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საქართველოსთვის
EU4Business



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Clusters4Development

Better Business Sophistication in Georgia

Annual Report
2020

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EU4Business is an umbrella initiative that includes all EU support to small and medium businesses (SMEs) in the Eastern Partner countries – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. EU4Business supports SME growth through improving access to finance, promoting better business regulations, improving services to business and taking advantage of trade opportunities. EU4Business interventions result in creating and sustaining jobs, higher SME growth and increased SME exports. In 2019, EU4Business supported SME growth through 116 projects with budgets totalling €787.33 million.

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List of Acronyms

B2B	Business-to-Business. Refers to business that is conducted between companies rather than between a company and an individual consumer
BSO	Business Support Organisation
C4D	Clusters4Development Project
DCFTA	Deep and Comprehensive Free Trade Area
EG	Enterprise Georgia
EU	European Union
EU4Business	Initiative of the European Union that encompasses a technical and financial assistance package of EU-funded projects that support SMEs.
EUD	Delegation of the European Union to Georgia
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GNTA	Georgian National Tourism Administration
GoG	Government of Georgia
HORECA	Term for the food service and hotel industries - Hotel/ Restaurant/Café
HR	Human Resources
ICCA	Infrastructure Construction Companies Association
MoESD	Ministry of Economy and Sustainable Development
PSD TVET SC	Private Sector Development and TVET South Caucasus Programme
SME	Small and Medium-sized Enterprise
SME DCFTA GE	SME Development and DCFTA in Georgia Project

Clusters4Development – Project Outline

Key Data

Action Period	July 2019 – January 2023
EU Delegation Agreement	ENI/2018/401-349
EU Funding	EUR 5,300.000
Implementing Body	Private Sector Development and TVET South Caucasus Programme at the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ)
Main Implementing Partner	Ministry of Economy and Sustainable Development of Georgia (MoESD)

Framework EU Action

Economic and Business Development in Georgia

Component 3: Greater Business Sophistication.

- The Action will contribute to the respective results of the programme:
- Result 3.1: Strengthened policy framework to facilitate the development of SME, clusters and incubators
 - Result 3.2: Development and functioning of the clustering approach in at least 5 pilot sectors in Georgian regions (such as construction materials, packaging, apparel, creative industry, tourism, organic farming, seeds/seedlings)

Project is implemented under the **EU4Business Initiative** of the European Union.

Objectives of the Action

- Overall objective: **To foster socio-economic development in Georgia and its regions.**
- Specific objectives:
- Enhanced business performance of private sector actors in the construction, tourism and apparel sectors through cooperation mechanisms (Components 1-3)
 - Improved institutional framework for cluster and business development (Component 4)

Expected Results of the Action

Component 1: Development and pilot implementation of a market-oriented cluster in the construction sector	<ul style="list-style-type: none"> 1.1 Enhanced cluster-based cooperation among key stakeholders in the construction sector 1.2 Improved capacities of construction actors in designing and implementing joint cluster-based activities
Component 2: Development and pilot implementation of market-oriented clusters in the tourism sector	<ul style="list-style-type: none"> 2.1 Enhanced cluster-based cooperation among key stakeholders in the tourism sector in 2 regions 2.2 Improved capacities of tourism actors in designing and implementing joint cluster-based activities in 2 regions
Component 3: Development and pilot implementation of a market-oriented cluster in the apparel sector	<ul style="list-style-type: none"> 3.1 Enhanced cluster-based cooperation among key stakeholders in the apparel sector 3.2 Improved capacities of apparel sector actors in designing and implementing joint cluster-based activities
Component 4: Enhancement of institutional capacities for cluster and business development	<ul style="list-style-type: none"> 4.1 Improved institutional capacities of SME bodies/agencies for business development 4.2 Strengthened capacities of central administrations and SME bodies/agencies in promoting cluster development



Foreword

Dear Readers,

This is the first annual report of the Clusters4Development (C4D) project. The project is implemented by the Private Sector Development and TVET South Caucasus Programme at the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) with funding from the European Union and the German Government.

The first year has been both exciting and challenging – the project had a great starting point as it builds on a successful four-year effort undertaken by its predecessor endeavour, “SME Development and DCFTA in Georgia.” This previous project promoted the introduction and development of business clustering approaches across four sectors of the Georgian economy – apparel, furniture, ICT and film.

Hans-Jürgen Cassens
*Programme Director
Private Sector Development and
Technical Vocational Education and
Training South Caucasus*

C4D expands into further sectors as well as into the regions of the country. The project connects fascinating and innovative companies and entrepreneurs in three sectors – apparel, construction materials and tourism (in case of tourism, with a specific focus on tourism SMEs in the regions of Kakheti and Imereti). C4D also advises decision makers at the policy level to drive cluster and business development for SMEs.

When the coronavirus pandemic hit Georgia and its SME sector, the project team successfully designed and implemented immediate response measures to provide direct support to partner SMEs, be it targeted advisory, procurement of much-needed equipment, opportunities of participating in online exchange fora or access to online marketing channels.

Despite the challenging circumstances, the project team was fully operational and constantly in touch with key stakeholders and partners at all times of the crisis.

We would like to use this opportunity to acknowledge the resilience, endurance and creativity of the project team and its partners in the face of the crisis and we look forward to the further successful implementation of the Clusters4Development project.



Philipp Steinheim
*Team Leader
Clusters4Development*

Executive Summary

In its first year of implementation, the Clusters4Development (C4D) project has worked successfully with its private and public partners and stakeholders. Two clusters were launched: the Georgian Apparel and Fashion Association (GAFA) and the Cluster for “Quality and Innovation in Construction Materials.” At least two more clusters are underway and set to kick off soon in the tourism sector.

At the policy level, the project provided input towards the establishment of a cluster policy development framework. In close cooperation with its key implementing partners, the Ministry of Economy and Sustainable Development of Georgia (MoESD) and Enterprise Georgia (EG), C4D advised the newly established core group on how to implement cluster development not only in the selected sectors but potentially across all sectors with export and growth potential.

C4D engaged closely with the MoESD and its agencies, Enterprise Georgia and the Georgian National Tourism Administration to align project activities with governmental priorities across all areas of project interventions. A project steering structure – the C4D Project Advisory Committee (PAC) – serves as regular coordination format under the chairmanship of the Delegation of the European Union to Georgia (EUD). It includes implementing partners as permanent members. The first PAC session took place in February, just before the coronavirus pandemic broke out. It confirmed the planned project activities and approved the way forward.

Project activities across all components were affected by the state of emergency and lockdown in Georgia, causing delays in the implementation of planned actions. The project had to adapt to the new context and employed response measures to help partner SMEs whose business operations came under serious strains. C4D was able to facilitate ad hoc legal advisory and guidance on the governmental regulations with which partner companies had to comply under the lockdown.

