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**Programme:** Private Sector Development and Technical Vocational Education and Training Programme in South Caucasus (PSD TVET SC): “Clusters4Development” Project

**PN:** 16.2179.6-007.00

**Activity:** Development and pilot implementation of a market-oriented cluster - “quality and innovation in construction materials”

**Period:** 14 February 2020 – 30 April 2020

### **1. Brief information about the project**

Georgia has undergone significant economic reforms, but a range of critical constraints still impede business growth. SMEs still need constant support to enhance capacities and technological up-scaling, improve adherence to international industrial standards and quality frameworks, contribute to further product diversification and increase their access to global value chains. Moreover, cooperation among sector actors and with public authorities needs to be enhanced to fully exploit market opportunities.

To support business performance of private sector actors in construction, tourism and apparel sectors and to improve an institutional setup for cluster and business development with an ultimate objective of enhanced business performance of private sector fostering the socio-economic development in Georgia and its regions, the PSD TVET SC within the framework of the EU Programme “Economic and Business Development in Georgia”, Component 3: Greater business sophistication, implements the “Clusters4Development” Project (hereafter – the Project) for the period of 3,5 years (from July 2019 to January 2023). The Project has been integrated into the PSD TVET SC implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The Project is composed of four components: (1) development and pilot implementation of a market-oriented cluster in the construction sector; (2) development and pilot implementation of a market-oriented cluster in the tourism sector; (3) development and pilot implementation of a market-oriented cluster in the apparel sector; and (4) enhancement of institutional capacities for cluster and business development.

Within components 1-3, it is foreseen to support the establishment of sectoral clusters. This includes a cluster on “quality and innovation in construction materials”, up to three thematic clusters in tourism (1: Kakheti and Imereti local wine and food tourism cluster; 2: Imereti authentic accommodation cluster; 3: Imereti cultural heritage cluster) as well as a cluster “sustainable apparel vade in Georgia”. In Component 4, it is foreseen to support a conducive cluster development framework at the national level as well as to provide specific assistance to

Enterprise Georgia (a business development agency under the Ministry of Economy and Sustainable Development of Georgia) to strengthen its role in promoting business development and providing demand-oriented services and support to the private sector. Throughout all four components, a focus will be put on ensuring direct impact on the business performance of private sector enterprises.

## **2. Background and context of the Project**

Georgia has made substantial economic progress during the last years, with estimated annual Gross Domestic Product (GDP) growth rates over 4% (2017: 4.3%, 2018: 4.2%). Well-founded structural reforms have contributed to an enhanced business environment, including simplified procedures, advancement in e-government processes, improvements in tax administration including specific benefits for micro, small and medium enterprises (MSME) and to fighting corruption. As a result, the country ranks high in the Doing Business Report of the World Bank (2018: rank 9), being the only lower-middle income country in the top 10 countries of the index and having accomplished the highest number of business regulation reforms (2018: 47) since establishment of the index (2003).

Nevertheless, a range of critical constraints still impede business growth. Besides being a country with a small market (2017: 3,7 million inhabitants), it is characterized by a large number of SMEs (94% of all enterprises), which are contributing only 42% to employment and 15% to GDP. Regional disparities are significant, with 50% of SME located in Tbilisi. Despite regulatory improvements, the majority of SME predominantly operate in low added-value segments and show minimal export activities (2.9 % of small and 15.2 % of medium-sized companies export) with low levels of product/market diversification and sophistication. In addition, despite new business opportunities in view of the Deep and Comprehensive Free Trade Area (DCFTA), SME expect to face considerable challenges and short-term costs in order to comply with EU standards and to enhance competitiveness. SMEs still need constant support to enhance capacities and technological up-scaling, improve adherence to international industrial standards and quality frameworks, contribute to further product diversification and increase their access to global value chains. Moreover, cooperation among sector actors and with public authorities needs to be enhanced to fully exploit market opportunities.

The **construction sector** is highly relevant in terms of employment (2016: share of 4.2% of total employed persons, with estimated additional three- to fivefold informal employment) and contribution to GDP (2016: 8.2%). The sector shows dynamic growth (yearly growth rate: approx. 16%) largely linked to a boosting tourism sector, growth of retail sector and infrastructure expansion. The further development of the sector contains significant growth opportunities, but

also requires local construction companies and sub-contractors to deal with new types of buildings, more sophisticated approaches to project planning and the need to procure more and diversified construction materials locally. In addition, the requirements for standards in the construction sector are increasing, including adherence to international technical norms and standards as well as on enhancing energy efficiency of buildings.

