. The teams received training and ongoing mentoring throughout the process of developing the business cases, during which time they worked closely with beneficiary companies to gather the necessary information. Business cases are being developed for five companies, including Elselema, Pheasant's Tears, Legi Group, Agroexport and Batumi International Container Terminal.

Upon completion of the cases, EPI will hold a competition, in Year 4, and the winner will be granted short-term online courses dedicated to topics of business administration (a choice between general management, marketing or finance). Such local business cases will increase the availability of tangible examples on best practices and lessons learned in business trends across specific sectors in the Georgian economy. Business cases will be disseminated among various universities and incorporated into business curricula. Summary business cases will also be shared among and discussed with economic profile media in a workshop format, helping to increase their knowledge and understanding of how business acumen is a key success factor for Georgia's long-term competitiveness.

OUTPUTS	STATUS
Competitiveness Report awareness raising workshops	Completed – 1 workshop carried out in Year 3
12 public events/outreach campaigns on key economic issues	Completed – 10 events carried out in Year 3
5 business case studies developed	In Progress – Will be completed in Year 4

## WORLD ECONOMIC FORUM

During Year 3, EPI began implementing its public outreach action plan for WEF GCR. In partnership with Business Initiative for Reforms in Georgia (BIRG), the official administrator of the WEF survey in Georgia, EPI started implementing public outreach, including social media outreach and development of promotional videos to increase awareness of WEF and competitiveness issues in Georgia.

### *DEVELOPING INFORMATION AND PROMOTIONAL MATERIALS ON GCR*

As part of EPI's public outreach campaign on WEF GCR, EPI produced a series of videos on Georgia's competitiveness, based on the WEF 2012-2013 GCR. The videos targeted the business community, as well as broader stakeholders, in order to raise awareness about GCR and its importance in better understanding the business enabling areas that need improvements in order to increase Georgia's competitiveness. A summary of the videos includes the following:

- Video 1: "What It Means for Georgia to Be a Competitive Country:" Interviews with local businesses, NGOs and WEF's regional representative and highlights various strategic sectors of Georgia's economy, including infrastructure, logistics, agriculture and tourism (<http://www.youtube.com/watch?v=bxiDza4SyJc&feature=youtu.be>)
- Video 2: "Ranking of Georgia According to GCR:" Comparison of Georgia's ranking to other countries within the region and countries with a similar economy (<http://www.youtube.com/watch?v=Zi4WN5vG5AY>)

- Video 3: “National Competitiveness Report for Georgia:” Findings of the National Competitiveness Report of Georgia developed by ISET and interviews with ISET’s Policy Institute and high-level Georgian government officials from the Ministry of Infrastructure, Ministry of Education and Science and the MoA (<http://www.youtube.com/watch?v=cnBGrijyGims&feature=youtu.be>)

All videos are available on the EPI project website and have also been disseminated via EPI’s Facebook page, as well as the Global Competitiveness Report Georgia Facebook page, which EPI created to share promotional materials, including press articles and live television and radio show recordings. The videos were also disseminated through BIRG and ISET’s databases, which include 2,000 business and 223 students, respectively.

### *PROMOTING GCR THROUGH SOCIAL MEDIA*

EPI assisted with GCR outreach through social media by created and maintaining a Global Competitiveness Report Georgia Facebook page, where promotional materials, including press articles, competitiveness videos and live television and radio show recordings are shared. The Facebook page also provides a venue for Georgian business representatives from specific industries to discuss competitiveness topics and business environment in Georgia.

### *CONDUCTING WORKSHOPS AND MEETINGS WITH TARGET GROUPS*

In February, EPI, in collaboration with USAID G-PAC, ISET and BIRG launched a series of events “Strategic Dialogue on the Competitiveness of Georgia.” The first event was a roundtable, which brought together 80 participants from businesses, NGOs, think tanks, government, economic profile media and students. The event commenced with a presentation of the EPI-supported promotional video “What It Means for Georgia to Be a Competitive Country” and included roundtable discussions allowing the business community, government and civil society to consider the most pressing priorities for enhancing Georgia’s competitive advantage through interactive dialog, using the WEF GCR as an organizing framework of discussion.

The series continued with a second roundtable on the findings of the First National Competitiveness Report of Georgia developed by ISET’s Policy Institute. The report aims to complement WEF’s GCR by providing in-depth analysis of competitiveness issues – in particular, exploring the potential for Georgia to leverage its geographic location and business environment as a hub economy in the Caucasus region.

In partnership with the World Bank and their competitiveness initiative, EPI also hosted two additional PPD events discussing opportunities to increase the competitiveness of the T&L sector, as previously discussed under *Transport & Logistics (T&L) Value Chain Action Plan Implementation* under 4.1.15 *M&S Value Chain Action Plan Development (Gantt Chart Level 33000)*.

### *MASS MEDIA CAMPAIGN*

EPI, through its economic journalism development program, continued to promote and emphasize the importance of economic and competitiveness topics among journalists. To that end, EPI collaborated with economic profile media to cover GCR 2012-2013. Since the launch of the campaign, 18 articles have been published in print and electronic media. The articles mostly review Georgia’s ranking in the GCR 2012-2013 and discuss improved

indicators, as well as the series of competitiveness events discussed above and the findings of the First National Competitiveness Report of Georgia developed by ISET.

OUTPUTS	STATUS
Hard data analysis report for GCR 2012-2013	Completed
Awareness about WEF GCR and its importance raised among 3,000 businesses, 1,000 students and 10 think tanks	Completed – Awareness of 2,042 businesses, 257 students and 10 think tanks raised
Promotional materials developed: 2 brochures, 3 podcasts and 3 presentations/slide decks	Completed – 2 electronic brochures published, 2 promotional videos (podcasts) produced, and 2 presentations/slide decks developed
Promotional materials disseminated on websites of EPI, BIRG, ISET	Completed
BIRG website, Facebook and YouTube channel page created	Completed
6 workshops with businesses, 2 meetings with NGOs, a training session with media representatives and meetings with 7 business schools on WEF GCR carried out	Completed – 5 roundtable meetings and PPD workshops carried out with attendance of representatives from NGOs, businesses, students from 3 business schools, representatives from GoG and media
At least 70 articles, radio and TV shows on competitiveness topics produced	Completed – 22 produced in total (18 articles, 1 media coverage and 3 radio shows aired).

#### 4.4.3 ESTABLISH PUBLIC-PRIVATE PARTNERSHIPS (GANTT CHART LEVEL 16400)

During Year 3, EPI continued to support the establishment of various partnerships for Georgian organizations domestically and internationally to support project efforts in increasing Georgia's competitiveness, largely focusing on public-private partnerships (PPP) and workforce development.

#### GLOBAL DEVELOPMENT ALLIANCES

During Year 3, EPI continued to manage the GDA with Ferrero, which has yielded significant results for the hazelnut sector in Georgia. For more details regarding successes in the hazelnut value chain, please refer to *Hazelnut Value Chain Action Plan Implementation* under 4.1.11 AG Value Chain Action Plan Implementation (Gantt Chart Level 24000). EPI also continued to effectively manage PPPs in the areas of TFS and workforce development. For more information regarding TFS, please refer to *Trade Facilitation System (TFS)* under 4.1.4 International Trade and Customs (Gantt Chart Level 42600).

To date, EPI established 15 GDAs/PPP. EPI's contribution of USD 1.6 million was able to leverage an estimated USD 1.4 million by its partners. This includes an estimated Ferrero GDA leverage of USD 0.7 million vs. EPI's USD 0.5 million amount to date.

OUTPUTS	STATUS
GDA established for Trade Facilitation System (TFS)	Completed – With an increasing number of stakeholders, EPI utilized an existing MoU that has established a PPP to continue to leverage private and public sector resources to meet TFS project objectives

## WORKFORCE DEVELOPMENT

During Year 3, EPI focused on strengthening existing and facilitating the establishment of new partnerships between businesses and educational institutions to help educational institutions better understand and support industry workforce needs. EPI aimed to bridge the gap between the supply and demand in workforce in the apparel, wine, and MICE tourism value chains by facilitating the development of industry-driven educational programs, upgrading the capacity of educational institutions and service providers and establishing sustainable linkages between educational institutions and industries.

### APPAREL INDUSTRY SUPPORT

During Year 3, EPI focused on promoting the development of effective partnerships between the vocational colleges and the industry to help meet the workforce needs of the industry and facilitate job placements of students.

