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BDS MARKET ANALYSIS & CAPACITY BUILDING PLAN

USAID/GEORGIA RESTORING EFFICIENCY TO
AGRICULTURAL PRODUCTION



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INTRODUCTION

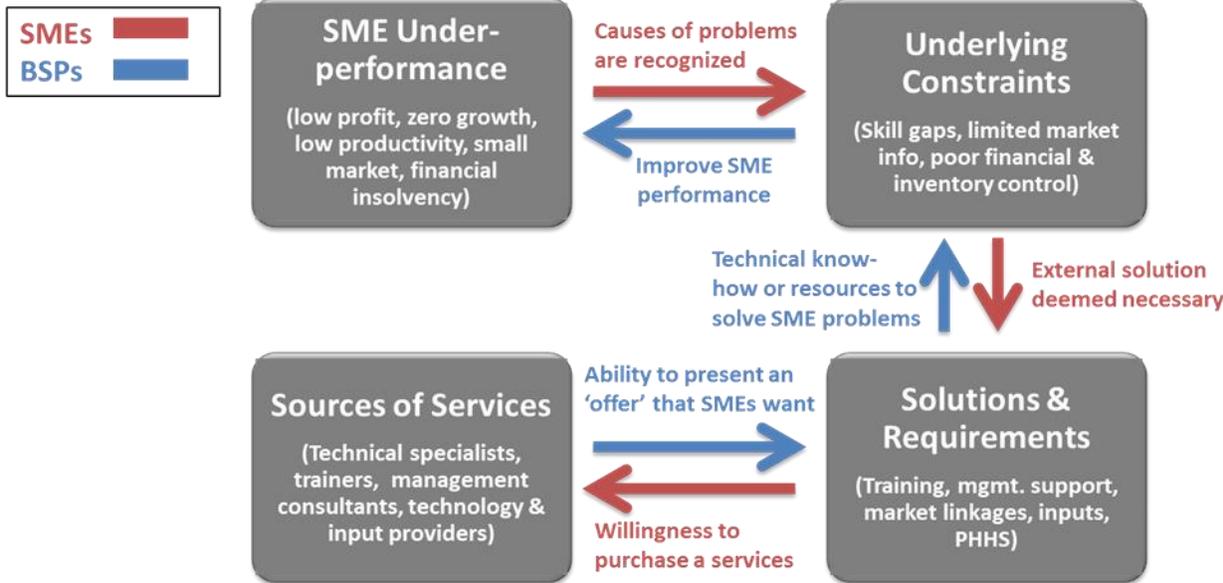
1.1 BDS MARKET DEVELOPMENT

The discussion of Business Development Services (BDS) in this report refers to non-financial services that can help micro, small, and medium enterprises (MSMEs) overcome barriers to increased profitability by improving their productivity and access to high value markets. In the context of agribusiness, these can include services that improve business operations, like marketing and finance, transport, warehousing, input supply, technology and production assistance, among others. Providers include NGOs, associations, and private businesses.

While development projects often provide technical assistance as part of their projects or support local Business Service Providers (BSPs), the model is supply-driven, with the donor determining which services to provide, and funding their delivery. Alternative schemes include vouchers, where beneficiaries can choose their services or service providers. While these programs can generate positive results for agribusiness, they are often small scale, costly, and not sustainable.

The Market Development Approach to BDS proposes a healthy private-sector business services market as a measure of success – numerous, competitive BDS suppliers who sell a wide range of services to enterprises.¹ The goal of market development interventions is for a large proportion of enterprises to buy the BDS of their choice from a wide selection of products offered (primarily) by unsubsidized private sector suppliers in a competitive and evolving market. “Buying” can refer to paying fees for services, commissions, and procurement through commercial relationships with other businesses. Figure 1 demonstrates the anatomy of an effective BDS transaction on both the supply and the demand side.²

FIGURE 1: ANATOMY OF AN EFFECTIVE BDS TRANSACTION



¹ Developing Commercial Markets for BDS, International Labour Organisation (2003)

² Adapted from “BDS Market Development” USAID MicroEnterprise Best Practices (2000)

When developing a market for BDS services, it is essential that a donor take a facilitating approach, rather than provision of services. This begins with an assessment of supply and demand in the market; looking at each aspect of the transaction depicted above. Interventions can take place on the supply or demand side, based on issues encountered. They may include initially co-financing technical assistance, capacity building, and awareness campaigns.

1.2 RELEVANCE TO THE REAP PROJECT

The USAID/Restoring Efficiency to Agriculture Production (REAP) project in Georgia will **increase incomes and employment in rural areas** by delivering firm-level investment and technical assistance to agribusiness enterprises that provide inputs, services, training and cash markets to **smallholders**. REAP will catalyze increased private investment and commercial finance to the sector, mitigate risk for rural SMEs and entrepreneurs, and expand commercially sustainable linkages between service providers, producers, post-harvest enterprises, and local consulting firms.

