

**Rural Small & Medium**  
ENTERPRISES DEVELOPMENT  
GEORGIA

**GEORGIA**

RURAL SMEs DEVELOPMENT PROJECT

Contract no. 81067022



**TECHNICAL NOTE:  
BUSINESS SUPPORT SERVICES  
IN GEORGIA**

**SWISS  
FOUNDATION  
FOR TECHNICAL  
COOPERATION**

Prepared by:

The **Rural SMEs Development Project**

A consortium of **Swisscontact, Mercy Corps and  
The Springfield Centre**

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# 1 INTRODUCTION

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## 1.1 ABOUT THE RSMEDP

The Rural SMEs Development Project (RSMEDP) started in December 2020 with an inception phase until September 2021. The RSMEDP seeks to increase rural income and employment through sustained access to finance for rural SMEs through both supply and demand-side interventions. This requires enhancing the form and relevance of finance products on offer whilst strengthening the financial literacy and business capacities of rural SMEs through improved access to quality Business Support Services (BSS) from national agencies, business associations and consultancies. A full opening project phase is anticipated from October 2021 until December 2024, with potentially further phases thereafter.

## 1.2 BSS TECHNICAL NOTE

This technical note is intended to provide an update of the project's understanding of the BSS market system. It is intended as a foundational reference document that serves to clarify the consortium's initial understanding of the BSS system in Georgia. The note provides the consortium's conceptual framework for understanding business support services systems, the research framework used to understand the BSS market system in Georgia, an overview of the research conducted to date, a mapping of the market system, and identifies initial findings including a SWOT analysis. The Technical Note does not provide the strategy for the programme which will be elaborated in the Project Document (ProDoc).

This note is written at a point where 40% of the overall inception phase has elapsed, with still another six months of inputs and outputs to deliver. Accordingly, the findings contained in this report are still a work in progress.

## 2 UNDERSTANDING BSS

It is generally accepted that Business Support Services (BSS) provide important economic development services to business communities, particularly to small and medium sized enterprises (SMEs). **BSS providers are often grouped by organisational type and purpose.**

In most countries, they include the following:

- **Business Membership Organisations (BMOs)** which include national and regional chambers of commerce and industry, trade and business associations where the organisations are funded through membership fees, subsidised services and public sector grants targeted at specific projects. In some countries, membership for SMEs is mandatory, in most it is voluntary.
- **Sector Member Organisations (SMOs)** which include organisations representing major economic sector players, such as transporters, hoteliers, tourism operators, farmers, horticulturalists, manufacturers (often with several sub-sectoral representation: metals; plastics, food, beverages, vehicles; household products, machinery etc); bankers, property agents, builders, business service providers, energy companies; retailer, and wholesalers. These organisations are funded by members fees and payments for services.
- **Local private sector business service providers** which offer various services to the SME communities. These organisations are funded through direct payments for services provided.
- **Governments**, in many countries, offer specific services to SMEs in order to promote growth, sustainability, social cohesion and prosperity. These services are often provided by 'arms-length' agencies, that are funded by taxpayers but, increasingly, have to charge for some services.
- In some countries, **donor projects** (including international and local NGOs) develop and implement pilots which test good practice around the relationships between BSS providers and SMEs

There are other types of organisation operating in the BSS providers. However, these five types make up the large majority in any economy.

The type of service provided by these types of BSS providers, and others, also widely differ.

More commonly found services are as follows.

- **General business planning and wider business strategy advice, mentoring and coaching.**
- The **provision of relevant business information**, ranging from legislation, exporting, importing, partnerships, technology, opportunities, land, property, suppliers, customers, and local regulatory compliance topics.
- **Generic business training services**, including business planning, marketing, human resources, technology, operations, production, logistics, financial management and reporting, as well as specific compliance issues around health, safety, and quality standards and regulations.
- **Protection and compliance services**, including legal, accounting, audit, technology, and property related services, for start-up, steady state, and growth businesses.
- **Lobbying and advocacy services**, for the wider business community, regional or local business community, SMEs operating in the same sectors, and businesses based on size, scale and the gender or ethnic background of their owners.
- **Incubation and acceleration services** for start-up and early growth businesses, where intensive external support is provided (often involving accommodation) to help the business to growth, with resilience in their chosen markets.
- **Clustering services** which relate to a range of homogenous services for clusters of SMEs operating in the same or similar value chains, where the services can be widely applied and where the SMEs are encouraged to operate an aggregation model in order to supply goods and services that would be beyond the capacity of a single business in the chain.
- **Other services**, including product design and development, sourcing, digital platform support, matching SMEs with suppliers and customers, advanced procurement of inputs for groups or clusters of businesses (cooperatives, for example), market research, advice on market positioning and competitiveness, recruitment of staff, website development, social media support, and technology matching and support.