#### Apparel Training-of-Trainers (ToT) Program for 100% Inspection and Quality Audit.

On October, EPI completed its ToT program for 100% Inspection and Quality Control instructors. The course was delivered in several phases starting from August 27 through October 19. In total, nine apparel instructors representing six VoCs participated in the trainings. EPI provided training supplies and helped colleges to equip the workshops and classrooms with furniture and tools required for delivery of the Quality Control course. EPI also developed industry-driven curricula and training manuals for the new vocation. Throughout the ToT program, EPI's subcontractor TC2 observed instructors' learning and presentation skills, provided feedback and evaluations, and identified areas for improvement for each instructor. As a result, the ToT course participants became well-prepared to train students to inspect and audit garments to ensure quality and understand the concepts of quality, safety, and efficiency. A successful implementation of the newly introduced programs to trainees will increase productivity and employment in the apparel industry.

*"Thanks to a well-designed course and highly qualified teachers, we were able to master the sewing skills quite well in a short period of time. Through this course, we obtained not only huge experience, but found a job as well."*

- Irina Kokaia, Sewing Machine Operator Course student at Mermisi VoC



Photo 8. Sewing Machine Operator Course Students at Mermisi VoC

#### Pilot Short-term Courses for Sewing Machine Operators (SMOs).

To bridge the gap between the supply and demand of qualified workforce in the apparel industry, EPI, in collaboration with Mermisi VoC, developed a short-term (six-week) course for SMOs. The course is primarily based on the modularized apparel training program developed by EPI subcontractor TC2; however, some new sewing-related topics that had been requested specifically by the industry during the

preliminary discussions, were added to the course curriculum. To ensure sustainability of the short-term courses, EPI engaged Elselema, one of the largest local apparel companies, in the course development process. Course participants also participated in an orientation visit to Elselema in order to allow them to gain insight into the working environment and



conditions offered by the local apparel companies. Since the launch of the program in January, 19 SMOs have completed the short-term courses. Eleven (57.89%) were employed upon completion of the course at Elselema, LG, Miller & Co. and Materia.

Following the success of the program at *Mermisi*, *Iberia* VoC in Kutaisi launched pilot short-term SMO courses. EPI assisted the VoC with establishing a close collaborative relationship with Kutaisi apparel factory Imeri, which agreed to hire operators upon completion of the training. One of USAID NEO's beneficiaries, an internally displaced person (IDP), was among 11 training participants. In order to ensure an effective launch of the first training course at Kutaisi, EPI engaged *Mermisi* to provide logistical and organizational support based on its experience in conducting the program. Since the launch of the program in May, 11 SMOs have completed the short-term courses. Eleven (100%) were employed upon completion of the course at apparel factory "Imeri" in Kutaisi.

In response to requests from local fashion designers, EPI plans to design additional vocational training courses for SMO graduates, which will be custom tailored to the needs of the fashion industry and will address skills in measuring, cutting, hand sewing and pattern making.

[Apparel Manuals](#). During Year 3, EPI worked on the development of apparel manuals based on the three courses developed during Year 2 – SMOs, Sewing Machine Mechanics and 100% Inspection and Quality Control. One hundred and fifty copies of each manual are being provided to the Ministry of Education and Science for distribution to VoCs that provide courses in those areas.

OUTPUTS	STATUS
2 industry-driven short-term courses developed in apparel	Completed – 1 short-term course for sewing machine operators developed
9 instructors from 6 vocational colleges trained in 100% Inspection and Quality Audit teaching skills	Completed
3 short-term pilot courses offered for Sewing Machine Operators in partnership with the apparel industry	Completed – 2 short-term courses completed in Tbilisi and 1 completed in Kutaisi
300 students trained through apparel vocational college programs	In Progress – 410 apparel students completed training at vocational colleges to date. 163 additional students in training
60% job placement facilitated for apparel training graduates	Completed – Current employment is at 49.27%
4 PPP staff from 4 vocational colleges trained in applying PPP models	Completed – 1 PPP staff from Tbilisi college trained
4 partnerships established between vocational colleges and apparel industry	Completed
450 apparel training manuals published	Completed

## ***TOURISM SECTOR SUPPORT***

Building on certified educational programs by the Wine & Spirits Education Trust (WSET) that were offered to wine educators and hospitality personnel in Year 2, EPI continued to offer wine education programs to its wine and MICE tourism value chain stakeholders during Year 3. EPI provide an international certification program in partnership with Georgian wine education institutions, as well as a series of Frontline Hospitality Course (FHC) on Georgian



and international wines to ensure sustainability of the programs developed through EPI support.

[WSET Level III Certification Program](#). In Year 3, EPI continued to work with wine educators, who successfully completed the EPI-supported WSET Level II course, to inform potential candidates of the WSET Level III certification program and about the terms and conditions for applying to the course. EPI launched the 16-week intensive WSET Level III certification program to 11 wine educators from Georgian Wine School, Wine Club, Icarus and Teliani Wine Cellar. Weekly sessions included a program overview and group discussions, followed by the tasting of wine



Photo 9. Frontline Hospitality Course Wine Tasting

samples from WSET London. WSET instructor, Rachel Brown, traveled from London to provide orientation training at Georgian Wine Laboratory, where she introduced the specifics of the WSET Level III certification program and the structure of the final certification exam. The final exam included a blind tasting of red and white wines, which were brought from London by Ms. Brown, as well as a written essay on the characteristics of the wines and the systematic approach used when tasting them. By the end of October, the exam results will be revealed and successful graduates of WSET Level III course will be supported in becoming certified as WSET Approved Program Providers. Local wine educators who receive APP certification will be able to teach WSET certified course not only in Georgia but internationally.

*"During this one year, ever since we started conducting training seminars in various regions of Georgia, we can determinedly say that many things have positively changed. People engaged in the hospitality industry significantly increased their skills in introducing Georgian wines. Participants willing to attend are increasing steadily and we can see how service staff's attitudes towards Georgian wines are changing too."*

- Malkhaz Kharbedia, Founder of Wine Club, on the Frontline Hospitality Training Course in Wine introduced by EPI

[Frontline Hospitality Courses \(FHC\) on Georgian and International Wines](#). To facilitate improvement of knowledge infrastructure on Georgian and international wines within the hospitality industry, EPI partnered with Wine Club, one of the leading Georgian wine education institutions, to support the delivery of a series of FHCs on Georgian and international wines for front-line staff of hospitality companies throughout Georgia. Through EPI support, Wine Club delivered seven FHC courses throughout

various regions of Georgia, including Kakheti, Shida-Kartli, Adjara, Tbilisi and Imereti. More than 150 frontline staff from restaurants, hotels, wineries and guesthouses participated in the program and increased their knowledge in wine etiquette and wine and food pairing, as well as learned how to compare local wine varieties to well-known international wine types. Due to high interest among the hospitality industry in the FHC program, Wine Club plans to continue offering courses in the future without EPI financial support.

OUTPUTS	STATUS
10+ wine educators certified in WSET level III	Completed – 11 Georgian wine educators who completed WSET level I and II certification program engaged in WSET level III certification course

OUTPUTS	STATUS
150+ hospitality staff from 50 companies trained in FHC	Completed – 143 frontline staff from 71 companies trained in Kakheti, Shida-Kartli and Tbilisi. Additional representatives from 30 companies will be trained.

#### 4.4.4 ACCESS TO FINANCE (GANTT CHART LEVEL 16600)

During Year 3, EPI focused its activities on supporting the leasing industry and continued to promote leasing products with EPI companies and individuals. Given the success of the crop insurance pilot project, EPI continued to promote the crop insurance pilot and provide assistance to insurance industry to build their capacity.

A new focus during Year 3 was the development of new financial products that are tailored towards the specific needs of EPI value chains and marketing them among financial institutions.

#### FINANCIAL ADVISORY PROGRAM

Building on the creation of the financial advisory program in Year 2, EPI continued creating linkages to bridge the gap between EPI value chain companies and finance providers. One of EPI's financial advisory firms, Alliance Group assisted several companies with financial services, including the following:

- Freight forwarding company Vita Logistics was assisted to purchase additional equipment through the leasing mechanism in the amount of USD 140,000 in order to expand business operations.
- Freight forwarding company, Georgian International Container Transport (GICT), was able to obtain a credit line from Procredit Bank Georgia in the amount of USD 500,000 for the purchase of new specialized refrigerated trucks in order to expand its business.
- Individual entrepreneur Zaur Sigua was able to identify a leasing instrument as the best option for acquiring the needed equipment, which amounted to USD 47,315.