The REAP Project has two key components to achieve SME development in agribusiness. Under Component 1, REAP is awarding matching grants to catalyze development. Complementary technical assistance will be provided under Component 2 of the Project. In addition to co-financing Business Development Services to grantees and non-grantees, REAP seeks to link local BDS providers to private agribusiness clients, build their capacity to provide market-based services and strengthen the practice of fee-based business consulting for the long-term. The planned results under Component 2 include:

- A network of at least 20 qualified BSPs established/strengthened by REAP
- Emergence of a dynamic and sustainable BDS system, whereby participating BDS providers increase revenues from private sector clients by at least 30% over baseline

The project has initially selected 32 local Business Service Providers (BSPs) which include associations, NGOs, and private businesses. These BSPs will compete to provide technical assistance to grantees and non-grantees, and will participate in capacity-building activities with the program.

1.3 PURPOSE OF THE CONSULTANCY

A well-functioning BDS market is crucial to sustaining growth of the private sector especially through assisting SMEs to increase their revenue and profitability, and to reach their full potential. The purpose of the consultancy is to assess supply and demand and analyze the BDS market for agricultural SMEs. Specifically, accomplishing the following two tasks:

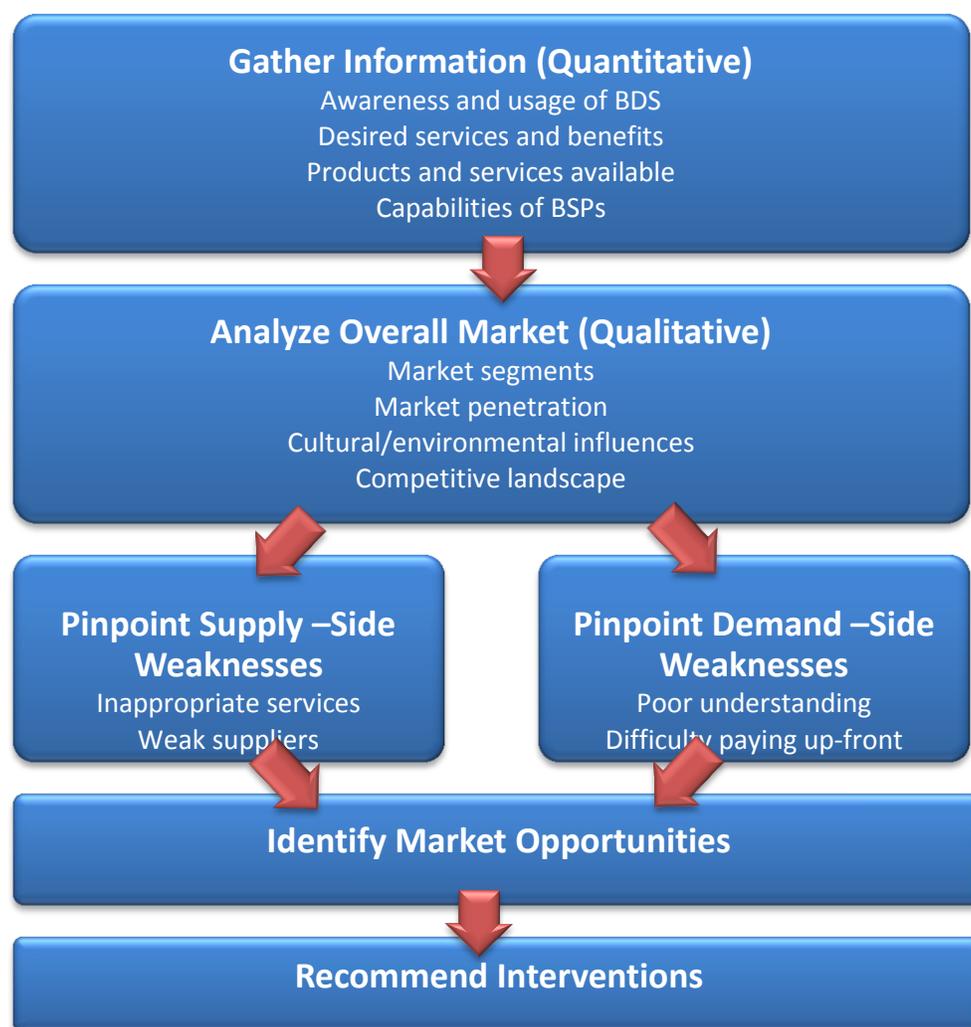
- Establish a baseline of services available from Business Service Providers
- Develop an action plan to build the capacity of qualified BSPs

The market assessment will provide the REAP project with a better understanding of the range of services needed, the regional coverage of suppliers, and areas in which supply capabilities are strong, as well as areas in which providers are weak or not supplying services. The action plan will provide REAP opportunity to strengthen selected BSPs and increase the quality of their services.