The project was also able to implement response measures and secure procurement for partner SMEs. The first such case was support to Doctor Goods – a Georgian manufacturer of medical gear. The company required additional sewing machinery that would enable them to increase the production volume and meet the increased demand for medical gowns. With support from C4D, the company was able to deliver urgent orders in time. This contribution was acknowledged by the European Commission as “an example of support in the EU’s response to the coronavirus pandemic in the Eastern Partnership.”¹

Another example was Kombinizona which provides employment opportunities to persons with disabilities (PWD). The project helped the company with additional equipment which enabled it to create new job opportunities for PWDs.

Despite the COVID-19 crisis, the project was successful in establishing the groundwork for two clusters – in the construction materials and apparel sectors. The project secured commitment from 13 and 21 SMEs, respectively, and established initiative groups for each cluster that are now elaborating the cluster strategies and action plans. Formal registration of both clusters is planned for the last quarter of 2020.

The tourism sector was affected heavily by the pandemic and the related travel restrictions. Due to the lockdown, C4D was unable to proceed with long-planned field missions and had to revert to desk-based activities. Hence, the initiation of the tourism clusters, originally planned for the second quarter of 2020, was delayed. Once the country-wide lockdown was lifted, however, the project was able to continue field visits to the Imereti and Kakheti regions and finalize the list of SMEs for potential membership in the food and wine, authentic/concept accommodation and cultural heritage clusters. The establishment of the clusters is expected to take place by the end of 2020, provided that unrestricted travel is possible during the coming months. The mid- to long-term impact of the crisis on tourism in Georgia, however, remains to be estimated.

In response to the corona crisis, the project was able to contribute to a measure that can benefit Georgia’s tourism sector countrywide. At the request of the Minister for Economy and Sustainable Development, C4D elaborated a roadmap for the certification of tour

guides in line with established European best practices. Both public and private stakeholders expressed great appreciation for the process as well as the contents elaborated jointly with the Green Economy: Sustainable Mountain Tourism and Organic Agriculture (GRETA) project implemented by the Austrian Development Agency (ADA).

Under its component “Institutional Capacity Development,” the project team worked with key stakeholders on the modalities for improving the policy framework for cluster and business development. As a result of this advisory activity, Enterprise Georgia established a core team for cluster policy development. The project also implemented activities in support of further institutional capacity building for the agency including its HR development. Finally, it was possible to prepare the groundwork for a thorough impact assessment and monitoring system of EG’s services and programmes.

At this stage, it is difficult to assess the impact that the COVID-19 crisis and the consequent delays in the planned activities will have on the project’s objectives and indicators. The project will be able to define this more clearly this after another year of operations. Findings will be duly relayed in the next annual report in 2021.

This report covers the period from July 2019 to July 2020; however, it was delivered on September 30 with the prior agreement of the EU Delegation to Georgia.

¹ See: EU Announces support package to Georgia

https://eeas.europa.eu/delegations/georgia/76721/node/76721_en

Letter of Commissioner Várhelyi to Prime Minister Gakharia

https://eeas.europa.eu/sites/eeas/files/georgia_letter_varhelyi_pm_gakharia_200329.pdf



Component 1:

Development and Pilot Implementation of a Market-oriented Cluster in the Construction Sector

The construction sector is one of the leading industries in Georgia. However, construction products are often imported despite the local availability of raw materials. C4D aims to contribute to quality enhancement and innovation to help members of the cluster improve and diversify products, operational standards and skills. Local companies need access to digitalization, innovation and new technologies to boost productivity, streamline their management and processes, and enhance quality and safety.

C4D advocates cluster development as the approach to respond to these challenges. During the inception phase, industry stakeholders and SMEs reconfirmed their readiness to form a construction materials cluster and undertook the first essential steps in this direction.

The key selection criteria for companies to join the cluster are local ownership, economic potential and the commitment to the production of innovative, energy-efficient high-quality products, environmental concerns and consideration of smart solutions and digital appliances along with engineering consultancy. In addition, companies have to express a willingness to collaborate with other industry players to create added value and achieve win-win results.

In June 2020, 13 SMEs united as members of the cluster initiative group. The working title of the cluster is “Quality and Innovation in Construction Materials.” The value chain of construction material manufacturers in Georgia concentrates on a range of products and services across 10 main categories:

Construction Materials in Georgia, Products and Services	
1	Construction blocks, tiles, road curbs, pavers, cladding materials
2	Stone processing (exterior, interior)
3	Sandwich panels
4	Thermo-insulation materials
5	Reinforcement structures (both metal and stone; e.g., basalt fibres)
6	Windows, doors, facade materials
7	Commercial and industrial glass
8	Roof coverings, gypsum board profiles and accessories
9	“Smart home” software, acoustics
10	Engineering consulting

The “Quality and Innovation in Construction Materials” cluster reflects this diversity and can offer energy-efficient, sustainable, resilient materials and smart digital solutions. The companies united under the cluster are committed to producing high-quality and innovative materials from bricks to window and smart technology.

It is possible to build an entire house with smart technologies and sustainable products from the cluster members: from cement for the foundation, bricks for the walls, pipes for internal connectivity, doors and windows and even the tiles for the roof.

The current members of the cluster initiative group are as follows:

	Company	Product
1	Bedegi	30 types of construction materials: construction blocks, tiles, road curbs, pavers, cladding materials, etc.
2	Speckomforti	20 product types, mostly: pumice bricks /blocks, drain tiles, paver greens, road curbs
3	Ltd Luka	Roof coverings (smooth and corrugated steel, profiled steel, metal tile), gypsum board profiles and a variety of accessories.
4	Kraft	Thermo-insulation materials, hydro isolation flooring systems, self-adjustable thermal insulation floors, wall trimming and wrapping materials, materials for ceramic tiles, natural stones, facade systems and finishing materials, hydro insulation units, varnishes – paints, powders, paints.
5	Glass Work	Commercial and industrial glass production.
6	Basalt Fibres	Various types of products for the construction industry on a basalt textile fibre basis.
7	Zodi	Stone (facade, interior).
8	Thermopanel	Sandwich panel manufacturing.
9	Panex	Sandwich panel manufacturing.
10	Kano	Manufacturing of steel structures.
11	Smarter	Smart home, software, hardware.
12	Akustiko	Construction acoustics.
13	Dio	Production of windows, doors, facade materials.

Together, the companies employ around 1,000 staff (pre-pandemic data).

On July 21, 2020, C4D hosted an online kick-off event with the participation of the “Quality and Innovation in Construction Materials” initiative group member companies as well as the cluster’s main partner organizations - Enterprise Georgia and the LEPL Infrastructure Construction Companies Association (ICCA). The vision and mission statement of the cluster were approved as follows:

The **vision** of the cluster is to promote, support and unite Georgian SMEs and manufacturers of construction materials in:

- Being innovative and developing high-tech and eco-friendly materials;
- Raising awareness both on the local and international markets;
- Contributing to legislative initiatives;
- Ensuring the quality improvement in construction materials.