OUTPUTS	STATUS
USD 500,000 will be attracted through Financial Advisory Program for EPI's value chain companies	Completed – USD 920,915 mobilized
18 companies will receive assistance through Financial Advisory Program	Completed – 21 companies received assistance. 6 companies obtained finance.

#### FINANCIAL LEASING

The National Bank of Georgia (NBG) began developing regulations to establish the anti-money laundering (AML) policy for Georgian leasing companies. In the past, leasing was not regulated in this regard. Inclusion of the leasing industry in the list of institutions regulated under AML regulations began in 2012. Most of provisions of the draft regulation, as well as regulative procedures being developed for leasing, have been applied from the law that regulates the banking sector. Therefore, leasing companies have difficulties with interpreting the law and complying with the regulations. At the request of the leasing industry, EPI facilitated a meeting between leasing industry representatives and an expert on AML policy,

Nino Gogatadze, who directed industry representatives to develop a road map for achieving the industry's objectives. However, the development of a respective manual was not completed, as industry representatives did not find it essential.

Throughout the year, EPI's access to finance manager delivered trainings to 526 hazelnut and mandarin farmers on the functionalities of financial instruments and provided information regarding financial companies that operate in Georgia.

To stimulate further expansion of the financial leasing industry in Georgia, EPI, in collaboration with leasing industry, developed a Financial Leasing Taxation Manual and provided it to RS for discussion and adoption. For more details, please refer to *4.1.5 Tax Systems (Gantt Chart Level 42700)*.

OUTPUTS	STATUS
Awareness raised of 300 farmers on leasing instrument	Completed – Awareness of 526 farmers raised
Best practices in AML policy development for leasing sector identified and manual for policy development drafted	Completed – Based on guidance of the AML expert, the manual was not considered needed by the industry

## FINANCIAL PRODUCT DEVELOPMENT

During Year 3, EPI closely cooperated with Georgia's largest agricultural input providers and a number of lending institutions to develop a value chain financial product that would allow groups of mandarin and hazelnut growers to access low cost finance for agricultural inputs. EPI, in collaboration with Georgia's largest agricultural input providers, laboratories, and microfinance institution Credo, developed schemes that facilitated the creation of two new financial products; (a) an interest-free agricultural commodity (fertilizers, chemicals) loan and (b) an interest-free service loan for soil analyses. As a result, 570 small-holder mandarin and hazelnut farmers, who are members of the recently established farmer groups, accessed interest-free commodity and service loans in the amount of USD 202,500. The scheme was replicated by the GoG and it facilitated access to interest-free inventory loans for Georgian farmers countrywide.

In Adjara, EPI's access to finance manager trained 29 mandarin growers on technical aspects of financial products relevant to agricultural production. During the training, farmers discussed the discrepancies and misunderstandings, which typically occur when dealing with financial institutions and requested assistance with interpreting unclear topics. EPI communicated these issues to financial institutions in order to assist farmers with improving communication with financial institutions.

OUTPUTS	STATUS
3 new financial products designed and used by 3 financial institutions or value chain firms	Completed – 2 new financial products developed. The third (warehouse receipt system) cancelled.

## CROP INSURANCE

During Year 3, EPI provided support and technical guidance to the insurance sector to be able to better mitigate the risks in the agricultural sector and support access to finance for agricultural producers and agribusinesses. This included continued support to the successful

pilot project on co-shared insurance crop insurance and building the capacity of the insurance industry.

### *INSURANCE INDUSTRY CAPACITY BUILDING*

At the end of Year 3, EPI, the Georgian Insurance Association (GIA) and the Association of Banks of Georgia launched a crop insurance training program for lending institution representatives. Forty-two officers from various lending institutions attended the sessions of the training. This activity directly strengthens the agriculture sector by upgrading the financial infrastructure and risk mitigation strategies in agricultural lending by means of crop insurance.

### *PILOT PROJECT OF CO-SHARED INSURANCE PREMIUM*

In December, insurance company Aldagi BCI, which jointly with EPI and Bank of Georgia (BoG) had been implementing the pilot project of co-shared crop insurance premium since Year 2, made indemnity payments in the amount of GEL 9,170 to six potato growers who experienced losses due to heavy hail in the Samtskhe-Javakheti region. The insurance compensation allowed these small-scale farmers to not only pay back loans to BoG and remain in good standing with the lending institution but also to obtain agricultural finance for the 2013 planting season and expand their farming businesses.

During Year 3, MFI Credo obtained the exclusive right among microfinance institutions to distribute Aldagi BCI's crop insurance policies. EPI, BoG, Aldagi BCI and Credo agreed on Credo's inclusion in the joint crop insurance program. With the inclusion of Credo in the pilot project of co-shared crop insurance premium, Aldagi BCI was able to sell mandarin insurance policies for the first time in Georgia to farmers in Adjara. Credo has been actively supporting EPI value chain farmers with loans and after the crop insurance awareness campaign conducted by EPI, Credo and Aldagi BCI, the MFI sold insurance policies with total sum insured GEL 412, 656.

### *AGRICULTURAL INSURANCE DEVELOPMENT*

Members of the crop insurance development task force, which was established by EPI in cooperation with GIA and five insurance companies, carried out a roundtable on the reinstatement of statistical data on the frequency and severity of natural weather occurrences in Georgian regions. As an outcome of the roundtable, EPI contracted GIA to develop a statistical database on climatic and weather-related deviations for major agricultural regions in Georgia. GIA already developed the statistical database, which is based on 30-year weather occurrences and disseminated to local insurance companies for crop insurance purposes, particularly with regard to risk assessment practices and new insurance product development.

The task force also managed to engage the MoA into a consultative process on crop insurance market development in Georgia. Based on the GoG's intention to contribute substantial financial resources to crop insurance market development in the near future, the task force members outlined steps to develop the crop insurance market through cooperation with Spanish agricultural insurance management institution Agroseguero and Georgian Agrarian University in order to meet the 2014 season with improved technical capabilities.

OUTPUTS	STATUS
500 farmers trained on the functionalities of crop insurance	Completed – 526 farmers trained
Crop Insurance Conference held	Postponed to Year 4
Survey of a pilot project conducted	Completed
40 bank/micro-finance institutions and 25 insurance company employees trained on the technical aspects of crop insurance	In Progress – 42 bank/micro-finance institution employees trained
5 new crop insurance products developed/revised	Completed – Insurance companies developed/revised crop insurance products (grapes, hazelnut, mandarin, maize, wheat, potato, onions, carrots, beetroot, and onions)

## 4.5 MANAGEMENT AND OPERATIONS COMPONENT (M&O) (GANTT CHART LEVEL 1000)

M&O's goal is to provide efficient and effective program strategy and implementation, including efficient reporting, measuring of results, management and operations.

### 4.5.1 WORK PLANNING (GANTT CHART LEVEL 12000)

The Year 4 Work Plan was developed by EPI during the month of August and September 2013 in close collaboration and discussions with USAID and EPI stakeholders.

OUTPUTS	STATUS
Year 4 Work Plan delivered by September 30, 2013	Completed

### 4.5.2 COMMUNICATIONS (GANTT CHART LEVEL 13000)

EPI continued to implement activities based on the strategy outlined in its communications plan, including the following: progress reports to USAID, updated EPI website and Facebook page, press releases to engage the media in EPI's activities, distribution of success stories highlighting EPI's project results, and an ongoing monthly newsletter currently reaching over 2,000 stakeholders. The monthly newsletters can be accessed on EPI's website <http://www.epigeorgia.com>.

OUTPUTS	STATUS
Weekly, monthly, quarterly and annual reporting	Completed
Year 2 Annual Report (by October 30, 2012)	Completed
Monthly newsletters issued	Completed
Press releases developed	Completed
At least monthly interviews with local media	Completed
6 success stories produced for USAID	Completed – 5 success stories produced
Weekly EPI website updates	Completed
USAID DEC report submission of approved deliverables on weekly basis	Completed – 98 reports submitted to date
Use of social media tool	Completed

### 4.5.3 PROCUREMENT AND GRANTS (GANTT CHART LEVEL 14000)

As part of its procurements, Deloitte continued to secure financial and programmatic buy-in from stakeholders and counterparts to activities to leverage its funds and ensure beneficiaries had a stake in the game. To date, USD 770, 434 of project procurements allocated towards trade fairs, familiarization trips, events, and study tours, generated an additional USD 1,203,569 in contributions by project stakeholders and beneficiaries.