The above list is far from exhaustive, but it does provide an indication of the scale and scope of the type of support that is available.



Although there are many examples around the world of successful alignment between BSS providers and SMEs, analysis of transactions highlight that, for some groups of SMEs, particularly those that are smaller and more rurally based, the market is not well aligned. Here, many studies show that there is an undersupply of requisite services. These studies also show that there are some more common reasons for this undersupply. These include the following.

**Most BSS providers tend to be based in, and focused on, conurbations** where there are economies in accessing markets and where there are higher probabilities of reaching critical mass of customers that are able and willing to pay for services. These customers tend to either have high growth potential, when compared to those in more rural areas, or to be already established as small to medium sized businesses. This situation tends to prevail unless some facilitation or stimulus is provided to enable BSS providers to become aware of the opportunities that exist in the SME 'sector' located in more rural areas.

Many programmes, including donor programmes have **identified the under supply of BSS to rural based SMEs** and have realised that providers require support and often other incentives to pivot the focus of their activities and services to rural markets. In the large majority of these situations, as soon the support and incentives are removed, the providers withdrawn from rural markets. There is a need for long term sustainability for services provision to rural markets and this suggests viable opportunities resulting in a durable alignment between BSS providers and rural SMEs.

**Incentives need to be in place for both groups, allowing for sustainable transactional relationships.** The rural SMEs need to identify the need and the BSS providers need to be sufficiently willing to address the need, including factors such as service design and content, accessibility (convenience) of services and affordability of services. This situation applies more evidently to private sector providers, but studies also show that BMOs, SMOs and donor projects face challenges engaging and transacting with rural SMEs. The reasons cited are related to increased logistical costs, lack of agglomeration opportunities, challenges with access to, and lack of interest, from the rural SME communities.

**BSS providers to work in rural areas.** As indicated above, feedback suggests that travel does inflate the cost of providing services, the size and spread of rural markets mitigate against regional service

centres. A lack of regular and frequent interaction leads to a lack of understanding from both sides of the supply-demand equation. To address this requires new and innovation thinking around service design, development, and delivery, as well as business and operating models, and embedding durable incentives around the core transaction.

The undersupply of relevant services to the rural SME market, is often born out of its **relative newness for BSS providers**. Very little has been done to adapt service design and provision to the needs and scope required by rural SMEs. For example, some needs (especially those required for compliance standards) require in depth sector understanding and investment. There will continue to be a marginal supply until there is a real and continuous demand. With a stronger supply and demand alignment, some services could be made available through more convenient and lower cost delivery vehicles.

Recent experience, elsewhere suggests that that in naturally heterogenous rural SME sectors, service needs, and the requirement for differentiation continue to be misunderstood, innovation remains limited, and information constraints persist.

## 3 RESEARCH

### 3.1 RESEARCH QUESTIONS

The point of departure for the inception phase has been to understand why access to finance for rural SMEs remains sub-optimal. Particularly, from a BSS perspective, to answer the following four questions:

- Why are rural SMEs not willing or able to access quality business support services?
- Why do capacity gaps persist among key SME business support service actors?
- How can the GRSMEDP help to better align the supply and demand for quality BSS with rural SME business and finance service needs?
- How can the GRSMEDP mobilise mechanisms for sustaining and enhancing the capacity of key SME support service actors?

The BSS component has been proceeding alongside research undertaken into the Access to Finance (A2F) system. Over the first four months of the inception phase the following research activities have been undertaken:

- An exercise to **profile rural SMEs** involving desk (secondary) research and several workshops, determining target rural SME sectors and sub-sectors for further analysis, based relevance, opportunity and feasibility, and a set of interview programmes in target regions and sub sectors.
- The **landscape mapping of the BSS system** in Georgia, which has involved assessments of the role and purpose of BSS providers, the mapping of the BSS landscape, and interview of BSS providers (including Enterprise Georgia).
- Commencing the **analysis of the constraints in the BSS system**, insofar as it relates to the transactional relationship between BSS providers and targeted rural SMEs.