I.4 METHODOLOGY & SOURCES OF INFORMATION

This BDS market assessment followed the standard process in line with best practices, demonstrated in Figure 2.³ The assessment began with surveys on the supply and demand side, complemented by existing data previously collected. Analysis included interviews with stakeholders and a review of various REAP project documents to triangulate information.

FIGURE 2: MARKET ASSESSMENT PROCESS



Sources of information

- **BDS Supply Survey:** This survey had 32 BSP respondents, all of which are qualified BSPs under REAP. They include NGOs, private companies and associations. The survey covered information including the size of the BSP, revenue sources, services offered, client base, obstacles to growth, and marketing methods used.

³ Adapted from Developing Commercial Markets for BDS, International Labour Organisation (2003)

- **BDS Demand Survey:** This survey had 25 SME respondents in agribusiness, including primary production, PHHS, processing, input suppliers, and one laboratory. Information included the size of SME, type of business, questions about financial records, strategic planning, forecasting, challenges faced, BDS use, reviews, and interest in BDS.
- **REAP grant applications:** 63 applications were used as a counterpoint to self-evaluations to help identify weaknesses and actual needs as opposed to SME self-perceptions and stated demand. Applications dealt with primary production, post-harvest handling and processing, farm and machinery service centers, and input providers. The applications gave insight into planned projects, financial information, and business capabilities. They were measured on their ability to:
 - Develop a sound business plan and operational plan
 - Make financial projections & develop accurate budgets
 - Analyze markets
- **BSP Expressions of Interest:** From the 20 qualified BSPs, providing additional basic data on the BSPs and how they classify their businesses.
- **BSP Capacity Questionnaire:** This follow-up to the Supply Survey providing additional specific information on private agribusiness revenues and goals, areas to develop additional capacity
- **Interviews and meetings with selected BSPs and SMEs:** Meetings conducted with BSPS individually and all as a group; also a rural input supplier, an SME doing PHHS, and an SME doing greenhouse production. Phone interviews added additional information and clarification from SMEs.
- **BDS Study:** Innova’s “Knowledge and Perceptions regarding Business Consulting Services among Georgian Business Entities” (2012, USAID/EPI) was utilized as a reference. This study covered 85 medium (32%) and large (68%) companies from various industries. Insights into awareness and use of domestic and international consulting services, satisfaction with services, and key factors in the success or failure of consulting services.

MARKET ANALYSIS

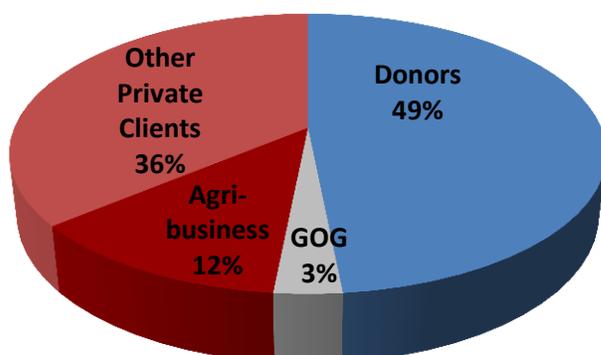
I.1 KEY FINDINGS: BDS MARKET DEVELOPMENT IN GEORGIA

The market for BDS in Georgia is currently at a low level of development. Across sectors, even in the most developed industries, commercial use of BDS is low. The 2012 study found that 64% of medium and large firms had never used consulting services.⁴

⁴ “Knowledge and Perceptions regarding Business Consulting Services among Georgian Business Entities” (2012, USAID/EPI).

BDS utilization, and particularly consulting services, is even lower in the agribusiness sector. In addition, small businesses are the least likely to utilize BDS, as they are often unaware of the services available and the potential benefit of those services, and they have the fewest resources available. 71% of the small and medium agribusinesses surveyed as a part of this analysis had never used BDS, including free or subsidized services. Of the SMEs that had used services, only one firm reported paying 100% of the cost. On average, SMEs that had used services reported spending less than 1% of their annual revenue on them.

Figure 3: BSP Revenue by Source



Similarly, BSPs reported that less than 50% of their revenue came from private clients (as opposed to donors or the GoG), and less than 25% of that private revenue comes from agribusiness.

BSPs report that their primary challenge to growth is a weak demand, due to limited financial resources among firms, low level of business development, and lack of understanding of services.