The **mission** of the cluster is to stimulate synergy by uniting small and medium-sized construction materials manufacturers to work to improve the legal environment and forge effective cooperation with sectoral associations, promote the improvement of production quality and innovation with the involvement of international and local experts and increase the awareness of the market share of the Georgian construction industry and materials locally and internationally.

As the cluster focuses on innovation and quality, it aims to promote the digitalization of manufacturing processes and the adaptation of smart technologies, as well as provide support for the implementation of quality management systems and strengthening collaboration with local and international laboratories. The cluster plans to cooperate closely with the Infrastructure Construction Companies Association (ICCA) as a key partner; in particular, with a view to the legislative environment and international standards.

The cluster is envisioned to support its members with the knowledge and skills needed for the application of up-to-date standards and technologies. This will be achieved via member company participation in local and international workshops, tradeshow and trainings which will take place digitally as long as international travel restrictions persist.

The cluster initiative group has conducted a SWOT analysis with the support of the project team and its experts and is working on its strategy and action plan for the next two years. This will include the cluster’s legal form, its official registration and the development of cluster services by the end of 2020.

SMARTER: A “LIFE KIT” THAT BUILT THE BUSINESS

“I believe that there is kind of a ‘life kit’ we all have. This is a set of emotions, feedback and reactions toward the facts of our everyday life,” says Dimitri Abuladze, the co-founder of SMARTER. “Knowing what you truly need and how you see your life will help you in accomplishing your goals. By growing and expanding your social awareness you are upgrading your ‘life kit,’ similar to getting a better, faster car,” he said.

Dimitri and SMARTER’s other co-founder, Sandro Mchedlishvili, have known each other for many years and eventually became business partners. The key factor to their collaboration is that, as they explain, they share similar “life kits” – including goals in life and aspirations. On the other hand, they bring in a set of versatile skills, knowledge and expertise.

Dimitri and Sandro initially worked on SMARTER in parallel with their other jobs. They started with small steps and launched an online shop that sold small smart devices and soon expanded to include smart home products. Today, SMARTER is a leading company in Georgia that builds automation and smart home systems. SMARTER is also the first company to build a smart home show-

room. The company also represents one of the world’s biggest and most popular brands in Georgia and employs more than 15 staff.

While working actively with construction companies and developers, SMARTER identified the need for a software that would enable the effective synchronicity of different smart devices. The company set and already achieved a new goal - created a unique software for the Georgian and regional market. The new application provides an opportunity to connect devices which were not previously compatible.

SMARTER plans for expansion into Georgia’s regions with the opening of a new branch in Batumi. All major players in the Georgian construction market are currently among the company’s customers.

With the support of the C4D project, the co-founders of SMARTER visited Digital Bau in February 2020 – the largest construction tradeshow of digital devices and solutions held in Cologne, Germany. The visit helped them connect with international producers of smart hardware and discuss prospects for cooperation.



AKUSTIKO: SPREADING ACOUSTIC TRANQUILITY

All work in the field of noise isolation and acoustics in Georgia virtually stopped in the post-Soviet years. The physical and technical infrastructure and an acoustic laboratory or university-based facilities, which would provide for qualified education and practical experience in the field of acoustics, did not exist. As a result, there was no company or expert equipped with the necessary knowledge. The need for “noise doctors,” however, persisted.

Akustiko started from scratch – at first, the company’s founders, Avtandil Kraveishvili and David Kadeishvili, invested resources in professional development, built up knowledge and qualifications and gained European experience. Akustiko built up the technical base as a prerequisite to launching their own business in the area of construction acoustics. Initially, they purchased acoustic measuring equipment and several software modules. The company gained substantial experience over the years and today, Akustiko competes with other leading companies from neighbouring countries.

“Our success can also be measured by the emergence of competitors on the Georgian market which allows us to claim that the industry is already established. This was the idea behind creating Akustiko - to go beyond one company’s commercial gain and contribute to the greater public good and to the development of the entire industry,” says Avtandil Kraveishvili.

Akustiko continues to grow, innovate and share knowledge and experiences. In the future, the company plans to expand operations and start its own production that will allow the company to create a Georgian-made product and maintain leadership on the market. Akustiko’s mission remains unchanged - to create acoustic tranquillity and a positive environment with increased access for everyone.



Component 2:

Development and Pilot Implementation of Market-oriented Clusters in the Tourism Sector

In line with the European Union's priorities for Georgia, the project targets two regions of Georgia: Imereti and Kakheti. C4D applies the clustering approach to promote linkages and cooperation among local tourism SMEs. All interventions are fully aligned with the strategic framework of the Georgian National Tourism Administration (GNTA) and serve the purpose of raising regional tourism profiles through the improvement and diversification of tourism products and services.

By mid-2020, 40 potential partner SMEs had been identified in Kakheti and 35 in Imereti. Due to the impact of the corona crisis, it was not possible to establish those clusters which had originally been planned for the second quarter of 2020. The establishment of the clusters is now expected by the end of 2020.

The outbreak of the coronavirus pandemic had extremely negative effects on tourism globally and Georgia is no exception. Against this background, the interventions of the C4D project are more needed than ever. This is the perspective of the potential cluster members as expressed during many personal meetings during the past months as well as that of public partners.

The project works on the establishment of one overall cluster in each region, Kakheti and Imereti. Each cluster will consist of up to three sub-clusters focusing on (1) local wine and food tourism, (2) authentic/concept accommodation and (3) cultural heritage.

The Wine and Food Tourism Clusters will include: local food producers, wineries offering tourism and hospitality services, restaurants and guesthouses, wine bars and sector associations. **The Authentic/Concept Accommodation Cluster** will cover guesthouses that provide or plan to provide tourism services and experiences in an authentic setting. **The Cultural Heritage Cluster** will unite a variety of stakeholders - artisans, artists, local food/art and crafts producers, museums, protected areas, tour operators, guides - in the development of tourism products and services to promote the cultural heritage of the region.

SME representatives in both regions and other potential partners expressed high interest toward cooperation with the clustering initiative. The national and international expert team confirmed potential for the establishment of a **food & wine cluster** in both Kakheti and Imereti. Each

region provides for specialty gastronomic experiences based on its geography and existing culinary traditions. While Imereti is well positioned to also cater to vegetarian/vegan food consumers, Kakheti is more likely to focus on traditional cuisine. Bio/natural wine producers were identified as another important segment. The consumption of premium quality bio/natural wine is rapidly increasing globally, especially within the EU. The project intends to work with winemakers producing up to 30,000 bottles annually, including entrepreneurs who already export as well as the newer SMEs which are entering the national market with their

products. A focus will be on bio and natural wine makers using the 8,000-year old qvevri wine tradition.