The **interview programmes** relate to four separate groupings: A) BSS providers, including associations, chambers, and training organisations; B) BSS providers, including private sector professional services firms; C) Donor Programmes and Projects; and, D) Rural SMEs in targeted sectors and sub-sectors.

The constraints analysis will be followed by a design process to identify entry points to strengthen the BSS function in the market system for target sectors. This analysis is not part of this note.

### 3.2 PROGRESS TO DATE

#### Rural SME profiling

This has involved substantial desk research and, several validation and consensus building workshops. It also involved the establishment of criteria to assess target rural SME types, regions, and sectors. These choices were made in early January 2021. Interview programmes were then planned, including workshops on tools and techniques and interview guidance notes, and agreed.

To date, 63 interviews of targeted rural SMEs have taken place. These have been drawn from likely target regions (Imereti, Kvemo Kartli, Kakheti, and Adjara) and sectors: manufacturing (mainly food and beverage production, and non-metallic construction materials); agriculture (livestock and dairy), and tourism (guesthouses and gastronomy). Most of the businesses were micro enterprises (classed by number of employees) and only a quarter of the respondents were female.

At the time of writing, an initial analysis is being undertaken on observations, findings and initial conclusions and workshops are in place to support this process of analysis.

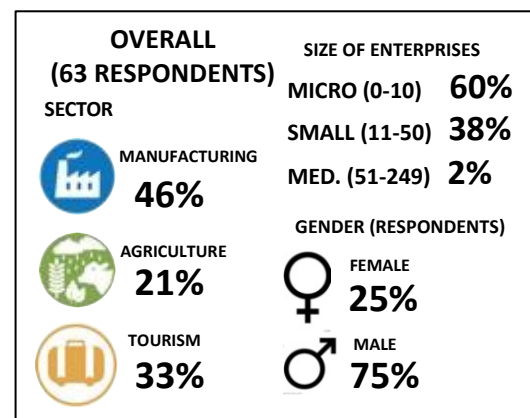


Figure 1: MSME Survey Respondents (March 2021)

Further interviews will take place in April 2021 and beyond, including those to address the evidence gaps identified in the first data set.

#### BSS System Mapping

This process involved several workshops in December 2020 and January 2021 to establish the learning from an initial data research and mapping exercise. This exercise examined the stated role and purpose of 15 types of BSS provider in Georgia.

1. Sector business and trade associations
2. Business membership organisations, clubs, and associations
3. International donors and donor projects

4. Foreign owned private sector service providers
5. Georgian (domestic) owned private sector service providers.
6. National government agencies, programmes, projects, and initiatives, including Enterprise Georgia
7. Regional government and regional agencies of national government
8. Sector and industry focused advocacy and lobbying organisations
9. Regionally based and focused advocacy and lobbying organisations, including NGOs.
10. National chambers of commerce and industry, including the Georgian SME Association
11. The international chamber of commerce and industry
12. Regional chambers of commerce and industry
13. Specific business membership and lobbying organisations, representing, for example, women business owners and business owners from ethnic minority communities.
14. National and regional training organisations offering business related services.
15. Universities and tertiary colleges with teaching, research and outreach (industry or business linkage) activities in the areas of business, design and technology.

Work is ongoing to establish the role and purpose of these BSS providers and initial mapping has been undertaken to establish the landscape of BSS providers in Georgia. Interviews of BSS providers have started, with 16 so far undertaken. BSS provider interviewees will continue and the findings from the ongoing rural SME interviews will help to identify targets and new questions.

### **BSS Constraints Analysis**

Work is on-going to analyse findings from interviews (rural SMEs and BSS providers). Workshops will be taking place in April to analyse further and agree some initial conclusions and identify emerging trends to inform further work from May 2021. This will enable the determination of key constraints in the BSS system in Georgia, that impact and influence misalignment at the core supply (BSS providers) and demand (rural SMEs) transactional relationships. These key constraints will be examined, and interventions and partnership arrangements will be initiated during the months of June, July, August and September 2021.

## 4 ANALYSIS

### 4.1 THE BSS SYSTEM IN GEORGIA

Although it is a relatively small country, which has a good transport infrastructure, many of the general challenges of BSS provision outlined earlier apply to Georgia. However, there are some other important dimensions that both compound these challenges and render it more important that they are addressed.

