
Annex 1

Activity:	Development and pilot implementation of a market-oriented cluster in the tourism sector – Preparatory Work in tandem with international experts
Period:	28 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 SMEs 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 referred to as “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 continuous 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.

Tourism accounted for 7.5 percent of GDP growth in 2018. Georgia received a record number of 8.7 million international visitors (tourists, transit, other) in 2018, a 10 percent increase over 2017. This figure included 4.8 million tourists, which was 16 percent higher than the previous year. Between 2017 and 2018, the total value added in the **Tourism Sector** increased by 21.5% and reached 2.68 billion GEL due to increased demand. As a result, tourism's gross value added, as a proportion of GDP, increased from 6.8% to 7.6%. The additional value added in the tourism industry in 2018 was mainly driven by travel companies (an increase of 30.1%) passenger traffic (air transport increased by 43.8% and other transport increased by 17.7%), food objects (an increase of 16.3%), and accommodation (an increase of 12.4%).

Georgian National Tourism Administration's marketing, branding and promotion strategy defines wine and food tourism and cultural Heritage Tourism as two of Georgia's three key tourism offerings. GNTA notes that "tasting Georgian cuisine and wine" is the main motive for 70 percent of international visitors. The expenditures of foreign guests in Georgia have a huge effect on the national balance of payments. Approximately 71.8% of Georgia's service export revenues come from tourism. The outlook for the sector remains highly optimistic, and it is forecast that more jobs will be created, and more income will be generated in the years to come.

To cope with challenges and unlock potentials of tourism sector, capacities need to be enhanced in terms of general and facility level management, quality service and infrastructure (e.g. product diversification, new marketing approaches, sustainable product development, digitalization), quality education in tourism related specialties. This mainly refers to the significant number of small-scale, family owned businesses 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 capacity and quality up-grade,

product diversification and market access by strengthening cooperation and capacities of market players along both horizontal and vertical value chains.

With the proposed cluster-based approach, the Project will mainly focus on promoting tourism through higher competitiveness of tourism actors in the **two Project target regions: Imereti and Kakheti**. Both regions have a need to further develop their tourism profile, products, quality and cooperation to better exploit their significant touristic potential and gain more benefits from the growing number of tourists in Georgia. The proposed cluster approach will support improved networking and cooperation among the various actors in the tourism sector in both regions, support an up-grade of critical service quality, promote more harmonized approaches to tourism product development, support an enhanced understanding of customers' needs and expectations, also in view of sustainable and green tourism, and joint visibility activities.

The approach in both **Project target regions** will reflect the strategic policy framework, in particular the efforts undertaken by the Georgian National Tourism Administration (GNTA) in raising regional tourism profiles both nationally and internationally. The most recent marketing and branding propositions for both regions suggest building the tourism offer around “the primary wine-making region and wine destination in Georgia” in Kakheti and the “ancient, diverse and rich history, culture and cultural heritage” in Imereti.

The purpose of this assignment is:

- a) to identify the main constraints and opportunities for establishing and assuring sustainability and competitiveness of business clusters to include: at least one cluster for local wine and food tourism, one cluster for authentic accommodation tourism, and one cluster for cultural heritage tourism in each of the Project target regions of Kakheti and Imereti (in total, at least six clusters);
- b) to come up with a short list of cluster initiatives and to elaborate cluster initiation roadmaps for each of the shortlisted cluster initiatives.

This work will be done in preparation and collaboration with a team of international experts, preparing and accompanying their missions to Georgia.

3. Relevance, Approach, Activities and Deliverables

The relevance of the assignment falls under Component 2 of the Project: Development and pilot implementation of a market-oriented cluster in the tourism sector.

3.1. Approach to the Implementation & Specification of Inputs and Outputs

The Project seeks to contract a **local consultant** (an individual) with expertise in tourism, hospitality in Georgia to prepare grounds for, to support and work in tandem with another local subject area expert providing expertise in sustainable cultural/ tourism and an international consulting company to be implementing activities serving the purpose outlined in section 2 through a pool of competent experts in the fields of (1) clustering in tourism, (2) gastronomy and (3) cultural heritage.