To cope with challenges and unlock potentials, capacities need to be enhanced, both at management and technical staff level (e.g. product diversification, marketing, new production technologies, project planning, digitalization). This mainly refers to the significant number of small-scale companies in the sector, which typically lack adherence to quality and standards and have limited oversight on up-coming challenges and market trends. The proposed cluster-based approach will contribute to enhanced sector-wide technological and quality up-grade, product diversification and market access by strengthening cooperation and capacities of market players along both horizontal and vertical value chains.

A scoping assessment undertaken in May 2018 revealed that industry actors have considerable interest and willingness to establish a cluster within the construction sector as well as common interests and economic potential in further developing local production of construction materials.

### **3. Objectives of the Project**

The objective of this project is to establish the market-oriented cluster - “quality and innovation in construction materials”. The focus of the cluster is to unite the **Georgian small and medium size enterprises active in construction material sector** under one umbrella, identify their needs, challenges and opportunities and support them in their further sustainable development through networking, promotion and access to knowledge and expertise.

Based on the overall objective of the Project, the purpose of this assignment is to identify and assess potential members of the cluster, to establish the cluster initiative group and to develop the cluster initiation road map until 2021.

### **4. Relevance, Approach, Activities and Deliverables**

The relevance of the assignment falls under Component 1 of the Project: Development and pilot implementation of a market-oriented cluster in the construction sector.

#### **4.1. Approach to the Implementation & Specification of Inputs and Outputs**

The Project seeks to contract a **local consultant** (an individual) in construction / construction materials to prepare grounds for, to support and work in tandem with an international consulting company. The local consultant will support activities serving the purpose outlined in section 1&

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2 through a pool of competent experts in the fields of (1) construction and construction materials, (2) clustering in construction and (3) digitalization in construction.

The assignment for the local consultant shall be carried out in seven phases:

**Phase (1): Desk Research & Analytical Framework**

The local consultant shall:

- 1) Conduct a comprehensive desk research and prepare background information, inter alia:
  - a) compile and annotate (in English) the list of **legal documents**, standards and regulations applicable to the construction / construction materials industries in Georgia to inform comparisons with reference international standards and regulations (e.g. taxation, Euro code, ILO standards, etc.);
  - b) compile and annotate (in English) the list of **government policies** / strategies and action plans relevant to the construction / construction materials industries in Georgia;
  - c) compile and annotate (in English) the list of exiting **sectoral reviews**, value chain analyses and market studies in the construction / construction materials industries in Georgia (Georgian or English) published / made available by peer reviewed journals / contributing authors, government agencies, international development projects or agencies and industry associations in the last five years;
  - d) compile and annotate (in English) the list of valid **data sources** (national) to be consulted with to make sound judgements and analysis on the current standing of the construction / construction materials industries in Georgia:
    - i. to identify companies pertaining to upstream and downstream supply chain in the construction / construction materials industries in Georgia;
    - ii. to come up with the comprehensive industry profiles and value chain maps;
    - iii. to assess the market size and level of competition on the local market;
    - iv. to identify needs of the local market;
    - v. to find out competitive advantages of the industry (considering transportation, logistics and utilities, proximity to target markets, knowledge and skills level of the workforce, legal provisions, and so on);
    - vi. to assess the status of digitalization / the use of digital technologies and solutions in the industries under consideration.
  - e) compile a comprehensive **list of stakeholders** (with a short description of their roles, functions, relevant services) in construction / construction materials industries to include, among others:
    - i. Government ministries;
    - ii. Government agencies;
    - iii. Standardization and accreditation bodies;
    - iv. Industry associations, BMOs and BSOs;

- v. SMEs / companies pertaining to upstream and downstream supply chain;
- vi. Procuring entities;
- vii. Consumer organizations;
- viii. Test laboratories;
- ix. Education and training providers (including VET schools);
- x. International development partners / projects.