For example, **rural women, both from Georgian and ethnic minority communities, are more engaged in rural SMEs** than their urban peers yet business service providers tend to remain gender-blind and ill-equipped to identify, promote or respond to gender-specific support needs. Gender and social inclusion analysis need to be an integral part of service development and tools and skills sets amongst service providers improved accordingly.

On the supply side, **many rural SMEs do not understand or recognise the value addition of using external advisory services and/or perceive them to be unnecessary or non-transparent.** Trust, based on good information, remains a key barrier to service uptake. Rural SMEs themselves need to recognise the business case for using business support services and, consequently, service providers need to strengthen information flows, marketing and promotion of the quality and benefits of their services.

Additionally, there are clear mutual benefits for finance service providers if SME clients utilise professional advisory services, and for business support providers to exploit a growing market of clients seeking advice to secure financial products. Brokering better linkages between financial institutions and business support services offers scope to strengthen both 'markets' through a combination of industry body linkages and business-to-business service and promotional partnerships and innovation.

#### Landscape and mapping of BSS

The landscape mapping has generated the fifteen types of organisation groups listed previously. The **Figure** below illustrates an initial map of the BSS market system. The 'supply' is from BSS providers and the 'demand' is from rural SMEs in our target sectors, as shown in the figure.

It can be seen from recent research and workshop outputs, plus the initial (as yet untested) feedback from the rural SME interviews, has generated information that goes beyond the initial scoping of purpose and role (functions) of BSS providers, with further supporting functions and rules. These include: quality assurance; product information; collaboration; networking; regulations and laws; duty of care; prices and subsidies; and compliance policing. **These areas may well reside in systems which are interconnected to the core system.**

