



ECONOMIC PROSPERITY INITIATIVE (EPI) ANNUAL REPORT

Year 1

September 30, 2010 – September 30, 2011

FOR INTERNAL USE ONLY

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USAID ECONOMIC PROSPERITY INITIATIVE

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ACRONYMS

ADB	Asian Development Bank
AG	Agriculture Sectors Component
AMIS	Agricultural Market Information System
ANSI	American National Standards Institute
ATF	Access to Finance
BAG	Business Association of Georgia
BDS	Business Development Services
BEE	Business Enabling Environment Component
BPR	Business Process Reengineering
BSP	Business Service Provider
CAS	Conformity Assessment System
CC	Cross Cutting Component
CSF	Cold Storage Facility
DEA	Data Exchange Agency
EBRD	European Bank for Reconstruction and Development
EPI	Economic Prosperity Initiative
EU	European Union
FIZ	Free Industrial Zone
FSC	Farm Service Center
GAC	Georgian Accreditation Center
GCR	Global Competitiveness Report of the World Economic Forum
GDA	Global Development Alliance
GIPP	Georgia Investment Promotion Partnership
GITOA	Georgian Incoming Tour Operators Association
GNIA	Georgian National Investment Agency
GNTA	Georgian National Tourism Agency
GoG	Government of Georgia
GSMEA	Georgian Small and Medium Enterprises Association
GSP+	Generalized System of Preferences
GWA	Georgian Wine Association
HACCP	Hazard Analysis and Critical Control Points
HPP	Hydro Power Plant
HR	Human Resources
IBC	International Building Codes

ICC	International Codes Commission
IMS	Investment Management Services
IPR	Intellectual Property Rights
ISEG	Investment Sector Economic Governance
LOP	Life of Project
M&S	Manufacturing & Services Sectors Component
M&O	Management & Operations Component
MICE	Meetings Incentives Conferences and Exhibitions
MFI	Microfinance Institution
MoESD	Ministry of Economy and Sustainable Development
MoF	Ministry of Finance
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
MSC	Machinery Service Center
MSHG	Model Small Holder Groups
PCA	Post-Clearance Audit
PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PMC	Project Management Component (M&O and CC)
PMP	Performance Monitoring Plan
PPD	Public Private Dialog
PPP	Public Private Partnership
SASS	Sustainable Access to Support Services
T&L	Transport & Logistics
ToT	Training of Trainers
UP/PPP	University Partnerships & Public-Private Partnerships
USG	U.S. Government
VC	Value Chain
VoCs	Vocational Colleges
WEF	World Economic Forum
WFD	Workforce Development
WSET	Wine and Spirit Education Trust

1.0 PROJECT OVERVIEW AND YEAR 1 HIGHLIGHTS

This annual report documents the results and progress made in the Economic Prosperity Initiative (EPI) in Georgia, covering the first year of operations, from September 30, 2010 to September 30, 2011. It starts by documenting EPI's achievements in Year 1 and progress against high-level results and sub-component benchmarks. A detailed summary of completion of outputs and progress against the Year 1 work plan follows. Annexes illustrate the utilization of resources and cooperation with other U.S. government (USG) agencies, local partners and interns and include a table of the performance indicators from the Year 1 PMP.

During Year 1, EPI built the foundation for its value-chain (VC) driven activities and related business enabling environment and policy reforms. Starting with the first phase of the project (October 2010 – March 2011), EPI focused on identifying sectors and VCs in the economy with the greatest probable development impact by conducting macro-level and enterprise-level data analysis, focus group interviews, and surveys. During the second phase (April – September, 2011), EPI engaged with numerous VC groups and enterprises to develop specific VC action plans. Similarly, during the first phase and continuously during the second phase, EPI analyzed and then prioritized addressable constraints in the business enabling and policy environment, creating and sharing several policy action plans with its key GoG counterparts.

While EPI's focus during the first year has been in the area of analysis and action plan development, EPI also achieved several early successes across supported VCs, the business enabling environment, and crosscutting areas, some of which are highlighted below:

- *Greenhouse and Cold Storage Investment.* Through its investment promotion activities, EPI stimulated demand and interest among investors resulting in investments and planned commitments of USD 21.04 million in greenhouse operations and USD 21 million in cold storage facilities. EPI was instrumental in expediting the decisions by investors to examine Georgian greenhouses and cold storage solutions, instead of other investment plans under consideration. Recognizing that the returns on these investments are relatively risky given the rudimentary knowledge of greenhouse and cold storage facility management in Georgia, EPI is providing targeted technical assistance, such as technology, managerial practices and modern agricultural techniques, so that greenhouse and cold storage operators sustain these investments over the long-term period and achieve desired increases in revenues and exports.
- *Apparel, Wine and MICE Tourism Sectors.* EPI's strategic activities in the apparel, wine and MICE tourism sectors have catalyzed these areas into focus sectors by public and private sector in Georgia.
 - EPI's assistance to the apparel industry has already resulted in increased sales for local apparel companies to foreign markets and emergence of first foreign investors to avail their resources, technology, managerial practices and market linkages to Georgian apparel sector.
 - An EPI-funded study tour to the U.S. (New York State and California) for wine and tourism private sector stakeholders resulted in an emergence of a new partnership between the Georgian Wine Association (GWA) and Georgian Incoming Tour Operator Association (GITO) to share resources and jointly promote development of Georgian wine tourism. As EPI enters Year 2, it will work closely with both associations, who recently entered into a Memorandum of

Understanding (MoU) to confirm their commitment to focus on wine tourism initiatives.

- EPI's analysis of the MICE tourism VC received attention by multiple stakeholders in the tourism and hospitality industry to start developing and promoting Georgian MICE tourism products, both in the public and private sector. The term "MICE tourism" is used for the first time in business and media communications, differentiating this market segment.
- *VAT Reforms in the Apparel and Transport and Logistics VCs.* EPI successfully advocated a business-friendly solution for customs treatment of wastage left over from imported textiles used in the manufacture of apparel in Georgia, freeing wastage materials from being subject to import VAT. This removes an unnecessary burden from Georgian production. EPI successfully advocated a tax code amendment removing Georgian VAT over international cargo transportation and related services. This brings Georgia in line with international practice.
- *Implementation of Generalized System of Preferences (GSP+) for Turkish materials used in Georgian manufacturing.* EPI helped the Ministry of Economy and Sustainable Development (MoESD) establish certification rules for bilateral accumulation of origin, allowing goods made jointly in Georgia and Turkey to benefit from the GSP+ program for duty free entry into the European Union (EU).
- *Best Practices in Business Process Reengineering (BPR).* EPI conducted a comprehensive BPR assessment in preparation for an intellectual property rights (IPR) e-filing system and delivered trainings on BPR methodology to the Ministry of Justice's (MoJ) Data Exchange Agency (DEA) and other relevant government offices on BPR. This is building capacity of the GoG to plan and implement additional e-government projects.
- *Customs Warehouse Regulations.* The Parliament of Georgia passed legislation in the fall of 2011, which streamlines customs supervision over customs warehouses providing temporary storage of imported goods. Facilitated by EPI recommendations, the new law provisions allow for simplified technical and security requirements for customs warehouses, creating a favorable logistics environment for foreign goods.
- *Investment Promotion Network.* By establishing the Georgia Investment Promotion Partnership (GIPP), EPI has brought together public and private sector players to coordinate to achieve their common goal of promoting investment in Georgia among targeted sectors. EPI is increasing overall capacity of the Georgian National Investment Agency (GNIA) and other government agencies engaged in investment promotion, while also creating the foundation to achieve tangible results in attracting investments into EPI VC sectors, starting with the apparel sector.
- *Leasing Reform.* The GoG has approved and submitted to Parliament proposed amendments to leasing regulation, which resulted from EPI's technical guidance among a broad group of public and private sector stakeholders.

2.0 EPI HIGH-LEVEL RESULTS AND SUB-COMPONENT BENCHMARKS

Given the current understanding of impact potential of economic sectors and proposed EPI activities, EPI anticipates the following high-level results:

Table 1. EPI Life of Project (LOP) Anticipated High-Level Results

Component	Foreign Investment	Domestic Investment	Exports ¹	Employment	Productivity or Revenue
M&S	USD 104 million	USD 16.5 million	USD 235 million	Increased; 7,130 jobs	Increased: 15% - 900%
AG	USD 25 million	USD 100 million	USD 50 million	Increased; 500 jobs	Increased: 10-40%
CC	USD 100 million	USD 50 million	-	-	-
Total	USD 229 million	USD 166.5 million	USD 285 million	Increased; 7,630 jobs	Increased

During Year 1, EPI reviewed and discussed with USAID the assumptions for the high-level results and sub-component benchmarks that are summarized below. Furthermore, during Year 1, EPI also collected data to establish baseline levels and targets, and in those cases where specific EPI VC activities contributed to achievement of results, actual results data as well.

During Year 2, EPI will be addressing the following data limitations that were identified during Year 1:

- Based on the revised agricultural strategy, the beneficiaries for whom EPI will collect revenue and other data have changed. In early Year 2, EPI will collect data from the new beneficiaries to establish new baselines and associated targets.
- In the M&S component, EPI primarily engaged at the association level during phase two of Year 1 (wine and MICE tourism, transport and logistics, ICT). Enterprise-level data has been collected where enterprise-level assistance was provided (apparel, perlite).
- Data collection method by a third party has proven to be less effective as enterprises were less willing to share data that they considered sensitive, such as investments, finance, employment and revenue. As a result, EPI is revising methodology during early Year 2 to collect high-level results and sub-component benchmark data directly from its key beneficiaries, after executing confidentiality agreements and MoUs. For agricultural beneficiaries, as discussed in EPI's Second Annual Work Plan, EPI will implement an appropriate sampling methodology since collecting data for up to 30,000 farmers would be too costly/time consuming to administer.
- Regulatory impact assessments to quantify benefits of regulatory and policy reforms have not yet been conducted during Year 1.

¹ Including import substitution.

2.1 FOREIGN INVESTMENT

EPI is contributing to an increase of foreign investment both directly and indirectly by improving overall business enabling environment and through its engagement with the investment promotion stakeholders:

- While EPI assistance in the area of business enabling environment reforms, such as in the area of tax, customs, privatization, eGovernance, is significant, the foreign investment target in Table 1 currently does not capture/quantify this important contribution of EPI activities for this high-level result. During Year 2, EPI will propose to USAID the methodology for quantifying the contribution of EPI business enabling environment improvement activities to the overall investment climate and the resulting investment.
- In terms of direct impact of EPI activities in the selected VCs and sectors, the majority of foreign investments and investment commitments during the project duration are anticipated in the following sectors²:
 - Apparel sector investment – EPI anticipates several investments and investment commitments valued between USD 2-5 million per firm in the apparel sector
 - Agricultural products and food logistics hub – potential investors include the Asian Development Bank (ADB) and European private sector logistics hub operators(s)
 - Box plant and paper mill investments
 - Greenhouse and cold chain solutions – with some exceptions (such as, Ferrero in hazelnut or wine industry), foreign investments in agricultural sector have traditionally been very limited; accordingly, the majority of finance needs in the agricultural sector will be met by domestic finance sources.
 - Hotels, wineries and associated wine tourism facilities (accommodations, tasting rooms, etc.)
 - Innovation Center investment by a foreign IT firm (such as Microsoft, HP etc.)
 - Perlite processing investment

YEAR 1 RESULTS

EPI is on track to meet the target by end of project under the assumption that the methodology for contribution of EPI's business enabling environment and policy reform activities is further integrated with the relevant sector-level data. During Year 1, EPI reported 3 foreign investments and commitments in greenhouse facilities, amounting to total investment of USD 3.3 million.

2.2 DOMESTIC INVESTMENT

EPI is contributing to an increase of domestic finance available to businesses in Georgia. The majority of domestic finance is anticipated in the following areas:

- Domestic investment into greenhouse and cold chain facilities

² Per EPI PMP, any of the following EPI activities will determine whether investment results will be considered to be supported by EPI: Investors identified, Investors attracted to visit country, Site visits coordinated, Sector studies supported, Investor follow-up provided.

- Loans and other domestic finance facilitated by EPI Financial Advisors to EPI VC firms
- Leasing reform – based on EPI assistance of changing the legal and regulatory framework during Year 1, EPI will track increases in leasing assets over project duration to quantify the overall EPI contribution.
- Upgrading and modernizing perlite expansion equipment
- Upgrading apparel machinery and facilities
- Hotel, winery and associated wine tourism facilities (accommodations, tasting rooms, etc.)
- Box plant and paper mill investments

The current figure in Table 1 does not yet include the monetized impact of removing regulatory burdens and benefits of policy reforms supported by EPI (a proxy for domestic investment). As discussed in EPI PMP, this indicator assumes that the savings generated by removing regulatory burdens are re-invested in the economy for more productive purposes. The regulatory impact analysis and benefits of policy reforms will be conducted during Year 2.

YEAR 1 RESULTS

EPI is on track to meet the targets by end of project under the assumption that the methodology for contribution of EPI's business enabling environment and policy reform activities is further integrated with the relevant sector-level data. Selected EPI beneficiaries reported an increased access to local finance of USD 200,000 by the transport and logistics sector, USD 17.74 million in greenhouse, USD 21 million in cold storage and USD 84,000 in construction materials. In addition, EPI beneficiaries reported an increased domestic finance totaling USD 1,000,000.

2.3 EXPORTS

Export-driven growth is a critical success factor to Georgia's long-term sustainable economic development. Similar to foreign investment, EPI is contributing to an increase of exports both directly and indirectly by improving overall business environment, especially by its activities in the area of customs, conformity assessment bodies/laboratories (certification and testing of products for exports), and eGovernance tools (trade facilitation portal). The current target does not quantify the contribution of policy-level EPI activities to export targets. Even without the inclusion of such contribution, EPI anticipates to exceed this indicator's target.

The majority of export and import substitution activities are anticipated in the following areas:

- Hazelnut and mandarin exports
- Vegetable import substitution
- Apparel exports, anticipated mostly to Turkey, Germany and Ukraine
- Wine tourist arrivals from Ukraine, Belarus, the Caucasus region and other European countries
- MICE tourist arrivals from the Caucasus and Black Sea regions
- Perlite blocks, filter aids and horticultural perlite exports to Azerbaijan and Ukraine
- Paper corrugated import substitution

- Online applications, social media and mobile applications, E-ID applications, and software product sales to the Caucasus region and Europe

YEAR 1 RESULTS

EPI is on track to meet the targets by end of project. Selected EPI beneficiaries increased exports of approximately USD 823,270 due to trial orders in the agricultural and apparel sectors.

2.4 EMPLOYMENT

EPI anticipates to increase employment in several sectors and VCs:

- M&S component – most employment increases will take place in labor-intensive apparel sector through outsourcing and foreign investments; direct and indirect employment associated with wine/MICE tourism VCs; and employment in the logistics centers.
- Agricultural component – while EPI farmers are commercial in nature (and not purely subsistence farmers), there are only limited employment generation opportunities in EPI sectors/VCs. Most increases are expected with post harvest handling operators (packing, grading facilities), or greenhouse/cold storage operators.

YEAR 1 RESULTS

EPI is on track to meet the targets by end of project. During Year 1, EPI reported an increase of 250 jobs in the apparel sector based on the facilitation of specific outsourcing orders from Turkey. Additional employment increases have been reported as follows:

- In the ICT sector, five out of six active beneficiaries reported annual employment numbers for 2010 and 2011. The total employees in this sector increased from 124 total employees in 2010 to 168 employees in 2011, an average increase of 35.48%.
- Seven out of 10 apparel sector companies reported their number of employees during the first half of 2011. A total of 1,735 employees, inclusive of 250 additional jobs, were reported with the minimum number ranging from 65 – 700 employees per company. These numbers will be kept as a baseline for future comparison.
- The six potential EPI beneficiaries identified in the Packaging and Corrugated/Cardboard sector reported their total employees at the end of the first half of 2011. They range from 17 to 67 employees per company with a total of 216 employees. The number of employees reported per company will be kept as a baseline from which increased employment will be measured.
- Two perlite beneficiaries report a total of 90 employees for 2010 with an increase of 39 percent to 125 total employees in the first half of 2011.

2.5 PRODUCTIVITY

As discussed in EPI PMP, in case where a productivity measure at a VC level is not viable or it is too costly to establish a statistically accurate productivity measure at a VC level, EPI will propose a proxy indicator to measure improvements in efficiency.

The agriculture sectors component the following two productivity indicators:

- An increase in yield in metric tons per hectare, and
- An increase in Gross Margin per hectare.

M&S component currently uses the following productivity indicators:

- An increase in total revenue per employee (apparel, ICT, wine and MICE tourism VCs, and packaging VCs)
- An increase in average daily expenditure per tourist
- An increase in volume of transported goods by rail, by air, by road and by container

YEAR 1 RESULTS

EPI is on track to meet the increase of productivity targets. Currently, EPI is collecting available productivity data for its sectors from national sources. More specific productivity measures will be made uniform across EPI beneficiaries as new data collection methodology is implemented during Year 2.

2.6 REVENUE (SUB-COMPONENT BENCHMARK)

The following revenue benchmarks apply:

- Average annual revenue increase of 20% across 3,000 farms (primarily 5 hectares and more) and 100 agribusinesses by 18 months from April 1, 2011
- Average annual revenue increase of 10% across an additional 5,000 farms and an additional 200 agribusinesses by 18 months from April 1, 2011
- Average revenues across at least 500 small, medium, and large enterprises in targeted M&S sectors increase by 25% as a result of the assistance received through EPI by 18 months from April 1, 2011, and a minimum annual increase of 20% thereafter

YEAR 1 RESULTS

During Year 1, EPI did not track revenue data for all its sectors (other than selected enterprise data arising from specific enterprise-level EPI assistance). New data collection methodology is being implemented in Year 2 for the selected sectors.

As part of the revised agricultural strategy, EPI agreed with USAID to allow farmers to participate in EPI supported activities regardless of their farm size. EPI will track revenue data for all farms and will be able to report data based on a farm size. Given the EPI focus on hazelnut, mandarins and vegetable VCs as opposed to grain or other commodity crops,³ the size of farms in terms of hectares is not as a relevant metric to determine whether a farm is a commercial entity. Instead, any EPI farmers that engage in commercial activities (as opposed to subsistence farming only) will be tracked and reported as commercial farmers.

Selected increases in revenues are as follows:

- Four transport and logistics companies that are EPI beneficiaries report 25% average annual increases in revenue from the first half of 2010 to the first half of 2011. This

³ Based on the available information and production yields trends in Georgia, EPI derived the following definitions of commercially sized plots³ for different crops:

Mandarins - 0.2-0.49 hectares or more;

Hazelnuts - 0.5 hectares or more;

Garlic - 0.2 hectares or more;

Onions- 0.25 hectares or more;

Potatoes- 0.5 hectares or more; and

Carrots- 0.3 hectares or more.

trend in revenue increase will be tracked for comparison to future trends with EPI interventions.

- Four Beneficiaries in the ICT sector reported combined 2010 annual revenues across of approximately USD 425,000. This data will be used as comparison to future reports to track trends.
- Four out of ten apparel beneficiaries reported annual increases from the first half of 2010 to the first half of 2011 ranging from 2% to 10%. The average annual increase is 6%.
- Five of the six potential EPI beneficiaries identified in the Packaging and Corrugated/Cardboard sector reported their annual revenues. They range from USD 89,873 to USD 1,797,461 with an average of USD 1,012,569 per company. These figures will be kept as baseline data for future tracking of revenue increases.
- The two perlite beneficiaries reported combined 2010 annual revenue of USD 1.35 million while totals for the first half of 2011 already equal USD 1.35 million which points towards increased revenues. Again, these numbers will be kept as part of the baseline data for comparison to future reports to track trends.