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

Phase (1): Desk Research & Analytical Framework

The local consultant with relevant contributions from the other local subject area expert shall:

- 1) Compile a comprehensive **list of stakeholders** (with a short description of their roles, functions, relevant services) in tourism and HORECA industries to include, among

others: ministries; government agencies; standardization and accreditation bodies; test laboratories; education and training providers (including vet schools); **international development partners / projects**; and industry associations, BMOs and BSOs; consumer organizations; and **SMEs / companies working in the target regions of Kakheti and Imereti** (e.g. guesthouses offering authentic accommodation / hospitality services, local cuisine and additional tourism services, wineries offering tourism and hospitality services; wine bars/cellars offering local wines; restaurants offering local wines and cuisine; local food producers; local art and craft producers; cultural centers and organizations; DMOs, guides, tour operators, logistics and transport companies).

- 2) compile and annotate (in English) the list of exiting sectoral reviews, value chain analyses and market studies in tourism and HORECA industries in Georgia with a particular emphasis on the Project's target regions of Kakheti and Imereti (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 three years;

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

The local consultant in cooperation with another local subject area expert focusing on cultural heritage shall:

- 3) Initiate cooperation with the international consulting company to be contracted by the Project:
 - a) prepare and document a skype call session with the international consulting company, and the Project for getting to know each-other, making cooperation arrangements, conducting operational planning and synchronizing the schedule of actions for the joint work;
- 4) Contribute to the development of the analytical framework for the collection and analysis of primary data;
- 5) Conduct initial data collection to pile up information on the potential stakeholders to be used to assess the willingness and potentials of the latter to become affiliated with the shortlisted cluster initiatives in the Project's target regions of Kakheti and Imereti;
- 6) Together with the Projects' programme expert and the local consultant for cultural heritage compile a suggested short-list of stakeholders to be met during the international experts' fact-finding mission to Georgia;
- 7) 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 an in-depth sectoral and cluster potentials' assessment for the shortlisted cluster initiatives in the Project's target regions of Kakheti and Imereti.

Phase (3): Fact-finding Mission Support

The local consultant with relevant contributions from the other local subject area expert shall:

- 1) Support the organization, participate in, contribute to and document the results of the stakeholder workshop to conduct SWOT analyses of short-listed cluster initiatives in in the Project's target regions of Kakheti and Imereti and to identify priority directions for

- the Project support;
- 2) Support the implementation of the scheduled meetings, on-site visits and interviews with potential stakeholders of short-listed clustering initiatives in the Project's target regions of Kakheti and Imereti to collect primary data, inter alia:
 - a) Together with the Project's programme expert, support the international experts with operations, logistical arrangements and on-site preparations;
 - b) Together with the Project's programme expert, support the international experts with controlling the scope and timing of the scheduled meetings and documenting their results;
 - c) support the international experts with interpretation between English and Georgian, as needed.
 - 3) Support the organization, participate in, contribute to and document the wrap-up meeting with the Project and relevant counterparts to discuss the preliminary findings of the mission and to agree on the next steps;
 - 4) Support the international experts with preparing the mission implementation report.

Phase (4): Assessment Reports & Recommendations

The local consultant with relevant inputs from the other local subject area expert shall:

- 1) Together with the invited international experts, contribute to drafting an in-depth sectoral and cluster potentials' assessment report for the short-listed cluster initiatives to be prepared by the contracted international consulting company, inter alia:
 - a) compile and annotate (in English) the list of legal documents, standards and regulations applicable to tourism and HORECA industries in Georgia to inform comparisons with reference international standards and regulations (e.g. taxation, HACCP, ILO standards, environment protection, cultural heritage preservation, etc.);
 - b) compile and annotate (in English) the list of EU directives relevant to tourism and HORECA industries to be implemented in Georgia over coming years under DCFTA;
 - c) compile and annotate (in English) the list of government policies / strategies and action plans relevant to tourism and HORECA industries in Georgia having relevance to the industry developments in the Project target regions of Kakheti and Imereti;
 - d) compile and annotate (in English) the list of valid data sources (national and international) to be consulted with to make sound judgements and analysis on the current standing of the tourism and HORECA industries in Georgia with a particular emphasis on the Project target regions of Kakheti and Imereti:
 - i. to identify companies pertaining to the industries' upstream and downstream supply chain;
 - ii. to learn about industry profiles and value chain maps;
 - iii. to get information on the target (Georgian and foreign) markets;
 - iv. to map market development needs;
 - v. to find out competitive advantages (considering unique selling points, , proximity to target markets, knowledge and skills level of the workforce, favorable legal environment, and so on);
 - vi. to check compliance with international standards, including standards for

- environmental protection and cultural heritage preservation;
- vii. to assess the status of digitalization / the use of digital technologies and solutions.
- 2) Together with the invited international experts, contribute to preparing recommendations on the feasibility of shortlisted cluster initiatives and to mapping potential members of the shortlisted cluster initiatives.