1.2 KEY FINDINGS: BDS SUPPLY

While BDS suppliers do exist in Georgia, few services are provided on a commercial basis and providers have limited expertise in agribusiness. The majority of qualified BSPs are specialized in management consulting and lack services tailored to agriculture and agribusiness. It is important to note, however, that the REAP survey covered only the qualified BSPs that will provide technical assistance under this project. Other service providers, many SMEs themselves, are not participating in this group as they will be involved in the project through the matching grant program under Component I. These include farm and machinery service centers, post-harvest handling and storage facilities, and others. Thus, qualified service providers do not provide a full picture of the BDS supply in Georgia, although the major providers are included. Of the technical, agricultural-focused BSPs, most do not offer marketing, management, or access to finance assistance. Table I shows the key competency areas of the 32 qualified BSPs under the REAP program. Please note that some BSPs have multiple competency areas.

TABLE I: COMPETENCY AREAS OF BSPS

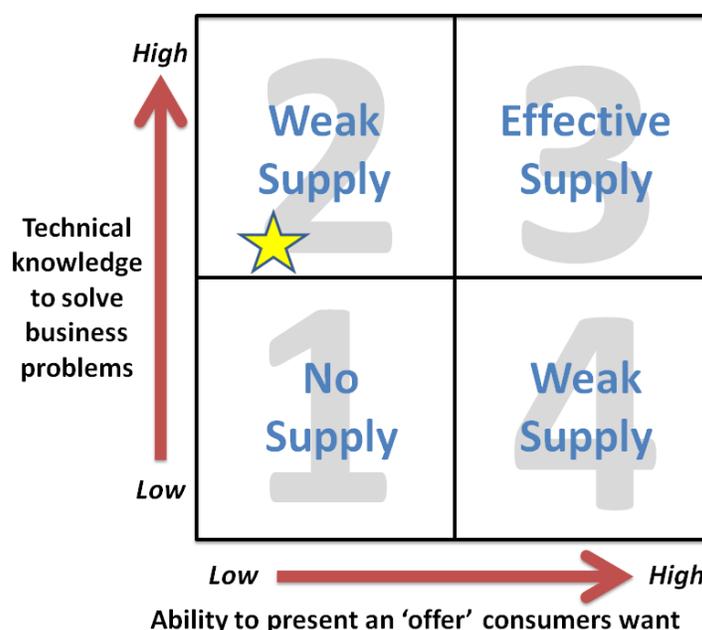
Key Competency Area	Number	Percentage
Business administration, management and marketing	27	84%
Farmer training and demonstrations	18	56%
Quality standards and certifications	10	31%
Post-harvest handling and storage and processing technology	8	25%
Workforce development	2	6%

Access to finance	6	19%
Special initiatives (such as ICT)	5	16%

In addition to the limited supply of providers, quality may be an issue. Fewer than half of the BSPs surveyed report having an internal quality control system or any type of accreditation. Many indicated a need for a quality assurance or standards system within the industry to differentiate those offering high-quality services from less-qualified firms. Likewise, SMEs that had reported using services had mixed results. Some indicated that technical services were excellent, while others complained of superficial attitudes among consultants, lack of expertise, and failed implementation of new production and processing methodologies.

The market conditions quadrant below is a useful tool to determine if there is an effective supply in the market.⁵ Two variables contribute: (1) the technical know-how to solve problems, and (2) the ability to present an “offer” that appeals to consumers - Quadrant 3 represents this ideal situation. These two paths evolve separately, and may not be linked. Research indicates that although there is room for improvement, Georgian BSPs have many of the capabilities and expertise to solve problems for agribusinesses. However, few are able to effectively package or market their services in a way that appeals to agribusinesses, particularly SMEs with limited funds. Additionally, many firms specialize in either management areas or in technical areas, while agribusinesses may need a combination of both for an offer to be attractive. BSPs are ineffective at collaborating with one another to deliver a full package of services. The ‘star’ in Figure 4 approximates the level of supply development in the Georgian market.

FIGURE 4: QUADRANT OF SUPPLY-SIDE CONDITIONS



The majority of qualified BSPs can be classified as management consulting firms. These firms offer a variety of services, most commonly development of business plans and feasibility studies, management

⁵ Adapted from “BDS Market Development” USAID MicroEnterprise Best Practices (2000)

training, mentoring, market research, and advisory services. There is a smaller group of firms offering technical services related to agriculture. The most common services they offer are farmer training and technology transfer. A few specialized firms offer consultation in quality and safety, as well as several BSPs that offer certification to meet international standards, but the demand for these services is so limited currently that it is not cost-effective to accredit BSPs in Georgia.

Most BSPs use direct outreach and the internet to market their services. They identify marketing assistance, market development, and general outreach as the main areas of assistance needed to growth in the agribusiness sector.