2.7 BENEFICIARIES (SUB-COMPONENT BENCHMARK)

The following beneficiary benchmarks apply:

- At least 40 agricultural and enterprise service providers delivering assistance and training benefiting a minimum of 30,000 farms and 300 agribusinesses by 30 months since April 1, 2011, and continued assistance for the life of the project
- At least 10 BSPs delivering high quality productivity-enhancing services to industries by 24 months from April 1, 2011 and continuing thereafter.
- Service providers delivering combination of individualized assistance and training courses benefitting a minimum of 500 enterprises in priority industrial and service sectors by 12 months from April 1, 2011, and continued assistance for the life of the project.

YEAR 1 RESULTS

During the first year, the EPI project started identifying beneficiaries and reaching out to provide services through events, trainings, technical assistance and relationship building. The agricultural sector reached 529 farms and 48 agribusiness beneficiaries through 29 trainings, 6 events, and technical assistance. The types of beneficiaries carrying forward into Year 2 will be modified to coincide with a new, focused agricultural strategy that was developed and approved in August 2011. All new agricultural beneficiaries will be registered to provide baseline data and tracked in detail starting in Year 2.

The M&S sector reached 57 beneficiaries through 5 trainings, 16 events and technical assistance and will continue to add to this number in Year 2. Specific challenges with regards to this benchmark indicator are discussed in the “Challenges” section below.

3.0 HIGHLIGHTS OF SELECTED PMP INDICATORS

3.1 WORLD ECONOMIC FORUM (WEF)

In the 2011-2012 WEF Global Competitiveness Report (GCR), Georgia gained in rank and score from the previous year. Table 2 provides the ranks and scores for the GCR indicators that most directly relate to EPI's scope of work. While ranks are influenced by the

performance of other countries in relation to Georgia, the scores provide a more telling story of Georgia's performance.

Overall, out of 15 indicators, scores of 11 individual indicators, out of 15, were increased and rankings were improved for 10 indicators. The areas of most improvement include local availability of research and training services; degree of customer orientation; affordability of financial services; and capacity for innovation.

As part of the EPI business perception survey that EPI conducted in July 2011, the survey also asked businesses to provide responses to the same 15 WEF GCR indicators that EPI selected as part of its PMP. The EPI-administrated business survey achieved higher scores of selected indicators were compared to the WEF survey. However, the EPI-administrated survey follows a slightly different methodology since WEF takes into consideration survey results for the last two years and filters any outlier cases based on responses on all questions.

The latest GCR scores, confirmed by the EPI survey, suggest a number of areas requiring ongoing support. For example, labor market efficiency remains an area of improvement – and EPI's work will attempt to address workforce development and university/industry partnerships in targeted sectors. Similarly, technological readiness is generally lacking and EPI's support for greenhouse and cold storage facilities in the agriculture sector and access to credit will enable Georgian firms to adopt new technologies. These and other activities related to the GCR indicators will help improve business perceptions of Georgia's business environment.

Table 2. WEF GCR & EPI Business Perception Survey

No.	Pillar	Indicator Name	2010-2011		2011-2012		Change		EPI Business Perception Survey Questions	EPI Business Perception Survey Score
			Rank	Score	Rank	Score	Rank	Score		
Georgia GCI			93	3.9	88	4	+5	+0.1		
Basic Requirements			95	4.1	86	4.3	+9	+0.2		
1.02	Institutions	Intellectual Property Protection	97	2.9	105	2.8	-8	-0.1	How would you rate intellectual property protection, including anti-counterfeiting measures, in your country?	4.3
Efficiency Enhancers			94	3.7	89	3.7	+5	0		
5.07	Higher Education and Training	Local availability of research and training services	125	3	115	3.2	+10	+0.2	In your country, to what extent are high-quality, specialized training services available?	4.4
6.14	Good Market Efficiency	Degree of customer orientation	127	3.7	118	3.9	+9	+0.2	How well do companies in your country treat customers?	4.9
7.07	Labor Market Efficiency	Reliance on Professional Management	88	4	85	3.9	+3	-0.1	In your country, who holds senior management positions?	5.2
8.01	Financial Market Development	Availability of financial services	106	3.9	107	3.9	-1	0	Does the financial sector in your country provide a wide variety of financial products and services to businesses?	4.7
8.02		Affordability of financial services	108	3.5	96	3.7	+12	+0.2	To what extent does competition among providers of	4.6

No.	Pillar	Indicator Name	2010-2011		2011-2012		Change		EPI Business Perception Survey Questions	EPI Business Perception Survey Score
			Rank	Score	Rank	Score	Rank	Score		
									financial services in your country ensure the provision of financial services at affordable prices?	
8.04		Ease of access to loans	83	2.5	79	2.7	+4	+0.2	How easy is it to obtain a bank loan in your country with only a good business plan and no collateral	3.7
9.01	Technological Readiness	Availability of latest technologies	98	4.3	99	4.5	-1	+0.2	To what extent are the latest technologies available in your country?	5.0
9.02		Firm-level technology absorption	125	4	115	4.1	+10	+0.1	To what extent do businesses in your country absorb new technology?	4.9
Innovation and Sophistication Factors			121	2.9	117	3	+4	+0.1		
11.01	Business Sophistication	Local supplier quantity	137	3.6	138	3.7	-1	+0.1	How numerous are local suppliers in your country?	4.4
11.02		Local supplier quality	131	3.4	130	3.6	+1	+0.2	How would you assess the quality of local suppliers in your country?	4.5
11.03		State of cluster development	98	3	102	3	-4	0	In your country's economy, how prevalent are well-developed and deep clusters?	3.4
11.05		VC breadth	93	3.2	87	3.3	+6	+0.1	In your country, do exporting companies have a narrow or broad presence in the VC?	4.0
12.01	Innovation	Capacity for Innovation	112	2.4	103	2.6	+9	+0.2	In your country, how do companies obtain technology?	3.6
12.04		University Industry Collaboration on R&D	134	2.5	126	2.6	+8	+0.1	To what extent do business and universities collaborate on research and development (R&D) in your country?	3.4

3.2 OTHER PMP INDICATORS

A summary table of all PMP indicators, baselines, actual results and Year 2 targets are provided in Annex 1. This section highlights selected indicator results:

- During Phase 1, EPI completed 82 assessments and studies, followed by the development of 25 action plans.

- EPI provided training to a total of 2,011 individuals, of which 385 were women and 250 were youth below the age of 25. EPI events had 1045 attendees of whom 171 were women and 106 were youth.
- EPI training and events were held in seven regions of Georgia including: Guria, Imereti, Kakheti, Kvemo Kartli, Samegrelo-Zemo Svateni, Shida Kartli and Tbilisi.
- From the EPI baseline household and perception surveys conducted in July 2011, respondents were asked about their perception of IPR. Of the 2,200 persons surveyed, only 6.7% found it acceptable to buy goods that violate author's rights and 71% are aware that buying goods that violate author's rights is punished by law. When asked about downloading pirated entertainment or software from the Internet, 45% believe it is acceptable for private use and only 11% believe it acceptable to download for subsequent sale. This data reveals an interesting trend of varied understanding of IPR and it highlights the importance of targeted training and public awareness activities.

4.0 CHALLENGES

During first year, EPI identified several challenges that arise from two key areas: the political priorities of the GoG and the incompatible priorities of required high-level results, subcomponent benchmarks and required outputs of EPI contract. EPI looks forward to the opportunity to discuss these challenges with USAID and agree on next steps, including contractual changes.

5.0 PROGRESS OF ACTIVITIES BY COMPONENT

The following sections provide a summary of the progress of activities among each of EPI's project components. A summary table of the status of Year 1 outputs, as included in the Year 1 Annual Work Plan (Phases I and II), is included under each subcomponent or activity area.

5.1 MANAGEMENT AND OPERATIONS COMPONENT (M&O) (GANTT CHART LEVEL 1000)⁴

The objective of the M&O component is to provide efficient and effective program implementation with strong crosscutting elements—including gender and youth integration, economic knowledge, public-private partnerships (PPP), access to finance, and investment promotion—to ensure maximum impact in each of EPI's activity streams. During Year 1, the goal of our M&O activities has been:

- To establish critical project management functions, including subcontracting and procurement;
- To effectively engage our stakeholders and counterparts in the launch of EPI and prioritization of our activities;
- To develop and begin implementation of our communications strategy that will meet USAID reporting requirements, disseminate information about EPI to our stakeholders and counterparts, and provide a knowledge platform on competitiveness issues in Georgia; and
- To plan and begin implementation of critical, demand-driven, crosscutting activities that support EPI's components over the life of the program.

⁴ M&O was formerly referred to as Project Management and was part of the "Project Management and Crosscutting" Component (PMC).

The following provides highlights of EPI's key accomplishments against the Year 1 goals and overall program objectives:

- A formal project launch event took place on May 13, 2011, which engaged approximately 180 individual stakeholders, including members of the U.S., GoG, associations, businesses, and other donor organizations, setting the stage for a collaborative approach to EPI implementation.
- Twenty subcontracts with local and international partners were concluded, which will be critical to the effective and sustainable achievement of EPI results.
- As part of our communications strategy, EPI published its website www.epigeorgia.com in June, providing an effective platform for engaging stakeholders and counterparts and sharing knowledge on competitiveness in Georgia. The website will be part of the EPI Competitiveness Portal, (www.competitiveness.ge), as further described in EPI's Year 2 Work Plan.
- In workforce development, EPI developed and assisted in the implementation of its first PPP model between the apparel industry and vocational colleges (VoCs) specialized in apparel training programs. A second PPP has been initiated in the wine tourism sector.
- The GoG has approved and submitted to Parliament proposed amendments to legislation related to leasing, which resulted from EPI's technical guidance to a broad group of public and private sector stakeholders.
- A new crosscutting activity, Investment Management Services (IMS), was initiated to support GIPP to coordinate and build capacity for investment promotion in targeted EPI sectors.

The following sections present progress under each subcomponent against the Year 1 work plan.

5.1.1 WORK PLANNING (GANTT CHART LEVEL 12000)

In Year 1, EPI's work planning was conducted in two phases, per the provisions of the EPI contract. The Year 1 Phase I Work Plan was submitted to USAID on December 6, 2010 and resubmitted to USAID on December 29, 2010 to incorporate USAID's comments. The Year 1 Phase II Work Plan was submitted to USAID on April 4, 2011 and was approved on June 6, 2011. The work plan was developed to align with the technical structure of the EPI Scope of Work and was tailored through a consultation process that included a series of meetings with Georgian private and public sector stakeholders and counterparts, USAID and other USG agencies, other donors, as well as Georgian academia and civil society. Updates to the work plan were made in consultation with USAID and were reflected in EPI's web-based work planning system, EPI-World, which was implemented in Year 1. EPI's quarterly reports also included updated Gantt charts to reflect the activities implemented by EPI.

OUTPUTS	STATUS
Phase I Outputs	
AID-Project Work Planning System and the Partner Reporting System ("EPI-World") procured and operational; all relevant staff trained on these systems	Completed
Year 1: Phase 2 Work Plan delivered	Completed
Phase II Outputs	

Year 2 Work Plan	Completed
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5.1.2 COMMUNICATIONS (GANTT CHART LEVEL 13000)

EPI's communications program, in addition to fulfilling a critical reporting vehicle vis-à-vis USAID, is designed to integrate communications into all aspects of implementation in order to inspire national sentiment on the importance of competitiveness and specific opportunities in targeted VCs, disseminate success stories to encourage replication, and convey the success of US assistance to the Georgian people.

During Year 1, efforts focused on establishing critical communication channels, engaging the media, and developing communications strategies for EPI components and initiatives. To this end, EPI developed its project website at www.epigeorgia.com to share information across a broad audience of stakeholders, both on EPI's activities and broader economic knowledge related to competitiveness topics. This website will ultimately be hosted as a subset of the interactive Georgia Competitiveness Portal (www.competitiveness.ge), which will tie together "communities" of interest around competitiveness in Georgia, to eventually be housed by a Georgian counterpart and continued beyond the life of EPI.

In addition, the project developed 160 media products during this first year and organized 36 public events or outreach campaigns.

EPI also produced weekly, monthly, and quarterly reports on the project's progress, as required by the contract.

OUTPUTS	STATUS
Phase I Outputs	
EPI Launch completed	Completed
Communications Strategy under development	Completed
Temporary EPI Web site developed	Completed
Weekly, monthly, and quarterly reporting underway	Completed
Phase II Outputs	
Communications Strategy finalized	Completed
Communications IQC advertised and a stable of communications providers competitively procured to support EPI communications needs	Postponed (Year 2)
Georgia Competitiveness Portal operational	In progress
Weekly, monthly, and quarterly reporting continue	Completed

5.1.3 PROCUREMENT (GANTT CHART LEVEL 14000)

In May 2011, EPI moved to its permanent office space. Throughout Year 1, EPI established USAID-compliant procedures for procurements. EPI also began development of a USAID-compliant grants manual, which will be submitted for approval in Year 2.

OUTPUTS	STATUS
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Phase I Outputs	
USAID-compliant procurement procedures in place and documented	Completed
Phase II Outputs	
USAID-compliant grants manual submitted for approval	Postponed (Year 2)

5.1.4 SUBCONTRACTING (GANTT CHART LEVEL 15000)

The following list of service providers were subcontracted during Year 1:

FIRM	AREA OF SUPPORT
U.S. Organizations (10)	
2020 Development Company LLC	Masters of Wine opinion shapers
CNFA	Agricultural sector competitiveness
Devis	"EPI-World" automated work planning system, EZRO website development system
JE Austin Associates (JAA)	M&S
Community Colleges for International Development (CCID)	Workforce development and partnerships
Flag International	SME development and access to finance
Global Sustainable Solutions	International building code, including green building
Making Cents	Gender and youth integration
Latin American Consultants	Perlite product development
SSG Advisors (SSG)	GDAs and Alliances, partnerships, and PPPs
Georgian Organizations (9)	
Agroservice Association	Agricultural service delivery
Association of Business Consulting Organizations of Georgia (ABCO)	Business skills training and support, as needed
Analysis and Consulting Team (ACT)	Surveys and data analysis
Deloitte Touche Tohmatsu (DTT) Georgia	Tax code translation Business enabling environment and policy reform, sector-specific assistance (approval under USAID review)
Georgian Wine Association	Wine tourism activities, Qvervy Symposium
GFM Studios	Training film on hazelnut growing
Policy Consulting & Management Group	Business enabling environment and policy

FIRM	AREA OF SUPPORT
(PCMG)	support and advocacy
UM Georgia	Production of TV spots for Business Ombudsman Office
United Global Technology (UGT)	Information technology and e-governance
Foreign Organizations (1)	
Deloitte Turkey	Apparel and construction material assessment and strategy

OUTPUTS	STATUS
Phase I Outputs	
All subcontracts operational, except ABCO (in progress).	Completed
Phase II Outputs	
ABCO subcontract operational	Completed
Active use of subcontractors in EPI technical assistance	Completed

5.1.5 PERFORMANCE MONITORING (PREVIOUSLY GANTT CHART LEVEL 48000, NOW GANTT CHART LEVEL 17000)

During Year 1, EPI developed its PMP and conducted three baseline surveys:

- A beneficiary survey administered to all active and potential beneficiaries in the targeted VCs for collection of high-level results including sales, employees, investments, exports and productivity. Potential beneficiaries are those that meet the criteria for inclusion in the EPI program according to the completed VC assessment reports. The results of these surveys indicated the limitations of data collection by a third party, especially on sensitive enterprise data. As a result, EPI is refining its data collection methodology for Year 2 to focus on collecting data from EPI staff.
- Two perception surveys administered to a nationally representative sample of households and a census of businesses defined as medium and large based on Georgian official definition (enterprises with sales above GEL 500,000 and/or more than 100 employees). The business perception survey also includes a World Economic Forum (WEF) Global Competitiveness Report (GCR) module to serve as a comparative measure of the EPI targeted indicators in the WEF Executive Opinion Survey.

EPI also designed a project monitoring database and standardized data collection forms to capture data on beneficiaries, EPI training and events, and component specific PMP indicators. The beneficiary information will be used to identify respondents by sector, location, and VC according to EPI project interventions and monitor their progress against results.

OUTPUTS	STATUS
Phase II Outputs	

Updated PMP Log Frames	Completed
Baselines and targets	Completed
Business enabling environment perception survey design and implementation	Completed
High-level results VC data – survey design and implementation	Completed
EPI results data uploaded to AID-Project Partner Reporting System (PRS)	Replaced with a PMP Reporting Database

5.1.6 ENVIRONMENTAL EVALUATION (PREVIOUSLY GANTT CHART LEVEL 44000, NOW GANTT CHART LEVEL 18000)

During Year 1, EPI developed a threshold environmental checklist for reviewing documents to ensure that EPI's recommendations and activities are environmentally sound. EPI supported capacity building of governmental agencies and private sector stakeholders through development of best practice recommendations in Pesticide Evaluation Report and Safer Use Action Plans (PERSUAP).

ENVIRONMENTAL EVALUATION OF VALUE CHAINS

During Year 1 EPI conducted assessments of environmental issues in its VC areas, identifying potential issues and mitigation strategies as well as potential opportunity areas.

ENVIRONMENTAL TRAININGS

- EPI carried out trainings in PERSUAP for the stakeholders of Agriculture Component.
- EPI distributed Greenhouse Best Management Practice guideline among stakeholders of Agriculture Component.

No environmental compliance report was required to be completed during Year 1.

OUTPUTS	STATUS
Phase II Outputs	
Environmental assessment and recommendations in EPI VCs	Completed
Environmental trainings	Ongoing
Environmental compliance reports to ensure that EPI activities incorporate environmental best practices	Ongoing

5.2 CROSSCUTTING ACTIVITIES COMPONENT (CC) (GANTT CHART LEVEL 16000)⁵

Crosscutting activities are designed to provide relevant resources and tools to EPI teams to ensure efficient and effective program delivery. A number of binding constraints that cut across EPI program areas include:

- A lack of qualified workforce for EPI VCs and sectors;

⁵ CC was formerly part of the Program Management and Crosscutting Component.

- Lack of access to mid- and long-term finance;
- Poor quality of business and economic data and statistics, and non-existence of sustainable mechanisms to analyze and disseminate business and economic information; and
- Lack of internal capacity amongst Georgia's key investment promotion organizations to engage in targeted investment promotion

Year 1 activities focused on laying the groundwork to address these impediments through industry-driven training programs, facilitation of alternative financial instruments, increased business acumen and economic knowledge, and the stimulation of domestic and foreign investment.

5.2.1 GENDER AND YOUTH INTEGRATION (GANTT CHART LEVEL 16100)

The benefits of growth in Georgia have not been widely shared, and the economy remains narrowly based, unable to generate the jobs and benefit all Georgians, especially women and youth. Year 1 activities focused on laying the foundation for the development of tailored integration programs to ensure demand-driven success in the subsequent years of the program and to identify implementation partners to support these efforts. After the completion of EPI's VC assessments in the first quarter of 2011, EPI developed action plans to link women and youth to opportunities within the VCs and especially, to effectively prepare these individuals in their pursuit of these opportunities. To facilitate this process, EPI identified Georgian organizations focusing on the economic independence and integration of women and youth and assessed their managerial and operational capacity to foster their integration into EPI VC activities.

