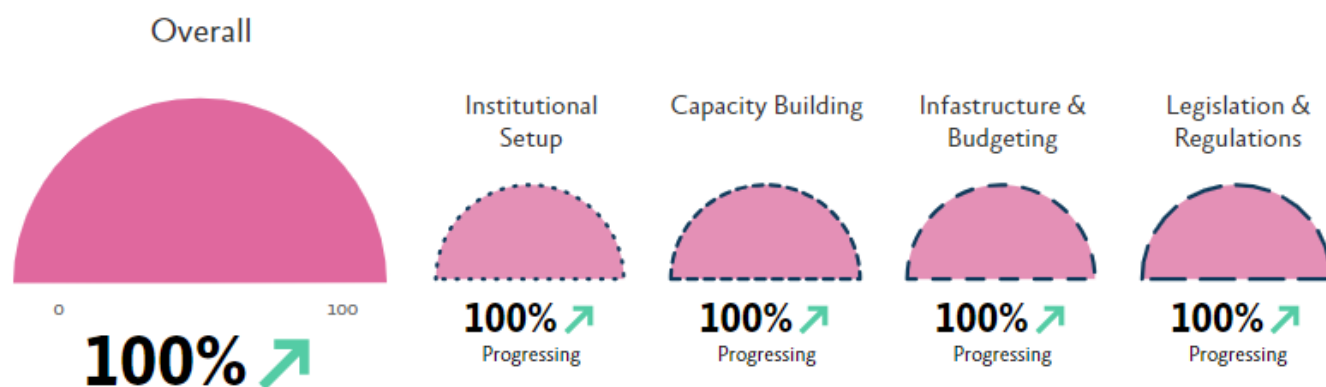


SME Development

Phase III

On 4 April 2018, phase III of the ReforMeter continued its assessment of the development strategy for small and medium enterprises' (SMEs).

Governmental research has shown that the reform plan has been 100% fulfilled, which is the first time to have ever occurred.

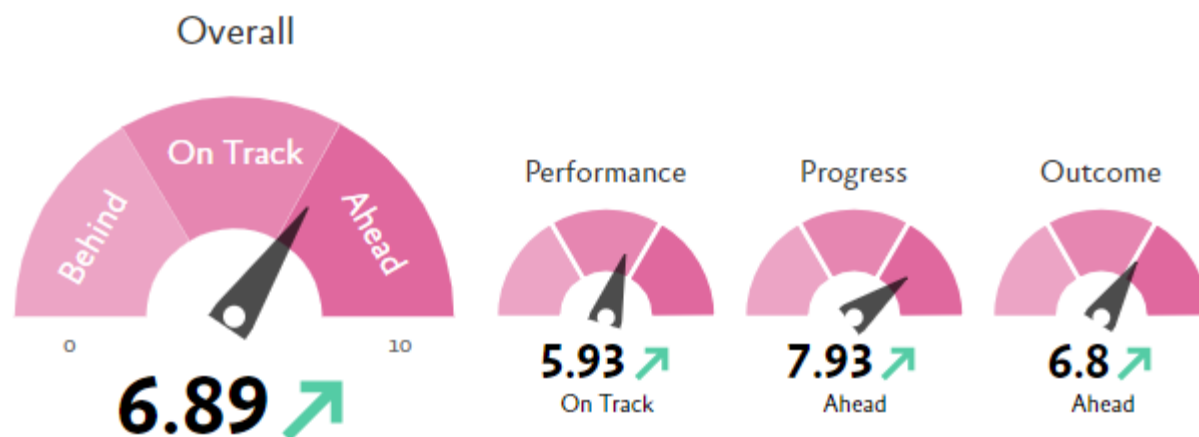


Within the frames of the strategy, it is significant that the indicators originally planned for 2020 achievement were fulfilled by 2017.

Indicator	2020	2017
Annual production increase of SMEs	10 %	13.3 %
Increase in the number of employees (%) in SMEs	15 %	27.4 %
Productivity increase of SMEs	7 %	35 %

The group of stakeholders approved the reform with a 6.89 out of a maximum 10 points, 1 point over the assessment in the previous phase. The latest assessment shows that the general attitude and expectations regarding this reform are positive.

The group of stakeholders granted the reform with 6.89 out of a maximum 10 points, which is 1 point greater than the previous phase.

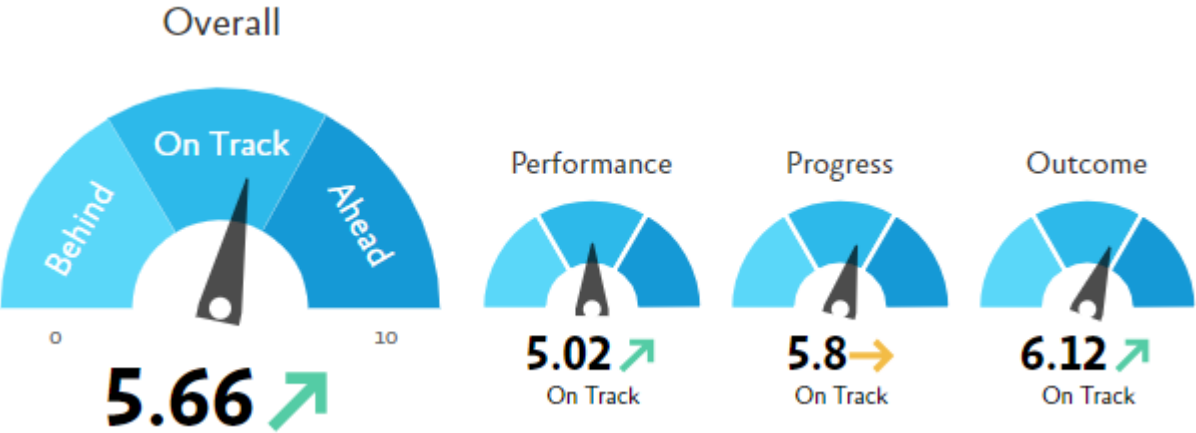


During the discussion, the director of the agency *Enterprise Georgia*, Mikheil Khidureli, and the head of the Economic Policy Department, Tsisnami Sabadze, participated together with the stakeholders. In which, several key opinions relating to the reform were expressed, namely:

- The results of the ISET micro and small program research show that beneficiaries identify high taxes as a chief obstacle behind private sector development. However, Mikheil Khidureli, director of *Enterprise Georgia*, mentioned that entrepreneurs already have tax benefits, thus naming high taxes as an obstacle must be due to a lack of information.
- According to the new criteria, the majority of enterprises are categorized as small and medium businesses, and each enterprises' development dynamics are being observed in the same manner. The notion of looking at small and medium enterprises separately has consequently been considered, in order to gauge whether the growth dynamics of small enterprises are the same as those of small and medium enterprises.
- The founder of *Tbilinomics*, Eric Livny, expressed that in order to achieve better growth results, it is important to focus on clusters and the synergy effect. *Enterprise Georgia* shared this opinion and noted that in the component of micro grants, they usually assign additional points to clusters.
- As for the program goals, one of the chief goals mentioned in supporting SMEs is stopping the outflow of people from the regions. Creating jobs, increasing employment, and inclusive growth were also named among these goals.
- It is considered necessary to help existing and functioning businesses sell their products, therefore it would be helpful if, together with starting new businesses, the market outreach component could be strengthened and considered a priority.
- At the end of the meeting, the director of *Enterprise Georgia*, Mikheil Khidureli, discussed the changes planned within the agency. He stated that an additional 20 people will be hired to lead consultations

with entrepreneurs, which have been, until now, carried out by a contractor company. Furthermore, in order to achieve better coverage in the regions, organized training is planned in municipalities. Village governors will subsequently be trained regarding ongoing projects in order to spread the relevant information throughout their villages.