**Phase (2): Preparations for the fact-finding mission**

The local consultant shall:

- 1) Initiate cooperation with the contracted international consulting company:
  - a) share background information and the draft analytical framework for the collection and analysis of primary data;
- 2) Contribute to the finalization of the analytical framework for the collection and analysis of primary data;
- 3) Conduct initial data collection from the stakeholders in construction / construction materials industries to assess their willingness and preparedness for engaging with the Project to develop the suggested "Quality and Innovation in Construction Materials" cluster;
- 4) Compile a suggested short-list of interested stakeholders to be met during the fact-finding mission (see Phase 3);
- 5) Contribute to the finalization of the scope, agenda and itinerary of the international experts' fact-finding mission to Georgia and arrange for the logistics of relevant meetings, on-site visits and interviews with informants of the assessment to be conducted by the international consulting company.

**Phase (3): Fact-finding Mission Support**

The local consultant shall

- 1) Support the organization, participate, contribute to and document the meeting with the Project, international experts and relevant counterparts;
- 2) Support the implementation of the scheduled meetings, on-site visits and interviews with potential stakeholders of clustering initiatives in the construction / construction materials industry to collect primary data, inter alia:
  - b) Support the international experts with operations, logistical arrangements and last minute /on-site preparations;
  - c) Support the international experts with managing the scope and timing of the scheduled meetings and documenting their results;
  - d) Support the international experts with interpretation between English and Georgian, as needed.
- 3) Support the organization, participate in, contribute to and document the results of the stakeholder workshop to conduct SWOT analysis in the construction / construction materials sector and to identify priority directions for the Project support; Support the

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organization, participate in, contribute to and document the meeting the Project and relevant counterparts to discuss the preliminary findings of the mission and to agree on the next step.

- 4) Support the international experts with compiling the fact-finding mission implementation report.

#### **Phase (4): Assessment Reports & Recommendations**

The local consultant shall:

- 1) Contribute to drafting an in-depth sectoral and cluster potentials' assessment report for the construction / construction materials industry in Georgia to be prepared by the contracted international consulting company;
- 2) Contribute to preparing recommendations and justifications on each assessed company as regard to its suitability for inclusion in the suggested cluster to be prepared by the contracted international consulting company.

#### **Phase (5): Preparations for the second mission**

The local consultant shall:

- 1) Contribute to the finalization of the scope, agenda and itinerary of the international experts' second mission to Georgia, and arrange for the logistics of relevant meetings and the workshop to be conducted by the international consulting company;
- 2) Contribute to the drafting and finalization of the concept note for the workshop to formalize the CIG and develop the **cluster initiation road map until the end of 2021**;
- 3) Reach out to and manage invitations to the selected participants of the workshop to establish cluster initiative group and to develop the cluster initiation road map until 2021;

#### **Phase (6): Second Mission Support**

The local consultant shall:

- 1) Support the organization, participate in, contribute to and document the preparatory meetings with the Project and relevant counterparts;
- 2) Support the organization, participate in, contribute to and document the results of the workshop to formalize the CIG and to develop the cluster initiation road map until 2021;
- 3) Participate in, contribute to and document the mission wrap-up meeting with the Project;
- 4) Contribute to drafting the mission implementation report to include, among other things, the workshop implementation report;
- 5) Contribute to drafting and finalizing a comprehensive workshop report to include:
  - a) The results of the brainstorming on the cluster's mission, vision, membership, steering and management structure, management concept of the cluster, tasks of cluster manager, topics of common interest, SWOT analysis of the prospective cluster, perceived capacity development needs, the list of joint initiatives of the prospective cluster and plan of action for implementing joint initiatives;

- b) **The cluster initiation road-map until the end of 2021** incorporating relevant results of the brainstorming and defining (1) objectives and tasks for the cluster initiation; (2) roles, responsibilities and tasks assigned to the CIG members; (3) roles, responsibilities and tasks assigned to enablers and supporters of the cluster; (4) due dates for the tasks assigned to the CIG members and enablers and supporters of the cluster; (5) arrangements for the road map implementation monitoring, evaluation and revision; (6) management concept of the cluster; and (7) tasks of the cluster manager.

**Phase (7): Final reporting**

The local consultant shall prepare and submit the final report to include, among other things:

- 1) A full account of tasks implemented under this ToR against due deliverables defined in the ToR;
- 2) Overview of outputs generated through the implementation of the ToR;
- 3) Justifications and clarifications on changes made to the initial implementation plan, if any;
- 4) Observations on the international consulting company’s inputs;
- 5) Recommendations for the next steps;
- 6) Annexes giving evidence on the provision of each of the submitted deliverable and on the agreements on changes to the plan / definition of the deliverable made in writing between the local consultant and the Project.