Phase (5): Preparations for the second mission

The local consultant with relevant contributions from the other local subject area expert shall:

- 1) Contribute to the finalization of the scope, agenda and itinerary of the international experts' second mission to Georgia, and together with the GIZ expert team arrange for the logistics of relevant meetings and the workshop to elaborate on cluster initiation roadmaps for each shortlisted cluster initiative;
- 2) Contribute to the drafting and finalization of the workshop concept;
- 3) Reach out to and manage invitations to the selected participants of the workshop;
- 4) Translate into Georgian international experts' presentations and other materials to be used during the workshop, including:
 - a) The presentation of the findings of the in-depth sectoral and cluster potentials' assessment;
 - b) The introduction to business clustering approach to the business development for SMEs in a tourism industry;
 - c) The principles of developing cultural heritage related tourism products and potentials for cultural and pilgrimage tourism development in Kakheti and Imereti regions;
 - d) Authentic accommodation as a point of gravity to attract high value tourists to Kakheti Imereti regions.

Phase (6): Second Mission Support

The local consultant in cooperation with the second local subject area expert 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 develop **cluster initiation roadmaps**;
- 3) Participate in, contribute to and document the mission wrap-up meeting with the Project to summarize work done and agree on next steps;
- 4) Contribute to drafting the mission implementation report to include, among other things, the workshop implementation;
- 5) Contribute to drafting and finalizing a comprehensive workshop report to include:
- 6) **Per each shortlisted cluster initiative:** the results of the brainstorming on a cluster mission, vision, membership, steering and management structures, management concept, tasks of a cluster manager, topics of common interest of potential cluster members, SWOT analysis, perceived capacity development needs, the list of joint initiatives, and plan of action for implementing joint initiatives;
- 7) **Per each shortlisted cluster initiative:** 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 core group of members; (3) roles, responsibilities and tasks assigned to enablers and supporters of clusters; (4) due dates for the tasks assigned to the core group of members and enablers and supporters of the clusters; (5) arrangements for the road map implementation monitoring, evaluation and revision; (6) management concept of the clusters; and (7) tasks of a cluster manager.

Phase (7): Final reporting

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

- 1) A full account of tasks implemented under this ToR against due deliverables defined in the assignment;
- 2) Overview of outputs generated through the implementation of the assignment;
- 3) Justifications and clarifications on changes made to the initial implementation plan, if any;
- 4) Recommendations for the next steps;
- 5) 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, if any.

3.2. Activities, Deliverables and Due Dates

Deliverables indicated in this the following table shall comply with the respective specifications indicated in section 3.1 of this ToR.

Phase / Activities	Description of Deliverables	Expert Days	Due Dates
1. Desk Research			
1.1. Desk research and background information	1.1.1 Comprehensive list of relevant stakeholders, with a short description of their roles, functions, profile, services (English, *.docx, hyperlinked as appropriate)	3	5 March, 2020
	1.1.2 Sectoral reviews, value chain analyses and market studies in tourism and HORECA industries in Georgia with a particular emphasis on the Project's target regions of Kakheti and Imereti (English, *.docx)	2	
2. Preparations for the fact-finding mission			
2.1 Initiation of cooperation with the international consulting company	2.1.1 Protocol of a skype call to contain sections on its agenda, participants and results: cooperation arrangements, operational plans and schedule of actions for joint work (English, *.docx)	0.5	15 March, 2020
2.2 Finalization of the analytical framework	2.2.1 Inputs to finalize the analytical framework the collection and analysis of primary data (English, *.docx)	1	
2.3 Initial data collection	2.3.1 Initial database of the potential stakeholders to be used to assess the willingness and potentials of the latter to become affiliated with the shortlisted cluster initiatives in the Project's target regions of Kakheti (English, *.xlsx or another suitable format)	6	
2.4 Shortlisting of stakeholders	2.4.1 A short-list of stakeholders to be met during the fact-finding mission (English, *.docx)	1	