Reform verdict - the overall government assessment has increased and amounts to 5.66 points.



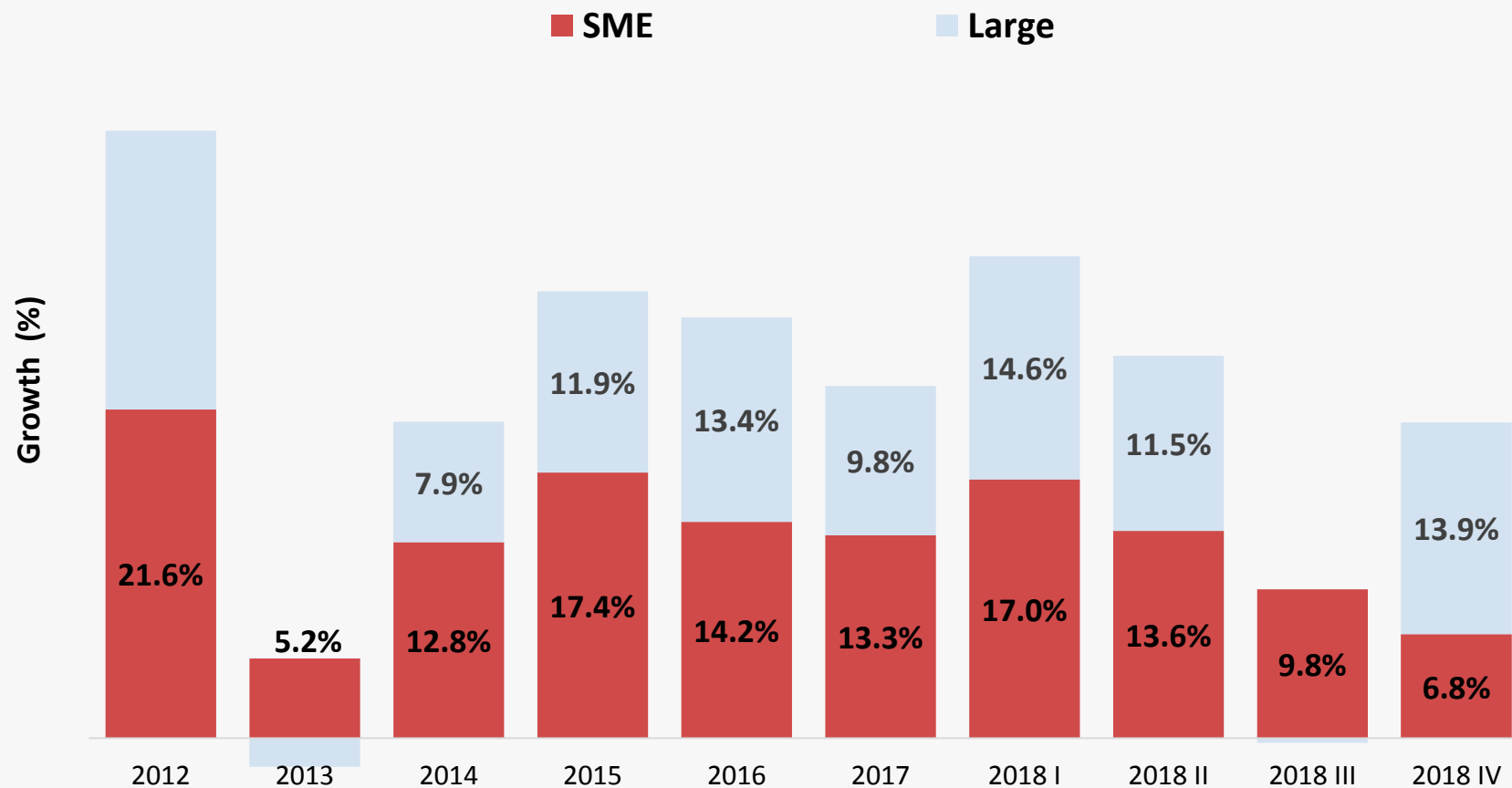
Quantitative Indicators

Small and Medium Size Enterprises (SME) Development
2019 – Phase 3



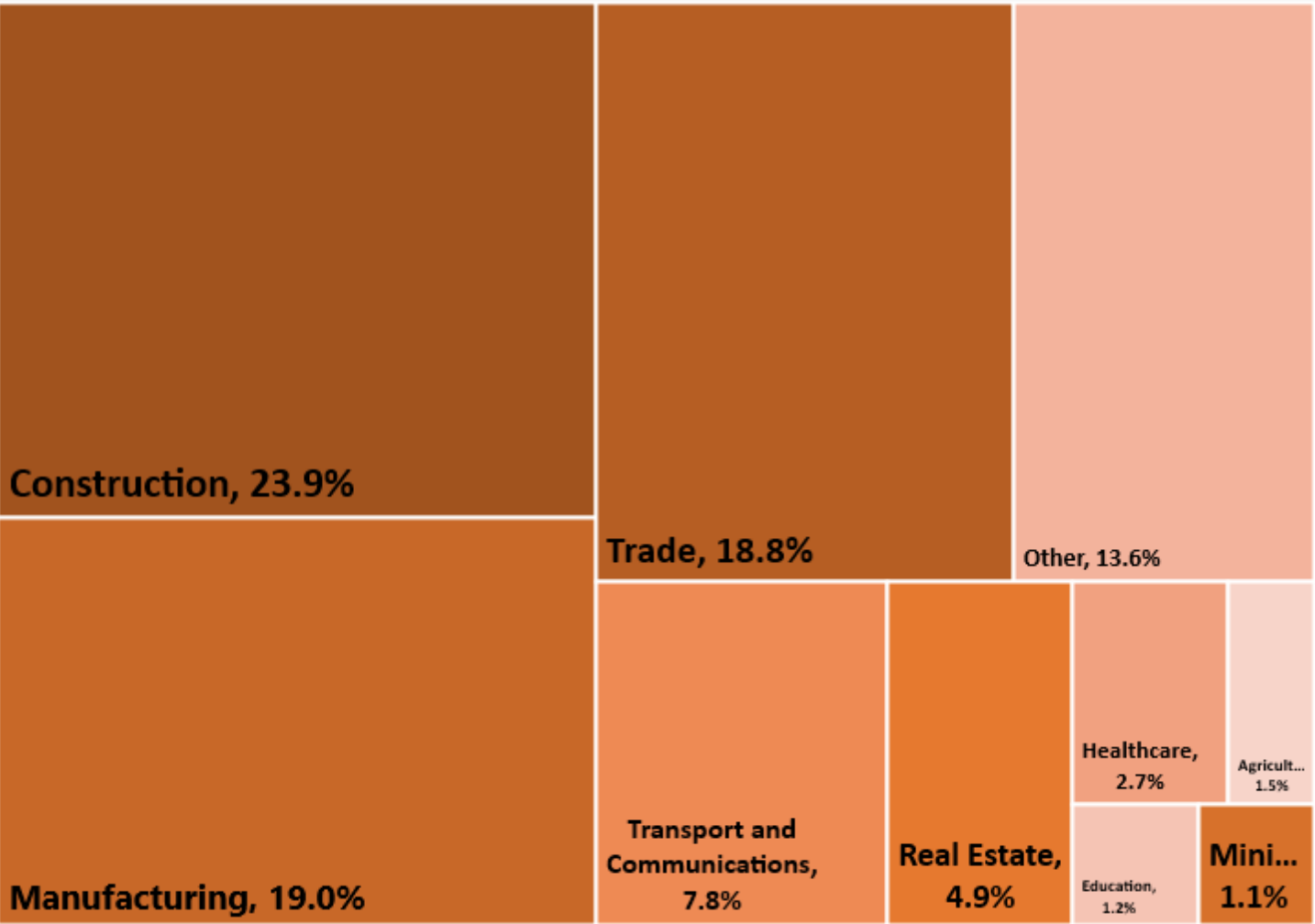
ISSET

Production of SMEs



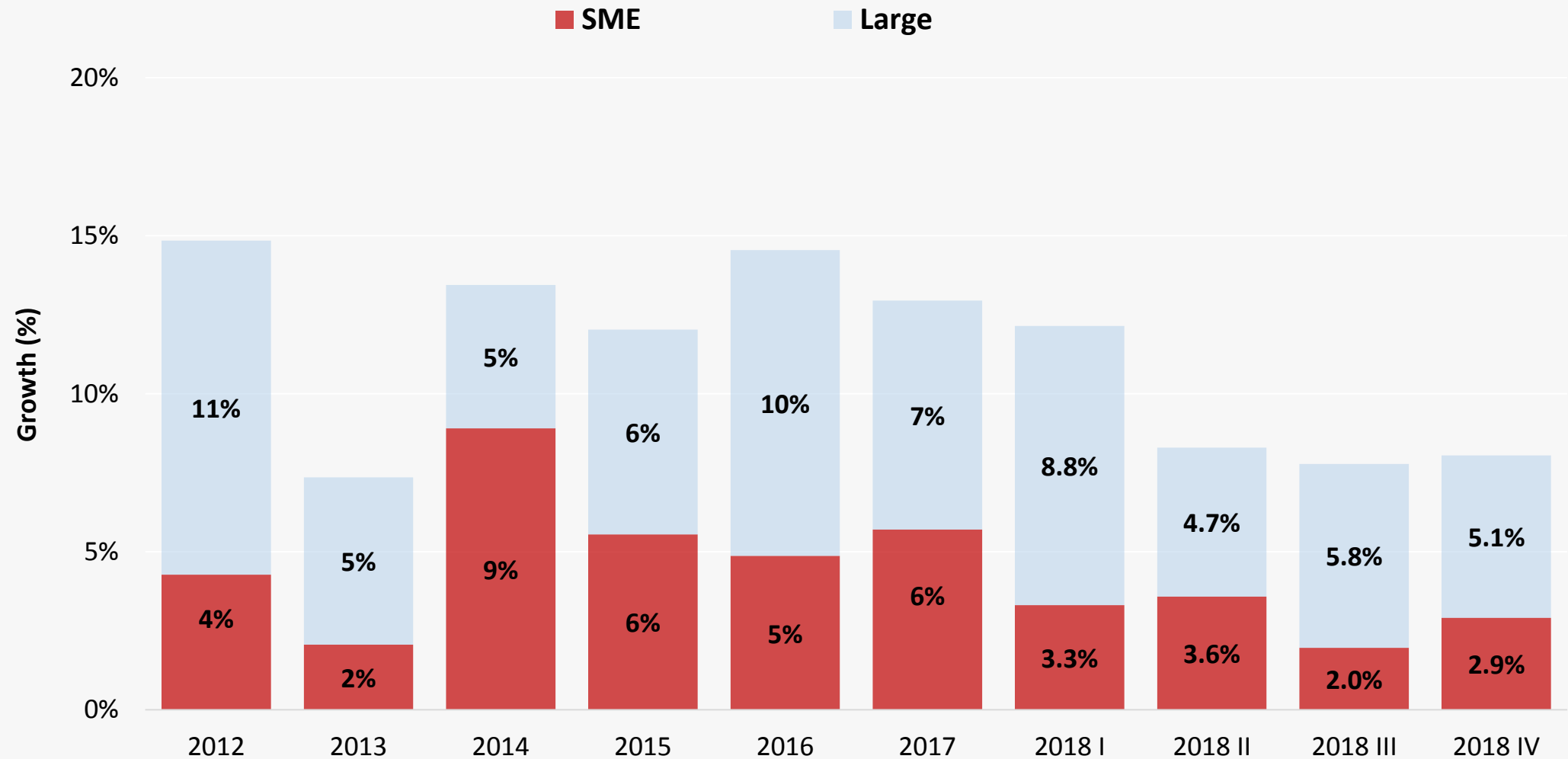