1.3 KEY FINDINGS: BDS DEMAND

Current demand for commercial BDS among agricultural SMEs in Georgia is extremely weak. There are, however, significant performance issues that indicate a need for BDS, and thus a potential for considerable demand in the future. We were able to make this distinction by triangulating SME surveys (SME impressions of their BDS needs), grant applications (where the REAP team could assess capabilities), and anecdotal evidence from interviews and meetings.

Key challenges reported by SMEs included the following:

- **Access to finance** is a perceived constraint for 94% of those surveyed. Working capital and finance for new investment were both cited as issues. Interviews revealed that a lack of collateral was a common obstacle to obtaining financing. Many indicated that financing would be used to adopt modern agricultural practices by installing irrigation equipment, greenhouses, PPHS facilities, or purchasing high-value inputs.
- **Access to reliable market information** is a challenge for 76% of firms surveyed. 71% specifically mentioned that they lack knowledge of export processes and regulations.
- **Tools for modern agribusiness** summarizes the main need perceived by most SMEs surveyed. This included knowledge of production techniques, access to PPHS and processing technology, specialized equipment and facilities, and access to inputs and packaging.

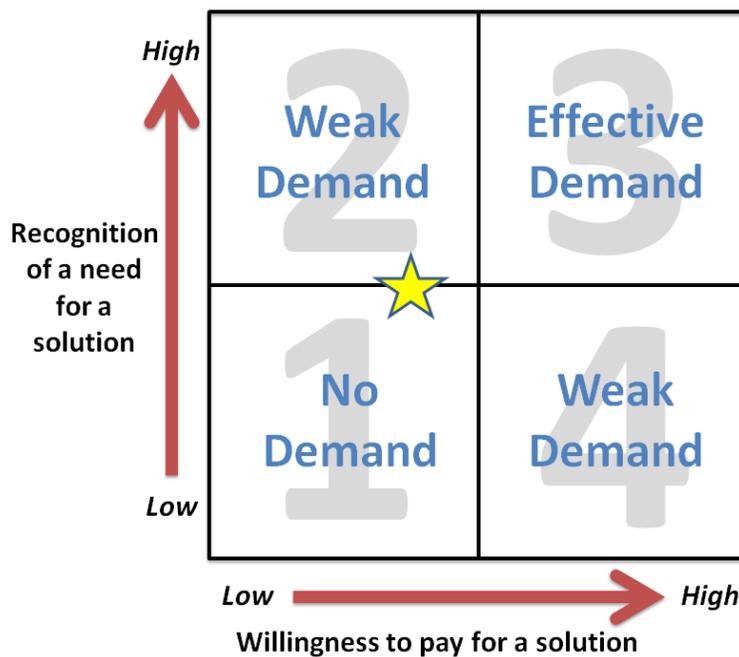
Only three firms surveyed cited business management skills as a major challenge. Likewise, 100% reported having formal financial records, regularly forecasting cash flow, and conducting formal strategic planning. However, the REAP teams' review of grant applications indicated that for most SMEs:

- Financials are neither current nor accurate
- Market analysis lacks specific information
- Operational plans are not logically linked to projected results
- Projections are unrealistic
- Budgets lack detail and realism

These problems prevented many SMEs from accessing REAP's grant fund, and they likely also prohibit them from accessing cheap agricultural credit and grants from other sources, such as government funds. SMEs considered production technologies, certification, testing and input supply to be "useful services;" they did not mention any others, indicating a lack of knowledge of the breadth of services available, and a lack of awareness that business knowledge and practices may be preventing them from achieving their goals.

An interview with an input supplier helped explain the problem with SMEs seeking to adopt modern technologies or produce new varieties. As a provider of seedlings, he regularly deals with rural Georgians and small farmers that have accessed agricultural credit or have plowed land available and are looking to invest in a new orchard. When he explains the needs of specialized crops, for example Fuji and Granny Smith Apples, farmers realize they are unprepared. These require special treatment like drip irrigation to achieve the proper size and color. Using these modern technologies is expensive and complicated. If farmers succeed in producing a high-quality, differentiated product, they must also have a buyer willing to pay a premium for that product. The volume and quality of products most small farmers are able to produce will not meet the minimum standard for many buyers. Before making this type of investment, a farmer should have a buyer in mind and know their requirements, make financial projections to determine if the business plan is viable, and then acquire the necessary technical expertise and equipment to implement it. In many cases, moving to sophisticated production techniques will not be feasible for farmers without the assistance of BSPs they are not currently seeking – feasibility studies, financial management and market linkages, for example.