Phase / Activities	Description of Deliverables	Expert Days	Due Dates
2.5. Fact-finding mission planning	2.5.1 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)	1	
3. Fact-finding Mission Support			
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)	0.5	29 March, 2020
3.2. Implementation of the SWOT analyses workshop	3.2.1 Documentation on the SWOT analyses workshop: agenda, participants, outputs, recommendations (English, *.docx, *.jpg for pictures)	1	
3.3. Implementation of the stakeholder meetings and interviews	3.3.1 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)	10	
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	
4. Assessment Reports & Company Recommendations			
4.1. Development of the assessment report	4.1.1 Annotated list of legal documents, standards and regulations applicable to tourism and HORECA industries in Georgia (English, *.docx)	2	12 April, 2020
	4.1.2 Annotated list of EU directives relevant to tourism and HORECA industries to be implemented in Georgia (English, *.docx)	1	
	4.1.3 List of government policies / strategies and action plans relevant to tourism and HORECA industries in Georgia having relevance to the industry developments in the Project's target regions of Kakheti and Imereti (English, *.docx)	1	
	4.1.4 Annotated list of valid data sources (national and international) on the tourism and HORECA industries in Georgia with a particular emphasis on the Project target regions of Kakheti and Imereti (English, *.docx, hyperlinked as appropriate)	2	
	4.1.5 Inputs / comments to the draft in-depth sectoral and cluster potentials' assessment report (English, *.docx)	1	
4.2 Development of cluster / company recommendations	4.2.1 Inputs / comments to recommendations on the feasibility of shortlisted cluster initiatives and to mapping potential members of the shortlisted cluster initiatives (English, *.docx)	2	

Phase / Activities	Description of Deliverables	Expert Days	Due Dates
5. Preparations for the second mission			
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
5.2. Development of the workshop concept	5.2.1 Input to the concept note for the workshop (English, *.docx)	1	
5.3. Management of invitations for the workshop	5.3.1 The list of invited participants and status of confirmations (English, *.docx)	2	
6. Second Mission Support			
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)	0.5	24 April, 2020
6.2 implementation of the workshop	6.2.1 Documentation of the workshop to develop cluster initiation roadmaps (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)	0.5	
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	
7. Final reporting			
7.1 Development of the contract implementation report	7.1.1 Contract implementation report (English, *.docx)	2	27 April, 2020

4. 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 / international experts and the other local subject area expert, is mandatory during the implementation of the assignment.

5. Financial terms and conditions

5.1. Costs to omit in the financial proposal

The financial proposal shall omit costs for items to be provided for by the Project separately, including costs for:

- a) Venue(s), facilities, interpretation and refreshments for workshops;
- b) Hotel accommodation to implement visits to regions of Georgia, as appropriate;
- c) Transportation to implement visits to region of Georgia, as appropriate.

6. Submission Requirements

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

- 6.1.** The **technical proposal** shall contain information about the bidder's relevant experience, proposed concept and work plan to implement the assignment, and recommendations;
- 6.2.** The **financial proposal** shall clearly state all types of costs to be charged to the Project to implement this assignment considering provisions of Section 5.1.

7. Evaluation criteria

A technical proposal by a bidder shall be evaluated based on the assessment of: (1) proposed concept and work plan, (2) bidder's qualifications and experience, and (3) recommendations.

7.1. Evaluation criteria for a technical proposal

A technical proposal shall be evaluated based on the relevance of the chapters of the concept and work plan to include:

- a) Interpretation of objectives;
- b) Strategy of implementation;
- c) Management of processes, cooperation, learning and innovation;
- d) Work schedule and timelines;
- e) Monitoring and evaluation concept.

7.2. Evaluation criteria for a bidder

7.2.1. Education

Master's degree in tourism, economics, business administration, geography, history or a related discipline.

7.2.2. Knowledge and skills

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

7.2.3. Work experience

- a) More than 7 years of professional experience in the tourism industry in Georgia;
- b) Sectoral research and analysis in the tourism and related industries in Georgia: at least 3 successfully completed assignments;
- c) Experience in working with major development partners in Georgia working in the field of private sector / tourism development, in tandem with international and local experts;
- d) Preferably, five years of consulting experience in strategic planning for the development of touristic sights;
- e) Experience in consulting of SMEs in tourism and related industries in the regions of Georgia in the fields of: (1) organizational and business strategy development, (2)

organizational capacity development, (3) development / diversification of niche tourism and HORECA products.

7.3. Recommendations

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