OUTPUTS	STATUS
Phase I Outputs	
Technical assistance matrix for public institutions	Completed
Phase II Outputs	
Women Integration Action Plan	Completed in first month of Year 2
Youth Integration Action Plan	Completed in first month of Year 2

5.2.2 INCREASING ECONOMIC KNOWLEDGE (GANTT CHART LEVEL 16200)

These crosscutting activities address the need for increasing economic information and knowledge sharing in Georgia. The activities were sub-divided into two primary areas of focus: economic journalism and improving economic knowledge (which is further subdivided into activities designed to enhance economic data quality, improve economic data analysis, and expand economic knowledge dissemination).

ECONOMIC JOURNALISM

Delivering information on economic policy and competitiveness requires media with experience in economic journalism. In early 2011, the EPI team assessed economic journalism in Georgia and found the quality of business writing both poor and hard to sell. As a result, EPI designed an action plan to enhance economic and business writing and reporting to ensure better quality as well as higher frequency. During Year 1, EPI focused its efforts on two areas. First, EPI focused on building its relationship with the media by engaging the media in EPI's activities through involvement in EPI events and providing EPI

experts as sources for economic reporting. At the same time, EPI conducted informal “Coffee and Conversation” sessions, linking interested economic reporters and subject matter experts to discuss a particular economic issue. These informal sessions not only allowed economic journalists to learn more about economic issues, but also often resulted in coverage of these issues by the journalists.

IMPROVING ECONOMIC KNOWLEDGE

Better economic journalism alone is not enough. From the start of the project, the lack of available basic, reliable economic data was apparent. The variety of basic economic data needs to be increased and its quality enhanced. Better analysis needs to be performed on the data to improve intellectual content and create knowledge, particularly knowledge that has commercial value. Finally, the data, the analysis, and the resulting knowledge require wider dissemination.

During the first year, EPI gathered the economic data and information it needed to conduct its preliminary assessments. EPI published and disseminated various sector and VC assessment reports that contained specific sector level statistical data and business information. These reports were disseminated electronically and in printed format to EPI stakeholders and other audiences. Activities in Year 2 will focus more on economic and business analysis enhancement among think tanks and research centers, and dissemination of economic knowledge among EPI stakeholders.

OUTPUTS	STATUS
Phase I Outputs	
Draft Economic Journalism Strategy	Completed
Phase II Outputs	
Assistance to Our Farm TV shows	Cancelled
Assistance of ten print/broadcast media	Completed
Nine training seminars	Completed
Eight VC on-site visits	Partially completed (4 VC site visits)
Twelve training seminars to Parliamentary committees and think-tanks	Postponed (Year 2)
Assistance to seven economic data generating/processing entities	Postponed (Year 2)
Four Georgia Development Alliances	Postponed (Year 2)
Improving Economic Knowledge Action Plan	Cancelled

5.2.3 ESTABLISH PUBLIC-PRIVATE PARTNERSHIPS (GANTT CHART LEVEL 16400)

Public-private partnerships are, increasingly, critical tools for supporting development objectives. EPI goals are to promote and establish PPPs that will multiply the impact of USAID funding through development alliances and contribute to the development of private sector-led solutions to workforce development constraints within EPI target sectors.

GLOBAL DEVELOPMENT ALLIANCES (GDA)

The goal here is to leverage EPI funding by building development alliances that jointly further USAID/Georgia's development objectives while simultaneously furthering the business objectives of other organizations willing to commit resources. Several GDAs were proposed in the Year 1 Work Plan, including organizations such as Open Society Institute and Reuters Foundation in the area of economic journalism development and Microsoft in the area of ICT. With the shifting of economic journalism activities to Year 2, GDAs in this area were not pursued during Year 1. EPI's Year 2 activities in the area of innovation centers envision the formulation of a partnership with Microsoft. Additionally, in support of its activities in the hazelnut VC, EPI will seek opportunities to establish GDA's with international agro businesses, such as Ferrero to build VC capacity.

WORKFORCE DEVELOPMENT

The EPI Sectors Assessment Report and the Value Chain Assessment Report both reported a significant shortage of skillful labor in all target sectors. In order to identify workforce-related PPPs, EPI inventoried the institutions in Georgia that could be developed into strong partners in elevating labor and managerial skills. This inventory was expanded to a full mapping of institutional capacity including an assessment of the current curricula, teaching materials, and technical and teaching capacities against the needs of specific VCs. As VC action plans specifically identified areas for skills enhancement, EPI's crosscutting team identified potential local partner institutions to improve their capacity to provide competitive skills training.

In Year 1, EPI focused on workforce development in the apparel and wine tourism sectors. In the apparel sector, EPI helped to address a need in priority vocations, namely sewing machine operators, sewing machine mechanics and quality auditors. EPI established a robust and efficient PPP model between the apparel industry and vocational colleges (VoCs) specialized in apparel training to upgrade curricula and to equip VoCs with modern equipment and training materials. EPI is engaging TC2, a worldwide leader in apparel industry education and training, to provide Training of Trainer (TOT) courses to instructors at Tbilisi, Kutaisi, Batumi, and Ozurgeti VoCs.

In the wine tourism sector, EPI started work to introduce an internationally recognized wine education program provided by Midwest Wine School, which is an approved program provider of the Wine and Spirit Education Trust (WSET).

OUTPUTS	STATUS
Phase I Outputs	
Inventory of potential Georgian partner institutions	Completed
Phase II Outputs	
Workforce Development Action Plan	Completed
Georgia Development Alliances Action Plan	Cancelled
Two Georgia-US university/college partnerships	On hold due to current focus on non-university training

5.2.4 ACCESS TO FINANCE (GANTT CHART LEVEL 16600)

Access to finance remains a binding constraint to building the competitiveness of the Georgian economy. The EPI contract calls for USD 200 million in domestic finance, including new credit.

In Year 1, EPI's primary focus was to facilitate financial leasing as an alternative mechanism for SMEs and farmers to obtain production equipment. EPI identified an opportunity to provide support to the leasing industry by partnering with the GoG and the business community to draft a new legal framework conducive to leasing in compliance with international best practices. A working group was comprised of various members of banks, associations, and companies in Georgia, with EPI providing expertise through a combination of knowledge in international best practices and local experience. EPI helped to bring the leasing regulatory framework in line with international best practices, as applicable to the environment in Georgia. In September 2011, the GoG approved and submitted to Parliament the proposed amendments to the Tax and Civil Code, Law on Commercial Banks and Law on Bankruptcy. In parallel with efforts to amend leasing regulations, EPI also focused on capacity building and awareness of leasing-related issues among the Georgian leasing industry and other relevant stakeholders through a series of workshops and information campaigns.

At the request of the GoG, EPI provided technical assistance to assess other new mechanisms to support lending, including increasing the pool of investment capital available in Georgia through pension reform and the introduction of crop insurance to reduce risks associated with agriculture lending:

Removing Legal Bottlenecks to Mobilizing New Capital through Leasing

The global leasing industry plays a critical role in financing capital investments for new equipment, to the tune of USD900 billion annually. In mature markets, leasing represents 30% of the total capital investments and about 8% of GDP. A well-developed leasing industry could significantly contribute to overall growth of Georgia's economy. However, over the years, the leasing sector faced a regulatory environment that had prevented much needed development of the industry to improve access to finance. Weaknesses in Georgia's Civil Law, Commercial Law provided little incentive for lessors to undertake risk. As a result, the leasing industry in Georgia has financed no more than GEL 40 million to date, representing 0.2% of GDP.

In 2010 to address the legal drawbacks, EPI, in collaboration with the GoG, Business Association of Georgia, and two leasing companies undertook an initiative to draft a legal framework conducive to leasing in compliance with the best international practices. EPI provided international and local leasing experts who examined the existing legislative and policy framework that resulted in amendments to Tax Code, Civil Code, Georgian Law on Commercial Banks, and Georgian Law on Bankruptcy to create a more favorable environment for expansion of leasing market. In 2011, the proposed leasing related amendments were adopted by the Parliament of Georgia.

To facilitate the growth of the financial leasing sector under the new legal and regulatory framework, EPI will focus future efforts on strengthening the capacity of the Georgian leasing industry and the relevant government officials/regulators through training and capacity building, as well an awareness campaign to educate farmers and other businesses on the benefits of leasing.

- In cooperation with the Business Association of Georgia (BAG), EPI presented policy options for establishing a mandatory pension scheme to the GoG in April. Subsequent activities included a SWOT analysis of Pillar II and Pillar III pension schemes, followed by macroeconomic projections of the pension schemes, which were presented in September to the Ministry of Finance.
- In the area of crop insurance, EPI completed an assessment of gaps between the supply and demand of agriculture insurance in Georgia. These findings were presented at the Crop Insurance Workshop in April, which included participants from the Ministry of Agriculture, the National Bank of Georgia, EBRD, ADB and

representatives of insurance companies, commercial banks and MFI's. EPI also developed trainings and a study tour among farmers across Georgia to increase awareness of agricultural insurance products and benefits offered by Georgian insurance companies.

OUTPUTS	STATUS
Phase I Outputs	
New Policy and Legal Framework for Financial Leasing	Completed
Phase II Outputs	
Survey of bank credit constraints: supply and demand	Completed
Access to Finance Action Plan: Banks	Completed
Access to Finance Action Plan: MFIs	Completed
Mapping of Financial BDS Services	Completed
Mapping of SME Compliance with Financier Requirements	Completed
Agriculture and Pension Assessment	Completed
Agriculture Insurance Action Plan	Completed
Pension Reform Action Plan	Completed

5.2.5 INVESTMENT MANAGEMENT SERVICES (GANTT CHART LEVEL 16700)

Tapping into investors and positioning them within strategic Georgian sectors requires a concerted best practice model that will mobilize Georgian stakeholders to work together toward a common vision. A new crosscutting activity, Investment Management Services (IMS), was initiated to support GIPP to coordinate and build capacity for investment promotion in targeted EPI sectors. The GIPP came together in Year 1 as an informal network that includes GNIA, major municipalities, regional investment promotion agencies, business associations, government ministries and the international donor community. The IMS crosscutting area was initiated within EPI to manage and guide this effort. EPI has engaged a long-term advisor to spearhead project implementation, including stakeholder communications and management, project planning, and execution and monitoring of IMS. A targeted investment strategy for the apparel, tourism and agricultures sectors was developed to identify the most promising markets for investment promotion, together with a more detailed marketing strategy for apparel, targeted at Turkish investors.

Details on IMS-related activities are discussed under the BEE component in section 5.5.5, under which they were initiated during Year 1.

5.2.6 CC COMMUNICATION CAMPAIGNS (GANTT CHART LEVEL 19000)

This work plan level will be cancelled in Year 2, with crosscutting component-related communication campaigns mapped under specific VC activities.

OUTPUTS	STATUS
Phase II Outputs	

OUTPUTS	STATUS
Communication campaign: "Our Farm" TV Show regularly featuring EPI VCs	Cancelled
Competitiveness "Promoting Leasing" communication campaign	Postponed (Year 2)

5.3 AGRICULTURE SECTORS COMPONENT (AG) (GANTT CHART LEVEL 20000)

Agriculture employs approximately half of the population in Georgia, but is estimated to comprise only 8 to 9 percent of the Georgian economy, as measured by GDP, with agriculture processing adding an additional 3 to 4 percent. Low productivity, lack of access to credit and a low orientation to the market have made Georgia a net importer of food, much of which can be grown domestically. The challenge is to develop capacity in the agriculture sector to profitably serve growing domestic and export markets and increase rural wealth.

The overall objective of the AG component is to increase the competitiveness of private enterprises in selected agriculture VCs by improving productivity and connecting firms with viable market opportunities. This will lead to increased employment, higher sales, profits and exports for VC participants. During Year 1, the goal of our AG activities has been:

- To set the stage for EPI activities in the subsequent years through:
 - The selection of the most promising agriculture VCs for promoting exports and/or import substitution,
 - Mobilizing stakeholders to collaborate on VC activities, and
 - Developing VC action plans to address the binding constraints to boosting domestic production and exports; and
- To initiate selected action plan activities to build momentum toward EPI objectives.

The following provides highlights of EPI's key accomplishments against the Year 1 goals and overall program objectives:

- In collaboration with our stakeholders, EPI completed VC action plans in 4 sub-sectors (wine, nuts, fruits, vegetables), which identified priority VCs for EPI support, and key activities.
- EPI established a partnership with AgroService, an association of 34 Farm Service Centers (FSC's) and 13 Machinery Service Centers (MSC's) spread across Georgia, to support the sustainable provision of support services to Georgia's agriculture VCs.
- Through its investment promotion activities, EPI stimulated demand and interest among domestic investors resulting in planned commitments of USD 21.04 million in greenhouse investments that will extend the growing period and productivity.
- EPI also stimulated approximately USD 21 million investments in cold storage that will extend the shelf life of produce, reducing wastage and increasing revenues.

The following sections present progress under each subcomponent against the Year 1 work plan.

5.3.1 AG VALUE CHAIN PRIORITY SELECTION (GANTT CHART LEVEL 22000)

The selection of priority VCs is a critical first step to ensure that USAID funding is directed toward those activities are aligned with EPI's overall objectives and can yield a high return

on investment. In October 2010, EPI analyzed Georgia’s agriculture sectors and evaluated them against pre-defined criteria to identify those with the highest potential for contributing to EPI’s high-level targets. The selected agriculture sectors included wine, nuts, fruits and vegetables. Detailed VC analyses of these four sectors allowed the AG team to further define and select high-potential VCs in each priority sector. The identified VCs for agriculture included:

- Wine
- Hazelnuts
- Berries
- Other Fresh Fruit
- Processed Fruit
- Root Crop Vegetables
- Other Fresh Vegetables
- Processed Vegetables

This list was rationalized further during the course of Year 1, based on EPI objectives, to further focus EPI activities in the future to increase the return on investment. By the end of Year 1, EPI narrowed the component’s focus on hazelnuts, mandarins, and eight greenhouse (tomatoes, cucumbers, eggplants, and peppers) and open field root vegetable crops (onions, garlic, potatoes, and carrots).

OUTPUTS	STATUS
Phase I Outputs	
Targeted eight VCs for future development	Completed
Identified AgroService as a major vector for EPI resources to agro-SMEs	Completed
Regulatory issue of double-taxation of cooperatives and LLCs identified	Completed
Phase II Outputs	
Sector and VC selections are completed, and no further outputs in this area are anticipated	Refinement of VCs completed

5.3.2 AG VALUE CHAIN ACTION PLAN DEVELOPMENT (GANTT CHART LEVEL 23000)

The VC action plans are designed to identify and prioritize the binding constraints and solutions to increasing exports and/or import substitution. The planning phase also serves an important role in identifying key stakeholders and catalyzing support for VC improvements. The AG team engaged with stakeholders in each VC to develop detailed action plans for each VC, based on the strategic “entry point” for EPI support described above and committed buy-in from VC participants to effect sustainable VC transformation. These action plans were developed on a rolling basis, with each VC group moving towards implementation as soon as an action plan is finalized. In several cases, the AG team supported implementation activities that were clearly aligned with action plans under development. These are described in the section below on implementation.

OUTPUTS	STATUS
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OUTPUTS	STATUS
Phase I Outputs	
Action plan development for three VCs, including root crop vegetables, fresh vegetables, and processed vegetables initiated	Completed
Phase II Outputs	
The following action plans completed and in implementation:	
• Wine	Completed Action Plan, Implementation Dropped
• Hazelnuts	Completed
• Berries	Completed Action Plan, Implementation Dropped
• Fresh fruit	Completed
• Processed fruit	Completed Action Plan, Implementation Dropped
• Root crop vegetables	Completed
• Fresh vegetables	Completed
• Processed vegetables	Completed Action Plan, Implementation Dropped
• Mandarins	Completed Action Plan, Implementation Started

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

The following sub-sections describe the key activities that were undertaken to implement the AG VC action plans, focusing primarily on production training, feasibility studies for critical VC investments (such as cold storage), and market assessments and participation in trade fairs.

WINE

EPI's primary entry point for wine focused on assisting existing efficient producers expand and diversify Georgia's export markets, with supporting interventions aimed at helping to meet the requirements of those markets. One specific market focus was the U.S., which recently surpassed France in total wine sales by volume. The increase in U.S. consumption and tendency for U.S. consumers to be more open to newer, unique wines at competitive prices posed an attractive opportunity.

However, at the request of the GoG, EPI wound down activities focusing on wine as an agriculture sector. Instead, EPI shifted its focus completely to wine tourism activities.

HAZELNUTS

Hazelnuts make up 24 percent of Georgia's agriculture exports by value. Georgia is among the top six producers and exporters of both shelled and in-shell hazelnuts. This is a growing market, with new demands from non-traditional markets such as Asia and South America,

which offer premium pricing. Georgia has this relatively strong market position despite low farm yields, and EPI's main entry point will be to introduce low-cost improvements that can increase yields by up to 30 percent and put Georgian producers in a position to serve new and growing markets. As yields increase, the AG team will then help local processors develop value-added production, diversify exports, and increase employment.

Year 1 activities focused on immediate export market diversification activities, as well as longer-term production challenges:

- *Export Marketing.* To connect hazelnut processors to new and growing markets where Georgia did not have a presence and where price premiums may be paid, EPI assistance generated interest in Canada, Singapore, and Germany. Trainings to promote hazelnut marketing and exports were also provided. EPI also facilitated the attendance of three Georgian companies at the International Nut and Dried Fruit Congress in Budapest. Agro-Plus, Nuts Export Company and Aromaproducti attended the event to meet potential buyers. Because of this attendance, approximately USD 600,000 worth of products was contracted for sale to new markets, including juice pomace, which was previously a mere waste product for the

Georgian Agricultural Companies Expand their Exports through Participation at 30th International Nut and Dry Fruit Congress

Georgia is the fifth largest exporter of in-shell hazelnuts, and the fourth largest exporter of shelled hazelnuts. Due to the growth in hazelnut demand worldwide, Georgia needs to continue identifying new market opportunities. Georgia's fruit sector also needs to access new markets, due to the decline in exports after the 2008 war and Russian embargo.

To help Georgian agricultural companies expand their client relationships and find new market opportunities, EPI supported the participation of several Georgian companies at the 30th International Nut and Dry Fruit Congress in Budapest in May 2011. This event serves as a source of global information on nuts and dried fruits in the areas of health, nutrition, food safety, statistics and government standards and regulations. More than 800 participants from 46 countries attended the trade fair.

Thanks to participation at the event, hazelnut producers Jener Belkania and Begi Sioridze were contracted to supply 40-50 MT of unshelled hazelnuts to Turkish buyers. And *Aromaproduct*, a canning plant from Gori, contracted with bio chain *Rossmann* to supply pomegranate juice and blueberries and also agreed to supply pomegranate and blueberry leftovers to Belgium-based *Nutriad* to improve the nutrition of animal feed. Approximately USD 600,000 worth of products was contracted for sale to these new markets.

seller.

- *Production.* EPI developed a *Hazelnut Production Guide*, which helped hazelnut farmers identify specific steps to increase yields (in many cases with no or minimal investment). The guide was produced in English, Georgian, and Russian and was used during trainings as a resource for farmers. Approximately 300 copies of the Russian version of the EPI developed Hazelnut Production Guide were distributed to Abkhazian farmers through UNDP Georgia. At the same time, EPI provided production training to 159 hazelnut farmers to demonstrate best practice in maximizing yields. In order to multiply EPI's reach, the trainings, which took place throughout Georgia, were recorded for DVD and web-based training production.