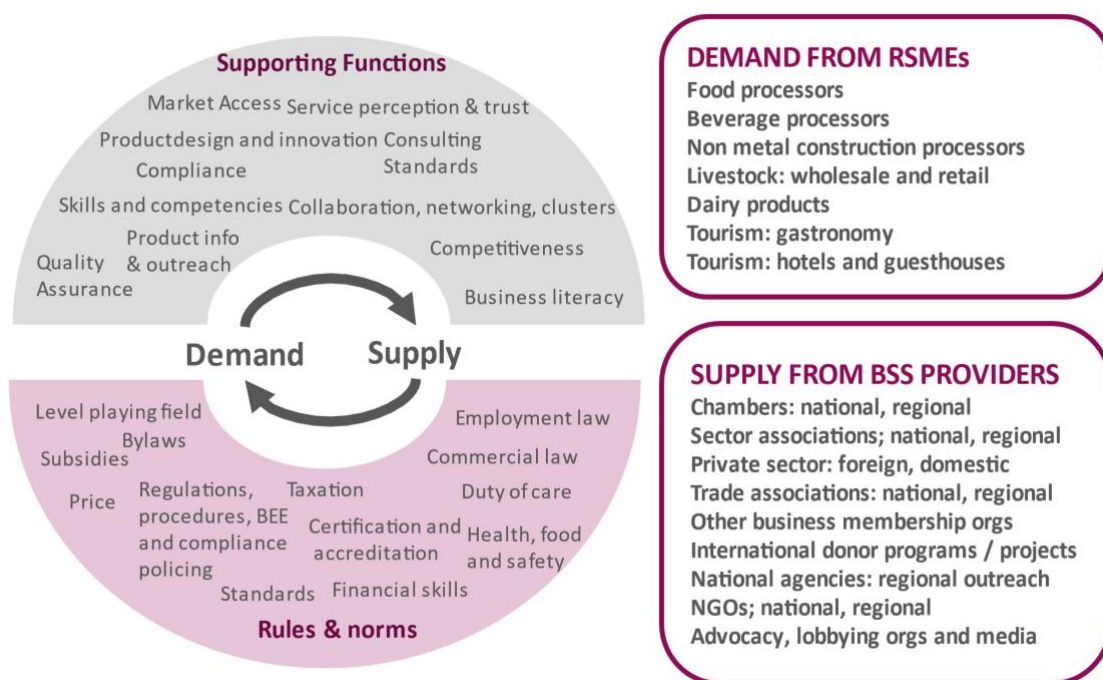


Figure 2: the BSS market system and players



FUNCTION	WHO?	WHAT SERVICES?
<b>COMPETITIVENESS</b>	Private sector providers University of Business and Technology Georgia Innovation and Technology Agency Incubators / Accelerators	Strategic planning Marketing and product / service placement Competitive positioning Innovation support Business planning, attitudes and behaviours Backward and forward linkages (networks)
<b>SKILLS AND COMPETENCIES</b>	Enterprise Georgia Chambers of C & I	Training, coaching, counselling, advisory Shadowing, board representation
<b>ACCESSIBILITY</b>	Trade and sector associations Chambers of C & I University of Business and Technology Incubators / Accelerators	Product quality and testing services Market information (domestic / export) Financial resources and linkages Other business information and know how Networking and linkages – contract support Due diligence for investor readiness
<b>INTERNATIONAL TRADE</b>	International Chamber of C & I Embassies and trade delegations Consultants, accountants, lawyers Larger private sector players & GoG	Access to international buyers International opportunities – trade fairs Quality assurance and certification Accreditation, standards, due diligence
<b>BUSINESS LITERACY</b>	Private sector providers University and colleges	Financial advice, training in costing and reporting,
<b>INDUSTRY ADVOCACY / LOBBYING</b>	Trade and sector associations	Representation, dialogue, facilitating change
<b>COMPLIANCE TO REGULATIONS</b>	Law firms and Auditors	Advice, training, networking and mentoring Due diligence

Figure 3: Initial findings on role and purpose of BSS providers in Georgia

## 4.2 SYSTEM DYNAMICS

NOTE: these are Initial findings – and be further validated and tested in workshops.

In relation to BSS, offers mainly related to: marketing, general management, financial management, different fields of agriculture and industry; and market research and analysis, organisational improvement, market entry and expansion, human resource management, marketing and product development, and in financial and risk management. **These were mainly offered by private sector professional services firms (foreign and domestic)**

### BSS services provided in the market

- Many private sector BSS providers tend to provide **business plans for grant applications** to micro and small enterprises, at prices of between 1500 -5000 GEL and up to US\$ 5000
- Advisory services and training are often provided for free, when sourced from BMOs**

**and BSOs, or for a nominal amount.** Some donor programmes ask rural SMEs to provide 20-30% of the overall cost. Some fee setting is based on how much a rural SME is willing or able to pay (the co-financing share which would be around 500 GEL) to receive grant or loan.

- Many BSS providers target customers that need financial support and want to apply for loans or grants - one respondent mentioned the success rate for grant applications, through Enterprise Georgia, as 12 successful out of 30, a 40% success rate.
- Sector associations and chambers find themselves competing with their members by providing the same or similar services. *We have yet to analyse any perceived quality differentials.*
- Private sector BSS providers rely on a large minority of their revenues (particularly the smaller providers) from donor programmes** and provide several services to these

programmes, such as market research or business consultancy to donor beneficiaries and other target groups. Some BSS providers offer donor programmes grantee monitoring services.

- **Enterprise Georgia** implements government subsidies and financial support but **does not provide more structured financial education to rural SMEs**. We heard of only a one-day course, where participants are required to be registered and pay taxes in order to receive grants. They do offer technical assistance on a request basis and reports suggest the demand for this is very low.
- There are initial signs that smaller rural BSS providers target the following sectors: horticulture, dairy, meat, wool, media, hotels, beverages, insurance, agro-tourism, family vineries, handicrafts, beekeeping. *This requires further testing and validation.*
- There are initial signs that larger and urban BSS providers target the following sectors: restaurants, small hospitals, construction material producers, shops and markets, guesthouses, petroleum, minerals, retail [including chain of supermarkets, technical shops, and wholesale], banks, and healthcare. *This requires further testing and validation.*

#### Impact of the COVID pandemic

- The COVID pandemic forced BSS providers to move away from physical meetings to phone calls and online meetings, or Viber and Whatsapp to maintain service provision and exchanges with clients
- Before COVID the mode of BSS provision depended on the service requested. For example, accounting services or reviews of financial statements did not require site visits. Initial contact was usually by phone and via email. If needed, providers would visit at a later date. The tendency to do site visits only seems to be present when costs are covered by donor programmes or costs are very small and easily absorbed.