In December, EPI awarded Union AgroService with two grants to assist with the implementation of the hazelnut and mandarin value chain programs. Details of the value chain assistance provided under the grants are included under 4.1.11 AG Value Chain Action Plan Implementation (Gantt Chart Level 24000).

OUTPUTS	STATUS
Grants issued to EPI beneficiaries	Completed – 2 grants issued under the hazelnut and mandarin program to Union AgroService. Management and implementation of grants is ongoing.

### 4.5.4 SUBCONTRACTING (GANTT CHART LEVEL 15000)

Deloitte has used 27 local small businesses or organizations amounting to USD 1.51 million in payments to deliver substantive technical assistance to the project as part of the project's key objective to build local capacity.

OUTPUTS	STATUS
Deloitte Georgia engaged as a subcontractor	Completed

### 4.5.5 PERFORMANCE MONITORING (GANTT CHART LEVEL 17000)

EPI submitted the PMP Year 3: Year-End Report with the Year 4 Annual Work Plan submission on September 30, 2013. The latest contract amendment removed a mid-year PMP reporting requirement; therefore, EPI did not submit a PMP Year 3: Mid-Year Report.

GIS reporting during Year 3 has been provided as part of quarterly reports.

OUTPUTS	STATUS
Quarterly GIS reporting	In Progress
If available, updates to EPI Results Dashboard as part of quarterly reports	In Progress
PMP Year 2: Year-End Report (by October 30, 2012)	Completed
PMP Year 3: Mid-Year Report (by April 30, 2013) <sup>8</sup>	Cancelled
PMP Year 3: Year-End Report	Completed – Submitted as part of Year 4 Work Plan submission

<sup>8</sup> Output removed in March 31, 2013 Quarterly Report, per contract amendment, removing Mid-Year PMP reporting requirement.



#### 4.5.6 ENVIRONMENTAL EVALUATION (GANTT CHART LEVEL 18000)

During Year 3, EPI continued to utilize a threshold environmental checklist to ensure that expert recommendations were environmentally sound and in compliance with USAID 22 CFR 216. EPI prepared environmental review checklists for grants to meet requirements of the Initial Environmental Examination (IEE) drafted for EPI. EPI also updated the annual PERSUAP.

In Year 3, EPI organized a pilot training/awareness campaign for the safe use of pesticides and fertilizers in the agricultural sector. Results of a survey conducted during the year, however, indicated that the training had only a limited effect on outcomes, and unsafe and environmentally damaging practices continue across the value chains. In Year 4, EPI will augment practical training sessions for the safe use of fertilizers and pesticides with specially designed materials, working through input providers to reach their customers with leaflets on best practices.

OUTPUTS	STATUS
Relevant environmental reports and threshold environmental checklists submitted for approval to USAID, subject to USAID 22 CFR 216 environmental regulations	In Progress
Dissemination of document on pesticide application and storage best practice among farmers	In Progress – The document has been disseminated among mandarin growers.
Annual PERSUAP update	Completed – PERSUAP has been updated in May 2013

#### 4.5.7 EPI STAFF DEVELOPMENT (GANTT CHART LEVEL 19000)

During Year 3, Georgian staff has fully transitioned into the COP, DCOP and component leadership roles. During Year 4, EPI's Management and Implementation Advisor Dennis Hall will deliver targeted professional trainings to local staff, and provide mentoring and coaching. This will equip EPI staff with the necessary skills, tools (resumes, interviewing skills) to secure employment after project end.

EPI completed a six-week training on General Project Management and ICT Project Management to five project managers from EPI beneficiaries (Sakpatenti and the DEA), as well as 10 EPI staff involved in project management activities (value chain managers, business enabling environment (BEE) subcomponent managers, and component and deputy component leaders).

EPI also conducted an annual retreat on October 5-6 to review its Year 3 strategy and conduct team-building activities. In addition, a quarterly connectivity event took place in early January to promote team cohesiveness and cross-component collaboration.

OUTPUTS	STATUS
EPI annual retreat (October 5-6, 2012)	Completed
Business writing workshop	Completed
Project management workshop	Completed
Quarterly connectivity events	In Progress – 1 event completed in January 2013

OUTPUTS	STATUS
IT skills development training	In Progress – MS Excel trainings delivered to EPI project staff

## ANNEX 1: UTILIZATION OF INTERNS

INTERN'S NAME	INTERNSHIP PERIOD	SUPERVISOR'S NAME & EPI COMPONENT
Ana Tchaia	06/17/2013 – 08/16/2013	Tako Razmadze (CC)
Davit Andzavelidze	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Davit Meshvelashvili	05/28/2013 – 07/29/2013	Malkhaz Nikolashvili (M&S)
Dimitri Mamulashvili	10/08/2012 – 01/31/2013	Malkhaz Nikolashvili (M&S)
Eka Chichinadze	07/11/2012 – 02/08/2013	Nino Chokheli (BEE)
George Gogiasvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Giorgi Dadianidze	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Giorgi Kochlamazashvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Giorgi Kvitsiani	02/04/2013 – 08/15/2013	Nato Berulashvili (BEE)
Giorgi Lomadze	07/15/2013 – 09/15/2013	Malkhaz Nikolashvili (M&S)
Giorgi Shavliashvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Gurami Kharshiladze	06/25/2013 – 08/23/2013	Tata Julakidze (CC)
Irakli Ambroladze	08/19/2013 – 10/18/2013	Giorgi Akhalaia (M&S)
Irakli Gotsiridze	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Irakli Maisuradze	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Irine Kurtanidze	05/01/2013 – 06/10/2013	Tako Razmadze (CC)
Ketevan Kharebava	02/04/2013 – 08/15/2013	Nato Berulashvili (BEE)
Ketevan Shekrladze	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Lasha Marcvaladze	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Lela Khuchua	04/24/2013 – 07/31/2013	Giorgi Akhalaia (M&S)
Levan Iobashvili	05/15/2013 – 07/15/2013	Malkhaz Nikolashvili (M&S)
Levan kvaratskhelia	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Mariam Chubinidze	07/18/2012 – 10/18/2012	Lucas Caltrider (BEE)
Mariam Gagoshashvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Mariam Gochashvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Mariam Grigalashvili	09/10/2012 – 11/12/2012	Teona Jangveladze (M&O)
Mariam Kvakhadze	11/14/2012 – 03/15/2013	Tako Razmadze (CC)
Mariam Lukashvili	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)

INTERN'S NAME	INTERNSHIP PERIOD	SUPERVISOR'S NAME & EPI COMPONENT
Mariam Meparishvili	01/08/2013 – 04/08/2013	Lucas Caltrider (BEE)
Mariam Trapaidzde	01/21/2013 – 04/22/2013	Katy Chumburidze (M&O)
Mariami Kelberashvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Natalia Jorbenadze	07/03/2013 – 07/31/2013	Teona Jangveladze (M&O)
Natia Jaoshvili	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Natia Kvrivishvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Nia Beria	11/12/2012 – 02/15/2013	Giorgi Akhalaia (M&S)
Nika Chelidze	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Nikoloz Anasashvili	06/17/2013 – 08/16/2013	Lucas Caltrider (BEE)
Nino Avsajanishvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Nino Geslaidze	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Nino Goderdzishvili	10/15/2012 – 03/18/2013	Nato Berulashvili (BEE)
Nino Shekrladze	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Nino Talakvadze	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Nino Vashakidze	09/03/2013 – 10/31/2013	Kote Kobakhidze (AG)
Pavle Beridze	02/25/2013 – 04/26/2013	Natia Vepkhvadze (CC)
Rusudan Martirosyan	10/15/2012 – 04/03/2013	Nato Berulashvili (BEE)
Salome Maisuradze	05/15/2013 – 07/15/2013	Malkhaz Nikolashvili (M&S)
Salome Pkhaldze	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Tamar Ghlonti	04/01/2013 – 07/01/2013	Kote Kobakhidze (AG)
Tamar Kochakidze	02/04/2013 – 08/15/2013	Nato Berulashvili (BEE)
Tamar Purtkhvanidze	04/15/2013 – 09/13/2013	Eka Nadareishvili (M&S)
Tamari Bibiluri	04/01/2013 – 07/01/2013	Kote Kobakhidze (AG)
Tatia Udesiani	05/01/2013 – 06/28/2013	Malkhaz Nikolashvili (M&S)
Teona Jincharadze	07/16/2013 – 08/30/2013	Kote Kobakhidze (AG)
Tornike Davitashvili	2/4/2013 – 03/07/2013	Erekle Natadze (M&O)
Tornike Inalishvili	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Tsiala Abesadze	08/01/2013 – 09/30/2013	Tamar Buadze (BEE)
Vakhtang Ghlonti	04/01/2013 – 07/01/2013	Kote Kobakhidze (AG)

## ANNEX 2: UTILIZATION OF USG PERSONNEL

### COLLABORATION WITH OTHER USAID PROJECTS

USAID New Economic Opportunities (NEO). EPI provided the open field vegetable training materials developed during Year 2r to NEO, which will distribute the materials to its beneficiaries. EPI also collaborated with NEO in workforce development activities related to EPI's short-term apparel training model to IDPs in Imereti communities. One of NEO's IDP beneficiaries participated in the short-term training program at Kutaisi.