Apart from Kakheti, Georgia's principal winemaking region, wine cellars are also very fast-growing in the Imereti region. Imereti also offers tea and dry fruit. Most of the producers of tea and dry fruit are so far working on the B2B market. They lack proper packaging and branding capacities, however, and are keen to develop their market with national and international tourists under the cluster approach.



The project encountered challenges in finding **local accommodation** providers who meet the criteria of being authentic in an architectural or historic sense. Kakheti has very small number of authentic historic buildings left. Imereti provides more of these facilities (i.e. Oda House - a typology of vernacular architecture typical for Georgia's western regions and used as a family house) with authentic architecture; however, only a small percentage of these are used for tourist accommodation purposes and/or do not have basic infrastructure to qualify as such. In light of these findings, the project decided to merge 'authentic accommodation' with 'concept accommodation' manifesting some authentic or otherwise innovative elements. This led to the development of a different set of criteria for the selection of partner SMEs - the accommodation should have either historic value, provide architectural characteristics of an authentic building (even if new) or include design elements of an authentic building/concept accommodation. Both regions provide for accommodation locations that meet these criteria.

For the **cultural heritage** clusters, the project identified local arts and crafts makers as well as museums, local groups and others actively promoting cultural heritage aspects in both regions. One representative is a producer of traditional Georgian wool carpets, applying ancient ornaments to natural wool from the

mountains and using dyes made from ash, walnut shells, the rubia plant and other local natural products.

The project team plans to develop narratives for specific aspects and areas of both regions relying on storytelling and other tools. Old legends and stories, folklore, intangible cultural heritage and further aspects will be explored with the cluster groups and used to develop narratives promoting the cultural heritage of local communities including religious and ethnic minorities.

The project's approach in the regions aims at connecting a tourism product and service providers, raising the awareness of each other and promoting cooperation to the benefit of all. The team has already succeeded in this and connected several producers of food and wine products in both regions who previously did not know each. This way, the project builds up linkages among potential cluster members that will bring them together into sustainable entities/clusters complimenting each other in providing visitors with a quality mix of experiences of Georgian concept accommodation, cuisine and culture.

As mentioned, the long-term opportunities for the clusters also depend to a large extent on the further global developments related to the corona pandemic.

C4D CONTRIBUTION TO THE DEVELOPMENT OF A TOUR GUIDE CERTIFICATION SYSTEM FOR GEORGIA

In light of the COVID-19 crisis, C4D offered partners the opportunity to respond swiftly to the needs of stakeholders and partners in the tourism sector. Under its mandate within Component 4, Institutional Capacity Development, the project was able to respond to a request from the MoESD for the development of a comprehensive roadmap with policy recommendations for the creation of a tourism guide certification system in Georgia that would be in line with European standards.

The process included an overview of the European best practices and potential partners relevant for Georgia, an analysis of strategic options, consultation with stakeholders and recommendations for their systematic involvement. Research on lessons learned from existing experiences and activities such as, for example, regarding mountain tour guides, were also included. Topics covered aspects of the legal framework, competence profiles, content and organization of potential course programmes, options for the organisational set-up of a certification body and coordination with other international agencies active in the tourism sector building on comprehensive EU and international support available to Georgia on tourism.



“

We are delighted that our effective co-operation within the Clusters4Development project has delivered excellent results. The contribution of the project to the development of a roadmap towards tourism guide certification in Georgia is highly valued. The roadmap provides convincing approaches for the significant improvement of the current set-up. We highly appreciate the EU and GIZ's readiness to cooperate in this multi-party endeavour to promote European standards and establish an effective business model for tour guide certification in Georgia.

Mariam Kvrivishvili
Head of the GNTA

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“

We are extremely grateful for the great job done by GIZ and its experts so far. We are delighted and proud to be part of this important process for our profession, the tourism industry and Georgia in general.

Giorgi Dartsimelia
President,
Sakartvelo's Certified Guides
Association

”

With involvement of an international consulting team, the project developed three business models for the tour guides certification system. The process also included consultations with existing tour guide associations in Georgia whose feedback was taken into account as these three proposed models were elaborated. The roadmap also outlined the timelines, resources and responsibilities for the implementation of the system. The roadmap was well received by both the MoESD and the GNTA.

While C4D cannot engage in the implementation of the system itself, C4D will work with tour guides and associations in the Imereti and Kakheti regions as defined by the scope of its mandate.



Component 3:

Development and Pilot Implementation of a Market-oriented Cluster in the Apparel Sector

Within one year of implementation, C4D succeeded in setting up the Georgian Apparel and Fashion Association (GAFA) cluster which plans to be officially registered in fall 2020.

The focus of GAFA is on sustainability, innovation, export and digitalization:

- Sustainability is the main driver of the cluster and, therefore, this is the most important focus of its members. The members of GAFA strive to be eco-friendly, recycle waste, implement a sustainable process management system in their organizations and increase the awareness of the usage of environmentally friendly materials and textiles.
- GAFA is export oriented and supports its members to increase the awareness of their brands and products abroad through enabling them to participate in trade shows and expositions as well as online markets. To make export sustainable, GAFA will work with its partners on the improvement of export regulations, increase awareness among member companies regarding export requirements and strengthen cooperation with local and international logistics companies.

- GAFA will also be actively helping to increase the digitalization of Georgia's apparel and fashion industry by supporting its members to obtain knowledge and skills. This will enable them to adopt and effectively use digital tools such as e-commerce and various online platforms – an aspect that has become more important with the corona pandemic.

GAFA member companies are diverse in their company structure as well as their products – ranging from eco-textile to adaptive clothes, uniforms, children's wear, high fashion, urban style and men's wear. The members are eager to use synergies, collaborate and help each other in their further growth, thus, jointly supporting the overall sector development to sustain existing and create new jobs.

The **vision** for the cluster is to develop a cooperative, innovative space where fashion, technology, sustainability and knowledge meet - a space where different stakeholders within Georgia's apparel industry support and collaborate with each other to build a strong image of Georgia's apparel and fashion industry both locally and internationally.

The cluster's **mission** is to represent, promote and support Georgian apparel and fashion companies while increasing their competitiveness in the local and international markets as well as providing apparel producers, independent brands and designers with the tools and skills which allow them to be their most competitive in terms of sustainable production, product quality, fashion design, skilled labour and international branding.

The Georgian apparel industry has grown significantly over the past years. The apparel manufacturing sector indicated an upward trend with a 21% compound annual growth rate (CAGR) between the years 2014 and 2019. Additionally, as compared to the overall manufacturing sector, it over-performed with 11% CAGR (Geostat 2020).

Analysis by the C4D project showed that the industry is dominated by small-scale production (as compared to other countries and regions; in particular, in Asia). Consequently, Georgia is not in a position to become a play-

er in the global fast fashion industry. Rather, Georgian producers are poised to be competitive in niche markets. Georgian apparel production is characterized by investment in high-quality inputs rather than competition for the lowest prices. This unique feature is a strength of the Georgian apparel industry and can be developed into the main selling point of the market-oriented cluster in the apparel sector.