#### Business Planning and impact monitoring

- Rural SMEs tend to not understand the significance and utility of a business plan. Rural SMEs that have business goals and a vision value BSS services more and tend to be willing and able to pay for them.
- Large and medium sized businesses that request and pay for BSS also tend to understand the importance of

professionalisation and integrate recommendations into their plans and strategies. Rural SMEs tend not to do this. Only 2-5% of rural SMEs follow the external guidance provided in their business plans

- One association mentioned that their success could be measured by whether they have created an access to a sales channel for their clients
- The majority of BSS providers do not monitor the outcome or impact of their services, or the longevity of their impact, unless required or paid by donors or where it is stipulated in a contract to do so.
- Enterprise Georgia does track survival rates which have been significantly higher for those that have grants (83% vs 40%). However, it remains unclear how Enterprise Georgia monitors loan recipients

#### Drivers and inhibitors to greater engagement between rural SMEs and BSS providers

- The current 'drivers' towards greater engagement between rural SMEs and BSS providers include higher education levels, word of mouth recommendations, major blockages in business progress, **expectations from third parties such as donors, banks, the tax authorities**, the need for loans and grants (*here it seems that the recipient often sees a plan as a means to get money but not as a set of guiding principles to run their business better*).
- The current 'inhibitors' moving away from greater engagement between rural SMEs and BSS providers, include **limited or no understanding of the value and benefits of BSS**, a limited entrepreneurial mindset and culture, no vision or objectives for business, no need to engage, because the business is good enough, misjudgement of skills/knowledge, where rural SME owners think they know what is required about business management.
- The results from interviews tend to suggest that **many rural SME owners do not have sufficient knowledge of business processes and operations**. Costs are an inhibitor as disposable income and reserves are slim - margins for rural SMEs are small (competitive disadvantages and limited opportunities). **Secrecy** is an inhibitor, as many rural SME owners do not like to let an outsider into their business. Initial feedback indicates that many

rural SMEs are eager to limit their tax exposure.

### Operational and business models of BSS providers/ quality of service provision

- Some **BSS providers have been involved in, or have implemented, donor programmes and projects** and this has helped them to professionalise. There are several examples of domestic private sector BSS providers working on many projects and improving their competencies and capacities as a result.
- It seems that **the large majority of private sector BSS providers do not target collaboration with SBOs and BMOs**. This requires further interrogation. There are indications that the SBOs and BMOs are not willing participants.
- Most **private sector BSS providers do collaborate with government agencies**, for example Enterprise Georgia in relation to their subsidy and support programmes, as implementers. For Enterprise Georgia loan and grant applications, rural SMEs pay the provider directly. For donor programmes, rural SMEs tend to pay only 20-30% of fee (as above).
- Some BSS providers have professional networks with MEPA, RDA and others, as advisors. Several respondents (private sector BSS providers) have provided financial management services to several donor programmes.
- Some BSS providers, including sector associations and business membership organisations aim to collaborate with banks to support better standards and quality of loan applications.
- Some BSS providers use public agencies like RDA to get contacts for rural SMEs. Some collaborate with municipalities, working out of municipal office and buildings.
- With reference to preferred business models – for private sector BSS providers – we are seeing four broad models: 1) company; 2) individual consultants; 3) associations; and consultancies affiliated to research and universities. The signs are that privately owned BSS providers seem to be more effective, and sustainable than BSOs and BMOs.
- Business to business (B2B) oriented BSS providers tend to participate in tenders for project implementation and target donor contracts for one off, short term technical

support, for example, research, monitoring or evaluation.

- Business to consumer (B2C) BSS providers, tend to support their clients to get funds and are paid for services once they have received funds (grant or loan).
- In simple terms large BSS providers who specialise in business planning, tend to focus on urban based companies in high value sectors, whereas small to medium sized BSS providers tend to serve clients in more in rural areas and smaller enterprises focusing more on rural and low value sectors.
- Regarding **human resources models**, BSS service providers tend to recruit and utilise sector experts and thematic professionals, but also employ students in the expert mix. Individuals, operating as independent providers, tend to have been previously involved in development aid projects.
- Regarding **service innovation**, some BSS providers, including accounting service providers have diversified products and have started to provide online training since the pandemic. Others have diversified their services across many key operational and technical areas from accounting, tax, law, to human resources management, to technical and operational standards and regulation compliance areas such as occupational safety and food safety. Feedback suggest that several BSS providers are starting to think about service innovations in existing and new markets. There are emerging signs of portals, and other digitised platforms to support client needs and it is noticeable that various donors wish to establish growth hubs – decentralised small service provider centres.