USAID Azerbaijan Competitiveness and Trade Project (ACT). EPI continued to coordinate with USAID ACT to provide training to Azeri agronomists as part of EPI hazelnut trainings in Samegrelo.

USAID Hydropower Investment Promotion Project (HIPPI). EPI facilitated cooperation between USAID's Hydropower Investment Promotion Project (HIPPI), also implemented by Deloitte Consulting LLP, and BTM Textile to address issues related to electric power cables at the BTM Textile factory. The issues were preventing the factory from future collaboration with well-known brands due to the violation of safety standards.

USAID G-MEDIA Program. EPI, at the request of USAID Georgia Mission's D&G office, provided advice to IREX and USAID G-MEDIA program on how to make its Media Center sustainable. EPI created a linkage to SSG Advisors, and as a result IREX engaged SSG Advisors to provide alliance building services for the Media Center.

USAID Policy, Advocacy and Civil Society Development in Georgia (G-PAC). EPI collaborated with G-PAC, as well as ISET and BIRG, to host the series "Strategic Dialogue on the Competitiveness of Georgia." EPI has also been working with G-PAC to support ISET's development of the Georgia's First Competitiveness Report.

USAID Office of Innovation and Development Alliances (IDEA). EPI provided inputs on the EPI-facilitated GDA with Ferrero to USAID's IDEA office in Washington. As a result, USAID IDEA has selected the GDA as a case study to be used for a training program for USAID officials, and EPI is currently providing additional information to prepare it.

### COLLABORATION WITH OTHER USG PROJECTS

US Department of Treasury. EPI's training program to the RS Tax Audit Department on IFRS and IAS has been transitioned to the US Treasury, which will deliver additional sessions throughout the year. The training aims to improve the auditors' understanding of the key differences between financial and tax reporting. Taxpayers will also benefit from greater clarity and efficiency in RS tax audits.

US European Command. EPI hosted a representative from Private Sector Engagement department of the U.S. European Command to discuss the current status of the T&L sector in Georgia and key opportunities to increase the capacity of the CTC corridor. The representative attended part of the SCOR training session and met with EPI's beneficiaries in the T&L sector.

US Embassy in Moscow. EPI met with the Regional IPR Attaché from the U.S. embassy in Moscow to discuss IPR issues in Georgia, EPI's work in the area of IPR and potential ways of collaboration to increase IPR awareness and enforcement in Georgia.

### ANNEX 3: UTILIZATION OF LOCAL PARTNERS

	<b>Name</b>	<b>Area(s) of Focus</b>
1	Credo	Access to Finance
2	Ministry of Agriculture (MoA)	Access to Finance, AG, Agricultural Policy, Packaging, Property Rights
3	TBC Bank	Access to Finance, Hazelnuts
4	Food & Agriculture Organization (FAO)	Access to Finance, Property Rights
5	Ministry of Agriculture of Adjara	AG, Packaging, Agricultural Policy
6	AgriGeorgia	Agricultural Information, Hazelnuts
7	Hazelnut Exporters and Processors Association (HEPA)	Agricultural Information, Hazelnuts
8	Hazelnut Producers Association (HPA)	Agricultural Information, Hazelnuts
9	Agroservice	Agricultural Information, Hazelnuts, Mandarins
10	Open Society Georgia	Agricultural Policy
11	Parliament	Agricultural Policy, Investment Promotion
12	Office of the Prime Minister	All BEE Related VC Topics
13	Ministry of Economy and Sustainable Development (MoESD)	All BEE, T&L, Apparel
14	USAID G-MEDIA Program	Alliances
15	USAID Office of Innovation and Development Alliances (IDEA)	Alliances
16	Batumitex Limited	Apparel
17	BTM Textile	Apparel
18	Demetre 96	Apparel
19	Elselema	Apparel
20	Georgian Textile and Footwear Producers Association	Apparel
21	Georgian Textile	Apparel
22	Geosport	Apparel
23	Imeri	Apparel
24	Iveria	Apparel
25	Kardem	Apparel
26	Kikala Studio	Apparel



	<b>Name</b>	<b>Area(s) of Focus</b>
27	Laura Gachava (LG)	Apparel
28	MATAD Textile	Apparel
29	Materia	Apparel
30	Miller & Company	Apparel
31	Tbilisi Fashion Week (TFW)	Apparel
32	Unistyle	Apparel
33	USAID Hydropower Investment Promotion Project (HIPP)	Apparel
34	USAID New Economic Opportunities Program (NEO)	Apparel, Hazelnuts, Open Field Vegetables, Workforce Development
35	Turkish Clothing Manufacturers Association	Apparel, Investment Promotion
36	Adjara Textile	Apparel, Packaging
37	Grant Thornton	BSP
38	Georgian Institute for Building	Building Codes
39	Innova	Business Development Services
40	European Bank for Reconstruction and Development (EBRD)	Business Development Services, Hazelnuts
41	ExpoGeorgia	Business Development Services, MICE Tourism
42	Synergy Group	Business Service Provider
43	Caucasus University	Business Service Provider, Economic Knowledge
44	World Customs Organization (WCO)	Customs
45	PMCG	Customs, Economic Knowledge
46	World Bank	Customs, Property Rights, Transport & Logistics
47	International School of Economics at Tbilisi State University (ISET)	Economic Knowledge
48	United Nations Development Program (UNDP)	Economic Knowledge
49	University of Georgia	Economic Knowledge
50	USAID's Policy, Advocacy and Civil Society Development in Georgia Program (G-PAC)	Economic Knowledge
51	Batumi Shota Rustaveli State University	Economic Knowledge, Mandarins

	<b>Name</b>	<b>Area(s) of Focus</b>
52	Association of Young Economists of Georgia (AYEG)	Gender Integration, Workforce Development
53	Georgian Association of Women in Business	Gender Integration, Workforce Development
54	Georgian Business Development Center (GBDC)	Gender Integration, Workforce Development
55	AgroInvest	Greenhouses
56	Agrofood	Greenhouses
57	Agrokomi Ltd	Greenhouses
58	Akaki Ltd	Greenhouses
59	Besik Skhirtladze Ltd	Greenhouses
60	Bio Agro Ltd	Greenhouses
61	Bio Product Nektari	Greenhouses
62	BSA Ltd	Greenhouses
63	Europlant Ltd	Greenhouses
64	Geguti Ltd	Greenhouses
65	Georgian Agriculture Corporation	Greenhouses
66	Global Enterprise Ltd	Greenhouses
67	Gongli	Greenhouses
68	Green Village	Greenhouses
69	Herbia	Greenhouses
70	Hora	Greenhouses
71	I/E Ermile Jgarkava	Greenhouses
72	I/E Ketevan Gabelia	Greenhouses
73	I/E Lasha Saralidze	Greenhouses
74	I/E Shubitidze	Greenhouses
75	Icon Group	Greenhouses
76	Kazakh	Greenhouses
77	Korpa	Greenhouses
78	Menji Ltd	Greenhouses
79	Misaktsieli 2001	Greenhouses
80	Piunic Georgia Ltd	Greenhouses
81	Revazi Jijelava	Greenhouses
82	Saga Ltd	Greenhouses