To this end, four priorities have been defined:

- Strengthen quality management, data analytics and KPI monitoring capacities.
- Strengthen international marketing channels for individual companies and for the apparel cluster in general.
- Create better branding for niche products such as children's clothing, socks, scarfs, etc., or using special materials for work wear or natural dying techniques.
- Connect quality fabrics and ready-made products with sustainable production, in compliance with the social and environmental standards.



C4D builds on the substantial groundwork that was laid by its predecessor EU-funded project, SME Development and DCFTA in Georgia, which first introduced the clustering approach among Georgia's apparel producer companies in 2015-2019. At the time, focus was made on the establishment and promotion of international industry standards among a select group of partner companies. C4D has now moved forward with the initiative to establish a full-fledged cluster and expanded the geographical reach as well. The clustering initiative has also now grown to include representatives of the Georgian fashion industry, thus connecting apparel production and fashion design. Georgian designers have recognition internationally and stand a good chance to expand their position in the high-end fashion industry due to their specific competitive advantages.

In May 2020, the core group of the cluster was established and C4D organized an online kick-off event that brought together 18 companies and five partner organizations (Enter-

prise Georgia, Export Development Association - EDA, Association of Freight Forwarders of Georgia - AFG, E-commerce Association of Georgia and Mercedes-Benz Fashion Week Tbilisi). Due to the corona pandemic, this was conducted in an e-conference format.

The cluster initiative group was formed by July 2020. The group has selected the Georgian Apparel and Fashion Association (GAFA) as its title and approved its vision and mission.

GAFA unites Georgian apparel and textile producers, fashion designers, factories and ateliers. Members of the GAFA initiative group include:

	Company	Description
1	Anabechdi Ltd.	Anabechdi LTD is focusing on the production of uniforms and corporate wear. They also provide printing services to designers from all over the country. Focuses only on the national market.
2	BOLDI	An atelier that provides manufacturing services and markets its own products through its store and Facebook shop.
3	Colors of Caucasus Ltd.	The first Georgian eco-dyeing textile company with a wholesale model, targeting the sale of plant and mineral dyed silks to fashion designers. The company was established in 2018 and operates a dye house.
4	COMODE	Fashion brand and a platform collaboration of various designers. COMODE is a Georgian local e-commerce brand for women's clothing and designer accessories.
5	DALOOD Ltd.	Fashion house led by the mother and daughter designer duo of Nana Shukvani and Maka Kvitsiani. Among the pioneers in Georgia to design textiles for their collections and hand-painted fabrics.
6	Flying Painter	A fashion brand creating ready-to-wear clothing and accessories. Considers itself as a "platform by means of which artists deliver social, political, critical or romantic messages to the public, using the language of fashion and art."
7	Elselema Ltd.	Produces work wear and uniforms for state agencies by procurement through national tenders. It also exports 20% to international clients. Has its own children's clothing line for export to China.
8	INGOROKVA	Internationally acclaimed designer with two decades of design experience in the fashion industry. Combining offbeat fabrics with classic tailoring and feminine designs.
9	KABA	Women's clothing brand with its own factory.
10	Kombinizona / ISF Georgia	Kombinizona is a social enterprise which introduces innovation and inclusion in Georgian apparel manufacturing. The Kombinizona brand offers adaptive therapeutic clothing for children, pregnant women and people with disabilities. The company does not yet export but shows a high interest to market its products and services internationally.

11	Materia & Dots	Fashion House Materia produces uniforms as well as fashion products for B2B clients and has established two of its own brands: Materiel, a Georgian designers' premium brand, and Dots – a contemporary brand with affordable pricing. Both brands are represented internationally.
12	Mglobal	A sewing factory producing uniforms through participation in state tenders and also fulfilling individual orders from designers.
13	Maroma Collection	A factory with its own design line, Maroma, producing women's clothes and accessories. Has a chain store, Chatsma, that brings together the works of other talented young Georgian designers.
14	MORE is LOVE LLC	One of the first Georgian e-commerce fashion platforms that went international and provides worldwide shipping. It has its own brand, 0711, as well as promoting Georgian designers abroad. MORE is LOVE provides jewellery, accessories, clothing and exclusive collaborations with up-and-coming and established designers.
15	MPT Georgia	Fulfils orders for DK company (Denmark) – one of the biggest textile wholesalers in Denmark and exports 100% of their goods to Denmark and from there to other European countries and Canada. Products include dresses, t-shirts, pants, skirts, blouses, jumpsuits, etc.
16	RKO	RKO is a clothing and accessories brand for children and babies founded by three young mothers who initially wanted to make beautiful knitted and sewn apparel for their children.
17	Spilow Ltd.	A children's clothing brand. Designed and produced in Tbilisi, all products are made with colourful, natural materials for girls and boys between the ages of 2 and 13.
18	Zoma	Designer streetwear and accessories for women and men.
19	Makrateli	A fashion atelier and factory producing business uniforms as well as high-quality women's and men's wear. Now developing a new brand concept – eco-friendly, recycled unisex clothes.
20	LIYA	LIYA is a contemporary women's clothing brand by designer Liya Goglidze. Sells internationally with worldwide delivery via e-commerce as well as in retail shops.
21	Elias Mosili	First Georgian atelier for custom-made men's wear. Mainly manufactures suits, jackets and trousers.

The number of employees at the companies in total is 943 (pre-pandemic data).

GAFA intends to provide opportunities for:

Networking and information-sharing (identified by potential members as a major benefit of the cluster)
Increase in sales (especially online)
Training of staff
International certification
Connecting to international buyers/brands
Promotion of sustainable products
Access to consulting services (especially digitalization, sustainability, buyer expectations)
Ease of export restrictions
Export promotion, marketing and branding of Georgian apparel brands
Joint R&D
Joint solution development in areas of logistics, environmental and social management, recruitment, skills development, etc.
Cluster services, financial strategies for cluster development (EU and other donor grants for sector development)
Lobbying for inward investment from the Georgian government regarding sector promotion and government financed innovation and infrastructure

A SWOT analysis conducted during a workshop in July 2020 serves as the basis for the elaboration of the action plan for the next two years. GAFA's registration is planned for fall 2020.

During the preparation of the cluster formation, C4D supported the participation of potential cluster members in international conferences aimed at sharing knowledge and experience, expanding international contacts and networking:

- Representatives of Materia and MORE is LOVE participated in EMERCE Retail Europe in Amsterdam, a Europe-wide event for online retail professionals (October 2019) that focused on challenges in e-commerce, digitalization and personalization. Company representatives familiarized themselves with methodologies to personalize e-commerce platforms and make them more visible to the customer through technologies allowing the selection of clothing online by means of considering body parameters and other information.

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This was a great learning experience for us. We now also plan to develop our logistics further to improve our position in terms of international deliveries related to e-commerce.