### Rural SME business and operational models and service requirements

- **Most rural SMEs have no clear marketing strategies or objectives**, they tend not to use differentiated marketing channels and rely more on word of mouth. Many smaller BSS providers or associations do not have a website. Those that have a website, associations and chambers, have outmoded structures and navigation systems with inaccurate content. Some SBOs and BMOs suggest that websites are not a good channel to attract new clients. They are rarely contacted through their website. This could be due to rural SMEs not being able to access websites or that the websites, when accessed,

are unappealing. There are signs that some BSS providers have started to use Facebook (below the line marketing). One respondent mentioned a 'following' of 11,500. Passive marketing seems to be the preferred mode of connection, using past business connections and recurring business from existing clients. Enterprise Georgia has also started recently to use above the line marketing channels, such as television and they report being very happy with resulting outreach in 2020. It seems that there is no differentiated communications channels relating to gender. Reliance on donors who connect them to MSMEs or pay them to find MSMEs

- **Few, estimated to be as little as one in 20, rural SMEs have clear business goals** and most rural SMEs only look 12 to 24 months ahead when planning their businesses. Larger companies tend to have five-to-10-year planning horizons.
- When asked about the **main topics that they would like advice on**, most rural SME respondents included one or more of the following in their responses: food safety; better use of land; digitisation; cooperation and partnerships; better awareness on general management issues; marketing and competitive positioning; sales and negotiating; optimising sales channels; understanding markets and customer needs and behaviours; managing people; knowledge of accounting and record keeping; forecasting and planning.

### 4.3 GOING FORWARD

Further work is helping the RSMEDP to understand the BSS system landscape. Organisation types and players in the system are constantly being identified that might be useful to the project as it moves into the next phase of qualitative research activities. Such organisation types and players include: think tanks and other research and influencing organisations; media organisations (social and mainstream channels); employers' associations and labour groups; government departments; large businesses representing value chain opportunities; community development centres; open society Georgia; centre for migration; EU-Georgia business council; Eurasian partnership foundation; economic prosperity initiative (linked to the EU4Business programme); and the innovative partnership for Georgia.



## 5 SWOT ANALYSIS

Overall, at this stage the current situation of the BSS and rural SME system can best be articulated through a SWOT [strengths, weaknesses, opportunities and threats] analysis.

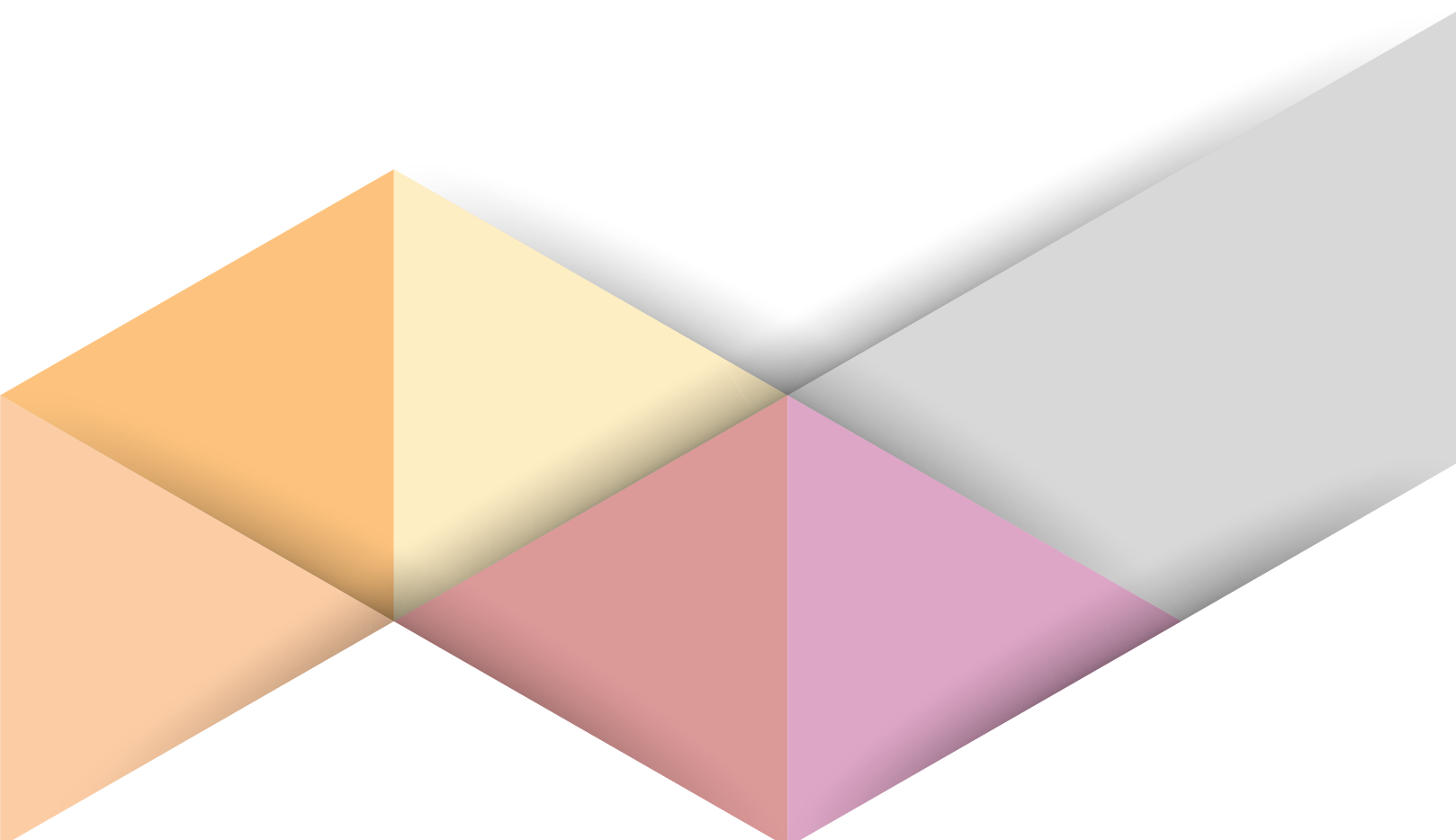
*Note that this is based on early and unvalidated information received from interviews as well as initial secondary literature research exercise.*