FRESH FRUIT

Georgia's diverse micro-climates support production of a wide variety of fruits including citrus, apples, pears, plums, peaches, cherries, table grapes, and berries. EPI support during Year 1 focused primarily on cold storage, one the most critical binding constraints facing the sector. Other activities focused on exports and diversification:

- *Cold Storage and Production.* Information at the beginning of Year 1 showed that Georgia had only enough cold storage space to store, for example, 2 percent of the apples it produced. Other crops faced similar storage shortfalls, leading to reduced quality and high wastage, as well as missed revenue given that fruit prices 4-6 months after harvest are often twice the harvest price. These facts suggested that the most important entry point for EPI was in improving the storage of fruits after harvest. EPI's focus on fresh fruit cold storage ran concurrently with fresh vegetable cold storage efforts. In Year 1, EPI also focused production improvements on a variety of berries with high-value market potential.
- *Introduction of New Varieties through Demo Plots.* To support diversification into high value exports, EPI intended to support introduction of berries to Georgia taking into consideration favorable climatic conditions of Georgia and its proximity to major European markets. Facilitation of links between the Georgian Agriculture Corporation (GAC) and U.S.-based nurseries was envisioned as a part of the berry VC development strategy. As a result of EPI AG restructuring process undertaken in summer 2010, it was decided to drop this VC due to the fact that its development impact would have been limited during the EPI remaining lifespan as compared to other VCs under consideration.
- *Export Marketing.* EPI co-sponsored three Georgian fruit and vegetable participants to attend Fruit Logistica 2011 in Berlin, Germany. Fruit Logistica is the world's largest fresh produce trade show. As result of this participation, Kula, a fruit and vegetable processing company, sold 100 tons of apple juice concentrate to a German buyer valued at approximately USD 200,000. Also with its own resources, Kula was able to

Georgian Fruit and Vegetable Processing Company Expands its Export through Participation at Fruit Logistica 2011

During Soviet times, Georgia's fresh fruits industry had a specific market to export to and was flourishing. However, the war in 2008 and Russian embargo on the import of Georgian products to Russia removed Georgia's main export market from the picture. Establishing linkages to new markets has been a challenge for the Georgian agricultural sector.

Facilitating these linkages became a priority area for EPI and in February 2011, EPI supported the participation of several Georgian fruit and vegetable processors to attend Fruit Logistica 2011 in Berlin. Fruit Logistica is the leading international trade fair for fruit and vegetable marketing. More than 2,300 companies from the entire fresh product VC were present at the fair. The event provided a unique platform for generating new business with excellent opportunities for establishing worldwide contacts.

As a result of participation at the trade fair, Georgian fruit and vegetable processor *Kula* met *Döhler*, a global producer, marketer and provider of natural ingredients. The meeting culminated in an agreement on the delivery of 100 tons of Georgian apple concentrate at a value of approximately USD 200,000.

purchase machinery capable of peeling one ton of apples per day.

PROCESSED FRUIT

Fruit that does not meet the quality standards of the fresh market can be processed into lower value juice, pulp, puree, concentrate, jams and jellies, and other products. With the large number of fruit growers, low levels of cold storage and other modern post-harvest handling facilities, low productivity, and low quality, it is inevitable that a portion of Georgia's fruit crop finds its way into the processing sector. EPI's initial focus was on facilitating domestic and international market access, and on increasing the number of HACCP-certified processors in Georgia. This focus would create greater demand for "B-grade" production and then lead to outgrowing opportunities for smaller farmers.

As part of EPI's revised agricultural strategy, further support to this VC has been dropped.

FRESH VEGETABLES

According to 2005 statistics, of the approximately 729,542 farmers in Georgia, only approximately 129,598 produce for sale. In Year 1, EPI focused its efforts on those who were able to supply profitably commercial markets. As in the fruit VC, action plan activities focused primarily on production related constraints, which are a prerequisite to growing markets, with secondary activities focused on marketing.

- *Cold Storage and Production.* A key EPI strategy in fresh vegetables was to extend the marketing season through expanded cold storage facilities. EPI also encouraged use of heated greenhouses for fresh vegetable production in the winter and spring months to substitute imports. Much of the focus in fresh vegetables (e.g. cold storage) ran concurrently with similar efforts in fresh fruit.

In order to help farmers determine the most profitable crops to produce, EPI worked with VC participants to produce a *Vegetable Production Budget Handbook* in January 2011. The handbook contains pro forma enterprise budgets for 13 vegetables, their costs of production, total revenue, and projected profit. This handbook serves as a tool to allow individual farmers to benchmark their own production, identify areas for operational improvement, and evaluate diversification into other crops.

In Year 1, EPI also focused on the use of heated greenhouses for fresh vegetable production, with a variety of activities beginning with gauging interest in greenhouses to demonstrate the feasibility to interested parties. EPI conducted a greenhouse feasibility study for the off-season production of vegetables, with a Microsoft Excel based tool allowing the analysis of internal rate of return, payback period, net profit and cumulative cash flow. The model was presented at EPI's Greenhouse Roundtable Event to 110 attendees in June, where a great deal of interest in greenhouse production was demonstrated. In July EPI completed a survey of potential greenhouse producers, which demonstrated that 7.5 hectares of greenhouses could be constructed at an estimated cost of USD 7.5 million, which would result in an increase of more than 400 jobs. The survey was followed by a Domestic Greenhouse Study Tour for interested greenhouse entrepreneurs and selected bankers, which included visits to six greenhouses in West Georgia to learn more about various types of greenhouses, heating systems and vegetables.

- *Marketing.* EPI completed a vegetable market assessment to evaluate the historical and current performance of the vegetable market in Georgia, as well as the potential for growth in production volumes and quality. The assessment also evaluated the key linkages that vegetable producers have with other VC actors, such as cold storage facilities, food processors, and exporters. The assessment concluded with a VC gap analysis, evaluating not only the strengths and weaknesses of VC actors, but also the opportunities for productivity gains and barriers that continue to impede growth potential.

Upon completion of the vegetable market assessment, EPI created an action plan to identify steps to increase market access for vegetable market players and to promote the expansion and implementation of necessary infrastructural barriers to growth and competitiveness.

PROCESSED VEGETABLES

The processed vegetable sector is relatively successful at exporting canned vegetables. However, raw materials are not always available at the required quantity, quality, and price. EPI's main VC leverage point focused on improving commercial linkages between vegetable

producers and processors. EPI also focused support on improving yields and qualities at the farm level, and on helping the processors understand the need for HACCP certification and how it can positively impact their ability to export processed vegetables.

As part of a revised agricultural strategy, further support to this VC has been dropped.

ROOT CROP VEGETABLES

EPI supported root crop producers by connecting them to cold storage facility sellers, helping them to obtain access to credit and if necessary, provide an in-kind matching grant to promote their installation and usage. EPI also provided assistance in HACCP training and access to farmers growing root crops in anticipation of a 12,000 MT cold storage facility being built near Lilo, which would be one of the largest cold storage facilities in Georgia.

OUTPUTS	STATUS
Phase I Outputs	
Participation in Fruit Logistica 2011 resulting in market linkages for Kula	Completed
Farmers linked to Bazi cannery through forward contracts	Completed
Vegetable Production Budget Handbook	Completed
Hazelnut Production Guide	Completed
Hazelnut market linkage development	Completed
Phase II Outputs	
Hazelnut Production Training conducted in late April / early May	Completed
Feasibility studies completed in the following areas:	
• Fruit tree nursery	Dropped
• Berry farms	Dropped
• Berry nursery	Dropped
• Heated greenhouse	Completed
• Root crops cold storage facility	Dropped
New Georgian wine labeling developed with Georgian Wine Association	Dropped
Wine export promotion	Dropped
Attendance at International Nut Congress in May	Completed
Market assessments in the following areas:	
• Vegetables	Completed
• Hazelnuts	Completed
• Blueberries and other berries	Dropped
Blueberry Production Guide produced	Dropped

OUTPUTS	STATUS
Production training in the following areas:	
• Hazelnut	Completed
• Vegetables	Completed
• Fruits	Completed
• Blueberries and other berries	Completed
• Kiwis	Dropped

5.3.4 IMPROVE ACCESS TO AG INFORMATION (GANTT CHART LEVEL 25000)

Farmers need reliable commodity price data daily. EPI's Year 1 activities aimed to support an economically sustainable system that reliably provides accurate daily wholesale prices to farmers nationwide on a variety of commodities traded in wholesale markets across Georgia. EPI conducted an assessment and a demand survey to determine the need and interest for an agricultural market information system (AMIS) to capture commodity price data daily. An EPI survey identified that the market currently will not support an economically sustainable system that reliably provides accurate daily wholesale prices to farmers. USAID and EPI agreed to postpone any activities related to development of AMIS.

OUTPUTS	STATUS
Phase I Outputs	
MIS manager hired to focus on information issues	Completed
Phase II Outputs	
Commodity Price Information System defined and under development	Dropped
Non-Price Information Action Plan	Dropped

5.3.5 IMPROVE SUSTAINABLE ACCESS TO SUPPORT SERVICES (GANTT CHART LEVEL 26000)

Developing the pool of agriculture service providers in Georgia will be critical to support the sustainable development of the sector, beyond the life of EPI. During Year 1, efforts focused on identifying potential support service providers that EPI can assist to increase sustainable supply, as well as building awareness/demand for such services by other VC actors, particularly producers.

In order to guide EPI's next steps in the provision of sustainable business support services, EPI prescreened the business support capacities of AgroService, the various Input Providers, and relevant agriculture consultant groups (e.g. ABCO) for the purpose of creating fertile conditions for more tight collaboration with them in the future. Similarly, EPI envisioned the vocational and educational trainers, the Agrarian University, and other learning institutions for the collaboration purposes.

As a result of this initial assessment, EPI established a partnership with AgroService, an association of 34 Farm Service Centers (FSCs) and 13 Machinery Service Centers (MSCs) spread across Georgia whose members sell agricultural inputs and lease equipment. The FSCs and MSCs represent an opportunity for distributing EPI agricultural technical

assistance and training, as AgroService has served as a vector to this wider group and has played a significant role in sustainably delivering market and non-market information that their members' clients (agriculture SMEs) need to revitalize Georgian agriculture. AgroService, through its members, compiled a list of more than 225 farmers of five or more hectares as an initial base on which EPI to focus its support. EPI helped the association host its first convention specifically targeting Georgian agricultural farm service providers to discuss their role in agriculture sector development and the need to implement best practices and new technologies. This event successfully marked the beginning of a series of events targeting agricultural service providers on various topics to support agricultural development in Georgia.

OUTPUTS	STATUS
Phase I Outputs	
AgroService Convention	Completed
Updated PERSUAP	Completed
Phase II Outputs	
Assessments in the following areas:	
<ul style="list-style-type: none"> • Business assessment of AgroService and the various input providers 	Completed
<ul style="list-style-type: none"> • Any relevant agriculture consulting companies or groups like ABCO 	In progress
<ul style="list-style-type: none"> • Capacity assessment of the Agrarian University 	Dropped
<ul style="list-style-type: none"> • Capacity assessment of the Vocational and Educational Trainers 	Postponed (Year 2)
PERSUAP training	Completed
Soil testing training to encourage fertilizer applications	Completed

5.3.6 MODEL SMALL HOLDER GROUPS (MSHG) (GANTT CHART LEVEL 27000)

The vast majority of farms in Georgia are under smallholders, many operating at subsistence level. Creating model small holder groups will be an important channel to enable smallholders to enter into markets. Activities in this area were delayed to Year 2.

OUTPUTS	STATUS
Phase II Outputs	
Anthropological survey of Georgian farmers	Dropped
Farmer Needs Assessment Survey	Dropped
MSHG Action Plan	Postponed (Year 2, if demand exists)
Active inter-agency groups focusing on consolidation	Dropped

5.3.7 AG COMMUNICATION CAMPAIGNS (GANTT CHART LEVEL 29000)

This work plan level will be cancelled in Year 2, with agriculture sectors-related communication campaigns mapped under specific VC activities.

OUTPUTS	STATUS
Phase II Outputs	
Communication campaigns promoting:	
The Commodity Price Information System	Dropped
The Sustainable Access to Support Services	Dropped
The Small Holder Group Model	Dropped

5.4 MANUFACTURING & SERVICE SECTORS COMPONENT (M&S) (GANTT CHART LEVEL 30000)⁶

The overall objective of the Manufacturing and Services Component is to increase the competitiveness of private enterprises in selected VCs by improving productivity and connecting firms with viable market opportunities. This will be achieved by taking Georgian VCs to the market – to investors, buyers and tourists – and by increasing skills and private sector capacity to meet market needs. This will lead to increased employment, higher sales, profits and exports for VC participants.

During Year 1, the goal of our M&S activities has been:

- To set the stage for EPI activities in the subsequent years through:
 - The selection of the most promising manufacturing and services VCs and sectors for promoting exports,
 - Mobilizing stakeholders to collaborate on VC activities, and
 - Developing VC action plans to address the binding constraints to boosting export competitiveness; and
- To initiate selected action plan activities to build momentum toward EPI objectives, with a focus on investment- and export-ready opportunities.

The following provides highlights of EPI's key accomplishments against the Year 1 goals and overall program objectives:

- EPI's assistance to the apparel industry has already resulted in increased sales for local apparel companies to foreign markets and the emergence of the first foreign investors to avail their resources, technology, managerial practices and market linkages to Georgian apparel sector.
- An EPI co-funded study tour to the U.S. (New York State and California) for wine and tourism private sector stakeholders resulted in a new partnership between the Georgian Wine Association (GWA) and Georgian Incoming Tour Operators' Association (GITO) to share resources and jointly promote the development of Georgia's wine tourism opportunities.
- EPI's analysis of the MICE tourism VC received attention by multiple stakeholders in the tourism and hospitality industry and created an impetus for nationwide MICE tourism development through cooperation established among the private sector,

⁶ M&S was formerly referred to as Non-Agriculture Sectors Component (NSC).

Tbilisi City Hall, Department of Tourism & Resorts of Adjara and the Georgian National Tourism Agency

- EPI created a database of 150 BDS companies with the potential to serve EPI VC stakeholders. EPI selected 11 firms to conduct 'Pilot Organizational Diagnosis Projects' for VC firms, fully cost-shared by the consulting firms. Three EPI projects are currently underway by local BDS companies.

The following sections present progress under each subcomponent against the Year 1 work plan.

5.4.1 M&S VALUE CHAIN PRIORITY SELECTION (GANTT CHART LEVEL 32000)

EPI sector assessment and VC selection process selected twelve VCs and two industry sectors with highest development impact potential (ICT and transport & logistics were treated at the sector level because they are inherently difficult to segment and the impact of these sectors on other VCs), as listed below:

- VCs
 - Apparel
 - Basalt Fiber Products
 - Perlite Products
 - Wood Products
 - Paper/Paperboard/Corrugated
 - Plastic Crates/Beverage Bottles
 - Adventure Tourism
 - MICE Tourism
 - Wine Tourism
- Sectors
 - Transport & Logistics
 - ICT

OUTPUTS	STATUS
Phase I Outputs	
Priority VCs/sectors identified	Completed
Seven policy/regulatory issues identified, including:	
• Building codes and construction materials standards	Completed
• IPR	Completed
• Targeted investment promotion	Completed
• Various customs-related issues	Completed
• Government tendering and procurement processes	Completed

OUTPUTS	STATUS
• Waste management and recycling	Completed
• Private sector involvement in legislation drafting	Completed
Phase II Outputs	
Sector and VC selections are completed, and no further outputs in this area are anticipated	Completed

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

The M&S team engaged with VC stakeholders to develop detailed action plans based on the strategic “entry point” for EPI support described above and committed buy-in from VC participants to effect sustainable VC transformation. These action plans were developed on a rolling basis, although the commencement of activities in each VC was not dependent upon completion of the action plans.

OUTPUTS	STATUS
Phase I Outputs	
Transport and Logistics Action Plan	Completed
Phase II Outputs	
Action plans developed for the following areas:	
• Apparel	Completed
• Wine tourism	Completed
• Basalt and perlite products	Completed
• Paper/paperboard/corrugated packaging	Completed
• MICE tourism	To be completed in December 2011
• ICT	Completed

5.4.3 M&S VALUE CHAIN ACTION PLAN IMPLEMENTATION (GANTT CHART LEVEL 34000)

Since the constraints and opportunities, structure, size and maturity of each of the selected VCs differs from one another, EPI aimed to provide targeted technical assistance to private enterprises, industry associations, government ministries and agencies, and academic institutions at different levels. The allocation of resources and types of activities depended on specific needs and the capacity of stakeholders within each sector/VC. During Year 1, EPI provided support in the following areas, among others:

- Market and industry research to gather critical baseline sector and VC data, and to provide government and private sector stakeholders with the foundations upon which to make investment and marketing decisions;
- Pre-feasibility studies to identify commercially feasible investment opportunities;
- Market assessments and export market capacity assessments to identify markets and assess the capacity of VC participants to access export markets;

- Domestic and international trade fair/conference participation and organization to promote Georgian products and services, identify and become familiar with international best practices, learn about new trends and technologies, and establish new market linkages;
- Training to private sector enterprise management and employees to upgrade capabilities;
- The organization of high profile VC events to attract international attention to Georgia's sectors;
- VC targeted investment and export promotion to bring foreign direct investment and outsourcing opportunities to Georgia; and
- Round table stakeholder and public-private dialogue discussions to prioritize sector/VC activities, identify binding constraints, and discuss policy solutions with the GoG.

Specific activities undertaken are described below (Tourism and ICT are discussed in subsequent sections).

SHARED VALUE CHAIN/SECTOR ACTION PLAN ACTIVITIES

The sustainability of the VCs require a robust pool of local business service providers (BSPs) to deliver high quality, productivity-enhancing services (individualized assistance and training courses) to VC enterprises. One of EPI's initial activities in Year 1 was to complete a Business Service Provider Assessment to determine key information including number of BSPs, locations, gender ownership, foreign ownership/involvement, and areas of specialty. EPI then created a database of 150 BSP companies with the potential to serve EPI VC stakeholders.

EPI encouraged 11 firms to conduct 'Pilot Organizational Diagnosis Projects' for VC firms, fully cost-shared by the consulting firms. Three projects are currently underway and EPI will participate in quality review of deliverables.

CONSTRUCTION MATERIALS SECTOR (INCLUDING PERLITE, BASALT, AND WOOD VCS)

In Year 1, EPI assessments revealed that Georgia's perlite and basalt product VCs were relatively small but have significant potential for attracting investment, increasing high value-added exports, introducing green building products to the domestic market, and substituting, in the case of insulation materials, imports of fiberglass. Stakeholders are currently processing basalt rock into fiber, mat and wool, with fiber being exported to Germany. Companies also demonstrate under-utilization of existing processing facilities and therefore could take advantage of needs for mineral wool and fiberglass in neighboring countries. By the end of Year 1, EPI shifted its focus in construction materials activities largely on the perlite VC. EPI has currently put on hold its wood products VC activities.

Action Plan implementation focused on the following activities:

- *Market Research.* At the end of the first year, EPI commenced research to compare the costs associated with and thermal performance of basalt and perlite construction materials against conventional materials. The results, due at the start of the second year, will provide *stronger* justification for the use of basalt and perlite materials within the domestic construction sector.
- *Technology Improvements.* EPI identified outdated equipment as a major obstacle to greater productivity in the VC. Each of the companies indicated their interest in sourcing modern, higher capacity equipment and have been provided with quotes

from U.S. suppliers of recommended machinery. EPI is now assisting the companies with accessing finance.

- *Market linkages.* EPI organized the participation of Georgian basalt products manufacturing companies in a Construction Networking Event organized by the German Business Association of Georgia (DWVG). The purpose of the event was to provide a high-level platform for decision makers in the construction sector, including construction machinery suppliers, architects, real estate developers, real estate agents, construction companies, and construction engineers. The participation of these basalt products manufacturing companies helped to raise domestic awareness of the benefits of basalt insulation materials.