Anna Vepkhvadze
Marketing Manager,
DOTS, Fashion House Materia

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- Selected members of the apparel cluster participated in an online conference organized by the London-based “Innovation Forum on Sustainable Apparel and Textiles” on April 27-29, 2020. The conference covered important issues concerning social impact, environmental performance, factory engagement, consumer trust and expectations. The conference included both discussion panels as well as workshops where the companies had an opportunity to introduce themselves to other representatives of international brands and experts and exchange their opinions and concerns regarding sustainable and eco-friendly textiles and apparel, production processes and modern green technology, new trends in fashion and the long/short-term COVID-19 influence on the industry.

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The event was very informative for me. The topics of the conference were very interesting. It was well organized, we had access to every speaker to ask questions and network. It was great to see professionals from different fields talking about sustainability and the opportunities in the industry.

Nino Ioseliani
Founder of the Colors of Caucasus

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Every event like this is important and useful as Georgia is a small country with a specific market and we need support in accessing international markets.

Gano Melitauri
Co-founder and CEO,
Kombinizona

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Information received from this event was relevant and helpful for current sustainability project management at Materia. I got some important contacts who seem to be very interested in providing us with further assistance in the matter.

Rusa Janashia
Director of Marketing and International
Sales at Materiel

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WHEN ECO-FRIENDLY TEXTILE MEETS CREATIVE DESIGN: CAUCASUS SUNRISE AT TRANOÏ

With support from C4D, eco-friendly fashion from Georgian designers was displayed at the prestigious TRANOÏ Trade Show in Paris in February 2020. The teams of the first Georgian eco-dyeing textile company - Colors of Caucasus - and the internationally acclaimed designer, Tamuna Ingorokva, joined hands and presented their capsule collection, "Caucasian Sunrise." They displayed seven dresses made from plant and mineral dyed silk produced in Georgia. C4D supported the participation of Georgian fashion industry representatives at TRANOÏ.

The "Caucasian Sunrise" collection was inspired by "beautiful nights in the Caucasus mountains where a deep, black sky full of glittering stars diffuses into shiny mountain cliffs all the way from flowery colourful foothills up to white ice peaks," explained designer, Tamuna Ingorokva.

The TRANOÏ Trade Show is a leading B2B event of the Paris Fashion Week. TRANOÏ fashion events take place at prestigious locations across Paris and provide opportunities for high-end retailers and innovative designers to connect.

The Colors of Caucasus is a Georgian startup which focuses on dyeing natural silk with mineral and plant derived dyes. It is an environmentally and socially conscious project with the motto: "We no longer need to harm the environment in the name of fashion. From ancient times, endemic plants and minerals of the Caucasus region were used to colour fabrics," as founder, Nino Ioseliani, states. The dye house has now revived these old traditional recipes and applies natural colouring techniques to fashion textiles.

KOMBINIZONA: A BRAND THAT BRINGS SOCIAL RESPONSIBILITY WITH INNOVATIVE DESIGN DECISIONS

KOMBINIZONA introduces innovation and inclusion in Georgian apparel manufacturing. Kombinizona produces adaptive, therapeutic and fashionable maternity clothing based on colour perception. The brand offers colourful, functional and comfortable clothing for children, pregnant women and people with disabilities. Most importantly, the company offers employment opportunities to persons with disabilities (PWDs), now employing ten.

In response to the COVID 19-crisis, C4D supported ISF Georgia/Kombinizona with the expansion of production capacities through the procurement of 19 additional pieces of equipment that will also enable the company to increase its personnel and recruit more PWDs.

"The promotion of inclusivity across the Georgian fashion industry is a central pillar of our company as we are not only producing clothing for PWDs but also providing them with the opportunities to work with us and become a part of the Kombinizona family," says Gano Melitauri, co-founder and CEO of Kombinizona. "Constant innovation is what drives our work and allows us to be a different player on the Georgian market. We champion social entrepreneurship and local high-quality manufacturing based on a high degree of environmental and social awareness. We are heartened that with the support from the EU and the German Development Cooperation via GIZ, we can now expand our operations and recruit a higher number of PWDs."



Component 4: Enhancement of Institutional Capacities for Cluster and Business Development

Key achievements for the reporting period across this component included:

- Elaboration of a cluster policy development brief that provides guidance for the development of a National Cluster Development Programme;
- Establishment of a core team for the cluster policy development at EG;
- Support to EG for HR development, management and staff capacity building;
- Launching of a support measure for the development of an impact assessment framework at EG.

C4D worked on the **cluster policy development framework** with key stakeholders by organizing working sessions with partners aimed at enhancing their understanding of cluster policies and support measures. To provide orientation in this process, C4D elaborated a **cluster policy development brief** which identifies possible intervention areas for Georgia and provides guidance on the possible structural focus of the National Cluster Development Programme.

These efforts contributed to the enhancement of the MoESD and EG's capacities and strengthening their commitment to the estab-



Clusters are important drivers for the Georgian economy. Against this background we are delighted that the European Union and the German Government support this focus. The Clusters4Development project provides our Ministry and relevant agencies with the opportunity to develop and implement a framework for business clusters in our country. This will make Georgian SMEs more competitive in the short, mid and long term.

The start of the project was very promising, and first results are clearly visible. We are closely working with the project team not only on cluster development, but also on strengthening our business support agencies.

Finally, it was heartening to see the project team react swiftly to urgent demands in the light of the pandemic crisis, providing direct support to SMEs in need. I look forward to our further cooperation and achieving sustainable results and impact jointly.

Irakli Nadareishvili
Deputy Minister of Economy and
Sustainable Development of Georgia



lishment of a **national cluster policy development framework**. Furthermore, the project provided access to leading international expertise on cluster policy development, including success stories of European countries with exemplary results in cluster development and provided recommendations for Georgia on the process forward.

The project also offered the MoESD and EG support in organizing a study visit in the future to selected EU countries to share experience and obtain first-hand information from policy-makers at business support institutions of similar scope about the challenges and lessons learned from the establishment and implementation of national cluster development programmes. This visit did not take place due to the corona pandemic.

As one immediate result of these interventions, a **core team for cluster policy development** was established at EG in close consultation with C4D. The creation of a cluster policy division is envisaged at a later stage. Currently, the team is composed of the heads of the entrepreneurship, export promotion and international relations departments.

After discussions with the MoESD and EG, the project decided to reallocate resources for the engagement of **international and national cluster policy development experts**. They will support both institutions in the development of a unified national cluster policy framework, further capacity building of EG's core cluster team as well as selected departments of both the Ministry and EG and also in the elaboration of cluster development support programmes and/or initiatives. This support will not take place through an international expert hired by EG and based in Georgia as originally planned.