FIGURE 5: QUADRANT OF DEMAND-SIDE CONDITIONS



SMEs recognize that challenges exist, and they perceive sub-optimal performance. However, they are often misattributing the root causes of their under-performance. This makes it difficult for them to recognize the need for the right solution to their problems. See Figure 1, on page 2 for the anatomy of an effective transaction. Many SMEs are missing the important step of understanding the causes of their problems, thus while they may recognize the need for a solution, they may not be seeking out the right solutions. If SMEs hire BSPs to solve their perceived problems, without addressing their root causes, they may be disappointed and avoid using BDS in the future.

Willingness to pay for a solution exists – some SMEs indicated they would be willing to pay a small amount to overcome concrete challenges. These SMEs usually had specific products in mind – most commonly specialized equipment for testing, storage or processing (62% indicated this was a specific need) paired with staff training or technical assistance in the specific methodologies to use these new technologies (69% indicated this need). Unwillingness to pay for a solution can be attributed to three

factors: (1) perceived inability to afford services, (2) poor understanding of services available and relevance to their problems, and (3) availability of free or subsidized services in the past.

I.4 MARKET CHALLENGES AND OPPORTUNITIES

While there are genuine weaknesses on both the supply and demand side (eg. limited knowledge of agribusiness among consulting firms, SMEs with limited resources), there are also misperceptions that can be overcome to reveal better alignment between supply and demand than is immediately apparent. The table below illustrates a mismatch in the services most offered by qualified BSPs and the needs SMEs have identified.

TABLE 2: MISMATCH BETWEEN STATED SUPPLY AND DEMAND

Top 5 SME Perceived BDS Needs	Top 5 Most Offered BSP Services
<ul style="list-style-type: none"> • Access to finance • Access to specialized equipment for production, testing, storage, or processing • Expertise/ training in specialized technical production • Product development and packaging • Reliable market information 	<ul style="list-style-type: none"> • Development of business plans, feasibility studies • Management training • Advisory services • Mentoring • Market research

While access to finance is the top need identified by SMEs, less than half of BSPs offer to facilitate bank financing. This is a service that many qualified BSPs have the expertise to offer and it may just be a matter of repackaging existing services to offer a service that results in SMEs accessing loans.

The only area of alignment in the top five was related to market information and market research. Surveys indicate that this category could be challenging, however, as no SMEs reported having bought this service in the past. Market research could be costly to undertake, and therefore expensive to an individual SME client. There may be an opportunity for a BSP to do market research for top Georgian products, and allow access to the information on a user-fee basis. Alternatively, “market research” could be re-framed as market linkages, with BSPs paid upon successful identification of a buyer or structuring a sales agreement.

None of the surveyed SMEs reported having previously received assistance in any of the top five services offered by BSPs. They expressed little interest in those types of services, considering advanced production technologies, certification, and food safety consultation the most useful services available.

Access to specialized equipment is closely linked to access to finance for many SMEs. The BSPs with expertise in management consulting, financial plans, and business administration are the most capable of helping SMEs obtain that financing, however these BSPs lack linkages to technology, input and equipment providers. They would likely appeal to more SMEs if these services were offered comprehensively. Likewise, production using advanced technology or specialized methodologies is expensive, and BSPs offering technical agricultural services could benefit from teaming with management consulting BSPs to implement the forecasting, financial and inventory controls necessary to maximize this type of investment.

Furthermore, of the BSPs that offer technical agricultural services, the most common are “farmer training” and “technology transfer.” However, SMEs express interest in more specific areas such as drip irrigation, greenhouse production, nurseries/seed production, and grafting. They are also looking for tangible products such as the introduction of new plant varieties, preventing on- and off- farm losses, PHHS/transport services, which are offered by fewer BSPs, or at least they are not currently packaged in this way. At this time, universities and TVETs do offer these services, but it is clear that they need upgrading in order to provide more tangible skills to beneficiaries.

Case Study: Greenhouse Horticulture Production

Greenhouse Producer Nodar Gongliashvili. Shida Kartli Region, Kareli District

Mr. Gongliashvili has been producing tomatoes for 25 years. He built his small greenhouses about ten years ago to produce tomatoes and cucumbers in the winter. He does not have enough access to natural hot water to expand using his current production methodologies, but if he upgraded to modern drip irrigation technology he could grow his business. He applied for a loan but was denied, apparently due to lack of collateral.

A closer look at his case reveals that there may be other factors at work. He has not achieved sufficient volume to obtain a contract from local supermarkets, and although neighboring farms produce the same products, they are not collaborating. A brief description of his various assets indicates he would likely have significant collateral to obtain a loan at most banks.

While this farmer has all but given up his goal of expanding production, there are several potential opportunities for a BSP to help: (1) reviewing financial analyses and upgrading his business plan to get bank financing (2) partnering with irrigation suppliers (like Netafim) to structure alternative financing and TA, (3) structuring a sales agreement with a local supermarket by working with multiple suppliers. (4) helping him form a cooperative or association with other local suppliers to achieve scale.