EPI assisted Georgian basalt fiber and perlite product manufacturers to participate in the 16th ‘Caucasus Build’ Construction Fair. The fair was officially opened by the Minister of Economy and Sustainable Development who expressed her excitement that Georgian companies participated in the fair, which included 140 companies from nine countries. The participation of local producers in the event was an opportunity for them to introduce their products to potential customers and make new valuable contacts. Companies increased their sales (7.2 tons of cut fiber, 4 thousand m² of basalt mat and 20 thousand units of perlite-concrete blocks) and are planning to increase more in near future as a result of participation.

EPI supported the participation of basalt fiber and perlite products processors in the “Technological Exhibition” held as a part of “Sustainable Energy Week” in April. Assistance aimed to increase company sales, application of their products, and substitute imports.

EPI also participated in the “High Technologies for Hydro Power Plant (HPP) Projects Conference” to create awareness among managers of HPP projects of Georgia’s natural endowment of basalt and specifically the use of basalt fiber for concrete reinforcement. The use of basalt fiber results in a higher quality concrete, while at the same time it is a cost effective and environmentally friendly option. The event also provided an opportunity for Georgian basalt processing companies to establish contacts with the HPP managers and developers.

- *Stakeholder awareness.* EPI organized and hosted a workshop on the application of basalt fiber and perlite construction materials, which was attended by processors, construction companies, experts and industrial engineers. Topics included problems and solutions to limited marketing, lack of certification, and lack of awareness of these construction materials.

APPAREL VALUE CHAIN

During Soviet times, Georgia’s apparel and textile sector reportedly represented as much as 30 percent of the country’s GDP. Despite this legacy, the skills and knowledge within the apparel VC were insufficient as a foundation for VC growth, according to the assessments conducted in Year 1. However, research undertaken among the existing base of Turkish investors and potential investors suggested the high potential of Georgia’s apparel VC for exports and inward investment—based on lower labor and electricity costs, apparel industry global trends, trade tariffs introduced in Turkey, government incentives, and preferential trade agreements.

Most of the Georgian-owned companies were finding it difficult to seize the same export-oriented opportunities, concentrating instead on government and domestic private sector tenders for uniforms. The strategic entry point for EPI was to provide professional consultations in export capacity increase to Georgian apparel manufacturers and facilitate

new export and investment *market linkages*, including attendance at international conferences and trade fairs. Several of these key activities are listed below.

- *Market Linkages*. EPI participated in the “4th Istanbul Fashion Apparel Conference” to promote FDI and outsourcing opportunities in Georgia’s apparel sector. The event was also attended by the Minister of Economic and Sustainable Development and representatives of GNIA. As a result of participation, EPI and GNIA established a dialogue with Kardem Tekstil, one of the largest apparel firms in Turkey. Representatives of Kardem visited Georgia, where EPI linked them with Georgian manufacturers:
 - Kardem signed a contract with one Georgian company to outsource the production of a trial batch of 2,500 apparel pieces. EPI then assisted the company to increase efficiency and export market requirements awareness in order to better meet the demands of its growing markets.
 - Kardem signed a contract with another Georgian company that opened in the summer of 2011 and today employs 200 local people as a result of starting to export to Kardem Textile and Unitex in Turkey since August 2011. The Georgian manufacturer with ambitious plans was also assisted by the Turkish partners in establishing effective production lines. The first order of USD 21,000 was already sent to Unitex and the second order of USD 56,000 will be sent to Kardem Textile in October 2011.
- In September, EPI, GNIA and representatives from Georgia’s apparel industry participated in “CPI-Collection Premiere Istanbul,” an international ready-to-wear and fashion designers’ fair. As one of the results of the participation, members and president of the Turkish Clothing Manufacturers Association and representatives of several large Turkish apparel companies visited Georgia in October 2011 to explore investment and outsourcing opportunities.
- EPI established linkages between local manufacturers and foreign buyers and investors throughout Year 1 by facilitating visits of potential investors and buyers to Georgia. As a result of EPI’s assistance in cultivating relationships between Georgian manufacturers and Turkish companies, and the consultations provided by EPI to encourage local apparel manufacturers start export, another EPI apparel beneficiary commenced an outsourcing contract with Turkish buyer, KOTON. KOTON is a well-known Turkey-based international brand that supplies mainly women’s clothing to retail shops in Turkey and Europe. The Georgian company will not only contribute to Georgia’s apparel exports, but will also gain experience in working with foreign buyers and further improve their efficiency, productivity and ability to meet international standards set by global brands.
- *Georgian Manufacturers’ Capacity Building*. Throughout the year, EPI provided group and individualized training to Georgian apparel manufacturers. Workshops were held on the topics of global trends, export promotion, and quality assurance and control. Assessments were undertaken at individual apparel and footwear manufacturers on social and environmental compliance and export capacity.
- *Market Research*. Market research assessments were undertaken in Turkey, Ukraine and Germany to identify export opportunities among foreign brands and manufacturers, based on the export capacity assessments. The research specifically highlighted, for each country, those manufacturers that should be targeted by Georgian apparel manufacturers. In order to attract one particular major apparel investor from Turkey, EPI undertook an assessment of the labor environment in Poti, Batumi, Ozurgeti and Kutaisi. The survey results will also be used in EPI’s wider apparel (and other sector) investment promotion activities.

PAPER/PAPERBOARD/CORRUGATED VALUE CHAIN

Georgia's packaging sector was an area of the economy that had received little attention in the past, and much of EPI's Year 1 activities focused on data gathering, particularly within the paper/corrugated VC. Close cooperation was established with direct beneficiaries (paper mills and box plants), which created ownership of the paper/corrugated VC action plan by stakeholders when it was developed in August. The analysis focused on understanding domestic market players, their products, current markets, production capacity, technology, and industry challenges.

- EPI conducted a "Packaging Manufacturers Identification and Profiling Study," which examined the Georgian packaging industry, including existing trends, capacities, product lines, quality, etc. The study served as the foundation for EPI's VC Action Plan.
- A Packaging Market Demand Assessment was undertaken to obtain information on the sectors requiring most packaging, the types, volumes and seasonality of demand.
- A Packaging Waste Inputs Assessment was also conducted to measure the amount of paper and plastic waste available for recycling purposes. As waste paper is the major source of raw material for domestic paper mills and producers have found it hard to generate sufficient supplies, the study identified those sectors for which separate collections could be targeted.
- Along with two box plant representatives and a paper mill representative, EPI, with its paper packaging consultant, attended two packaging fairs (Istanbul, Turkey and Kiev, Ukraine) in September. The purpose of the trips was to study the regional market for corrugated paper, explore export opportunities and provide the private sector representatives with the chance to familiarize themselves with recent trends, new practices and meet potential international buyers and suppliers.
- Based on the knowledge gained from the abovementioned studies and packaging fairs, EPI's developed detailed a detailed VC action plan, which focuses mainly on enterprise and product development as well as market access.

TRANSPORT & LOGISTICS SECTOR

Georgia's transport & logistics sector crosscuts all the other manufacturing, service and agriculture sectors and VCs and significantly impacts the domestic and export potential of Georgian products and services. Georgia's geopolitical position also creates opportunity to compete with Russia and Iran as a major transit corridor to Central Asia, providing an opening to develop the transport & logistics industry as a separate sector capable of generating significant employment in the services industry. Given Turkey's world-class supply chain integrated with the EU market, closer integration of Georgian transport & logistics services with this supply chain is a major opportunity for many Georgian exports.

EPI commenced the transport & logistics action plan development process in January by evaluating the internal and regional transportation networks. A time/cost/motion study examined obstacles in, and potential to optimize, the flow of goods across the country. This work was closely coordinated with the customs reform work being carried out under the BEE component.

Action plan implementation activities focused on the following key areas:

- *Policy reform.* In Year 1, EPI organized a series of PPD events to discuss T&L issues among public and private sector players, including an event in July that focused on transportation of hazelnuts and citrus using Georgian transportation companies. EPI also assisted with the termination of VAT tax on the transportation of cargo through

Georgian territory, which will potentially increase cargo turnover, as well as private sector and state revenue.

- EPI conducted an air transport competitiveness analysis, the first of its kind in this sector. Air transport and infrastructure issues were examined alongside a benchmarking assessment of airport costs. The findings will help the Georgian Government elaborate an air transport strategy, attracting investment and additional airlines.
- *Sector organization.* EPI supported the establishment of the Georgian Logistics Association, which will promote Georgia’s development as the main logistics hub for the Caucasus region and Central Asia. This will also help integrate Georgia into the global logistics network, create partnerships between Georgian and international transportation companies, and attract more cargo and investments in the sector.
- *Market assessment.* EPI also completed an agricultural products and food logistics hub pre-feasibility study. Investor interest was evident, based on site visits to agricultural markets and warehouses throughout Georgia. The initial study has now been expanded into a full feasibility study that will be completed by December 2011.

OUTPUTS	STATUS
Basalt Demonstration Project and Energy Efficiency Study	Dropped
Training of Apparel Trainers	Postponed (Year 2)
Packaging Demand, Packaging Waste Inputs Assessments	Completed
Competitiveness Analysis of Georgian Trade Corridor and Trade & Transit Analysis	Postponed (Year 2)

5.4.4 IMPROVE COMPETITIVENESS OF TOURISM SECTOR (GANTT CHART LEVEL 35000)

Tourist arrivals to Georgia are growing at an impressive rate. However, the lack of focus on particular tourist products and targeted geographical promotion mean that increases in terms of absolute arrivals are small. In fact, Georgia’s share of European arrivals stands at only 0.33 percent. Georgia does not need to target the whole world to increase tourist arrivals, but should instead focus on a few geographical markets (those most likely to be interested in what Georgia has to offer) and then effectively promote the country in those markets.

Through the process of sector and VC assessment, Georgia’s wine tourism, MICE (meetings, incentives, conferences & exhibitions) tourism, and adventure tourism were proposed for project intervention. Year 1 activities focused on awareness building and capacity building in the wine tourism VC. Specific activities under the MICE tourism VC were to be determined in Year 2; however, due to the timing of initiatives related to this VC, some activities were selected for implementation support in this first year. Activities in the adventure tourism VC are unlikely to be implemented given existing resources and the potential demonstrated impact by the wine and MICE tourism VCs.

Several cross-cutting activities were implemented in the first year benefitting the wider tourism sector. These included:

- *Data collection and dissemination.* Given the limited statistical information available on tourism in Georgia, EPI and GNTA launched a year-long collaboration to collect and analyze high quality and comprehensive tourism data. EPI will undertake quarterly international visitor surveys at all the major border points, as well as

biannual domestic tourism surveys. GNTA will develop an online databank to host the statistics, which will be made available to the private sector and universities. Without accurate data on who is coming to the country (e.g. country of residence, ages, interests, booking patterns, modes of transportation, months of travel, travel arrangement, etc.), one cannot differentiate the most promising markets and market segments from the less promising.

- *Training and certification.* EPI provided training and international certification of 11 Georgian tour guides at the International Hands-On Training for Tour Guides course in Yerevan to increase their capacity to deliver professional and standardized service to international visitors in Georgia. The course was delivered by World Federation of Tourist Guide Association certified trainers that had qualified as part of USAID Armenia-supported assistance.
- EPI provided assistance to Lonely Planet author, John Noble, who came to Georgia in June to update the latest version of the guidebook. EPI put him in contact with various tourism stakeholders, including GNTA, in order to collect information and receive logistical support.
- In May, EPI delivered two presentations (City Branding Campaigns & City Marketing to Attract Exhibitions and Fairs) to participants at the Tbilisi Local Economic Development Forum.
- Another presentation, on Georgia's MICE tourism potential, was delivered at the 2nd International Scientific-Practical Conference 'Tourism: Economics & Business' in Batumi. Organized by the Shota Rustaveli University, the conference brought together tourism lecturers and students from across the country to discuss and debate pressing tourism and hospitality issues.

In the second year, EPI will work with GNTA and other tourism stakeholders to analyze the data collected, support the development of an online database of statistics and seek to further improve the system of data collection, particularly in relation to tourism and hospitality enterprises.

WINE TOURISM VALUE CHAIN

The wine tourism VC demonstrated significant potential for Georgia's tourism sector according to the research undertaken in Year 1. More than any other VC or sector, the leadership demonstrated by the industry association (Georgian Wine Association) will inevitably lead to sustainability of intervention efforts. Year 1 activities focused on awareness building and marketing:

- EPI supported the 3rd International Wine Expo and Wine Award Ceremony in early June, which was the first internationally-recognized competition in Georgia. More than 50 Georgian wines were presented to more than 7,000 visitors. The purpose of the event was to increase awareness of Georgian wine locally and overseas and to promote Georgian wine tourism. The wine competition judges, following the competition, wrote a number of articles in the European wine press and online.
- EPI also supported the first International Qvevri Symposium held at Alaverdi Monastery in Kakheti in September. The event, organized by the GWA and supported by EPI, aimed to achieve international recognition of Georgia as the oldest winemaking country through presentations, movies and discussions held by leading international scientific, historical and cultural wine experts. Attended by more than 150 foreign and Georgian participants, the symposium brought together Georgian wine and tourism industry representatives to showcase the wine and tourism potential of Georgia and specifically the Kakheti region. The event created significant

“buzz” as additional international experts have already contacted the GWA to visit Georgia and learn more about Georgian wine history. Similarly, the Georgian Incoming Tour Operators Association is already working with interested UK tour operators who attended the symposium to refine the overall wine tourism product. In the coming months, the GWA will monitor media attention generated from the conference, which is expected to exceed 100 articles in industry publications in Europe, Canada and the U.S.

- EPI also sponsored a group of wine opinion shapers to visit Georgia, including experts in the fields of winemaking, wine journalism and wine trade, and included four distinguished Masters of Wine. The opinion shapers conducted site visits throughout eastern Georgia to taste various Georgian wines. The group expressed a positive view of wine quality and taste profiles, while underlining the importance of infrastructure development as a necessary prerequisite for wine tourism in Georgia. This activity had originally been planned under the agriculture sector component wine VC activity, but was instead implemented as a wine tourism activity due to the cancellation of EPI’s wine agriculture VC activities.
- In partnership with the U.S. Department of Commerce, the American Friends of Georgia, GWA and the American Chamber of Commerce in Georgia, EPI supported the participation of representatives of 15 wineries, tour operators and associations on a study to the U.S.A. The Department of Commerce funded travel to the U.S and the study tour in New York and the Finger Lakes region, while EPI paid for travel costs and the tour around the Sonoma, Lodi and Napa regions. The tour enabled participants to understand the true potential of a wine tourism region, accommodations available and the facilities provided at wineries for tourists. Upon return to Georgia, the participants delivered a presentation of their findings and future intentions to the U.S. Ambassador and USAID Mission Director.
- UK tour operator owner, Tim Clarke (of Arblaster & Clarke) travelled to Georgia in April to develop the wine tourism VC action plan. Given Mr. Clarke’s 15+ years of experience leading wine tours worldwide, often the leader to emerging destinations, he was able to impart significant knowledge to participants on how tours should be run and what expectations wine tourists have.

MICE TOURISM VALUE CHAIN

Specific activities within the MICE tourism VC included training and capacity building, as well as the facilitation of market linkages.

- *Market linkages.* Together with the GNTA and the Department of Tourism and Resorts of Adjara, EPI hosted two MICE tourism workshops in Tbilisi and Batumi in August for 45 tourism and hospitality enterprises, as well as government representatives. Presentations delivered by EIBTM MICE Tourism Exhibition Sales Director, Danielle Koegh, and Sales Manager, David Benitez focused on “MICE Tourism Industry Global Trends, Growing Markets in MICE Tourism & EIBTM Exhibition Benefits”. As a result of the workshops, 7 private sector enterprises will participate in the EIBTM Exhibition in Barcelona in November/December, along with the Georgian National Tourism Agency, Tbilisi City Hall and the Department of Tourism & Resorts of Adjara.

OUTPUTS	STATUS
Phase II Outputs	
Wine Tourism Source Markets & Distribution	Postponed (Year 2)

Channels Identification & Wine	
Tourism Promotional Plan	Postponed (Year 2)
Training of Wine Trainers	Postponed (Year 2)
Wine Tourism Reverse Trade Mission	Completed

5.4.5 IMPROVE COMPETITIVENESS OF ICT SECTOR (GANTT CHART LEVEL 36000)

While Georgia's ICT sector is lagging behind those in the region, the ICT sector is critical to Georgia's economic development. EPI's opportunistic approach to ICT sector development resulted in activities supporting eGovernment activities, as well as selective support to promote market linkages:

- Supporting eGovernment. Shortly after the ICT assessment was completed, EPI successfully established a partnership with the Ministry of Justice and Civil Registry Agency (CRA) by bringing private sector stakeholders to the table to discuss eID application development. EPI supported the first conference on this topic to launch the new eID card developed by the GoG, followed by a technical training to 30 private companies to promote eID applications in regional and international markets. More than 30 ICT companies are now familiar with the eID program and development concepts and are ready to take on the challenge of developing applications; one company is already working on an application linked to public transportation payment system.
- Following this event, EPI assisted the MoJ and CRA to develop effective implementation of a middleware system, which will enable software development companies to start working on new eID applications. In August, the President officially launched Georgia's Electronic ID Card scheme and presented the country's first ID cards to citizens at the launch event.
- Industry Research. Because of the lack of any sector information, EPI undertook a survey of software development companies in order to identify information on stakeholders, products, knowledge, experience and employment. The results of the survey are now being used at international fairs and conferences that Georgian companies are participating in. The survey also supported the ICT Product and Service Audit and Gap Analysis. A similar survey focusing on universities and training centers providing ICT-related education has started early in Year 2 and will be used in the development of the ICT Innovation Center feasibility study, planned for the second year. As a result of EPI's support to software developers, one company, a startup, has successfully generated GEL 123,000 in revenue in their first year of operation.
- Market linkages. With EPI's assistance, Georgian ICT companies were able to organize and attend several key conferences. The lack of market awareness was initially tackled by supporting the ICT Business Council and one private sector ICT company to participate at the First Black Sea ICT Conference, which helped Georgian companies sell software products in other markets, including Romania. The private company that participated at the fair established useful linkages with Romanian software developers and currently is working actively to introduce Georgian software to the Romanian market in partnership with local companies. They also subsequently opened the first satellite office in Belarus.

EPI has also been assisting the ICT Business Council to organize the GITI (Georgian IT Innovation) Conference in November.

OUTPUTS	STATUS
Phase II Outputs	
ICT Company Data and Education Surveys	Company Data Survey – Completed Education Survey – postponed to November
ICT Product/Services Audit & Gap Analysis	Completed
ICT Project Management Training	Postponed (Year 2)

5.4.6 M&S COMMUNICATION CAMPAIGNS (GANTT CHART LEVEL 39000)

This work plan level will be cancelled in Year 2, with agriculture sectors-related communication campaigns mapped under specific VC activities.

OUTPUTS	STATUS
Phase II Outputs	
Integration of VC activities into the “Made in Georgia” TV program	Dropped

5.5 BUSINESS ENABLING ENVIRONMENT COMPONENT (BEE) (GANTT CHART LEVEL 40000)

EPI supports improvement of Georgia’s business enabling environment as a complement to its competitiveness work. During Year 1, EPI BEE emphasized building capacity in key governmental service and policy formation areas. EPI’s BEE approach addressed both general business enabling environment areas, as established through EPI’s scope of work, and VC-specific reforms arising directly from EPI’s work in its sectors and VCs. BEE’s general level assistance addressed tax and customs administration, investment sector economic governance, intellectual property rights, privatization, procurement, and agricultural policy. Much of this assistance has been concentrated on governmental capacity building to improve the government’s service of the business community through better policy, administration, and regulation. BEE’s sector and VC-level assistance was built upon feedback from VC stakeholders, leading to specific tax reforms and the development of industry-level regulations as described below.