	<b>Name</b>	<b>Area(s) of Focus</b>
83	Shabo Georgia	Greenhouses
84	Sula International Ltd	Greenhouses
85	Terjola Agro Ltd	Greenhouses
86	V and T Ltd	Greenhouses
87	VD Capital Ltd	Greenhouses
88	Zana-eco Ltd	Greenhouses
89	Zaza Bigvava I/E	Greenhouses
90	Agrarian University	Greenhouses, Hazelnuts
91	Anka	Hazelnuts
92	Ferrero	Hazelnuts
93	GIZ	Hazelnuts
94	Nut Export Company	Hazelnuts
95	Swiss Credit	Hazelnuts
96	USAID Azerbaijan Competitiveness and Trade Project (ACT)	Hazelnuts
97	Voicevale	Hazelnuts
98	European Union	Hazelnuts, ICT, Property Rights, Tourism
99	United Nations Development Fund for Women (UNIFEM)	Hazelnuts, Women Integration
100	Alta Software	ICT
101	Azry	ICT
102	Biblusi	ICT
103	Caucasus Fast Food Company	ICT
104	Civil Registry Agency	ICT
105	Civil Services Development Agency	ICT
106	Delta Systems	ICT
107	Geocell	ICT
108	ICT Business Council	ICT
109	ITI	ICT
110	Itnovations	ICT
111	Liberty Bank	ICT
112	Master Sport	ICT
113	MateksGeorgia	ICT

	<b>Name</b>	<b>Area(s) of Focus</b>
114	Microsoft	ICT
115	Mifasi	ICT
116	Mysoft.ge	ICT
117	Object Group	ICT
118	Oris	ICT
119	Quantum Group	ICT
120	Singular Group	ICT
121	UGT	ICT
122	Free University	ICT, BSP
123	Ministry of Justice	ICT, Property Rights, Trade Facilitation
124	Data Exchange Agency	ICT, Trade Facilitation
125	WIMP	ICT, Transport & Logistics
126	Ministry of Education and Science (MoES)	ICT, Workforce Development
127	Aldagi BCI	Insurance
128	Association of Banks in Georgia	Insurance
129	Bank of Georgia	Insurance
130	Georgian Insurance Association (GIA)	Insurance
131	GPI Holding	Insurance
132	Ilia State University	Internships
133	Batumi Investment Agency	Investment Promotion
134	Georgian Chamber of Commerce	Investment Promotion
135	Georgian National Investment Agency (GNIA)	Investment Promotion
136	International Development Consultants	Investment Promotion
137	Kutaisi City Hall	Investment Promotion
138	Ozurgeti Municipality	Investment Promotion
139	Poti City Hall	Investment Promotion
140	South Caucasus Mission of Action Contre La Faim	Investment Promotion
141	Tbilisi City Hall	Investment Promotion
142	Telavi Municipality	Investment Promotion
143	Georgian and Turkish Businessmen Association	Investment Promotion, Apparel
144	Georgian Small and Medium Enterprise	Investment Promotion, Procurement,

	<b>Name</b>	<b>Area(s) of Focus</b>
	Association	IPR, ICT
145	American Chamber of Commerce	Investment Promotion, Tourism
146	Multitest	Lab Accreditation
147	Wine Lab	Lab Accreditation
148	Alliance Leasing	Leasing
149	National Bank of Georgia	Leasing
150	TBC Leasing	Leasing
151	Revenue Service	Leasing, Customs, Tax Systems, Trade Facilitation
152	Business Association of Georgia	Leasing, Pension, Procurement, AG VCs
153	Ministry of Finance	Leasing, Tax Systems
154	AgriExport	Mandarins
155	Bridges Consulting	Mandarins
156	Didube Market	Mandarins
157	Fozzy Group	Mandarins
158	Geofood	Mandarins
159	Georgian Fruit and Vegetable Export Company (Export Company)	Mandarins
160	Georgian Mandarins	Mandarins
161	Global Ltd.	Mandarins
162	PAKKO	Mandarins
163	Skhalta	Mandarins
164	Subtropic Association	Mandarins
165	Partnership Fund	Mandarins, T&L
166	Adjara Tourism Department	MICE Tourism
167	Betsy Hotel	MICE Tourism
168	BTL Travel	MICE Tourism
169	Caucasus Travel	MICE Tourism
170	Department of Tourism & Resorts of Adjara	MICE Tourism
171	Discover Tours	MICE Tourism
172	European Cities Marketing (ECM)	MICE Tourism
173	Georgian Discovery Tours	MICE Tourism
174	Georgian Events	MICE Tourism

	<b>Name</b>	<b>Area(s) of Focus</b>
175	Georgian Incoming Tour Operators Association (GITO)	MICE Tourism
176	Georgian Palace	MICE Tourism
177	Georgica Travel	MICE Tourism
178	Holiday Inn	MICE Tourism
179	Intourist Palace Hotel	MICE Tourism
180	Kopala	MICE Tourism
181	Krtsanisi Residence	MICE Tourism
182	Liberty Travel	MICE Tourism
183	Marriott	MICE Tourism
184	Mtatsminda Park	MICE Tourism
185	Radisson	MICE Tourism
186	Sheraton	MICE Tourism
187	Shota Rustaveli State University	MICE Tourism
188	Travel Club	MICE Tourism
189	Travel Shop	MICE Tourism
190	Tsitadini Venues	MICE Tourism
191	Visit Georgia	MICE Tourism
192	Alva Farm Service Center	Open Field Vegetables
193	Rural Economic Development of the Southern Regions of Georgia (RED)	Open Field Vegetables
194	Swiss Agency for Development and Cooperation (SDC)	Open Field Vegetables
195	Georgia Paper Making Ltd	Packaging
196	Georgian Cardboard Ltd	Packaging
197	Georgian Paper Making	Packaging
198	Legi Group Ltd	Packaging
199	Milangi Ltd	Packaging
200	Neoprint Ltd	Packaging
201	Paper+ Ltd	Packaging
202	Saluka Ltd	Packaging
203	Skan	Packaging
204	National Agency for Public Registry (NAPR)	Privatization
205	National Agency for State Property (NASP)	Privatization



	<b>Name</b>	<b>Area(s) of Focus</b>
206	Competition and State Procurement Agency	Procurement
207	Ministry of Infrastructure	Property Rights
208	Sakpatenti	Property Rights
209	US Embassy in Moscow	Property Rights
210	Testing Lab: Multitest Ltd	Quality Infrastructure
211	Testing Lab: Wine Laboratory Ltd	Quality Infrastructure
212	Georgian Accreditation Center	Regulatory and Environment Licensing
213	Georgian Logistics Association (GLA)	T&L
214	Global Logistics	T&L
215	Hapag-Lloyd	T&L
216	Lasare	T&L
217	Vengo	T&L
218	A.P. Moller	T&L, TFS
219	Freight Forwarders Association	T&L, TFS
220	Georgian Railway Transcontainer Ltd	T&L, TFS
221	Maersk Georgia	T&L, TFS
222	U.S. Treasury	Tax Administration
223	International Finance Corporation (IFC)	Tax Systems
224	U.S. Department of Treasury	Tax Systems
225	Georgian National Tourism Administration (GNTA)	Tourism
226	Georgian Tourism Association	Tourism
227	United Nations World Tourism Organization	Tourism
228	National Statistical Services of Georgia	Tourism, Investment Promotion
229	International Rail Transport Committee (CIT)	Trade Facilitation
230	United Nations Economic Commission for Europe (UNECE)	Trade Facilitation
231	USAID Regional Competitiveness Initiative (RCI)	Trade Facilitation
232	APM Terminals Poti Sea Port Corporation	Trade Facilitation, Transport & Logistics
233	Batumi International Container Terminal	Trade Facilitation, Transport & Logistics
234	ABC Pharmacia	Transport & Logistics

	<b>Name</b>	<b>Area(s) of Focus</b>
235	Alfa Trans	Transport & Logistics
236	Asian Development Bank	Transport & Logistics
237	Caucasus Trans Express	Transport & Logistics
238	Coca-Cola	Transport & Logistics
239	DHL Georgia	Transport & Logistics
240	GA Logistics	Transport & Logistics
241	Gebruder-Weiss	Transport & Logistics
242	Gulf	Transport & Logistics
243	Marshe	Transport & Logistics
244	McDonald's	Transport & Logistics
245	MSC Georgia	Transport & Logistics
246	Pace Georgia	Transport & Logistics
247	Smart	Transport & Logistics
248	Supply Chain Council (SCC)	Transport & Logistics
249	TLC Property Management	Transport & Logistics
250	TransCare	Transport & Logistics
251	Vita Logistics	Transport & Logistics
252	U.S. European Command	Transport & Logistics
253	Arblaster & Clarke Wine Tours	Wine Tourism
254	Bagrationi	Wine Tourism
255	Chateau Mukhrani	Wine Tourism
256	Georgian Association of Guides	Wine Tourism
257	Georgian Wine Association	Wine Tourism
258	Icarus	Wine Tourism
259	Khareba	Wine Tourism
260	Pheasant's Tears	Wine Tourism
261	Qvevri Foundation	Wine Tourism
262	Schuchmann	Wine Tourism
263	Teliani Valley	Wine Tourism
264	Wine Club	Wine Tourism
265	Wine School	Wine Tourism
266	Wineman	Wine Tourism
267	Iberia Vocational College	Workforce Development

	<b>Name</b>	<b>Area(s) of Focus</b>
268	International Business Women Networking	Workforce Development
269	Mermisi Vocational College	Workforce Development
270	TC2	Workforce Development
271	Wine & Spirits Education Trust (WSET)	Workforce Development
272	Business Initiative for Reforms in Georgia (BIRG)	World Economic Forum

## **ANNEX 4: SUCCESS STORIES**

# FRONTLINES

## Relief for Georgian Growers When the Skies Open

January/February 2013

By Tamara Razmadze | **RISK & RECONCILIATION**



CREDIT: USAID

Potato farmers in the Samtskhe Javakheti region of Georgia discuss crop quality.