SMEs Production by Industry

(2018)



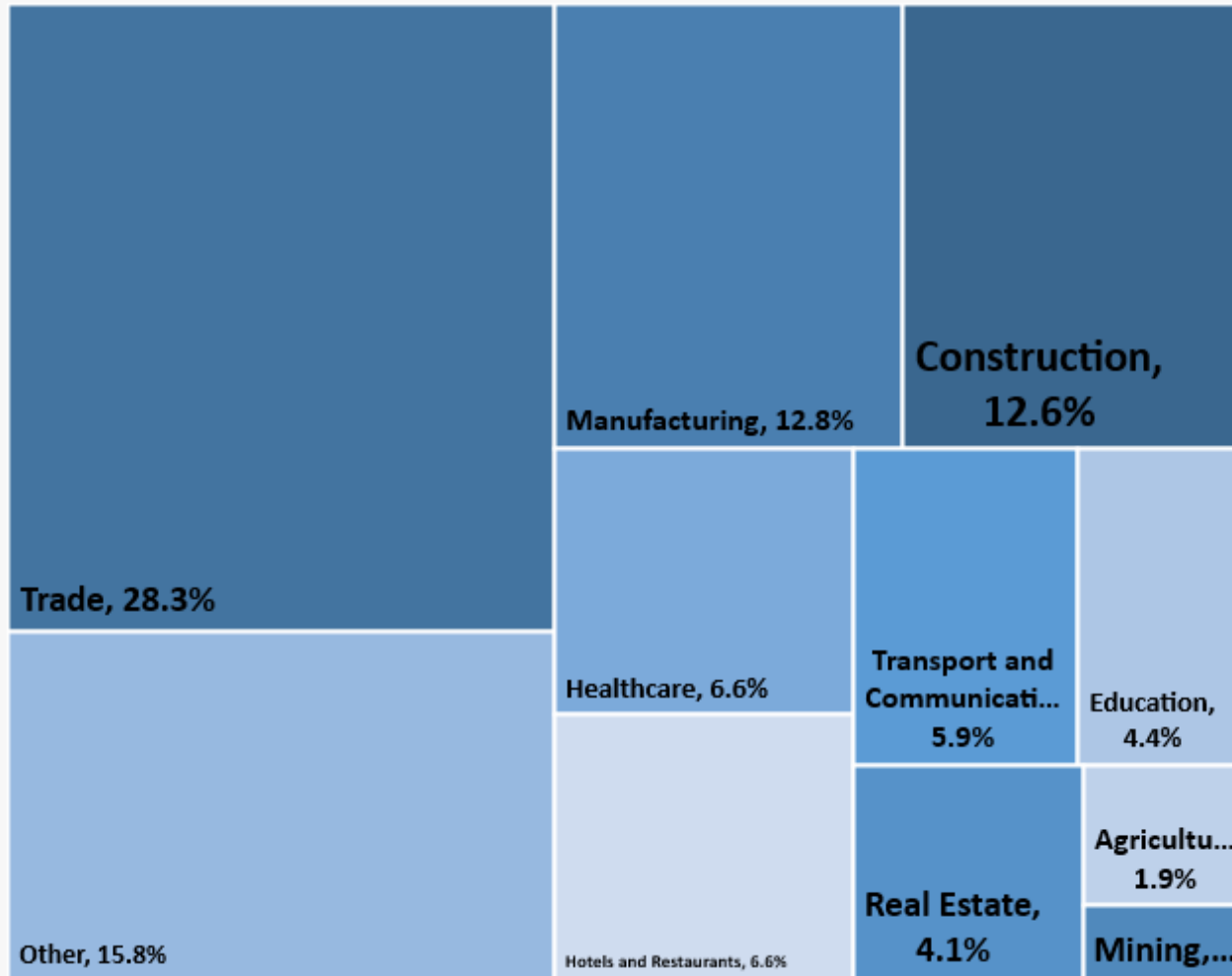
	Mln. GEL		
	2017	2018	Change (%)
Construction	5151.8	5778.2	12% ↑
Trade	4185.7	4557.3	9% ↑
Manufacturing	4354.4	4594.8	6% ↓
Real Estate	1021.0	1185.6	16% ↑
Transport and Communication	1639.8	1896.2	16% ↑
Other sectors	2780.5	3296.4	19% ↑