I.5 RECOMMENDATIONS

There is a need for demand- and supply-side interventions in the BDS market. The REAP Project is already planning to stimulate the market through its technical assistance program. This co-financing is essential to boosting demand. Additionally, outreach and awareness of BDS will be an essential step in generating interest in services. SMEs need to understand the services available, how to access them, and the benefit they can have on their businesses. Working with banks to use rejected loan applications will help to boost SME awareness of BDS needs in financial and operational management, helping them connect the “access to finance” problem with its root causes.

On the supply side, BSPs need to repackage their consulting services as concrete products such as obtaining a loan or securing a sales contract, on a success fee basis. Measurable reductions in costs or improvements in productivity could also be marketed.

BSPs need to begin by marketing their services to more progressive firms, which understand the value of services, and can afford them. Dynamic export products, like hazelnuts, would be a good place to start. Working with larger, more dynamic firms, could help them provide example and success stories to smaller firms.

REAP should promote a collaboration among BSPs with experience in management consulting with those specialized in technical agricultural services. Improved management can lead to access to finance, enabling SMEs to invest in advanced production and processing technologies.

BSP CAPACITY BUILDING PLAN

FIGURE 6: BSP PROCESS



The proposed Capacity Building Plan for the REAP project will target strengthening BSPs in all stages that BSPs need to achieve to effectively serve agribusiness SMEs. The recommendations found below can help stimulate the market through co-financing technical assistance, promoting demand through outreach, building capacity through shared BSP resources, targeted training, and firm-level assistance.

I.1 GENERATING BDS OPPORTUNITIES

The REAP project itself offers an excellent opportunity for qualified BSPs to build a client base in agribusiness and better understand market demand. To capitalize on this, the REAP team should issue an RFP to qualified BSPs with relevant competencies for each technical assistance opportunity, allowing BSPs to submit proposals. The winning BSP will implement the assistance with REAP project staff guidance. Providing high-level technical assistance will build their reputations and demonstrate the value that can be added. REAP should encourage successful BSPs to generate success stories, with project staff guidance, which both the project and the BSP will be able to use to generate a demand for services in the future. Each unsuccessful bidder will receive a debrief on why his/her proposal was not selected, along with recommendations for future submissions. In addition, RFPs and selection will encourage collaboration among BSPs and the formation of consortia. This will be an important lesson for BSPs with limited capacity – they may be best served by teaming with complementary organizations. Participation in the

REAP project will allow them to make new connections and interact frequently with one another.

While some SMEs will approach the REAP project with technical assistance needs, and REAP should competitively select a technical assistance provider through a competitive process, qualified BSPs should also be encouraged to generate their own clients as part of the program. As marketing services and generating new business is one of the key challenges for BSPs, if they are to achieve a 30% increase in private sector revenue, it is essential that REAP support their efforts to actively seek clients and formulate offers that appeal to SMEs. The REAP cost -share of 50% will provide an incentive to SMEs that may be hesitant to try BDS for the first time, or have limited capital, however the process will be market-driven, and more closely mirror interactions between SMEs and BSPs in a market system, and

how they will interact when the REAP project ends. In the case of technical assistance projects proposed by an SME with a particular BSP in mind, or by a qualified BSP, the REAP team should evaluate the proposal for impact and technical viability, and conduct a careful *cost analysis* of the proposed budget, followed by negotiations, as it will be impossible to conduct a price analysis due to the lack of competition.

I.2 PUBLIC AWARENESS AND OUTREACH PROGRAM

To improve public awareness and outreach, the following recommendations will generate awareness in BDS and in the REAP technical assistance program specifically to stimulate demand for BDS. This includes the following recommended activities:

- A phone-based outreach campaign. The REAP will host a temporary call center to reach out to SMEs, staffed by program interns.
- REAP's regional representatives will promote the technical assistance program to ensure that the message reaches SMEs across the country, as many BSPs are located only in Tbilisi.
- REAP will initiate focus groups, round tables and events including state-owned extension centers, NGOs, chambers of commerce, and associations.
- Networking events to build consortia and link different types of BSPs.