The following provides highlights of EPI’s key accomplishments against the Year 1 goals and overall program objectives:

- EPI successfully advocated key VAT reforms to support its work in the apparel and transport and logistics VCs
- EPI supported certification requirements to take advantage of Turkish participation in GSP+
- EPI instituted development of needed building codes to improve and regulate and standardize the construction industry in Georgia
- EPI has gained initial support in the Revenue Service to implement a risk-based approach to tax audit practices
- EPI has initiated development of an automated trade facilitation system together with the Revenue Service and Poti Port

- EPI has initiated the process of internationalization of Georgia's conformity infrastructure through support for a memorandum of understanding between Georgia's Accreditation Center and the American National Standards Institute.

The following sections present progress under each subcomponent against the Year 1 work plan.

5.5.1 AG VALUE CHAIN POLICY & REGULATORY ANALYSIS (GANTT CHART LEVEL 42100)

During the year, general agricultural policy issues were inventoried and analyzed within an assessment carried out under the Ag Policy sub-component as described further below. In addition, EPI undertook to support reform of Georgia's conformity certification infrastructure, which will have a direct impact on agriculture, as described more fully in EPI's Improve Regulatory Environment and Licensing sub-component.

5.5.2 M&S VALUE CHAIN POLICY & REGULATORY ANALYSIS (GANTT CHART LEVEL 42200)

EPI's M&S VC work generated policy issues that were addressed by the BEE component. During Year 1 EPI supported solutions for policy problems experienced in EPI's apparel and T&L sectors. For apparel, EPI successfully advocated a business-friendly solution for customs treatment of wastage left over from imported textiles used in the manufacture of apparel in Georgia, freeing wastage materials from being subject to import VAT.

VAT Reforms Assist the Apparel and Transport & Logistics Sectors

Apparel

Georgian apparel manufacturers relying on imported raw materials labored under a burdensome tax regime. Their raw materials, generally textiles, could be imported VAT-free as long as resulting products were later exported, even though the manufacturing process does not incorporate all of the imported textile into the finished, exported product. Inevitably "wastage" is left behind with no significant commercial value. Although unused, these scraps would become subject to VAT because they were not ultimately exported.

EPI approached the Revenue Service's (RS) Customs Clearance Department to recommend that they put in place a practice of "destruction under customs supervision," a standard practice allowed under the Kyoto Convention on Simplification and Harmonization of Customs Procedures. Now, manufacturers can apply to the RS to observe destruction of wastage, freeing the manufacturers from having to pay any import VAT on the destroyed materials. This removes an unnecessary tax burden from apparel manufacturers and allows them to better compete in international markets.

Transportation and Logistics (T&L)

The GoG charged a non-refundable VAT for transportation of "foreign goods." This made Georgia's T&L sector less competitive with other markets, as this type of tax treatment is uncommon in the global industry. EPI worked closely with private sector stakeholders (Freight Forwarders' Association, the American Chamber of Commerce in Georgia, and several T&L companies) to develop a concept paper supporting an amendment to the Tax Code to remove the tax burden. EPI also facilitated dialog between the private sector and the RS to advocate passage of this amendment into law. The draft law was passed in the spring of 2011, freeing transportation of "foreign goods" and related services from VAT.

EPI also provided assistance to the Ministry of Economy and Sustainable Development (MoESD) to develop certification rules for bilateral accumulation of origin, allowing goods made jointly in Georgia and Turkey to benefit from the GSP+ program for duty free entry into the European Union (EU). For T&L, EPI successfully advocated a tax code amendment removing Georgian VAT over international cargo transportation and related services, bringing Georgia in line with international practice.

5.5.3 IMPROVE REGULATORY ENVIRONMENT AND LICENSING (GANTT CHART LEVEL 42300)

EPI's Year 1 goal under this sub-component was to build the GoG's capacity to identify priority regulatory and licensing reforms and to develop associated activities through consultative process. EPI assistance included capacity building of governmental agencies and private sector stakeholders, rendering best practice recommendations, assistance in drafting of pieces of legislation and fine-tuning of administrative procedures and practices

During Year 1, EPI identified two major intervention areas relevant to its VCs: 1) Georgia's accreditation and conformity assessment system (CAS); and 2) development of a Building Code and Standards system. EPI's CAS work has aimed to develop the conformity certification infrastructure that is needed for export market development, while its BC/S work has aimed to provide a level playing field in the construction industry.

BUILDING CODES AND CONSTRUCTION STANDARDS

Building Codes Assessment/Action Plan. EPI is assisting the GoG to adopt building codes based upon the International Code Commission's (ICC) model International Building Codes (IBC). EPI conducted a status quo assessment of Georgian construction technical regulations. The assessment found inconsistency and incoherency in existing construction codes and standards and therefore underlined the urgent need for streamlining and

Georgian Apparel Manufacturers Obtain Better Access to European Markets

Earlier this year, import taxes that apparel manufacturers had to pay made their products more expensive and less competitive. The apparel manufacturers could not fully benefit from Generalized System of Preferences Plus (GSP+) that allows 7,000 types of goods made in and originated from Georgia to be exported to European Union without any taxes. The Batumitex and Georgian Textile were advised by Ministry of Economy and Sustainable Development that the apparel was not qualified for tax exemption according to GSP+ because Georgian apparel manufacturers were using Turkish textiles. Therefore, processing undertaken in the country was insufficient to consider the goods originated from Georgia.

The firms turned to EPI for help. EPI conducted research of EU-related trade and exports policy in Georgia. The research showed that 2011 amendments to GSP+ program were not being implemented in Georgia. The new amendments suggested that any goods applying free access to EU markets can be originated from the beneficiary country and Turkey combined. This was the perfect solution for Georgian apparel manufacturers. EPI introduced and explained these rules to the Ministry of Economy and worked closely with the Georgian Government to facilitate the process of adoption and implementation of the new rules in Georgia. As a result, Georgian apparel manufacturers can now export goods to EU markets easily and with competitive prices. This will result in increased production. Batumitex and Georgian textile employ 1,200 people alone. Which means that this support will also turn into even more jobs in Georgia.

standardization following modern international practices. Working in collaboration with the MoESD's Department of Urbanization and Construction, EPI developed an action plan for drafting and adaptation of Building Codes and Construction Standards based on the IBC through an industry consultative process. The action plan sets out the development of codes in multiple phases.

Building Code Drafting. EPI made significant progress in accomplishing the first phase code development process (non-structural codes), translating IBC provisions, editing and adapting them to the Georgian environment, and creating industry/government committees for review and comment. In October 2011 the non-structural code was submitted to the Committee of

Architecture and Fire Safety, a public committee consisting of public and private sector representatives, for its review and preparing for the submission to GoG.

Trainings for central and local government and private sector representatives on Building Codes. EPI delivered three trainings to 50 representatives of central government, Tbilisi Municipality and construction industry. The trainings were dedicated to the issues of International Building Code; Green Building concept and US Model of Code Enforcement.

TESTING LABORATORIES MANAGEMENT AND ACCREDITATION

EPI conducted the status-quo assessment and developed a Roadmap to Improve Accreditation and Conformity Assessment Systems of Georgia. The Roadmap defined two major tracks of activities: one aimed at a high-level objective of facilitating eventual international recognition of accreditations issued by the Georgia Accreditation Center (GAC); and another targeting more modest but immediate results by supporting accreditation by the American National Standards Institute (ANSI) of selected Georgian conformity assessment bodies. EPI delivered two trainings to 15 representatives of the GAC and MoESD on US standards system and the ISO/IEC 17011 standard for accreditation bodies and its implementation for ANSI. Going forward EPI will support the second track by assisting Georgian labs and certification bodies in obtaining ANSI accreditation, which will ensure international recognition of conformity assessments issued in Georgia.

OUTPUTS	STATUS
Phase II Outputs	
Inventory and impact assessment of regulatory barriers to local production	Cancelled
Assessment in the area of Building Codes and Construction Standards	Completed
Action plan for elaboration of building codes and construction standards	Completed
Building codes compliant with international best practices	In progress
Trainings for central and local government and private sector representatives on Building Codes	In progress

5.5.4 PROPERTY RIGHTS (GANTT CHART LEVEL 42400)

EPI's Year 1 goal under this sub-component was to strengthen protection of property rights, particularly intellectual property rights (IPR), and build IPR awareness among Georgia's business, legal and government sectors.

During Year 1, EPI conducted an assessment of Georgia's IPR environment which found very low levels of awareness and reliance on the IPR system among Georgian businesses and professionals. Based on this assessment EPI developed targeted interventions to raise awareness among businesses and to improve accessibility to IPR registration by supporting development of an electronic register for IPR applications at Sakpatenti, Georgia's IPR registration body. For the awareness campaign, EPI worked together with Sakpatent and Georgian Small and Medium Enterprises Association (GSMEA) to conduct a business awareness raising campaign. EPI conducted ten trainings and business outreach events in Tbilisi, Kutaisi, and Batumi for businesses and university students (422 participants in total).

To support the electronic filing system at Sakpatenti, EPI undertook a comprehensive Business Process Re-engineering (BPR) analysis examining the “as is” status of the system and identifying appropriate “end state” streamlined processes prior to developing the electronic system. EPI delivered trainings in BPR to Sakpatenti and several other interested bodies (44 participants in total) in government interested in developing e-government solutions. At the close of Year 1 EPI completed a statement of system requirements for the e-filing system.

In addition, at the mission’s request EPI conducted an IPR Infringement Economic Impact Assessment to measure how disregard of IPR affects Georgia’s economy. The assessment was supported by survey, focus groups, and hard data and set out an econometric analysis of the relationship between the level of conscious violation of IPR and impact on the economy and fiscal revenues. Despite high levels of conscious violation, the assessment found only an indirect impact on the economy from IPR violations and limited impact on state revenues or foreign investment.

EPI and Sakpatenti agreed on an action plan for Year 2, encompassing development of the e-filing system and support for development of customs border control procedures for IPR.

OUTPUTS	STATUS
Phase I Outputs	
IPR Reform Strategy	Completed
Phase II Outputs	
Sakpatenti e-Filing Business Process Reengineering (BPR) assessment/design/technical specifications development	Completed
IPR Business Outreach campaign	Completed
Annual action plan for IPR assistance in Y 2	Completed

5.5.5 INVESTMENT SECTOR ECONOMIC GOVERNANCE (ISEG) (GANTT CHART LEVEL 42500)

EPI’s Year 1 goals for Investment Sector Economic Governance were to support assessment and improvement of Georgia’s investment support environment and growth of its capacity to conduct effective investment promotion, in particular supporting key EPI VCs.

During Year 1, EPI conducted a comprehensive assessment of investment sector economic governance in Georgia to identify regulatory issues in Georgia’s investment climate and started addressing some of the regulatory and investment promotion issues.

INVESTMENT SECTOR ECONOMIC GOVERNANCE AND INVESTMENT PROMOTION CAPACITY ASSESSMENTS

Early in Year 1 EPI conducted assessments of Georgia’s investment sector economic governance (ISEG) and its investment promotion capacity. The ISEG assessment identified Georgia’s corporate governance framework, accounting and auditing standards, protection of investors’ rights, and competition policies as priority areas to be addressed by EPI to improve the investment climate in Georgia. EPI concentrated on improving a draft investment law and evaluating the preconditions for streamlining the accounting and auditing law throughout the first year of the project. The investment promotion capacity assessment concluded that Georgia’s ad hoc approach to investment promotion and its lack of adequate targeting for investment promotion significantly dilute the effectiveness of its promotion

efforts. The study also offered strategy recommendations to improve investment promotion practices in Georgia.

INVESTMENT SECTOR ECONOMIC GOVERNANCE - LEGISLATION

Revised Investment Law. In close collaboration with the Parliamentary Committee for Economic Policy and Sector Economy and relevant stakeholders, EPI revised the draft law on Investment Activities to conform with international best practices, including: 1) the language on investment protection and guarantees; and 2) the structure and functions of the Georgian National Investment Agency (GNIA). The revised draft was submitted to Parliamentary, and its adoption is currently pending.

BEST PRACTICE REFORM OF ACCOUNTING BURDENS ON SMALL BUSINESSES

Following the ISEG assessment in the first half of Year 1, EPI had planned in the second half of Year 1 to provide assistance with improving Georgia's accounting and auditing standards for small and medium-sized businesses. Due to EPI's concentration of efforts on developing an investment promotion network (detailed below), this activity has been moved into the Year 2 Work Plan.

PROMOTIONAL NETWORK AND INVESTMENT PROMOTION STRATEGY

EPI developed and introduced an overarching strategy for promoting investments in its priority sectors and VCs through effective collaboration with GNIA and other members of GIPP. To implement this strategy and to provide a mechanism for building sustainable capacity through mentoring and training, EPI organized IMS, a new project sub-component, at the end of the first year.

Best Practice Investment Promotion Workshop. EPI conducted a workshop on investment promotion capacity to raise awareness of participants, government and business representatives on best practice investment promotion methodologies. The workshop highlighted the results of benchmarking Georgia's investment promotion practices against other countries that succeeded in this vital area. Representatives from GNIA, Ministry of Agriculture, AmCham, Tbilisi City Hall, Business Ombudsman's Office, Georgia's Small and Medium Enterprise Association and GIZ participated in the workshop and expressed interest towards creation of effective investment promotion framework.

Training on Proactive Promotional Techniques. EPI conducted a training workshop in September for 19 participants from 9 organizations, including GNIA, Ministry of Energy, Batumi Invest, Tbilisi Municipality and AmCham. Participants were trained on targeted investment promotion activities, from the initial investor outreach to servicing and aftercare for investors. Furthermore, participants actively participated throughout the training session activities that improved their abilities to critically analyze Georgia's market opportunities within specific sectors and how to communicate Georgia's advantages and value proposition to investors effectively.

Investment Promotion Targeting Strategy. EPI developed an investor targeting strategy addressing selected priority sectors/VCs with the highest probability of investment generation and significance of economic impact. These sectors include apparel, high value agriculture and tourism.

Investment Promotion Action Plan for GoG. Despite continually evolving views on EPI's investment promotion activities and its cooperation with government counterparts, EPI was able to gain consensus on its plans in Year 1 to support investment promotion capacity building. EPI's IMS is now collaborating closely with GNIA to develop an investment action plan and relevant initiatives, proposals and promotional activities.

OUTPUTS	STATUS
Phase I Outputs	
Investment sector economic governance and investment promotion capacity assessment	Completed
Investment sector economic governance reform strategy	Completed
Investment promotion capacity reform strategy	Completed
Phase II Outputs	
Best practice investment promotion workshop	Completed
Investment promotion network design	Completed
Investment promotion network member training on core functions	Completed
Investment promotion targeting action plan/strategy	Completed
Revised set of investment laws	Completed
Reviewed Accounting and Auditing law	Postponed (Year 2)
Workshop for private sector on accounting and auditing standards	Cancelled
PPD on sector priorities in investment promotion	Completed

5.5.6 INTERNATIONAL TRADE AND CUSTOMS (GANTT CHART LEVEL 42600)

Georgia recently carried out serious staff-cutting reforms of its customs administration, firing most of its line customs officials. While seriously reducing perceptions of corruption, this major staff change gave rise to the need for significant assistance to develop modern customs procedures and practices. EPI's goals for trade and customs in Year 1 were identification and prioritization of assistance needs in Georgia's Customs administration practice and regulatory environment.

During Year 1, EPI conducted a diagnostic assessment of Georgia's customs administration and developed a Post-Clearance Audit (PCA) action plan that will support implementation of a risk-based approach to customs. EPI also facilitated a public-private dialog process between the Georgian Revenue Service and members of the trade and transport sector, leading to stakeholder-driven improvements of customs procedures. EPI developed an automated trade facilitation implementation plan in close cooperation with the Data Exchange Agency.

CUSTOMS ADMINISTRATION ASSESSMENT/ CUSTOMS REFORM STRATEGY

EPI worked together with the Revenue Service's customs office to conduct a diagnostic needs assessment and suggest a reform options for customs administration operational and institutional capacity. Made with substantial input from private sector stakeholders, assessment suggested several major areas for further improvement: benchmarking customs procedures against international best practice; promotion of public-private dialogue on customs issues; improvement of customs warehousing and logistical regulations and procedures; improvement of customs valuations control; development of risk-based

approaches in customs control; strengthening of customs post-clearance audit capacity and institutionalization of customs time measurement exercise. EPI will start addressing most of the above mentioned issues during Year 2.

CUSTOMS SUPPORT TO THE MANUFACTURING & SERVICES SECTORS

EPI worked intensively with AmCham and the Business Ombudsman Office to facilitate and support public-private dialog among the Revenue Service and transportation sector stakeholders on customs administration and regulations. As a result of this public collaboration EPI was able to reform the following regulations affecting trade and customs:

- Taxation of international transportation of cargo and related services
- Customs bonded warehouses
- Certificates of Origin under EU GSP+ program
- Inward processing regulations for apparel sector manufacturers

CUSTOMS WAREHOUSE REGULATORY REFORM

The Parliament of Georgia passed legislation on fall, 2011, which streamlines customs supervision over customs warehouses providing temporary storage of imported goods. Facilitated by EPI recommendations, the new law provisions allow for simplified technical and security requirements for customs warehouses, creating a favorable logistics

New Customs Warehouse Regulations Reduce Barriers to Transport & Logistics

Previously, technical and security requirements for opening and operating customs warehouses were oppressive, placing significant obstacles to the logistics business. The regulatory scheme took a “physical barrier” approach requiring, for example, three-meter walls around warehouses, non-stop video surveillance of all areas, constant fiber-optic cable connection with customs, time-intensive registration and sealing of storage areas as items were removed from time to time, 24-hour security systems, and permit security systems for entry and exit. Considered in light of international practices, these requirements placed significant and unnecessary burdens on Georgia’s regional logistics services.

EPI advised the Revenue Service (RS) that a modern customs warehousing regime should be much more permissive, relying instead on required audit-trails and periodic audits rather than physical barriers and heavy investment requirements. Under EPI’s suggested concept, customs warehouse owners would no longer need to make such heavy investments to own and operate warehouses, but instead maintain auditable records on placement and removal of foreign goods. The RS supported amendment of the Tax Code to implement an audit-based system of control. The amendment was passed in the fall of 2011, and EPI expects this to help spur increased customs warehouse capacity in Georgia. This new approach will help Georgia serve increasingly as a regional logistics hub.

environment for foreign goods.

POST-CLEARANCE CUSTOMS AUDIT

The customs reform assessment identified strengthening of Post-Clearance Audit (PCA) as a clear priority for customs administration. During the second half of Year 1 EPI developed and shared with the Revenue Service an action plan for strengthening PCA capacity. In Year 2 EPI will assist the Revenue Service to develop a PCA legal framework and Standard Operating Procedure manuals following international best practices.

PROFESSIONAL TRAINING

To support institutional capacity development of the Revenue Service EPI conducted a training needs assessment that identified gaps in knowledge, skills, and attitudes of

employees within the Revenue Service. Following up on the assessment, EPI undertook to work with the Revenue Service to draft a strategic training plan, however, in carrying out this assignment concluded that Human Resource (HR) capacity-building assistance would be necessary before development of a sustainable training program for Revenue Service professionals. EPI found the Revenue Service eager to receive assistance in HR development, and at the close of Year 1 EPI commenced an assignment to support the Revenue Service's development of job descriptions for the entire administration. This assignment will be completed during the first quarter of Year 2.

