Importance of SMEs in Greening the Economy in Georgia

EaP Green

Ministry of Environment and Natural Resources
Protection of Georgia

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Importance of Green Economy for Georgia

Why?

- Determinant of Sustainability
- Goes Beyond GDP
- New Opportunities
- International Responsibility
Importance of SMEs in Georgia

“Unlocking the hidden power”

- Often Innovation-driven
- Often Substitutes Import
- Higher flexibility
- Lower Inequality
Facts on SMEs in Georgia

Share of SMEs

<table>
<thead>
<tr>
<th>Active Enterprises</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>50 536</td>
<td>85</td>
</tr>
<tr>
<td>Medium</td>
<td>5 427</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>59 556</td>
<td>94</td>
</tr>
</tbody>
</table>

Share of Enterprises 2013

- SMEs: 94%
- Large Enterprises: 6%
Facts on SMEs in Georgia

292% increase

297% increase
Facts on SMEs in Georgia

2006-2013

Growth

- Employment rate in SMEs: 36%
- Intermediate consumption of SMEs: 135%
- Investment in fixed capital: 117%
- Consumption of goods and services: 300%
Outcomes from Greening SMEs

“Government needs”

- Business Diversification
- Higher Efficiency
- Global Access
- Environmental Impact
Challenges of Greening SMEs

- **Regulatory**
  - Lack of updated *legislation* addressing greening SMEs

- **Institutional**
  - Weak *business management*, including company culture
  - Limited *technical, financial* and *institutional capacity*
  - Lack of capacity and *human resources*

- **Financial**
  - Higher *costs of environmental technologies*
  - Focus on *short-term* financial profitability
  - Lack of *financial support* and incentives

- **Educational**
  - Low *environmental awareness*
  - Limited *researches on SMEs* green development
  - Lack of *understanding of green practice advantages* to reduce costs
Priorities in Greening SMEs

“Innovative Education

Environmental Information

Financial Stimulus

Technology Transfer

Top-Down Initiatives
Greening SMEs

Promote Commercial Benefits of Improved Environmental Performance for SMEs

- Profit
- New Markets
- Competitiveness
Top-Down Initiatives

Business Climate

Eco Labeling

Innovative Legislation

Success Recognition

Green Procurement

Georgia – N15 in “ease of doing business” (WB)
National Legal Framework

- Tax Code of Georgia (1997)
- Law on Control of Entrepreneurial Activities (2001)
- Law on Support for Investment Activities and Guaranties (1996)
Policy Framework

Supporting SMEs

1. Government Programme “For Strong, Democratic, United Georgia”
   - Support SMEs will ensure growth of the volume of their goods and revenues
   - Enterprises will comply with the modern standards of environment protection

2. Socio-Economic Development Strategy of Georgia “Georgia 2020”
   - Government will improve access to funding, especially for SMEs
   - Main principle is rational use of natural resources, ensuring environmental safety and sustainability
Policy Framework

Supporting Green Economy

3 Country Environmental Assessment
(World Bank)

2 components:
• State of the Environment and Cost of Environmental Degradation
• Institutional Capacity Assessment Related to Key Environmental Priorities

4 Environment Performance Review of Georgia 2010-2014
(UNECE)

New chapter:
Economic Instruments, Environmental Expenditures and Investment for Greening the Economy
Programs Facilitating SMEs Activities

Bank Sector

- Environmental and social policy unit
- Agro-credits for farmers
- Simplified business loan procedures

- Business support program “7 steps for success” supporting SMEs
- Trainings and consultations for SMEs

- SMEs support program:
  Trade, industry, export-import, service, tourism
Government Support for SMEs

Produce in Georgia

Goals:

✓ SMEs development
✓ Support Entrepreneurs
✓ Regional market development
✓ Local population income growth
✓ Support micro-business start-up programs
✓ Support economically vulnerable areas
Produce in Georgia

3 Components

1. Financing new manufacturing - Industry
2. Financing new manufacturing - Agriculture
3. Support Micro Start-ups

Budget
GEL 46 Million
Produce in Georgia

Priority Sectors

Industry

Construction Materials
Paper and Paperboard
Wood Processing
Metal ware
Mineral and Still Water
Rubber and Plastics Produce
Automotive Industry Apparel
Industry Electric Equipment
Chemicals, Pharmaceuticals
Food Products Industry

Agriculture

High-tech Greenhouses
High-tech cattle farming
2 geological trails
Cattle, bird, fish factory
High-tech bird factory
Fruit, Berries, Vegetables, Citrus Processing
Nuts
Wool, leather processing
Tea, tobacco processing

GEL 16 Million
GEL 30 Million
Promoting Green Economy

EEEB

Economy of Ecosystems and Biodiversity

- Hydropower
- Forest Policy
- Agriculture
- Tourism
- Mountain Industry
Promoting Green Economy

Recognition of the Success

Green Company
Green Product
Green Building
Person of the Year
Technology of the Year
Educational Projects

- Certified courses
- Environmental component in national curricula
- Trainings for environmental specialists
- Informal educational campaigns
- Competency Units

- Awareness Raising Campaigns
- Scientific researches
- Youth Educational activities
Future Vision

- SME Benefits in EU Approximation
- Green Standards
- Open Data
- Public Awareness
Thank you!

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