Like

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***When insurers and banks partner to introduce crop insurance to agribusiness, credit flows as well.***



CREDIT: USAID

[Enlarge Image](#)

Farmers meet with USAID and Aldagi BCI representatives to discuss terms and conditions of crop insurance.

Merujhan Karakhanian, a 46-year-old ethnic Armenian farmer from the village of Diliska in Georgia, works hard to grow his small business. He harvests 18 tons of potatoes on less than one hectare of land. In a good year, Karakhanian makes around \$5,500 in potato sales, slightly above the average annual household income in Georgia. This is the only source of income for his family of seven, which is highly dependent on the harvest season. Hail or frost can have devastating effects on his crops and for his family.

In early 2012, Karakhanian decided to improve his yield and applied for a bank loan to purchase new potato seeds. But without collateral, his loan application was refused.

That is where USAID stepped in. The Agency's Economic Prosperity

Initiative partnered with a Georgian bank and insurance company in 2012 to

implement a three-year pilot project that offers a loan and crop insurance product, rolled into one. In

it, an insurance policy serves as alternative collateral for a loan.

Access to finance is one of the main challenges for Georgia's farmers, according to Rezo Ormotsadze, a USAID project manager. "For example, more than half of the Georgian workforce lives in rural areas and depends heavily on farming for their livelihood," he says. "Agriculture is also a contributor to Georgia's GDP, but the total amount of loans disbursed to the agriculture sector is only about 1 percent of [the] total Georgian loan portfolio."

When paired with a loan, crop insurance reduces risk for lenders who would otherwise consider the agricultural sector too uncertain to finance. It provides enough income to farmers to pay back their debts if part or all of a crop is lost due to weather disasters such as frost, hail or excessive rain.

"In many developed countries, such as the United States, governments subsidize the crop insurance policies that routinely protect the nation's growers. But in much of the developing world, crop insurance is a fairly new phenomenon, and Georgia is no exception," says Ormotsadze.

The integrated loan and insurance product is the first of its kind in Georgia—a country where more people depend on agriculture than anything else. By pooling resources, USAID anticipates that banks and insurance companies will be able to reduce administrative costs and lower traditionally high premium rates for the nation's growers.

"This project not only helps increase access to finance for farmers—who until now had no other option—it also sets a precedent for buying crop insurance that stabilizes farmers' income in case of natural disasters like the terrible hail storm this past summer that destroyed tens of thousands of hectares of land," says Ormotsadze, referring to the 2012 summer storms.

Agriculture accounts for only 9 percent of Georgia's GDP, yet it employs and provides income to more than half the country's population. For very small farmers, the monthly household income averages only about \$50. Any unexpected agricultural losses can quickly add up.

### **An Industry Is Born**

Through the pilot, USAID is aiming to improve access to credit for Georgian farmers while kick-starting a domestic crop insurance industry.

"When the project began, insurers had limited experience with agricultural insurance and prescribed very conservative policy terms and conditions to manage their risks," says Ormotsadze. "The insurers set premium rates based on their own estimates, and without any government subsidies available, farmers—especially smallholder farmers—could not afford the high premium rates."

As USAID began to connect Georgian farmers and agribusinesses to high-value markets, it became clear that crop insurance would be a key part of building up the sector.

"Competitive agricultural production cannot be accomplished without access to significant inputs (tools and technology). Farmers need capital to purchase them, and this is where we come in—we offer risk-mitigating tools like crop insurance to help farmers obtain finance and lower their risk exposure," says Nutsa Koguashvili, head of the sales department at Aldagi BCI, the insurance company that is part of the USAID pilot.

USAID designed and conducted a three-week crop-insurance training program in partnership with the Georgian Insurance Association to strengthen the understanding of crop insurance by insurers, commercial banks and agricultural producers. Insurance providers were helped to design policy terms and conditions for specific crops such as potatoes, onions and hazelnuts.

"This USAID project helps create mutually beneficial linkages between farmers, us (agricultural insurance providers), and Georgian lending institutions," says Koguashvili. "I believe it is an excellent opportunity for insurance companies to contribute to the growth of the Georgian agricultural sector. The Ministry of Agriculture is also taking notice and the first dialogue finally

began about the potential public subsidy for crop insurance.”

Irakli Moistsrapishvili, agricultural loan coordinator at the Bank of Georgia, says that these new tools will help lending institutions consider “riskier” businesses like small and medium farms. “We also can share our administrative costs with the insurance company while serving new customers in the agricultural sector—a true win-win situation,” he says.

During the pilot project, the crop insurance premium (roughly \$210 for a potato grower) is shared between USAID, the Bank of Georgia and farmers, who pay only a small percentage in their first year. Over three years, the portion funded by USAID and the Bank of Georgia will gradually decrease; farmers will cover 75 percent of the annual premium by the third year of the pilot.

The scheme incentivizes farmers to use crop insurance to obtain loans without collateral, while minimizing risks to their households. Agency officials anticipate that, once the pilot project ends, farmers will have enough incentive to buy crop insurance themselves.

### **Early Signs of Success**

After taking part in the project, Karakhanian purchased insurance that made him eligible for a \$3,620 loan that he had previously been denied. Another 40 potato growers in his area were also insured and offered loans. Over three years, USAID expects around \$1.2 million of loans to 1,000 farmers to be insured, including for crops such as hazelnuts, mandarins, potatoes, onions, garlic, carrots and beetroots.

After a year, the project mobilized \$7.9 million in total loan value.

USAID has since expanded the pilot to include additional commercial banks, which are now learning how to design integrated loan and insurance products, and the Georgian Government is studying possible future premium subsidies.

Karakhanian has already learned the value of insuring his potatoes. In the summer of 2012, severe weather and hail caused millions of dollars in damage to farms across Georgia. While the damage was not substantial enough to trigger the insurance indemnity for Karakhanian, two neighboring farms were badly affected by the storm. One farmer, Karapet Ezoyan, had purchased crop insurance through the USAID project and was compensated, while his uninsured neighbor suffered from his losses.

Despite the damage, Ezoyan says: “With crop insurance, I received ... \$5,000, which was enough to pay back the bank. Because the crops were totally damaged by hail, this compensation saved me from default. Now I can continue farming and provide for my family. This could not have been possible without the insurance.”

Today, Karakhanian feels secure. His insurance policy has paid dividends. He was able to generate more income for his household thanks to the better quality seeds he purchased with the loan. And importantly, he can rest a bit easier the next time the skies open.

“Thanks to USAID’s pilot project, my business can grow. I know the insurance can cover the damage, and I will not be forced to abandon the business like many farmers had been forced to do before,” he says.

*Tamara Razmadze is with Deloitte Consulting.*





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Published on *USAID/Georgia* (<http://georgia.usaid.gov>)

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# Vocational Courses Give Economic Empowerment to Women of Georgia

in [Economic Growth](#) <sup>[1]</sup>  
May 13, 2013



Sewing trainee Ivet Tskhovrebashvili at work  
Success Story

Christina Blurtsian is a 22-year old ethnic Armenian student passionate about the arts. She paints, sings, plays guitar and even makes costumes for one of the local theaters in Tbilisi.

“When I was a kid, I would spend nights painting. It was my true passion. I would draw on a piece of paper, cardboard, asphalt, even on a wall-paper. Soon sewing became my passion. It first started when my mom gave me a doll and I decided to make her a dress.”

Since then Christina has made several dresses for her friends and actors as well. She will turn this passion into a profession soon. After completing a USAID-supported vocational training course in sewing machine skills, Christina will start working at an apparel factory.