SMEs Employment



SMEs' Employment by Industry

(2018)



Trade

Real Estate

Manufacturing

Construction

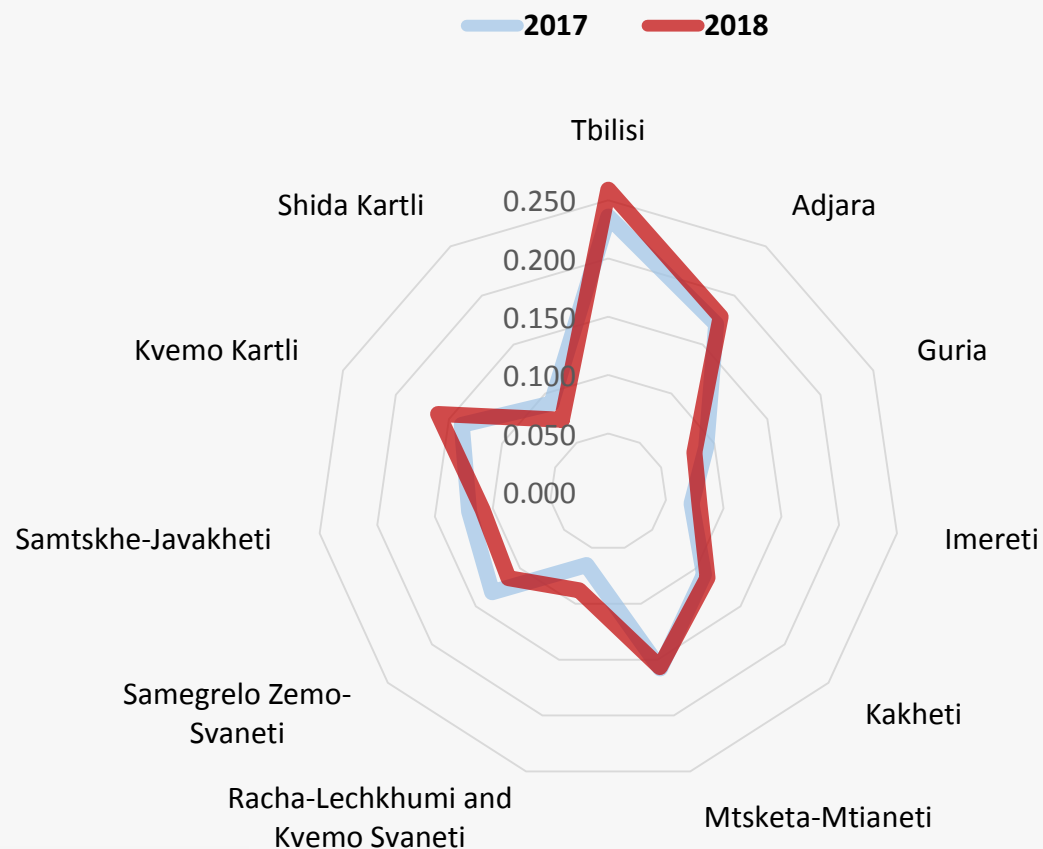
Hotels and Restaurants

Other sectors

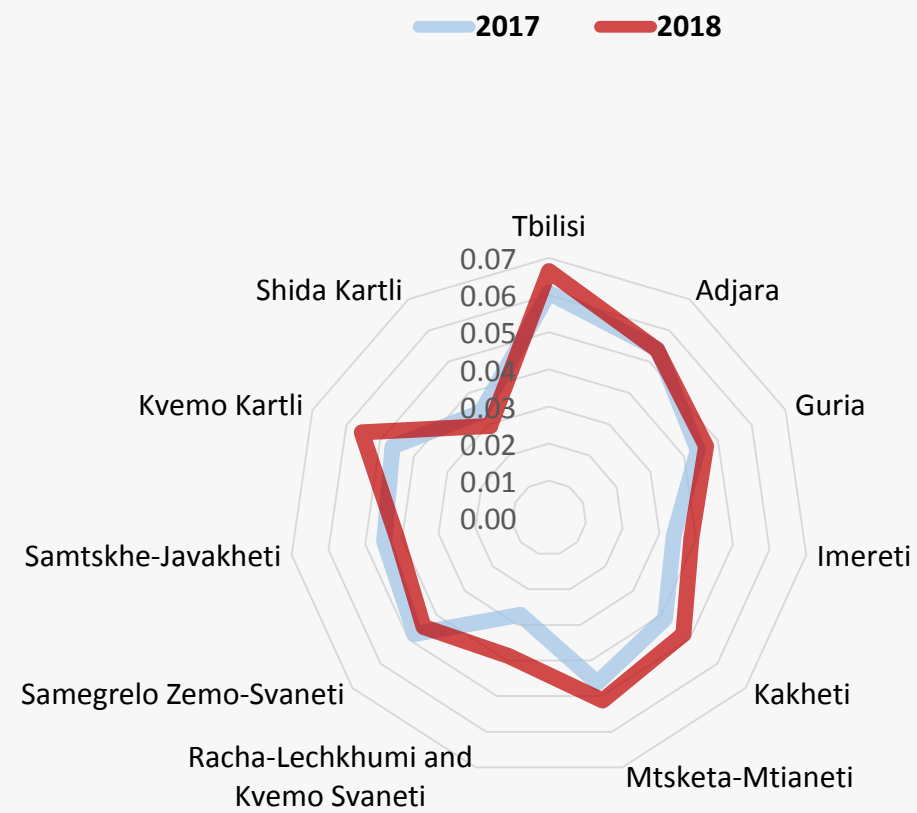
	2017	2018	Change (%)
Trade	115834	118206	2%
Real Estate	16283	17212	6%
Manufacturing	55557	53644	-3%
Construction	49956	52782	6%
Hotels and Restaurants	22404	24725	10%
Other sectors	146208	151573	4%

Productivity measures of SMEs by region

Production per active company
(Mln.GEL)