Given resource constraints and project priorities, in discussion with the USAID and the Revenue Service EPI determined to wind up its assistance on Revenue Service HR and training. EPI has recommended to USAID that a newly awarded project, HICD+, selects Revenue Service as its key government agency and continue the critically needed HICD activities.

AUTOMATION

Working together with Georgia's Data Exchange Agency and Poti Port, EPI developed an action plan to support initial development of an automated trade facilitation system. The facilitation portal system will serve to automate cross-border trade related processes that presently are manually completed and paper based. The private sector operator of Poti Sea Port has expressed its readiness to participate in implementation process and contribute resources to the initiative. In Year 2, EPI will support the implementation process at Phase I, which will cover containerized shipments moving through the seaports.

OUTPUTS	STATUS
Phase I Outputs	
Customs administration reform strategy	Completed
Phase II Outputs	
Post clearance audit capacity action plan	Completed
Customs curriculum development workshop	Dropped
Benchmarking: customs procedures	Completed
BPR assessment and design of TradeNet or similar system	Postponed (Year 2)

5.5.7 TAX SYSTEMS (GANTT CHART LEVEL 42700)

The Georgian tax collection system has suffered in recent years from a public perception of heavy-handedness and overreaching in conducting tax audits, despite having nominally adopted a risk-based approach to tax collection. In this environment, during Year 1, EPI established an effective partnership with the Revenue Service to support its reform efforts.

The goal of EPI's tax administration assistance in Year 1 was to improve the Revenue Service's tax audit administration to incorporate a risk-based approach that relies on voluntary taxpayer compliance rather than enforced collections from tax payers. EPI worked during Year 1 to assess taxpayer audit processes at the Revenue Service, develop enhanced risk-based audit selection criteria, begin development of audit procedure manuals for tax auditors based on risk-based methodologies, and provide trainings for tax auditors on risk based audit methodology and special audit techniques.

RISK-BASED AUDIT

Early in Year 1, EPI developed and submitted recommendations to the Revenue Service to enhance of automation of existing business processes within its Tax Audit Department. EPI also provided technical assistance to improve the Revenue Service's audit selection methodology by providing trainings to the Revenue Service's Risk Management Division. Going forward, EPI will provide the Revenue Service with limited assistance to incorporate this methodology into its automated system.

In the second half of Year 1, EPI commenced support to the Revenue Service to develop tax audit procedure manuals encompassing best practices in risk-based audit. This work is currently being performed in collaboration with a working group of tax audit department professionals. Combined with process trainings and a planned study tour early in Year 2 to examine the US Internal Revenue Service and state tax audit offices in Massachusetts and New Mexico, EPI anticipates that the Revenue Service tax audit leaders will shift from the current audit mindset of exhaustive and burdensome audit practices to a risk-based system that relies on voluntary taxpayer compliance.

TAX APPEALS

EPI supported decision of the Ministry of Finance (MoF) to develop an independent tax appeals system by organizing a study tour to Finland and the United States for reform working group members. With EPI assistance MoF developed a draft action plan for transition from the current tax dispute resolution system to an independent dispute resolution body. The working group for this reform has been suspended due to the temporary absence of a key person from the MoF, who is currently attending an internship program at the Massachusetts Tax Appellate Board. EPI anticipates taking up further support for this reform effort on his return and the resumption of the working group, which we expect to occur sometime in 2012.

TRANSFER PRICING

EPI commenced development of transfer pricing rules for the MoF and implementation guidance for the Revenue Service following the OECD guidelines. In Year 2 EPI will deliver trainings on transfer pricing methodology and rules for the Revenue Service

OUTPUTS	STATUS
Phase I Outputs	
Tax administration reform strategy initiated	Completed
Phase II Outputs	
Risk based audit capacity action plan	Completed
Curriculum development workshop	In Progress
Risk-based Audit activities developed including the following:	
<ul style="list-style-type: none">Enhancement of risk ranking and audit selection	Completed
<ul style="list-style-type: none">Tax audit procedures manual	In Progress
<ul style="list-style-type: none">Curriculum to train auditors on audit methodologies and increase skills and techniques of auditors	In Progress

Tax appeals activities conducted including the following:	
• Assessment of current tax dispute resolution process	Completed
• Study tour on independent tax tribunal design	Completed
• Action plan for improvement of tax dispute resolution system	Completed
Review of tax penalty regime and proposed amendments to tax legislation	Postponed (Year 2)

5.5.8 PROCUREMENT AND PRIVATIZATION SYSTEMS (GANTT CHART LEVEL 42800)

EPI's goals for procurement and privatization are to support greater transparency in each area. During Year 1 EPI conducted assessments to identify issues and potential EPI support areas.

PROCUREMENT

EPI worked with the State Procurement Agency and private sector stakeholders to assess Georgia's state procurement system, identifying ways in which the legal framework can be improved and priority issues for procedures and practices to maximize quality and value-for-money outcomes. While general support for procurement is beyond EPI's scope and resources, the assessment identified steps for EPI to improve business participation in procurements in Year 2 through an outreach and awareness-building campaign for businesses.

PRIVATIZATION

Privatization Framework Assessment/ Inventory of State Land. EPI conducted an assessment of Georgia's privatization process and regulatory environment, proposing recommendations for improvements of legal and regulatory framework. EPI shared these recommendations with the MoESD. While general support for privatization is beyond EPI's scope and resources, EPI has responded to a request by the MoESD to conduct a pilot inventory of state land for privatization and have selected Marneuli region for the pilot. EPI and the MoESD anticipate that this pilot inventory will help the MoESD develop a feasible methodology for application across Georgia.

State property management automation design and implementation. The MoESD has requested that EPI support development of a case management system for the MoESD's property management system, following up on system requirements designed under USAID's FORECAST project. This e-government development activity has been deferred to Year 2.

OUTPUTS	STATUS
Phase II Outputs	
Procurement and privatization assessments and recommendations	Completed
Procurement and privatization improvement action plans	Completed
SPM e-system design and implementation	Postponed (Year 2)

Inventory of state property subject to privatization	Postponed (Year 2)
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5.5.9 AGRICULTURAL POLICY ENVIRONMENT (GANTT CHART LEVEL 42900)

During the previous two decades Georgia's agricultural industry has become the most significant sector of economy suffering from stagnant development and substantial unrealized revenue potential. Productivity and degree of application of technology is far lower in agriculture than in other sectors of the economy. To explore and understand causes for this, in Year 1 EPI conducted an assessment of the current agricultural policy environment, identifying policy, regulatory, and institutional constraints limiting the growth and development of the agricultural sector in Georgia. Key policy issues identified include: 1) very low levels of public land registration in the cadastral register; 2) a tax rule that bio-asset investments must be depreciated in the first year of acquisition, which stands as a substantial obstacle to horticultural investments; 3) lack of an effective leasing regulatory framework.

In addition, based on request by Samtrest, Georgia's wine testing and certification laboratory, EPI had planned in Year 1 to conducting a review of Georgia's wine regulatory framework. However, since EPI has cancelled its wine VC support activities, the assistance to reform wine regulatory frameworks was also cancelled.

OUTPUTS	STATUS
Phase II Outputs	
Agriculture policy issues assessment and inventory	Completed
Agriculture policy action plan	Completed
Facilitation of agricultural policy dialog between GoG, business associations, NGOs, donors, and other sector stakeholders	Completed
Report on key legal/regulatory constraints to wine sector development	Dropped

5.5.10 CORE TEAM OF REFORM SPECIALISTS (GANTT CHART LEVEL 43000)

In keeping with EPI's theme of Georgians for Georgia, EPI's BEE Component has focused on developing the consulting skills of its core team by mentoring, on-the-job training, and delivery of specialized training. The goal of this activity will be to develop a core team of local reform specialists capable of guiding and supporting GoG reforms going forward after EPI. During Year 2 EPI will explore options and methods to support consulting capacity of this core group.

5.5.11 CROSSCUTTING POLICY AND REGULATORY ACTIVITES (GANTT CHART LEVEL 47000)

5.5.12 E-GOVERNANCE ACTIVITIES (GANTT CHART LEVEL 47100)

During Year 1, EPI conducted an inventory and action plan for e-Government initiatives that might be supported by EPI. The inventory prioritized and set out support approaches for EPI's e-government initiatives. The e-government initiatives EPI is and expects to support from the government side are Sakpatenti's e-filing system, the MoESD's State Property

Management System, and the automated trade facilitation system, as discussed above in respective sub-headings under this BEE section of the Annual Report.

OUTPUTS	STATUS
Phase I Outputs	
GoG BPR/e-Government Inventory	Completed
Mapping GoG IT systems/capability/current initiatives	Completed
Phase II Outputs	
e-Government Assistance Action Plan	Completed

5.5.13 PUBLIC-PRIVATE DIALOGUE MECHANISM (GANTT CHART LEVEL 47200)

During Year 1 EPI anticipated specific support to develop a formalized and sustainable public private dialog mechanism that would cover business in general, rather than a sectoral or industry-based approach. However, despite detailed discussions EPI was unable to gain support by the Business Ombudsman Office – a critical partner on the public sector side for such an initiative. In the absence of support by the Business Ombudsman Office, EPI has determined not to proceed with this activity separately and formally, and instead incorporate relevant aspects of PPD in all its activities during Year 2.

OUTPUTS	STATUS
Phase II Outputs	
PPD Assessment	Dropped
PPD Action Plan	Dropped

5.5.14 BEE COMMUNICATION CAMPAIGNS (GANTT CHART LEVEL 49000)

This separate work plan level will be cancelled in Year 2, with business enabling environment-related communication campaigns instead organized and discussed under specific activity areas.

OUTPUTS	STATUS
Phase II Outputs	
WEF GCR GCI Lecture Series	Dropped
Tax payer public awareness	Completed
Building Codes public outreach	Completed
IPR access business outreach	Completed
Journalist's lecture series on GCI topics	Completed

ANNEX 1: PMP REPORT

Indicator	Baseline year	Baseline	Target	Result	Target	Comments	
			Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012		
1. Objective: Expand and deepen Georgian economic governance capacity and country-level competitiveness							
1.0.0.1	Regulatory quality index	2009	0.52	0.59	0.58	0.64	
1.0.0.2	Economic Freedom score and rank	2010	Score: 7.47 Rank: 23	Score: 7.47 Rank: 23	Score: 7.36 Rank: 27	Score: 7.38 Rank: 25	Target for Year 2 has been adjusted down.
1.0.0.3	WEF Global Competitiveness Index score and rank	2010-11	Score: 3.86 Rank: 93	Score: 3.86 Rank: 92	Score: 4.00 Rank: 88	Score: 4.01 Rank: 86	Target for Year 2 has been adjusted up.
1.0.0.4	WB Doing Business rank	2011	17	17	16	16	Changed baseline and Y1 target recalculated from 12 to 17 based on recent WB DBI methodology change
1.0.0.5	WEF GCI "Goods Market Efficiency" indicator	2010	Rank=64 Score=4.2	Rank=63 Score=4.3	Rank =74 Score = 4.2	Rank=73 Score=4.3	Target for Year 2 has been adjusted down.
1.1 Objective: Improve Regulatory Environment and Licensing							
1.1.1.1	Priority reforms drafted and approved through a consultative process.	2010	0	1	6	1	IPR registration, Building code, VAT customs, Post clearance, Tax audit, leasing
1.1.1.2	Number of annual action plans	2010	0	1	2	1	
1.1.1.3	Number of core commercial laws put into place	2010	0	1	2	1	
1.7.2.1	Number of policies/regulations/administrative procedures analyzed as a result of EPI assistance	2010	0	2	12	2	
1.1.3.1	Changes of building code adopted in compliance with international standards	2010	0	Non-structural part of IBC translated and adapted	Non-structural part of IBC translated and adapted	Non-Structural and Structural Parts of IBC adopted	
1.1.4.1	Total number of Regulatory Impact Assessments or Standard Cost Modeling conducted.	2010	0	0	2	1	Macro-economic/Regression analysis on costs of IPR infringement for Georgian economy; macro-economic analysis of Pension Pillar II mandatory regulation.
1.1.4.2	Number of regulatory outreach campaigns conducted	2010	0	1	1	2	1=yes, 0=no
1.2 Objective: Strengthen Property Rights							

Indicator	Baseline year	Baseline	Target	Result	Target	Comments	
			Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012		
1.2.1.1	Annual action plan developed	2010	0	1	1	1	1=yes, 0=no
1.2.2.1	Percent of general public members that approves purchase of counterfeited products	July 2011	6.70%	n/a	6.70%	6%	
1.2.2.2	Percent of general public that has general knowledge about intellectual property	July 2011	71%	n/a	71%	75%	71% of respondents understand that trade in counterfeit goods is punished by law
1.2.2.3	Number of IPR outreach campaigns conducted	2010	0	1	1	0	
1.2.2.4	Percent of general public members that approves personal usage of pirated material from the Internet	July 2011	45%	n/a	45%	43%	
1.2.2.5	Percent of general public members that approves the sale of pirated material from the Internet	July 2011	11%	n/a	11%	10%	
1.2.3.1	Number of trademarks registered or granted per year (last 12 months)	2010	637	637	693	728	
1.2.3.2	Applications filed electronically (patents/trademarks/copy rights)	2010	0	0	0	218	
1.3 Objective: Enhance Investment Sector Economic Governance							
1.3.1.1	Annual action plan developed	2010	0	1	1	1	1=yes, 0=no
1.3.1.2	GoG investment promotion action plan developed with EPI assistance	2010	0	0	1	0	1=yes, 0=no, Apparel promotion plan
1.3.1.3	Investment environment and benchmarking study completed	2010	n/a	1	1	n/a	1=yes, 0=no, Only one study for the life of project
1.3.2.1	Assessment of current investment promotion capacity at GNIA complete	2010	n/a	1	1	n/a	1=yes, 0=no, Only one assessment for the life of project
1.3.3.1	Investment attracted with participation of Investment promotion agency (USD million)	2010	0	100	n/a	100	This indicator is rolled into a high-level result and discontinued for Year 2.
1.3.3.2	Investment attracted with participation of Investment promotion agency	2010	0	TBD	n/a	3	This indicator is rolled into a high-level result and discontinued for Year 2.

Indicator		Baseline year	Baseline	Target	Result	Target	Comments
				Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012	
1.3.3.3	Number of participants in trade and investment environment trainings (participants in policy dialogue that contribute to development of new laws and regulations for promoting trade and investment)	2010	0	25	498	50	318 women and 180 youth
1.3.3.4	Number of participants in EPI supported trade and investment capacity building trainings (number of participants who are trained to better manage their enterprises leading to increased trade, investment and productivity).	2010	0	108	238	150	187 women and 51 youth
1.4 Objective: Enhance Economic Governance in the Area of International Trade and Customs							
1.4.1.1	Number of customs harmonization procedures implementation in compliance with international standards	2010	0	n/a	3	3	
1.4.1.2	Annual action plan developed	2010	0	1	1	1	1=yes, 0=no
1.4.1.3	Assessment of current trade and customs needs at GoG complete	2010	n/a	1	1	TBD	1=yes, 0=no, Only one study envisioned at this time.
1.4.2.1	Cost to trade goods across borders (imports), in USD	2010	1316	1316	1715	1600	
1.4.2.2	Cost to trade goods across borders (exports), in USD	2010	1329	1329	1,595	1500	
1.4.2.3	Number of days required to trade good across boarders (exports)	2010	10	10	10	10	
1.4.2.4	Number of days required to trade good across boarders (imports)	2010	13	13	13	13	
1.4.2.5	Completion of analysis of regional trade flows and opportunities including the feasibility of, and steps needed to develop a regional single window and operations.	2010	0	0	1	0	1=yes, 0=no, the focus of analysis is on trade facilitation portal as a first phase to further regional integration in customs operations
1.4.3.1	Customs cost and time studies institutionalized.	2010	0	0	0	0	1=yes, 0=no, envisioned for year three

Indicator	Baseline year	Baseline	Target	Result	Target	Comments	
			Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012		
1.4.3.2	Customs cost and time study's methodology completed.	2010	0	1	0	1	1=yes, 0=no, envisioned for year two
1.4.4.1	Recommendations made on facilitation of regional government to government dialogue on customs operations.	2010	0	n/a	0	1	1=yes, 0=no, envisioned for year two. Recognizing the political nature of this activity, EPI will coordinate this activity with USAID projects in Azerbaijan and Armenia
1.5 Objective: Strengthen Tax Systems							
1.5.1.1	Annual action plan developed	2010	0	1	1	1	1=yes, 0=no
1.5.1.2	Assessment of current tax needs at GoG complete	2010	n/a	1	1	n/a	1=yes, 2=no, Only one assessment for the life of project
1.5.2.2	Time required to file taxes	2010	387	365	387	387	
1.5.3.1	Number of outreach tax campaigns conducted	2010	0	n/a	3	1	
1.5.3.2	Percent of taxpayers perceiving process as efficient	July 2011	62.60%	n/a	62.60%	63%	62.6 is average of 3 questions: process is simplified for declaration, refund, and audit
1.6 Objective: Develop Procurement and Privatization System							
1.6.1.1	Annual action plan developed	2010	0	1	1	1	1=yes, 0=no
1.6.1.2	Assessment of current procurement and privatization needs at GoG complete	2010	0	1	1	n/a	1=yes, 2=no, Only one assessment for the life of project
1.6.2.1	Number of participants in E-procurement	2010	4311	5173	6821	7162	
1.6.2.2	Share of respondents perceiving procurement process is efficient	July 2011	93%	n/a	93%	94%	93% average for sufficient documentation, easier and faster
1.6.2.3	Share of respondents perceiving privatization process as fair	July 2011	39%	n/a	39%	44%	39% average response as at least more or less fair
1.7 Objective: Improve Agricultural Policy Environment							
1.7.1.1	Annual action plan developed	2010	n/a	1	0	1	1=yes, 0=no
1.7.2.2	Share of agricultural businesses in targeted sectors perceiving policy costs as acceptable	July 2011	39%	n/a	39%	44%	39% average response as policy costs acceptable
1.7.3.1	Viable legal groupings for small-holders identified.	2010	0	0	0	n/a	1=yes, 0=no
1.8 Objective: Establish a Core Team of Local Specialists to Assist with Implementing Reforms							

Indicator		Baseline year	Baseline	Target	Result	Target	Comments
				Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012	
1.8.1.1	Develop operational guidelines with GoG counterparts to establish a core team of local specialists to assist with implementing reforms.	2010	0	0	0	n/a	1=yes, 0=no Based on current EPI methodology on building a team of local advisor within EPI, this indicator is discontinued for Year 2.
1.8.1.2	A core team of local specialists established (cumulative number of specialists)	2010	0	0	2	4	Indicator revised to track number of local specialists trained to support GoG reform champions upon EPI completion.
1.9 Objective: Information Technology and E-Governance Initiatives:							
1.9.1.1	Number of assessments completed and EPI interventions identified	2010	0	1	3	0	
1.9.1.2	Number of innovative ICT E-governance and business solutions implemented attributable to EPI assistance	2010	0	1	0	3	
1.9.1.3	Government Online Service Index (Rank)	2010	92	90	not yet released	88	WEF Global information technology report
1.9.1.4	Government prioritization of ICT (score)	2010	4.34	4.38	not yet released	4.42	WEF Global information technology report
1.9.1.5	Number of secured servers	2010	6	6	not yet released	7	WEF Global information technology report
2. Objective: Improve the Competitiveness of Targeted Agriculture Sectors							
2.1 Increase competitiveness of targeted VCs by directly strengthening key enterprises and or stakeholders							
2.1.a.0	Number of VCs analyzed	2010	0	9	9	0	Any Year 2 analysis will be on demand only.
2.1.a.1	Number of VCs selected for assistance and action plan developed	2010	0	9	9	4	
2.1.a.2	Number of market assessments conducted	2010	0	6	5	0	Any Year 2 assessments will be on demand only.
2.1.a.3	Number of HACCP and global GAP training events	2010	0	32	0	0	HACCP and GAP certification is not the priority for Year 2 VCs anymore.
2.1.a.4	Number of promotional events supported (fair, study tour, EPI Knowledge Plot/Center promotional event etc.)	2010	0	10	6	6	