**4.2. Activities, Deliverables and Due Dates**

Deliverables indicated in this the following table shall comply with the respective specifications indicated in section 0 of this ToR.

Phase / Activities	Description of Deliverables	Expert Days	Due Dates
<b>1. Desk Research &amp; Analytical Framework</b>			
1.1. Desk research and background information	1.1.1 Annotated list of industry relevant legal documents, standards and regulations in the country (English, *.docx)	1	14 February 2020
	1.1.2 Annotated list of industry relevant government policies / strategies and action plans (English, *.docx)	1	
	1.1.3 Annotated list of industry relevant sectoral reviews, value chain analyses and market studies (English, *.docx)	1	
	1.1.4 Annotated list of industry relevant data sources (English, *.docx, hyperlinked as appropriate)	1	
	1.1.5 Data collection - comprehensive list of industry relevant stakeholders, with a short description of their roles, functions, profile, services (English, *.docx, hyperlinked as appropriate)	8	

Phase / Activities	Description of Deliverables	Expert Days	Due Dates
<b>2. Preparations for the fact-finding mission</b>			
2.1 Initiation of cooperation with the international consulting company	2.1.1 Share background information and the draft analytical framework for the collection and analysis of primary data; (English, *.docx) 2.1.2. Share the list of the Project's potential stakeholders in developing the suggested cluster: Sustainable apparel made in Georgia (English, *.xlsx or another suitable format)	1	28 February 2020
2.2 Shortlisting of stakeholders	2.2.1 Agree and finalize short-list of interested stakeholders with international consultant (English, *.docx)	3	
2.3. Fact-finding mission planning	2.3.1 The scope, agenda, itinerary and logistics plan of the facts-finding mission to conduct relevant meetings, on-site visits and interviews with informants of the assessment (English, *.docx)	3	
<b>3. Fact-finding Mission Support</b>			
3.1. Initiation of the fact-finding mission	3.1.1 Minutes of the initial meeting with the Project, international experts and relevant counterparts (English, *.docx)	1	20 March, 2020
3.2. Implementation of the stakeholder meetings and interviews	3.2.1 Documentation on the meetings and interviews with the Project stakeholders: actual itinerary, list of meetings held, minutes of meetings with government agencies (English, *.docx), copies of filled-in forms and interview questionnaires (*.pdf)	13	
3.3. Implementation of the SWOT analysis workshop	3.3.1 Documentation on the analysis SWOT workshop: agenda, participants, outputs, recommendations (English, *.docx, *.jpg for pictures)	3	
3.4. Wrap-up of the fact-finding mission	3.4.1 Minutes of the wrap-up meeting with the Project, international experts and relevant counterparts (English, *.docx)	1	
3.5 Reporting on the implemented fact-finding mission	3.5.1 Inputs / comments to the mission implementation report (English, *.docx)	1	
<b>4. Assessment Reports &amp; Company Recommendations</b>			
4.1. Development of the assessment report	4.1.1 Inputs / comments to the draft in-depth sectoral and cluster potentials' assessment report (English, *.docx)	2	15 April, 2020
4.2 Development of company recommendations	4.2.1 Inputs / comments to recommendations and justifications on each assessed company (English, *.docx)	2	
<b>5. Preparations for the second mission</b>			
5.1 Planning of the second mission	5.1.1 Scope, agenda, itinerary and logistics plan for the international experts' second mission to Georgia (English, *.docx)	2	17 April, 2020



Phase / Activities	Description of Deliverables	Expert Days	Due Dates
5.2. Development of the workshop concept	5.2.1 Input to the concept note for the workshop to formalize the CIG and develop the cluster initiation road map until the end of 2021 (English, *.docx)	2	
5.3. Workshop invitations' management	5.3.1 The list of invited participants and status of confirmations (English, *.docx)	2	
<b>6. Second Mission Support</b>			
6.1 Initiation of the second mission	6.1.1 Minutes of the preparatory meetings with the Project, international experts and relevant counterparts (English, *.docx)	1	24 April, 2020
6.2 implementation of the workshop	6.2.1 Documentation on the workshop to formalize the CIG and to develop the cluster initiation road map until 2021: agenda, participants, outputs, next steps (English, *.docx, *.jpg for pictures)	2	
6.3 Wrap-up of the second mission	6.3.1 Minutes of the wrap-up meeting with the Project, international experts and relevant counterparts (English, *.docx)	1	
6.4 Reporting on the second mission	6.4.1 Inputs / comments to the mission implementation report (English, *.docx)	1	
6.5 Development and finalization of the workshop report	6.5.1 Inputs / comments to the comprehensive workshop report (English, *.docx)	2	
<b>7. Final reporting</b>			
7.1 Development of the final contract implementation report	7.1.1 Contract implementation report (English, *.docx)	3	27 April, 2020

## **5. Coordination and Communication**

Close coordination and reporting with the Project Team Leader and the dedicated Programme Expert, as well as an active cooperation with the international consulting company, is mandatory during the implementation of the assignment.