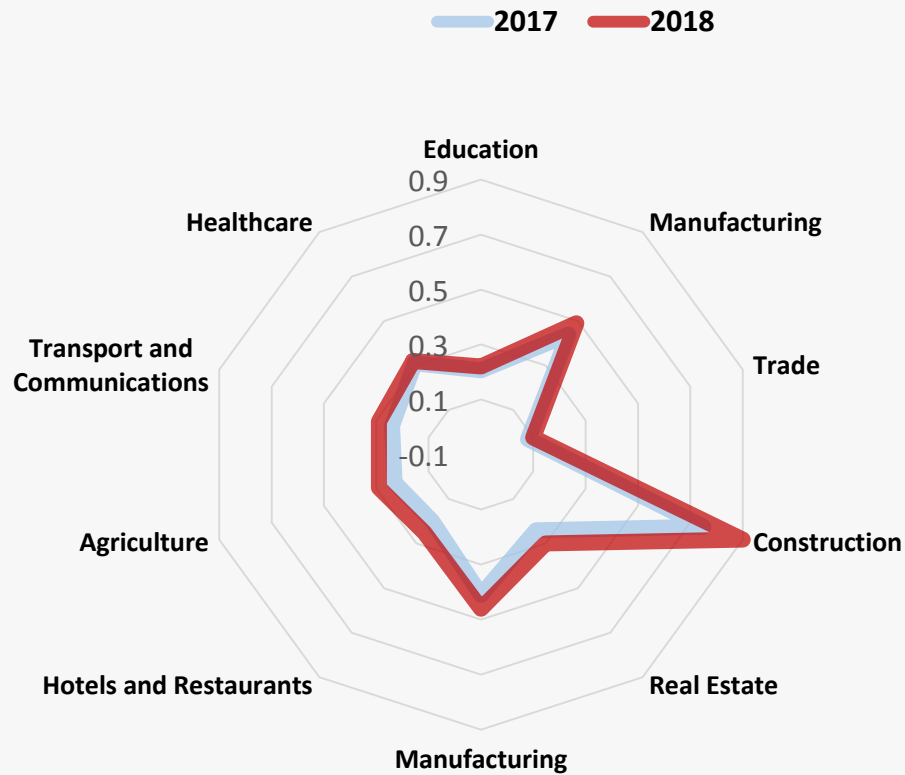


Production per Employee
(Mln.GEL)

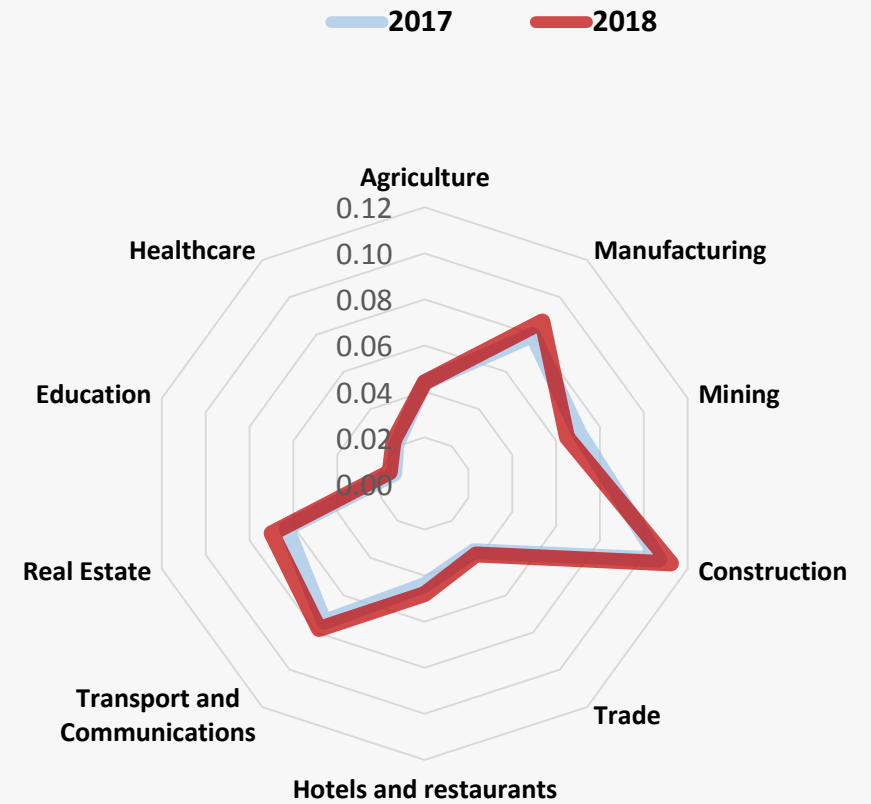


Productivity measures of SMEs by industry

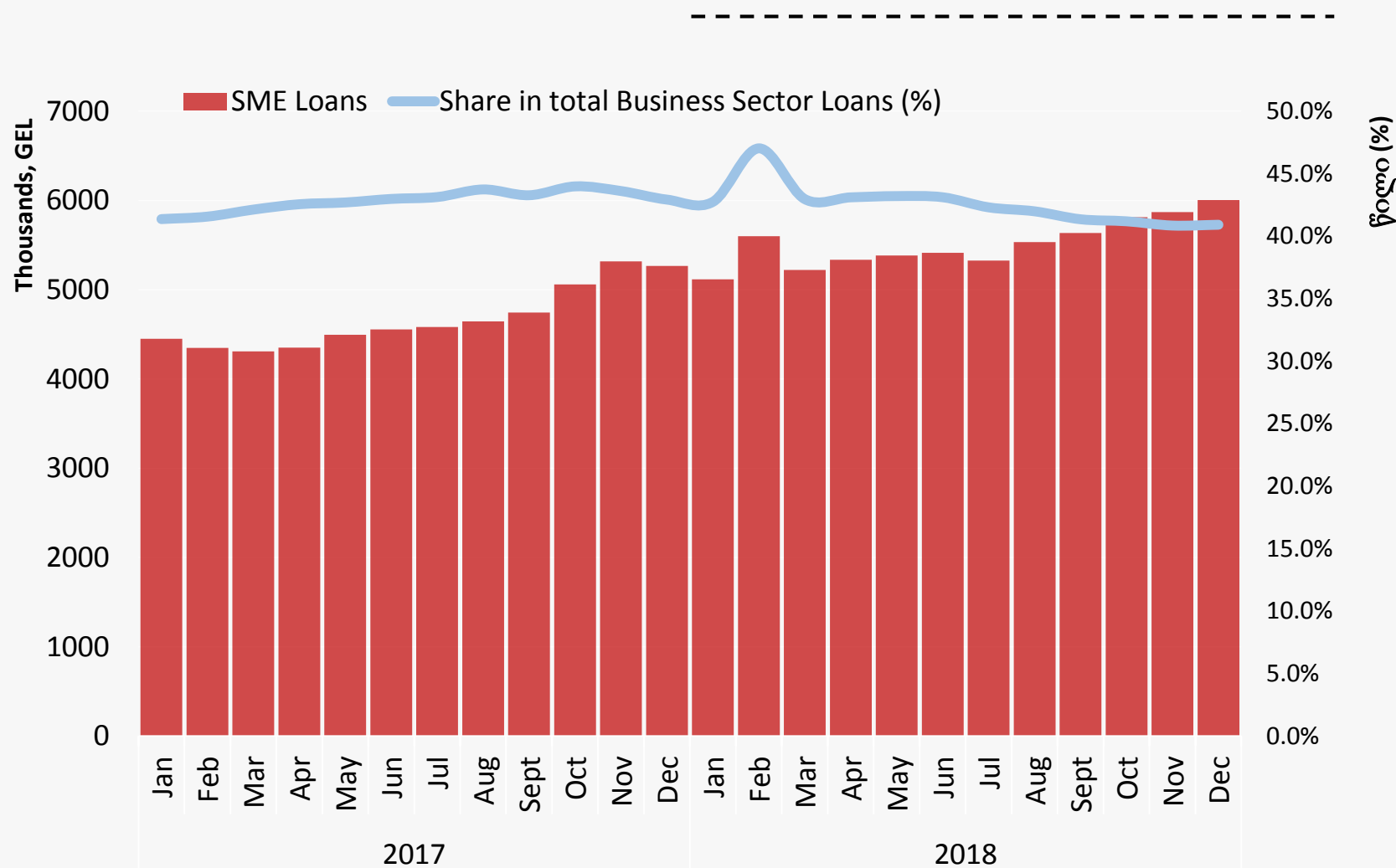
*Production per active company
(Mln.GEL)*