In partnership with the apparel industry, the USAID Economic Prosperity Initiative (EPI) developed a short-term training program that connects vocational colleges and the apparel industry. The partnership allows the apparel sector access to a qualified workforce that will increase the industry’s productivity while women like Christina gain skills, empowerment, and employment.

“I prefer to start working at an apparel plant. After I gain enough experience, I am going to teach others. I’m trying to find a permanent job not just because I need to earn money, although I have to support my parents. I’m striving to achieve my goals.”

Christina is very clear about her plans and goals. In a large family of seven, she is now the only one living with her parents. Christina’s mother works at a grocery store, her father is a pensioner, and their income barely covers utility bills. Christina knows her earnings will be an important contribution to the family income. Still, Christina believes hard work, a sense of purpose and diligence are qualities that matter just as much as a better living of her family. “Realizing my interests and aptitude in life is a key drive for me. Everything I do, I do for this reason.”

Iveta Tskhovrebashvili is a dedicated mother who completed the same course. At 40 years old Iveta saw the course as a second chance to finally have a real profession. She’s always had a knack for sewing. “I would often make myself a dress. It was during the particularly difficult times when not many people could afford fancy clothes, especially my acquaintances. My dresses did draw attention; none of them would miss a compliment. People really liked them,” Iveta recalls.

The sewing courses showed Iveta new techniques and helped her improve. “Speed, meticulousness, the ability to work with complex garments – these are the skills I’ve acquired through the courses,” Iveta says.

Iveta believes the courses will help her find a job and support her family. “My husband is without work and there are so many things my daughter needs that we cannot afford. Once I start working in an apparel factory the situation will become better,” she says.

Both Christina and Iveta are interns at a local apparel manufacturing company and, if successful, will secure a job.



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## SUCCESS STORY

### USAID Helps Georgian Farmers Access Necessary Agricultural Inputs to Improve Crop Yields



Revaz Kokobinadze is a mandarin grower from Adjara, Georgia. He could only afford 60% of the inputs he needed to grow mandarins on his quarter-hectare orchard. Through affiliation in Farmer Groups established through USAID's Economic Prosperity Initiative's (EPI) efforts, he was able to obtain an interest-free loan and purchase the appropriate input needed for his mandarin production.

The EPI project developed an interest-free financing scheme that allows smallholder farmers buy appropriate inputs and conduct soil testing. The project facilitated establishment of 50 farmer groups with approximately 25 members each in the mandarin and hazelnut sectors, the two leading agricultural exports in Georgia. While farmers were initially reluctant to come together, they soon realized the commercial incentives for working together – from making joint decisions about production and management practices to selecting the types of chemicals to use or soil analyses to obtain. The joint procurement by farmers through Farmer Groups ensures larger volumes of purchases, enabling agricultural input suppliers and laboratories to offer their products on better terms. Through the facilitation of credit for inputs and laboratory services, EPI linked the farmer groups to a microfinance organization Credo that provides a guarantee letter to the farmers who use it to purchase inputs from selected input providers at the terms they otherwise could not finance. The microfinance organization pays the suppliers and the farmers pay back the interest-free loans after the harvest. Through EPI's assistance, Credo developed cooperation schemes with 5 largest agricultural input providers and 4 laboratories that provided price discount and grace period to Credo, which led to offering 0% interest credit to the farmers. Approximately 1,100 mandarin and hazelnut growers will benefit from the interest-free loans, and already 570 farmers accessed USD 202,500 in total loans after introduction of the scheme.

Belonging to a Farmer Group not only enables farmers to finance necessary inputs, but it also empowers them to im-

plement improved management practices in their fields through linkages to EPI's extension specialists. As harvests are approaching later this year, these same groups will also see the third benefit of working through farmer groups - they are currently establishing direct linkages with hazelnut processors or mandarin packing houses. Larger scale and better quality is now more likely to receive a price premium for their products. Complemented by the upcoming Law on Agricultural Cooperatives, these communities are now ready to formally register their organizations. This is one example of how the commercial viability can create the right incentives for long-term sustainability of EPI's assistance in the mandarin and hazelnut sectors in Georgia.

Through the loan Revaz was able to buy all inputs to grow his crop, anticipating more and higher quality fruit for this upcoming harvest. "It was a simple procedure," Revaz says. "A representative of the microfinance organization came to my plot and interviewed me about my farm's production". Once he submitted his application, the approval took less than 20 minutes.



# SUCCESS STORY

## Upgraded Skills Will Boost Greenhouse Sector and Offset Vegetable Imports in Georgia

### Conducting a practical training at the greenhouse of EPI Knowledge Center



EPI Photo

*USAID's Economic Prosperity Initiative (EPI) Project helped Georgian vegetable growers to acquire necessary skills to operate greenhouses and offset imports*

Despite rich natural resources enabling Georgia to produce high quality vegetables, vegetable consumption has been highly depending on imports from neighboring countries, especially during an off-season. The 2010 crops of off-season tomatoes and cucumbers were enough to cover only about 3% of local consumption, while the rest was imported, mostly from Turkey. USAID's Economic Prosperity Initiative (EPI) decided to increase vegetable yields and offset off-season imports with additional local greenhouse vegetable production.

There was a complete lack of knowledge of how to properly operate heated greenhouses and cultivate vegetables in the winter season in Georgia. Despite a significant price premium for the vegetables in the off-season, without proper knowledge, the crop yields were not sufficient to give the required rate of return expected by the operators and investors. Recognizing that the returns on the investments were potentially very high, if greenhouse management is conducted properly, EPI started providing targeted technical assistance on technology, managerial practices and modern agricultural techniques. EPI established a Knowledge Center and developed and organized a training program on effective greenhouse management. EPI trained 150 representatives from 52 greenhouse operators, educational institutions, investors and other stakeholders during 2011-2013 period. The technology adoption rate for greenhouse operators reached as high as 90%. EPI also provided financial tools allowing the greenhouse operators, owners or potential investors to effectively estimate and prepare for setting up a greenhouse operation, and then budget and control greenhouse management and operations. By training faculty and students, EPI transitioned the training program to Agrarian University to ensure the program's long term sustainability.

The direct benefits of EPI's training on the greenhouse sector are already evident. In two years, the heated greenhouse area in Georgia has almost quadrupled, from 58,000m<sup>2</sup> to 191,400m<sup>2</sup>. In this two year period over \$16 million has been invested in the sector. The average greenhouse crop yields

over the same period also grew significantly. This combination of increased greenhouse area and increased average yield is providing more than a six fold increase in winter production of just two crops: tomato and cucumber, that will replace 25% of imports next year. Soon Georgia's greenhouse sector will be able to meet the domestic demand in vegetables and effectively compete in the domestic markets, while also start to prepare to enter and sustain its market share in foreign markets.



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# SUCCESS STORY

## Packaging Company Boosts Sales through USAID's Assistance



*Representatives of Economic Prosperity Initiative (EPI) and Legi Group deciding on new corrugated packaging at the box plant.*

The ability of Georgian fruits and vegetable sectors to compete in foreign markets is crucial for long-term economic development in Georgia. One of the sectors that directly influences the overall competitiveness of fruits and vegetables is the packaging sector. Wooden boxes used since the Soviet era are too heavy and inconvenient for modern logistics handling. Consequently, inappropriate packaging was one of the main reasons that Georgian agricultural products could not have direct access to higher value market segments such as large supermarkets and food retail chains.

To address this problem, USAID's Economic Prosperity Initiative (EPI) stepped in to promote new production technology and usage of corrugated paper packaging that would increase the competitiveness of Georgian produce and, at the same time, enhance sales of Georgian box plants. The project developed programs for beneficiary box plants to implement production of corrugated produce packaging and introduce a *Georgian Seal of Quality* that meets international standards and ensures consistency in the quality of packaging.

Legi Group, a dynamically growing packaging company with ten years of experience, was the first to exploit this opportunity. The company started developing corrugated packaging products for fruits and vegetables. To support this initiative, EPI linked the company with Georgian produce growers and exporters. As a result, five Georgian greenhouses already contracted Legi Group, enabling the company to boost its sales and reach approximately 134% growth by the end of 2012.

EPI continues helping Legi Group to adopt international best production practices and implement required standards, specifically targeting the requirements by high-value retailers in the CIS market and the European Union. Legi Group's goals and plans are ambitious and clear. "At Legi Group we never stop learning. We are open to new opportunities and believe that there are no limits for improvement" – Giorgi Gorgisheli of Legi Group says.



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