In line with its mandate to **support the strengthening of the institutional capaci-**

ties of EG to better promote business development and provide demand-oriented services and support to the private sector, the project channelled its efforts into two main directions:

- Development of an **impact assessment framework** and a pilot assessment of the agency's services and programmes;
- Continuous **capacity development and advisory** for the agency units, including measures to improve management capabilities.

Development and pilot implementation of the impact assessment framework – Upon request of the Ministry of Economy and Sustainable Development and EG, C4D supports the recently established Analysis, Monitoring and Evaluation Department at EG. This will strengthen the department's capacities to develop an impact assessment framework and implement a pilot assessment of the selected programmes and measures carried out.

A tandem of international and national experts has been made available to EG to revise the agency's current impact assessment practices and jointly develop a refined impact assessment methodology and framework, strengthening the capacities of the relevant departments of EG in adapting and implementing proposed assessment model for business operations and/or programmes.

This intervention will contribute to the strengthening of the institutional capacities of EG to analyse the economic, social and environmental impacts of the large number of projects, programmes and interventions implemented via its business, export and investment dimensions. Furthermore, the pilot implementation of the assessment will assist the agency to evaluate the effectiveness and the efficiency of the actions and detect room for improvement.

Support to the development of a Human Resources Management System – As EG is seeking to improve the structures and functions of the agency to better streamline its business support initiatives, support for the development of efficient and an effective human resources management system remains a key priority in the project's engagement with EG. In the reporting period and in response to a request from EG, C4D provided for a **desk study and analysis of the existing regulatory documents** defining the role, mandate, functions and services of EG along with the functional analysis of the departments and job descriptions of the staff.

The project also provided consultancy and organizational support for the delivery of a two-day workshop for the management and staff of different departments focusing on discussions about EG's goals, values, mission and vision against the functions of each department and the creation of primary job descriptions for each position. Out of the agency's 62 employees, 46 staff members from all key departments took part in the workshop. This workshop enabled EG to align job descriptions with the vision and the mission of the agency, reflecting recent organisational amendments. In addition, EG was provided with detailed recommendations regarding motivation systems, performance evaluation, HR procedures and knowledge management to gear its HR policies and processes towards improved service delivery and impact.

Capacity building of EG leadership in management – Due to the COVID-19 outbreak, the project was prevented from providing EG with an agreed training measure on the principles of management for mid- and senior-level staff along with trainings in marketing for the representatives of selected departments. These measures are now planned to be delivered in the 4th Quarter of 2020.



Our partnership with the Clusters4Development project strengthens the institutional capacities of Enterprise Georgia; in particular, for cluster development. This will enable us to better serve the needs of Georgian SMEs. As EG is constantly implementing management and human resources development programmes, C4D's support is instrumental in bringing in relevant expertise and advisory services. During the past 12 months, we have benefited from C4D support through targeted trainings that focused on the improvement of management and processes at the agency. We now look forward to working together on the development of a framework that will assess the impact of selected EG programmes and services and how they benefit SMEs in Georgia and on new initiatives regarding cluster development.

Mikheil Khidureli
CEO, Enterprise Georgia



C4D Measures in the Context of COVID-19 Crisis

As the coronavirus crisis broke out, the project team was in close contact with partner SMEs about the challenges they came to face and reacted swiftly:

- C4D provided key stakeholders, the MoESD and EG, with the results of a **rapid survey among SMEs** concerning the impact of the crisis and aspects to be considered for economic resilience measures.
- C4D commissioned a **special review on the legal aspects** of the COVID-19 pandemic on SMEs operating in the construction and apparel sectors. The document provided guidance on the legal implications and advisory service on how to pursue economic activities and remain operational. These "FAQs" were provided to **80 SMEs across two sectors**.
- C4D provided **legal advisory support to ten project partner companies** in the apparel and construction materials sectors, enabling them to adjust their operational processes in light of the pandemic and continue their business activities. This support mitigated challenges to the companies caused by COVID-19 and

helped them with legal consulting to ensure compliance with new regulations.

- C4D allocated **funding for two partner SMEs for the procurement** of equipment and hardware needed for higher production output, particularly for medical gear as well as for the retention and increase of the workforce.

Medical Gear: Doctor Goods is the only company in Georgia that specializes in the production of sterile and non-sterile single use medical textiles for surgical procedures and post-operative care. To support the young enterprise in meeting the increased demand for special medical equipment, C4D provided funding for the procurement of 12 additional new sewing machines for the company that allowed it to expand production capacity and produce 40,000 medical gowns in a week's time.

This C4D support measure was referred to by the EU Commission as exemplary for an EU-funded project response in Georgia that supports local SMEs facing challenges caused by the coronavirus pandemic.²

²The EU's response to the coronavirus pandemic in the Eastern Partnership. 08-04-2020.

<https://www.euneighbours.eu/en/east/stay-informed/publications/eus-response-coronavirus-pandemic-eastern-partnership>

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We are happy to have received financial support from the EU and the GIZ project for the purchase of additional machinery as this has enabled us to produce a large volume of medical wear in a short period of time. In the context of the fight against COVID-19, we were able to recruit an additional qualified workforce, particularly those who lost their jobs due to the crisis. In addition, we are starting production of medical face masks. Our company fully meets European standards and we hope that once this crisis passes and with our engagement with the cluster, we will get opportunities to access the European market.

Mamuka Khaduri
 Founder and CEO of Doctor Goods

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I was very pleased to learn that a Georgian producer of medical textiles was already able to produce 40,000 medical gowns within a week after he purchased 12 additional sewing machines thanks to a microgrant provided by the EU.

Olivér Várhelyi
 EU Commissioner for the
 Neighbourhood and Enlargement
 in a letter to Giorgi Gakharia,
 Prime Minister of Georgia,
 on March 28, 2020

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Communication and Visibility Actions

The **overall objective** of the project's communication is to raise awareness among stakeholders and the general public on funding and implementation partners, activities, developments and achievements vis-à-vis the project. The project's communication and visibility actions in the reporting period focused on the elaboration of a strategy and an action plan to guide the project's communication work and enable the development of effective approaches and tools for reaching the project's communication objectives.

The project has developed a communication and visibility action plan in line with the communication and visibility requirements for EU and German government funded actions. A baseline and subsequent surveys among project stakeholders and beneficiaries will help in updating and fine-tuning communication approaches and tools to better serve its target groups, most importantly key governmental stakeholders and partner SMEs. This flexibility will enable keeping the project's communication and visibility actions efficient, measurable and result-oriented.

Project communication actions in the reporting period were focused on ensuring the visibility of C4D support measures to SMEs in response to the COVID-19 crisis. Two suc-

cess stories about this support were publicized at length via various channels, including the social media of the EU Commission and the EU Delegation, the EU4Business web portal, the German embassy and GIZ corporate communications. In total, 12 news pieces were published that covered stories of project support for partner companies – Doctor Goods and ISF Georgia/Kombinizona. The project also produced a short video on its support to Doctor Goods which is available online. Notably, the rapid support of an EU-funded project to local SME in Georgia at the time of the crisis was publicly praised by EU officials and referred to as an exemplary measure across the Eastern Partnership countries.