I.3 RESOURCES FOR BSPS

The REAP Project will make the most sustainable impact in developing the BDS market in Georgia by developing relationships among BSPs and between BSPs and agribusinesses as well as facilitating the creation of several permanent resources that are accessible to all BSPs. The below recommended activities respond to specific needs identified by BSPs:

- B2B events with agribusinesses to market services. Initially, these will be facilitated by the REAP project, but we will also seek to identify a sustainable mechanism by which these events can continue on a regular basis.
- Develop a database of qualified consultants with specific agricultural expertise. Many BSPs do not have sufficient capacity on staff to provide technical assistance in agriculture.
- Develop an information database with information on planned projects, a business directory, and market information on key crops for Georgia. This could be housed permanently by a BSP or other organization. Most BSPs indicated a willingness to pay for access to this; many BSPs do not understand the market demand in agriculture or where to find clients, and this could help them better direct capacity building efforts and provide better services.
- Quality standards system. This will be considered later in the project if deemed necessary by SMEs. BSPs indicated a need to differentiate levels of quality to justify variance in prices. An alternative would be a feedback system of some sort, where SMEs could rate the quality of services received from various providers.

I.4 TRAINING AND WORKSHOPS

The REAP Project should plan a series of trainings and workshops with topics selected based on the needs of BSPs, as identified in the market analysis. BSPs showed significant interest in participation in all of the planned sessions, and all qualified BSPs should be invited to participate. The initial topics planned are listed below; other topics should be added as necessary if they are identified.

- **Proposal development:** This workshop will assist qualified BSPs in effectively responding to REAP RFPs, and to improve their proposals for technical assistance in general.
- **Gender sensitive agricultural service provision:** This training session will provide best practices on reaching women-owned and managed agribusinesses, providing services to women, and in assisting SMEs in gender sensitivity in their operations and employment practices.
- **Marketing to agribusinesses:** Most qualified BSPs lack a significant clientele in agribusiness. This workshop will cover strategies for reaching agribusinesses and appealing to their needs with marketing materials and product offerings.
- **Structuring outcome-based pricing and service models:** With payment based on concrete outcomes, like productivity increases, reduction in costs, access to markets or finance, agribusinesses will be more likely to perceive that they can afford the service, and they will take on less risk. This training course will include various models to structure services in a way that differs from the “selling time” model of many consulting firms.
- **Access to finance in agribusiness:** This workshop will be included the participation of loan officers from several banks that offer agricultural credit programs. BSPs will have the opportunity to learn about the various financial products available to agribusinesses, and to understand what loan officers are looking for in credit applications.
- **Agricultural value chain analysis:** This training will impart a methodology for identifying opportunities to add value (or reduce costs) in production, PHHS, and processing. Agribusinesses will be more willing (and able) to pay BSPs with the ability to identify ways to increase profits.
- **Value chain-specific workshops:** REAP staff have identified some of the main market opportunities for Georgian agriculture. The firms working in these crops are the most likely to understand the value BDS and to have a need to meet stringent buyer requirements. These workshops will allow BSPs to meet sector associations and leading firms to network and better understand the value chains. Initially identified crops are hazelnuts, stone fruits and wild herbs.
- **Technology workshops:** These short events will include an orientation to various agricultural technologies, and provide an opportunity for BSPs to network with providers. These will include irrigation, greenhouses, cold storage, and high yield input suppliers. Each workshop will feature representatives of local companies (or local representatives of international companies) explaining the technology they offer, their clients and services. This will provide an opportunity for management consulting firms to make linkages with these providers.

I.5 FIRM-LEVEL ASSISTANCE TO BSPS

As the market for BDS in Georgia is small and poorly developed, needs may arise for individual BSPs to build their capacity in specific areas. With shifts in the agricultural market, such as increased trade relations with Russia, adoption of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, and the new law on cooperatives, to name a few, SMEs will have new technical assistance needs. For example, firms offering food safety certifications rely on a relationship with an international accreditation body because demand is not sufficient to warrant an accredited BSP in Georgia. As demand for food safety certifications increases, it would reduce costs to SMEs to have a local BSP capable of the accreditation process.

REAP should issue an EOI to qualified BSPs to submit proposals for direct capacity building assistance which should occur somewhat later in the project, to first give the REAP team a chance to assess the performance of BSPs on their technical assignments and identify major gaps in the market. The recommended areas of assistance may include:

- Co-implementation of service contracts with international consultants to build capacity in new assistance areas
- Staff technical training
- Assistance in new product development
- Accreditation or certification

EOIs should be evaluated in terms of their relevance to REAP Project goals, specifically their potential to improve the availability of services to SMEs, to improve SME competitiveness in response to market demand, and to increase the BDS that SMEs are willing to purchase directly.

I.6 SHORT-TERM WORKPLAN

Activity	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
REAP TA Program					
Ongoing project assignment					
Outreach Program					
Call center					
Regional outreach					
Focus groups, roundtables					
Networking opportunities					
Resources for BSPs					
Consultant database					
Agricultural info system					
Trainings and Workshops					
Proposal development					
Gender					
Marketing to agribusiness					
Structuring pricing models					
Access to finance					
Agricultural VC analysis					

VC-specific workshops					
Technology workshops					
Firm level assistance					
EOI issued					