Indicator	Baseline year	Baseline	Target	Result	Target	Comments	
			Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012		
2.1.a.7	Number of additional hectares under improved technology or management practices as a result of EPI assistance	2010	0	2250	See comments	2500	Due to refocusing of AG strategy, baseline and year 1 data is not sufficient for results reporting
2.1.a.8	Number of farmers, processors and others adopting new technologies or management practices as a result of EPI assistance	2010	0	2756	529	3000	
2.1.a.9	Number of farms (households) directly benefiting from EPI interventions	2010	0	3000	529	3000	
2.1.a.11	Number of beneficiaries receiving HACCP certification during the reporting period (agribusiness/processors)	2010	0	0	0	0	HACCP certification is not the priority for Year 2 VCs anymore.
2.1.a.12	Number of beneficiaries receiving global GAP certification during the reporting period (producers/farms)	2010	0	0	0	0	GAP certification is not the priority for Year 2 VCs anymore.
2.1.a.18	Total number of bottles exported by beneficiaries during reporting period	2010	0	n/a	0	n/a	This indicator is dropped as AG is not supporting wine producers/ processors
2.1.a.20	Number of EPI Knowledge Plots and Knowledge Centers	2010	0	0	0	28 KPs and 3 KCs	
2.3.a.24	Model for small holders developed	2010	0	1	0	0	1=yes, 0=no, this is a demand-driven activity and EPI will report on results accordingly.
2.3.a.25	Number of sustainable small holder groupings formed among beneficiaries during the reporting period	2010	0	0	0	0	This is a demand-driven activity and EPI will report on results accordingly.
2.3.a.26	Number of individuals who have received EPI-supported short-term agricultural sector productivity training	2010	0	665	1058	10,000	967 women and 91 youth were trained in Year 1
2.3.a.27	Number of firms receiving EPI assistance to improve their management practices	2010	0	100	23	125	

Indicator		Baseline year	Baseline	Target	Result	Target	Comments
				Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012	
2.3. a.28	Number of microenterprises receiving finance from firms participating in an EPI-assisted VC	2010	0	8	42	50	<i>EPI supported agribusinesses surveyed reported microfinance to a total of 42 farms/businesses</i>
2.3. a.28	Number of firms receiving capacity building assistance to export	2010	0	AG & M&S Total = 70	6	23	<i>Year 1 results: AG=6 M&S=18</i>
3. Objective: Improve the Competitiveness of Targeted Non-Agriculture (Manufacturing and Services) Sectors							
3.0. a.1	Number of VCs analyzed	2010	0	10	12	0	<i>Any Year 2 analysis will be on demand only.</i>
3.0. a.2	Number of VCs selected for assistance and action plans developed	2010	0	9	5	1	
3.0. a.3	Number of market assessments conducted	2010	0	15	25	5	<i>Year 2 assessments will be on demand only.</i>
3.0. a.4	Number of VC technical trainings/ presentations delivered	2010	0	13	5	27	
3.0. a.5	Number of promotional events supported (Fair, study tour, demonstration project etc.)	2010	0	12	17	31	
3.0. a.6	Number of firms receiving EPI assistance to improve management practices	2010	0	48	10	43	
3.0. a.7	Number of companies considering EPI supported trainings as beneficial for their business	2010	0	43	9	43	
3.0. a.8	Number of individuals receiving appropriate certifications by type of certification	2010	0	0	11	10	<i>Graduates of the World Federation of Tourist Guide Association training</i>
3.4. a.11	Number of international visitors per year	2010	2,032,586	2,235,845	2,652,190	2,917,409	
3.6. a.12	Number of companies adopting Supply Chain Operations Reference (SCOR) Model Certification and Metrics Package	2010	0	0	0	4	
3.4. a.13	Number of firms receiving capacity building assistance to export	2010	0	70 AG & M&S	18	76	<i>Year 1 results: AG=6 M&S=18</i>
4. Objective: Program Management and Crosscutting							
4.1 Objective: Information and Knowledge-sharing							

Indicator		Baseline year	Baseline	Target	Result	Target	Comments
				Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012	
4.1.1.1	Percent of citizens knowledgeable about key reforms and policies (PMP indicator);	July 2011	50%	n/a	50%	55%	
4.1.1.3	Number of media products supported by EPI assistance (articles, TV show radio show)	2010	0	150	160	200	
4.1.1.4	Number of public events/outreach campaigns on key economic issues	2010	0	15	36	24	
4.2 Objective: Established University Partnerships and Public Private Sector Partnerships							
4.2.1.1	Number of educational-business partnerships established	2010	0	3	0	3	
4.2.1.2	Number of partnerships between Local and US/third country academia/VET/service providers/business associations	2010	0	2	0	3	
4.2.1.3	Number of VETs/services providers/academia upgrades capacity	2010	0	2	0	4	
4.2.1.4	Number of persons improved their skills attributable to EPI assistance	2010	0	60	62	120	<i>2,011 persons were trained but data collection on use of topics learned was only collected near the end of year 1 (32) plus 30 eID application training reports.</i>
4.2.2.1	Number of PPP and GDA supported by EPI	2010	0	2	0	4	
4.3 Objective: Grants-Under-Contract							
4.3.1.1	Value of grants issued	2010	0	n/a	0	USD 900,000	
4.3.1.2	Number of grantees	2010	0	n/a	0	35	
4.4 Objective: Access to Finance							
4.4.1.1	Number of legal, regulatory institutional changes adopted	2010	0	2	4	0	<i>This indicator is discontinued in Year 2 and rolled up into indicator No. 1.1.1.1.</i>
4.4.1.3	Number of revised and new financial products and methodologies developed (leasing, banking, insurance)	2010	0	3	4	4	
4.4.1.4	Number of financial professionals trained on international standards	2010	0	130	175	100	<i>126 women and 49 youth</i>

Indicator		Baseline year	Baseline	Target	Result	Target	Comments
				Year 1 - Sep 30, 2011	Year 1 - Sep 30, 2011	Year 2 - Sep 30, 2012	
4.4. 1.5	Increase in domestic finance available through leasing, banks and MFI	2010	0	0	USD 606,061	USD 25 million	<i>This indicator is rolled into high-level result and discontinued in Year 2.</i>
4.5 Objective: Gender and Youth							
4.5. 1.1	Number of assessments completed and EPI interventions identified for gender and youth	2010	0	2	3	1	
4.5. 1.2	Number of women employed in VCs	2010	0	n/a	See comments	TBD	<i>Baseline data and targets to be compiled as part of new data collection methodology in early Year 2.</i>
4.5. 1.3	Number of women participating in EPI supported trainings	2010	0	n/a	19%	25%	
4.5. 1.4	Number of youth employed in VCs	2010	0	n/a	See comments	TBD	<i>Baseline data and targets to be compiled as part of new data collection methodology in early Year 2.</i>
4.5. 1.5	Number of youth participating in EPI supported trainings	2010	0	n/a	12%	24%	

ANNEX 2: UTILIZATION OF INTERNS

NAME		AREA OF FOCUS
1	Luka Jugeli	B4B Internship Program Development
2	Salome Beridze	Agriculture Sectors Component Administrative Support (now works at USAID/NEO Project)
3	Nino Gvimradze	Access to Finance Component Administrative Support
4	Natia Goglidze	Tourism Sector Development Administrative Support (now works at Hotel Riverside, Sales Manager)

ANNEX 3: UTILIZATION OF USG PERSONNEL

- In cooperation with the U.S. Department of Commerce, EPI organized a Reverse Trade Mission in the U.S., involving 15 representatives of Georgia's wine and tourism sectors, to gain experience in wine tourism and increase awareness of Georgian wine in the U.S.
- EPI also made recommendations to USAID on potential opportunity areas for the U.S. Treasury to support the Georgian RS.
- EPI started coordination of its activities and planned joint activities for Year 2 with U.S. Department of Commerce's CLDP program in the area of IPR. In Year 2 EPI will also coordinate its activities with CLDP in the area of Conformity Assessment.

ANNEX 4: UTILIZATION OF LOCAL PARTNERS

	Name	Area(s) of Focus
Government of Georgia		
1	Batumi Investment Agency	All VCs
2	Batumi Tourism Agency	MICE Tourism
3	Batumi VoC Black Sea	WFD
4	Business Ombudsman's Office	Customs and Trade Facilitation
5	Civil Registry Agency	ICT
6	Data Exchange Agency	ICT
7	Directorate for Environment and Natural Resources of Adjara	Packaging
8	Georgia Agriculture Corp.	Agriculture, berries, CSF's, MIS, Agriculture Logistics Hub Study
9	Georgian Accreditation Center	Regulatory Environment Licensing
10	Georgian National Investment Agency	Investment Promotion, Apparel
11	Georgian National Tourism Agency	MICE Tourism, Wine Tourism, Tourism
12	GEOSTAT	Tourism
13	International Affairs Department, Ministry of Adjara	All VCs
14	Kutaisi VoC Iberia	WFD
15	Ministry of Agriculture	PERSUAP, Ag VCs, Agricultural Policy
16	Ministry of Agriculture of Adjara	Packaging (Ag Sector)
17	Ministry of Economic and Sustainable Development	Investment Promotion, T&L, Apparel, Privatization, Construction Materials, International Trade, Regulatory Environment and Licensing
18	Ministry of Education and Science	Apparel Training
19	Ministry of Environment	PERSUAP
20	Ministry of Finance	Revenue/Tax Administration Strengthening, Customs, Pension Reform, Leasing
21	Ministry of Finance and Economics of Adjara	Tourism, Packaging, T&L
22	Ministry of Justice	ICT (eID), Leasing
23	National Bank of Georgia	Insurance, Leasing, Pension Reform, T&L, Apparel, Tourism

	Name	Area(s) of Focus
24	Office of the Prime Minister	All BEE and Related VC Topics
25	Ozurgeti VoC Horizonti	WFD
26	Parliament	Insurance, Investment Promotion, Pension Reform
27	Revenue Service	Revenue/Tax Administration Strengthening, Customs, Leasing
28	Sakpatenti	IPR, BPR
29	Service of Biodiversity and Integrated Control of Environment of Adjara	Packaging
30	State Enterprises Management Agency	Privatization
31	State Food Safety Agency	Agriculture
32	State Procurement Agency	Procurement
33	Tbilisi City Hall	Investment Promotion, Construction Materials, Ag VCs, T&L, Tourism, FIZ, Regulatory Environment and Licensing, Apparel
34	Tbilisi VoC Mermisi	WFD
35	Tourism Department of Adjara	MICE Tourism
36	United Transport Administration of Georgia	T&L
Businesses		
37	4 Seasons LTD	Greenhouse
38	A.P. Moller	T&L
39	ABCO	Packaging
40	ACME	Tourism
41	ACT	T&L, Tourism, PMP
42	Agro-Invest	Greenhouses
43	Agro-Plus	Hazelnuts
44	Agroservice	Agriculture, ICT
45	Alaverdi LTD	Vegetable
46	Aldagi-BCI	T&L
47	Alioni 99 Ltd	T&L, BSP
48	Alliance Leasing	Leasing
49	Alpha PET	Packaging
50	Alta Software	ICT
51	Apex	T&L

	Name	Area(s) of Focus
52	Aromaprodukti	Fruits
53	AZRY	ICT
54	Bazi	Vegetable
55	BIRG	WEF/GCR
56	BPG Ltd	Construction Materials (Perlite)
57	BSA	Greenhouse
58	Carana Corporation	ICT, Apparel
59	Caucasian PET JSC	Packaging
60	Caucasus Trans Express	T&L
61	CENN	Packaging
62	Chateau Mukhrani	Tourism
63	Cisco	ICT, IPR
64	Constanta Bank	ATF
65	Credo	ATF
66	Delta Systems	ICT
67	Elif Textile	Apparel
68	Elselema	Apparel
69	Europlant LTD	Greenhouse
70	Eurostandard Ltd	Construction Materials (Perlite)
71	ExpoGeorgia	Wine, Wine Tourism, Construction Materials
72	FAO	ATF
73	Finagro	ATF
74	GDCI	BSP
75	Geguti LTD	Greenhouse
76	Georgia Consult	Investment Promotion
77	Georgia Paper Making GPM Ltd	Packaging
78	Georgian Airways	T&L
79	Georgian Business Consulting	BSP
80	Georgian Cardboard Ltd	Packaging
81	Georgian Leasing	Leasing
82	Georgian Palace	MICE Tourism
83	Georgian Plastic	Packaging
84	Georgian Railway	Apparel, Construction

	Name	Area(s) of Focus
		Materials, Packaging, T&L
85	Georgian Railway Transcontainer LTD	T&L
86	GF Capital	Investment Promotion , All VCs
87	Giko Ltd	Packaging
88	Global Enterprise	Greenhouse
89	Gofratara Ltd	Packaging
90	Goodwill	Vegetables
91	GPI Holding	Insurance
92	GPP Ltd.	T&L
93	Greenet	T&L
94	Hapag-Lloyd	T&L
95	Herbia LTD	Greenhouse
96	HP	ICT
97	Icon Group	Greenhouse
98	Imedi L	Insurance
99	Imeri	Apparel
100	Intel - Agroservice	GSF
101	International Development Consultants	Investment Promotion , All VCs
102	Intourist Palace Hotel	MICE Tourism
103	IT Invest	BSP
104	Iveri	Apparel
105	Kakheti Ltd	Packaging
106	Karabok Ltd	Packaging
107	Kardem	Apparel
108	Khareba	Wine Tourism
109	Knitex	Apparel
110	KOTON	Apparel
111	Kula LTD	Fruits
112	Lasare	T&L
113	Laura Gachava Sewing Company	Apparel
114	Laurus LTD	Greenhouse
115	Lazeti	Apparel
116	Legi Ltd	Packaging
117	Liberty Bank	ICT, Access to Finance

	Name	Area(s) of Focus
118	Marneuli Cannery	Vegetable
119	Materia	Apparel
120	Microsoft	ICT, IPR
121	Milangi Ltd	Packaging
122	Miller & Company	Apparel
123	Mobile Finance Eurasia	Commodity Price System
124	Mysoft.ge	ICT
125	Neoprint Ltd	Packaging
126	Nergeta LTD	Kiwis
127	Nut Export Company	Hazelnuts
128	OpenRevolution	Commodity Price System
129	Oracle	ICT, IPR
130	Oris	ICT
131	OxFam Georgia	Women Integration
132	Pace Georgia	T&L
133	Paravan Perlite Ltd	Construction Materials (Perlite)
134	Piunik Group LTD	Greenhouse
135	Poti Free Industrial Zone	All VCs
136	Quantum Group	ICT
137	Radisson Hotel Batumi	Tourism
138	Ridge Consulting (UK)	All VCs
139	Ruloni Ltd	Packaging
140	Seka Paper Georgia Ltd	Packaging
141	Service 96 Ltd	Packaging
142	Shabo Georgia	Greenhouse
143	Sheraton Hotel Batumi	Tourism
144	Sibley International	All VCs
145	Singular Group	ICT
146	Smart Retail	Greenhouse
147	Sula International	Greenhouse
148	TBC Bank	ICT, Access to Finance
149	TBC Leasing	Leasing
150	TBSC Consulting	BSP
151	Terjola agro LTD	Greenhouse

	Name	Area(s) of Focus
152	TG Ltd	Packaging
153	Transcaucasia Crystal Ltd	T&L, Construction Materials (Perlite)
154	Travel Club	MICE Tourism
155	Travel Shop	MICE Tourism
156	UGT	T&L
157	Unistyle	Apparel
158	Universe Business Group (UBG)	MICE Tourism
159	Vand T LTD	Greenhouse
160	VD Capital	Greenhouse
161	VRD Consulting	BSP
Associations and Other Organizations		
162	Agriculture University	ICT
163	Agrotechno	Ag Consulting Association
164	American Chamber of Commerce in Georgia	Investment Promotion, Wine, Tourism,
165	Asian Development Bank (ADB)	T&L
166	Assa-Trans	T&L
167	Association of Banks in Georgia	Bank Training Needs
168	Batumi International Investor Association	Apparel, Investment Promotion
169	British-Georgian Chamber of Commerce	Investment Promotion
170	Business Association of Georgia	Leasing, Pension, Procurement, Agriculture
171	Community College for International Development (CCID)	WFD, T&L, ICT
172	EBRD	Investment promotion, All VCs
173	Energy Efficiency Centre (EEC) Georgia	Construction Materials
174	Enterprise Incubator Foundation (Armenia)	ICT
175	EU	Donor Coordination
176	Federation of Professional Accountants and Auditors (GFPA)	Investment Sector Economic Governance
177	Free University	ICT, BSP
178	Freight Forwarders Association	T&L
179	Georgian Berry Growers Association	Berries
180	Georgian Business Development Center	Tourism, ICT, Internships
181	Georgian Employers Association	Construction Materials

	Name	Area(s) of Focus
182	Georgian Fruit Growers Association	Fruit
183	Georgian Guide Association	Tourism
184	Georgian Incoming Tour Operators Association	Tourism
185	Georgian Insurance Association	Insurance
186	Georgian International Road Carriers Association (GIRCA)	T&L
187	Georgian Logistics Association	T&L
188	Georgian Technical University	Construction Materials
189	Georgian Tourism Association	Tourism
190	Georgian Wine Association	Wine, Wine Tourism
191	Global Star	Tourism
192	GRM	Food Safety
193	GSMEA	Investment Promotion, Procurement, IPR
194	ICT Business council	ICT
195	Ilia State University	Ag Management Training
196	Ilia Vekua Sukhumi Institute of Physics and Technology	T&L
197	Integrated Orchard Growers Association	Fruit
198	International Investors Association	Tourism, Apparel, Packaging
199	IOCE	Vegetable Production
200	ITnovations	ICT
201	Lemondoo	ICT
202	Mashav	Greenhouse Training
203	Merci Corp	Cold Storage Facilities
204	Open Society Georgia	Agricultural Policy
205	PMCG	Investment promotion, All VCs, Revenue/Tax Administration Strengthening, Pension
206	Potato Growers Association	Agriculture
207	SDA	Cold Storage Facilities
208	Shida Kartli Vegetable Growers Association	Agriculture
209	Shota Rustaveli University	Tourism
210	Softline Georgia	ICT
211	Sustainable Development and Policy Center	Construction Materials
212	Tam-Bas	All VCs

	Name	Area(s) of Focus
213	TRACECA Permanent Secretariat	Transport and Logistics
214	Trans-Mal	T&L
215	Turkish Clothing Manufacturers Association	Apparel
216	UNDP	Policy Issues
217	USAID G3	Economic Governance
218	USAID HIPP	Investment Promotion
219	USAID JILEP	Legal Education, IPR
220	USAID Job Counseling Project	Vocational Education
221	USAID NATELI	Construction Materials
222	Vengo	T&L
223	USAID NEO	Agriculture, Procurement
224	World Bank	Tourism
225	World Experience for Georgia	Construction Materials

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