## **6. Conditions and payment terms**

### **6.1. Eligible costs**

- 6.1.1. The financial proposal shall not include costs for items which will be provided for by the project separately:
- a) Venue(s), facilities, interpretation, and refreshments for meetings and workshops;
  - b) Transportation in Georgia. (The costs for transportation are a subject of reimbursement based on the invoices provided by the consultant)

6.2. **Payments** will be carried out based on the acceptance of deliverables and provision of the invoices according to the following schedule:

**6.2.1. Advance payment**

Advance payment in up to 20 % of the contract value will be made upon the signature of the contract

**6.2.2. Interim payments**

- a) The first interim payment in up to 20 % of the contract value will be made upon the completion of the Phase 2 – Preparations for the fact-finding mission – of the assignment;
- b) The second interim payment in up to 20 % of the contract value will be made upon the completion of the Phase 3 – Fact-finding Mission Support – of the assignment;
- c) The third interim payment in up to 20 % of the contract value will be made upon the completion of the Phase 4 – Assessment Reports and Company Recommendations – of the assignment.

**6.2.3. Final payment**

The final payment up to 20 % of the contract value will be made upon the completion of Phase 7 of the assignment – Final Reporting – and the acceptance of the contract implementation report.

**7. Submission Requirements**

The bidding consultant shall submit technical and financial proposals to comply with the following requirements:

- 7.1. The **technical proposal** shall contain information about the consultant and his/her relevant experience, proposed concept and work plan to implement the assignment;
- 7.2. The **financial proposal** shall clearly state all types of costs to be charged to the Project to implement this TOR (e.g. honorarium, accommodation, daily allowance, air flights, other travel expenses etc.) considering provisions of Section 6.1 of the ToR.

**8. Evaluation criteria**

A technical proposal by a bidder shall be evaluated based on the quality of a technical proposal, bidder's qualifications and experience and consideration of recommendations.

**8.1. Evaluation criteria for a technical proposal**

A technical proposal by a qualified bidder shall be evaluated based on the relevance of the chapters of the technical proposal to include

- 1) Interpretation of objectives;
- 2) Strategy of implementation;
- 3) Management of processes, cooperation, learning and innovation

- 4) Work schedule and timelines
- 5) Monitoring and evaluation concept

## **8.2. Evaluation criteria for a bidder**

### **8.2.1. Education**

Master's degree in Engineering, Architecture, Construction Management, Business Administration, Economics, or a related discipline.

### **8.2.2. Knowledge and skills**

- a) Strong research, analytical and report writing skills;
- b) Advanced computer skills including Microsoft Office and web-based applications;
- c) Excellent knowledge of English and Georgian knowledges.

### **8.2.3. Work experience**

- a) At least 7 years of relevant professional experience providing consulting services to the companies, cluster organizations, BMOs, international development agencies working in the field of private sector development, out of which at least 2 years of working experience in construction sector.
- b) Proven track record of undertaking analytical work and prepare working papers, reports and studies;
- c) Professional experience in at least two of the following areas:
  - i. Sectoral research and analysis in construction and construction materials industries;
  - ii. Management in construction and construction materials industries;
  - iii. Digital transition in the private sector companies (preferably in construction / construction materials industries);
  - iv. Organizational and business strategy development (preferably in construction and construction materials industries);
  - v. Organizational capacity development (preferably in construction and construction materials industries);
- d) Proven track record of supporting international experts' missions to Georgia implementing assignments under international capacity development projects (preferably in construction and construction materials industries);

## **8.3. Recommendations**

At least two recommendation letters from international development partners / programs / projects in Georgia issued to a bidder in the last 2 years shall certify that the bidder successfully managed and completed consultancy assignments of the scope and complexity that are comparable to this ToR.