*Production per Employee
(Mln.GEL)*



The Share of SMEs' Loans in Total Business Loans

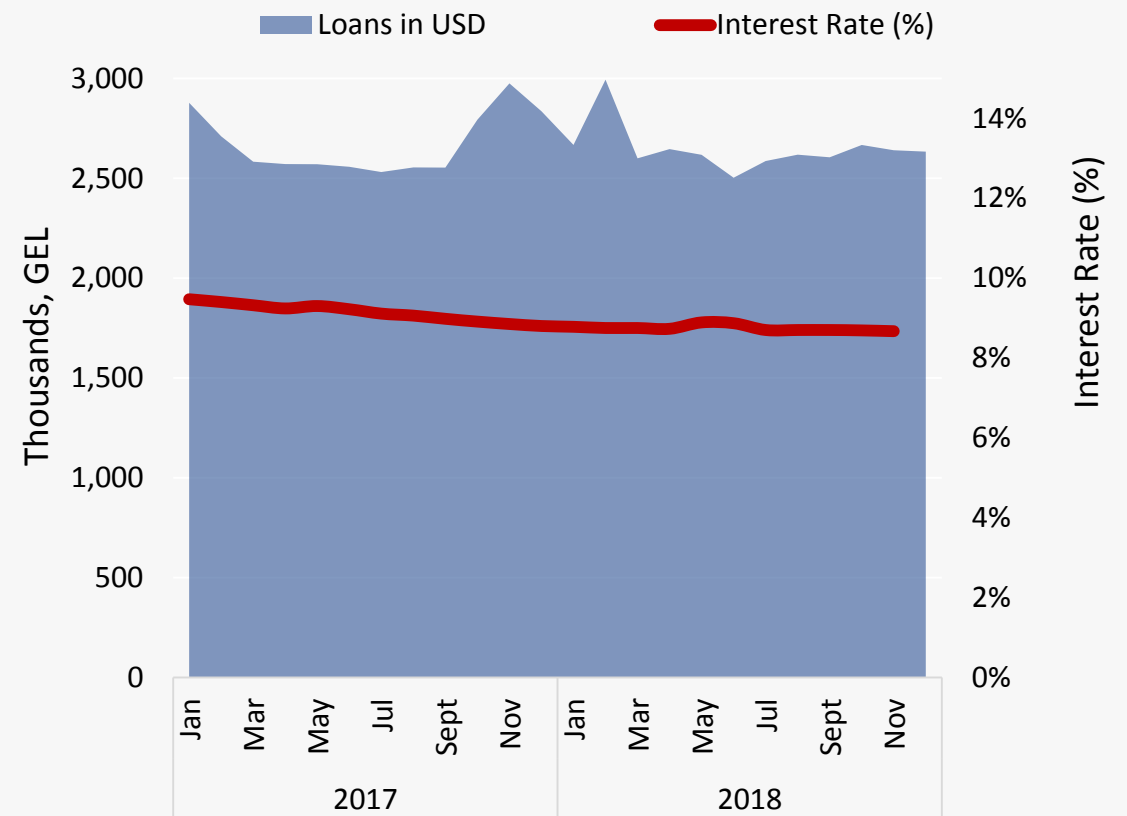
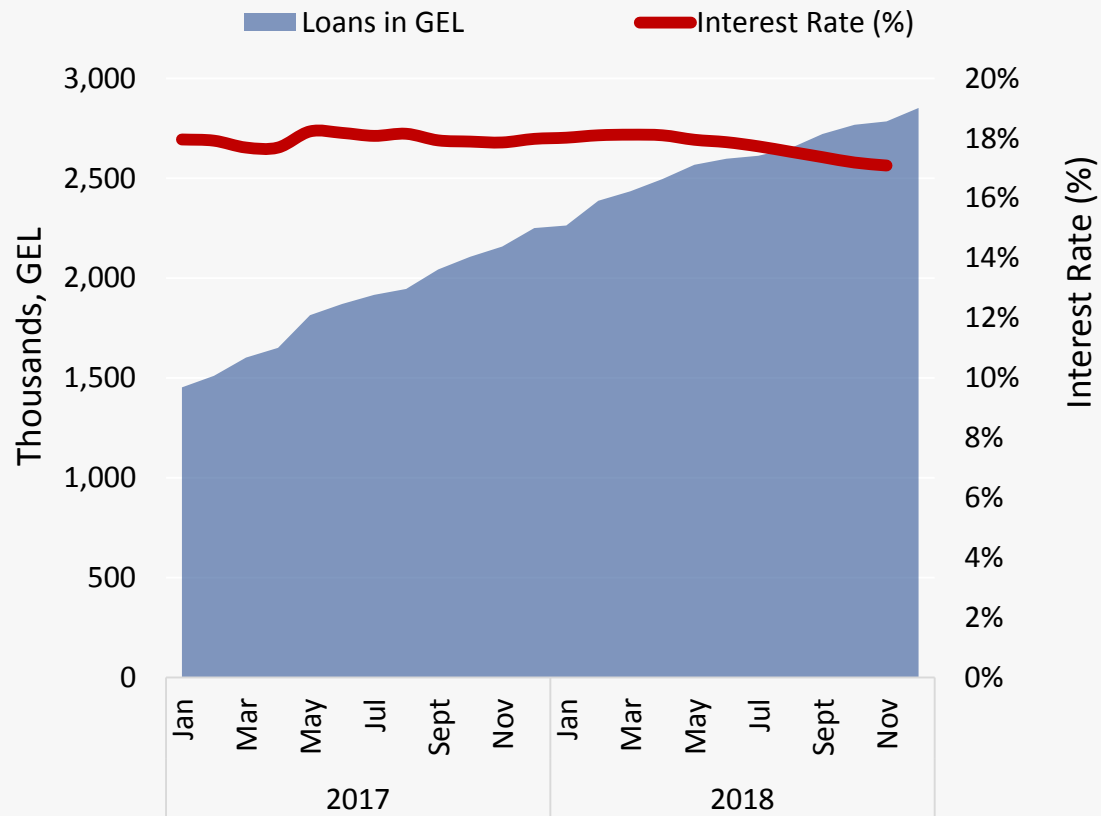


SMEs' Loans (Mln. GEL)