### SWOT Analysis

- Georgia has many **strengths** including a generally favourable business enabling environment, rural infrastructure, and low levels of petty corruption, and a supportive policy environment. There are a range of business providers and relatively low cost of access to markets.
- **Weaknesses** include the lack of business skills and experience of rural SMEs and the challenges BSS providers face in delivering services in rural areas. Costs of technology (not least due to poor access to appropriate finance), access to skilled labour and services, and relatively low levels of partnership and collaboration in the market are critical issues.
- However, there are a number of **opportunities** including: the policy environment favouring formalisation of industries and market liberalisation; potential for improvements in skills provision including vocational education and life-long learning; the presence of an expanding Enterprise Georgia service portfolio; and a relatively sophisticated access to finance sector which can be harnessed to improve performance.
- **Threats** that remain include: the ongoing pandemic and external economic and geo-political factors; relatively low investment in the rural economy; insufficient export capability compared to regional neighbours; and the insufficiency of business support programmes to support rural SMEs towards greater growth and resilience.

STRENGTHS	WEAKNESSES
A favourable business enabling environment. A reasonable transport and trade infrastructure Availability of BSS for rural SMEs via EG Low levels of corruption Several BSS providers, including different models. Positive donor landscape supporting SME growth. Relatively low-cost access to markets. Positive national policy environment	Lack of business skills and experience Unwillingness for many rural SMEs to change. Low levels of competitiveness BSS providers face challenges delivering to rural areas. Many rural SMEs not willing or able to pay for services. Low levels of productivity Low volume of relevant labour skills and experience Low level of product and service innovation Limited capacities for technology absorption Low level of partnership, collaboration in the market Cost of technology and equipment is prohibitive. Challenges accessing appropriate finance. Quality and critical mass production issues
OPPORTUNITIES	THREATS
Enhancement of international cooperation New and relevant donor programmes Increasing access to finance via developing sector Free trade agreements and EU EPA More public procurement More private contracting Clustering, incubators, and accelerators Demand oriented VET system. Decreasing non-tariff barriers to trade Increasing more demand driven support to SMEs (slow) Development of life long entrepreneurial learning Enterprise Georgia expanding portfolio and services. Signs of production diversification (slow) Increasing SME involvement in policy development	External economic factors, including global pandemic. Political and financial uncertainty Low investment in the rural sectors and industries Insufficient export capabilities Low international competitiveness of SMEs Insufficient participation in business programmes

Figure 4: Summary SWOT analysis.



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A consortium of **Swisscontact**,  
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RSMEDP Technical Note: BSS Services in Georgia

5 Mikheil Asatiani Street,  
Tbilisi 0177, Georgia

[Info.georgia@swisscontact.org](mailto:Info.georgia@swisscontact.org)