The project ensured that all communication and visibility actions were implemented in accordance with “Article 8 – Communication and Visibility” of the General Conditions for the PA Delegation Agreement and comply with the latest versions of the Communication and Visibility Manual of the EU External Action and Supplementary Guidelines for EU Visibility in Georgia and, as appropriate, with the specific communication and visibility requirements of the German Government (here BMZ) to properly reflect the multi-donor nature of the action.

Annex 1: Key Performance Indicators

NR	INDICATORS RELATED TO PROJECT OBJECTIVES	
Outcome level	Indicator	Percentage of cluster members confirming a positive impact on turnover
	Indicator type	Outcome
	Current value	N/A for the first year of implementation
	Target value	At least 75% of cluster member companies in the construction cluster confirm an increase in turnover of at least 10% after inflation and/or 50% of cluster members confirm an increase in employment. At least 50% of cluster members confirm having adapted products/services and/or market access strategies. At least 75% of cluster member companies in the tourism cluster confirm an increase in turnover of at least 10% after inflation and/or 50% of cluster members confirm an increase in employment. At least 50% of cluster members confirm having adapted products/services and/or market access strategies. At least 75% of cluster member companies in the apparel cluster confirm an increase in turnover of at least 10% after inflation and/or 50% of cluster members confirm an increase in employment. At least 50% of cluster members confirm having adapted products/services and/or market access strategies.
	Relevant objective	Enhanced business performance of private sector actors in the construction, tourism and apparel sectors through cooperation mechanisms (Components 1-3)

Outcome level	Indicator	Number of companies using new and improved services in the field of cluster development and business support offered by EG and other providers
	Indicator type	Outcome
	Current value	N/A for the first year of implementation
	Target value	At least 100 companies have used new or improved services in the field of cluster development and business support offered by EG and other providers (2023).
	Relevant objective	Improved institutional framework for cluster and business development (Component 4)
Output level: Component 1	Indicator	Number of construction clusters established Number of constituent documents adopted by the cluster members Number of demand-oriented joint cluster activities implemented
	Indicator type	Output
	Current value	Achieved: A cluster initiative group established. 15 companies engaged. Cluster vision and mission elaborated. In progress: Cluster registration
	Target value	1 cluster in the construction sector with at least 20 members and meeting at least twice a year (2023) 1 Cluster Strategy and 1 Action Plan have been agreed upon (2023) At least 3 demand-oriented joint activities implemented and are positively evaluated by 75% of all cluster members and/or target group (2023)
	Relevant objective	1.1 Enhanced cluster-based cooperation among key stakeholders in the construction sector

Output level: Component 1	Indicator	Percentage of cluster members with improved capacities on understanding national and international market requirements through joint cluster-based activities
	Indicator type	Output
	Current value	N/A for the first year of implementation
	Target value	At least 75% of cluster members confirm an enhanced understanding of national and international market requirements acquired through cluster-based activities (2023)
	Relevant objective	1.2 Improved capacities of construction actors in designing and implementing joint cluster-based activities
Output level: Component 2	Indicator	Number of tourism clusters established Number of constituent documents adopted by the cluster members Number of demand-oriented joint cluster activities implemented
	Indicator type	Output
	Current value	Achieved: A series of extensive field visits held in two regions for the selection of potential cluster members In progress: Selection of SMEs for membership in three thematic clusters
	Target value	At least 2-3 tourism clusters in total have been established in 2 regions with at least 12 members, respectively, and meeting at least twice a year (2023) At least 1 Cluster Strategy and 1 Action Plan for each cluster have been agreed upon (2023) At least 3 demand-oriented joint activities implemented and are positively evaluated by 75% of all cluster members and/or target group (2023)
	Relevant objective	2.1. Enhanced cluster-based cooperation among key stakeholders in the tourism sector in 2 regions

Output level: Component 2	Indicator	Percentage of cluster members with improved capacities on understanding national and international market requirements through joint cluster-based activities
	Indicator type	Output
	Current value	N/A for the first year of implementation
	Target value	At least 75% of cluster members confirm an enhanced understanding of national and international market requirements acquired through cluster-based activities (2023)
	Relevant objective	2.2 Improved capacities of tourism actors in designing and implementing joint cluster-based activities in 2 regions
Output level: Component 3	Indicator	Number of apparel clusters established Number of demand-oriented joint cluster activities implemented
	Indicator type	Output
	Current value	Achieved: A cluster initiative group established. Name of the cluster – Georgian Apparel and Fashion Association (GAFA) agreed. Mission and vision elaborated. 21 SMEs engaged In progress: Cluster registration
	Target value	1 apparel cluster has been established with at least 10 members and meeting at least twice a year (2023) At least 3 demand-oriented joint activities have been implemented and are positively evaluated by 75% of cluster members and/or target group (2023) 1 (current or revised) Cluster Strategy and 1 Action Plan have been agreed upon (2023) 1 cluster-based Code of Conduct has been agreed upon (2023)
	Relevant objective	3.1 Enhanced cluster-based cooperation among key stakeholders in the apparel sector

Output level: Component 3	Indicator	Percentage of cluster members with improved capacities on understanding national and international market requirements through joint cluster-based activities
	Indicator type	Output
	Current value	N/A for the first year of implementation
	Target value	At least 75% of cluster members confirm an enhanced understanding of national and international market requirements acquired through cluster-based activities (2023)
	Relevant objective	3.2 Improved capacities of apparel sector actors in designing and implementing joint cluster-based activities
Output level: Component 4	Indicator	Number of new or revised business support services
	Indicator type	Output
	Current value	N/A for the first year of implementation
	Target value	At least 5 business support services have been created or revised and are positively evaluated by 75% of customers (2023)
	Relevant objective	4.1 Improved institutional capacities of SME bodies/agencies for business development

Output level: Component 4	Indicator	Number of sectoral structured dialogues between clusters and SME bodies/agencies Number of exchange and learning formats on cluster development realised
	Indicator type	Output
	Current value	Achieved: Working sessions and workshops with the senior MoESD/EG on cluster policies A cluster policy development brief elaborated on possible intervention areas for Georgia and providing orientation on the structural focus of the National Cluster Programme A core team for cluster policy development established at EG in a close consultation with C4D In progress: Study visit of MoESD and EG officials to select EU country
	Target value	A structured dialogue has taken place in three sectors based on position papers formulated by clusters and presented to SME bodies/agencies (2023) 1 study tour with at least 10 participants has been realised to countries with a relevant context and 80% of participants confirm the usage of newly acquired knowledge in the work context 6 months after the study tour (2023)
	Relevant objective	4.2 Strengthened capacities of central administrations and SME bodies/agencies in promoting cluster development

C4D TEAM



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Team Leader



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tion



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