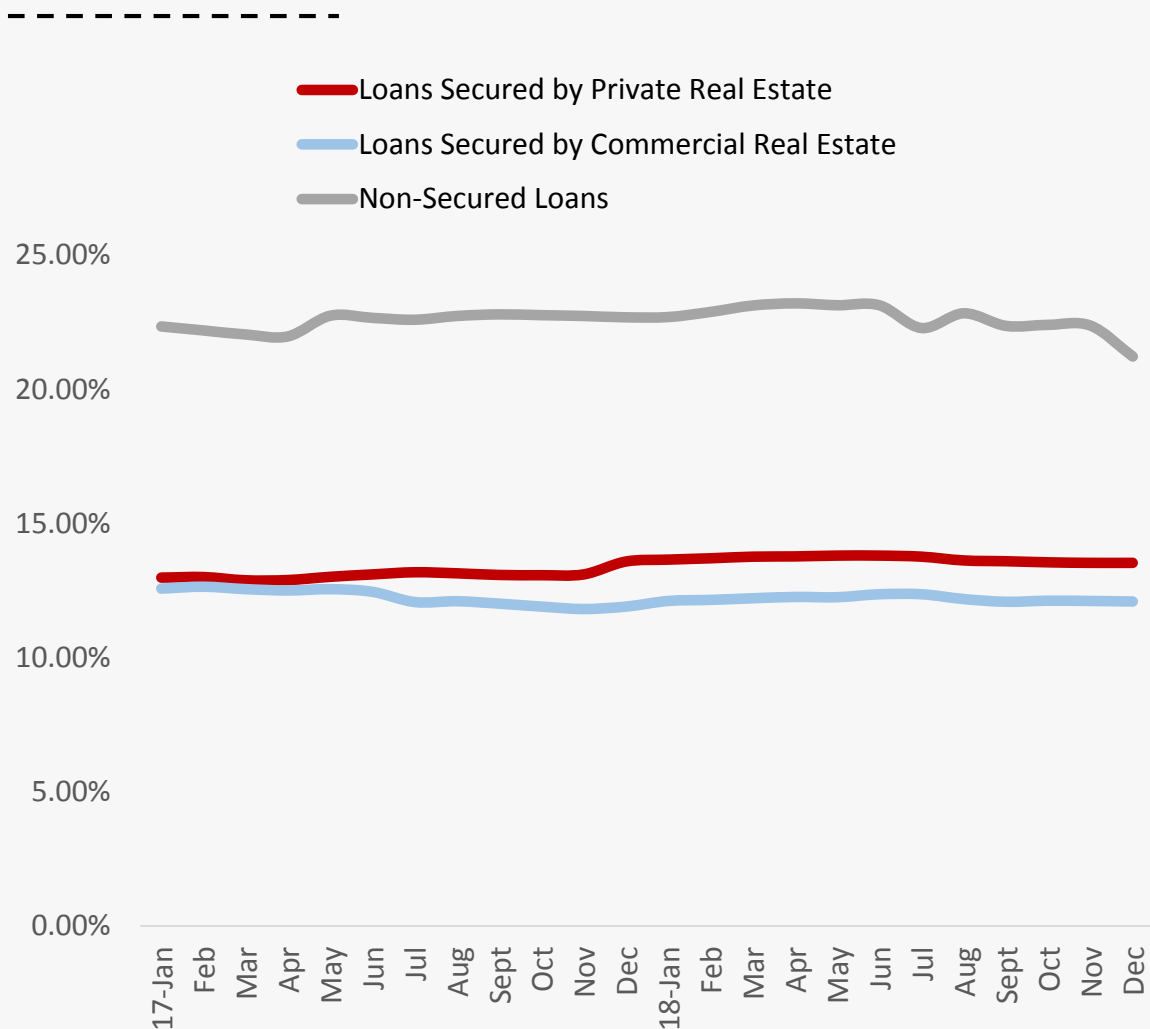
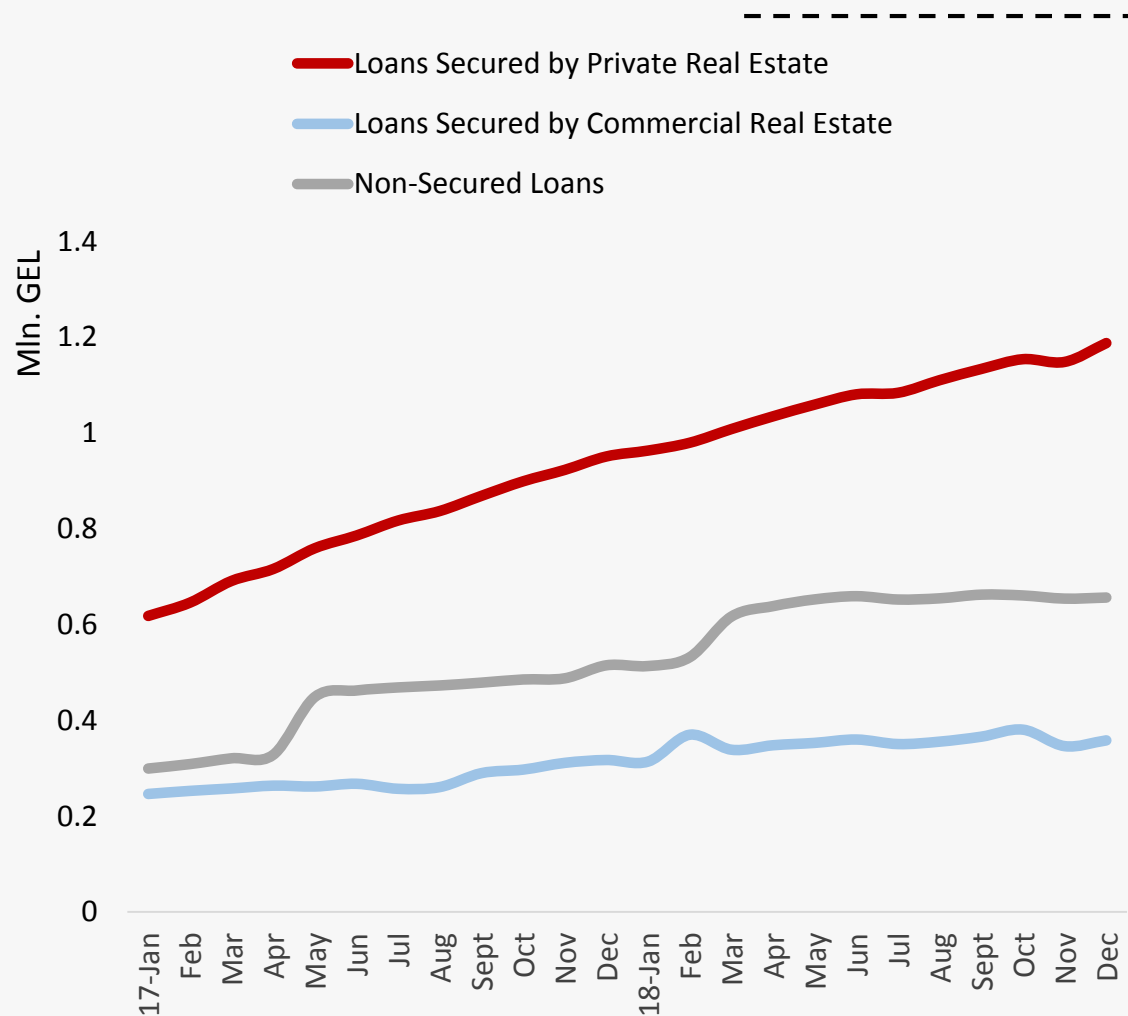
Year	2017	2018
October	5059	5811
November	5318	5868
December	5266	6006

