

UNDP's regional Aid for Trade project 'Wider Europe: Aid for Trade for Central Asia, South Caucasus and Western CIS', financed in the context of Finland's Wider Europe Initiative, focuses on the identification of capacity gaps and technical assistance needs both at the national and sub-regional level in Central Asia, the South Caucasus and Western CIS and support of economic development in the areas located along the selected transport corridors, helping small entrepreneurs to gain from new trade opportunities.

The **Wider Europe Initiative** is Finland's harmonized regional development framework. The initiative targets the following themes: security, trade and development, information society development, energy and the environment and social sustainability. The framework includes three regional cooperation programs – in Eastern Europe (Belarus, Moldova and Ukraine), the South Caucasus (Armenia, Azerbaijan and Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan).

The **Needs Assessments** produced under the Aid for Trade project form part of a long-term vision of developing trade capacities, which will benefit human development in the region. The recommendations presented are expected to constitute the basis for a second phase (2011-2013), focusing on the implementation of the recommendations developed in the national and regional Needs Assessments.

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# Aid For Trade Needs Assessment – Georgia Trade and Human Development



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## Business Climate

The Georgian Government undertook a very ambitious institutional and business reform program since 2003. Elimination and simplification business regulations boosted the countries competitiveness and facilitated international trade.

Economic reforms reduced bureaucratic obstacles, hence making it possible for business to expand their operations, create new jobs and increase employment and output.

Business reforms were accompanied by significant capital inflows and GDP growth. Georgia became the top reformer country in the world, that allowed maintaining economical growth during the global financial crisis and demonstrated resilience after the Russia-Georgian army conflict in 2008.

## Economic Growth and Trade

The growth in Georgia has mainly been macroeconomic, and was associated with excess absorption and credit expansion, and foreign investment mainly in non-tradable sectors.

At the quality of economic growth have remained low with respect to social sustainability and innovations. In particular, economic growth was not related to innovations and investment in high-technology industries, to increase employment and equity in income distribution.

**At the same time business climate reforms have touched a little on small and medium business and the sensitive sectors to trade, like agriculture, which remains to be the largest employer. The share of small and medium businesses has not undergone significant changes in the recent period and agriculture sector demonstrates low levels of investment and poor trade performance, due to political, institutional and human capital obstacles.**

The result of analysis of the foreign trade relations of Georgia show, that trade liberalization effort stimulated export, but in fact, exporters haven't been able to make use of the international trade preferences largely.

program of TBT (Technical Barriers for Trade) in the frame of preliminary negotiations with FTA (Free Trade Agreement), there is need of improvement of trade service institutions on legislative level as well as need of its practical implementation.

## Trade and Human Development

The study finds that the reduction of inequality, poverty and unemployment rates and promotion of job creation in the private sector is still an urgent necessity for Georgia, without which attaining of social cohesion and as sequence ensuring economic development will not be feasible. Important way to deal with this issue is attaining high productivity levels in sectors employing large shares of workers through elaboration and implementation of development strategies oriented on efficient restructuring and upgrading of human capital.

Circumstances under which Georgian enterprises compulsory were forced to diversify export routes has revealed need to improve such as skills and knowledge of labor force, technology, infrastructure and logistics of organizations.

Business reforms have to be supported with adequate measurements in the field of human resources in order to promote and intensify foreign trade and stimulate exporters benefit growth from easy doing business.

## Agriculture and Wine Industry

**Study emphasis on one of main sector of economy of Georgia, shows that the increase of employment in Georgia is related mainly to activities in the agricultural sector and business climate reforms. Agriculture production needs support and readjustment in order to increase export capacities of Georgian agriculture entrepreneurs and find out ways to improve its competitiveness.**

Examination of the Georgian wine industry reveals need in specialists and adequate scientific knowledge, requested training of high-qualified wine and vine specialists; improving educational

capacities; supporting scientific and research activities; establishment of market information and intelligence system, the differentiation strategy focused on creation of strong brand awareness. Introduction of special support program in such areas as mechanization, use of fertilizers and irrigation, agriculture management practices, organization, providing quality and safety controls will enhance efficiency of farms and improve trade capacity that heavily has been shaken after the introduction Russia embargo, the former trade partner of Georgia.

The results show that trade liberalization, will be beneficial for the agricultural markets due to positive welfare effects and further support of SME and entrepreneurship in key sectors should be considered by policy makers.

## Areas for Support and Recommendations

Enhancement of trade competitive proficiency should be promoted, on the one hand, by building up of institutional mechanisms by the government, and, on the other hand, through partnership relationships and joined efforts of private companies. To ensure and long term economic development, and stable growth rates, the social impact of growth must be improved alongside the elimination of barriers for producers that want to produce for export.

Key priority areas are: support Government of Georgia for national trade policy-making development and increase coordination between state institutions; strengthen information, research and training in support of trade policy making; strengthen capacity of public and private trade development institutions, develop capacities of Georgian Accreditation center and National Agency for Technical Regulations, Standards and Metrology, sanitary and phyto-sanitary capacity; improve trade promotion services; improve access to credits and insurance; improve transportation and logistics; promote Georgian wine export and sector development (Establishing and promoting "Brand Georgian Wine" (BGW) at global markets); increase resources for agricultural and agro-food research; establish agricultural and Agro-food extension services vocational education in agriculture and manufacturing.