SMEs Loans in GEL and USD

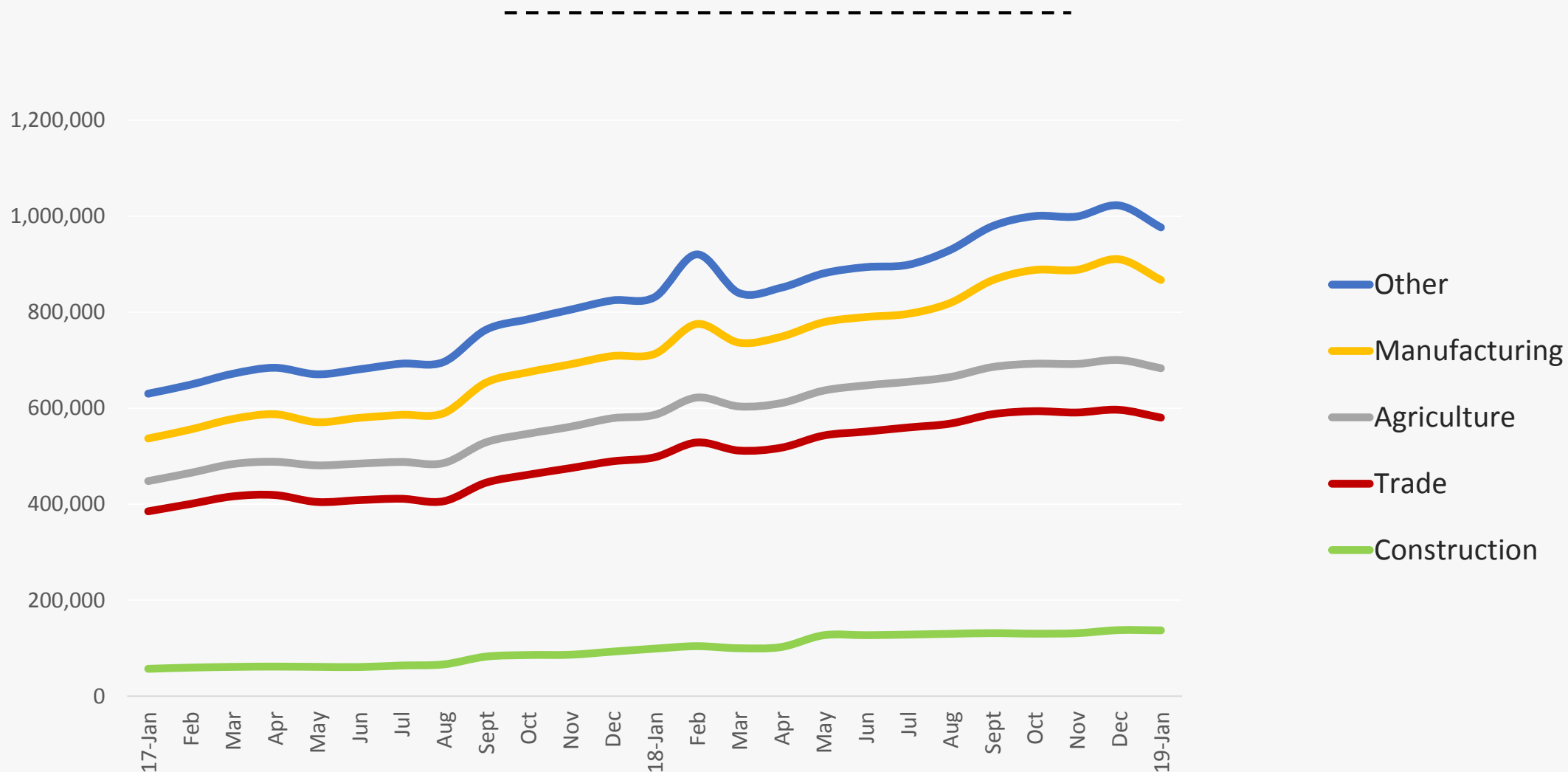
(the volumes and interest rates)



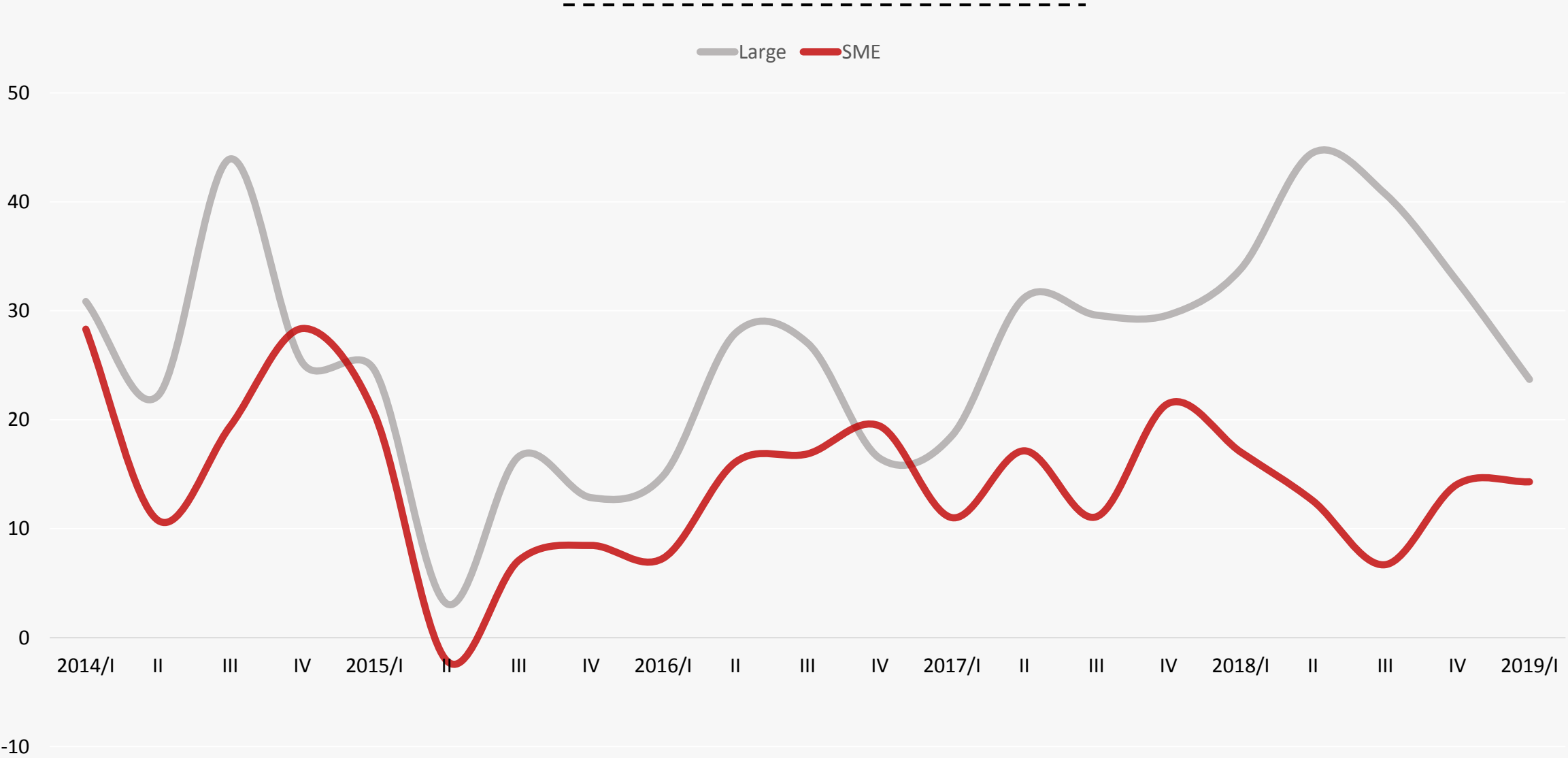
Secured and Non-Secured SMEs Loans in GEL



SMEs Loans by Industry in GEL and USD



Business Confidence Index (BCI) by Firm Size



Business Confidence Index (BCI): Main Factors Limiting Business, Quarter I, 2019

