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The Role of the CSOs in DCFTA Implementation in Georgia

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The Role of the civil society in DCFTA Implementation in Georgia

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- Given the broad nature and extensive list of the legislative approximation, the implementation of the DCFTAs requires immense efforts, which in particular, puts forward the role of Civil Society Organizations (CSOs) to support SMEs, in general lacking competences, skills and resources to reap the benefits of the DCFTAs.



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Research Methodology

- The main goal of the research is to identify different roles and positive added value of the civil society in the DCFTA implementation process, by drawing a comparative assessment between Georgia, Moldova and Ukraine and highlighting the good practices, as well as limitations of the civil society engagement in the three states.
- The methodology of the study comprises of desk research that mapped civil society implemented projects in three countries. Quantitative analysis of the relevant trade and economic indicators, consultations with the international experts, interviews with the local experts (16 interviews in total) as well as online focus groups with the local civil society and SMEs representatives (48 focus group participants in total).

Civil society mapping

Thematic focus: Export in goods.

Activity-related focus of civil society mapping:

1. Analysis: Research conducted by civil society related to DCFTA trends, challenges, etc.
2. Awareness raising: events conducted by civil society bringing relevant stakeholders (Government, SMEs, other civil society and associations) together to discuss challenges and prospects related to DCFTA implementation in target countries.
3. Capacity building: training conducted for SMEs by civil society in the target countries.
4. Matchmaking: civil society efforts to support local SMEs in the process of identifying partners in the European Single market.

Overview of SME dynamics in Georgia

SMEs are the backbone of Georgian economy (99.7%) sourcing:

- 64% of business sector employment
- 61% of value added
- 67% SME workforce are employed in the business sector
- By SMEs' market access and uptake of business development services, Georgia scores the highest across the whole EaP region

Challenges that SMEs face:

- Low productivity
- Low-value-added sectors: wholesale and retail trade (35%), construction (20%) and manufacturing (20%)
- Providing half of international trade flows and one third of Georgia's trade with the EU



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Impact of the DCFTA on SME's exports

New products exported to the EU

- Agricultural
 - fresh fruits and vegetables
 - jams and canned vegetables
 - dried fruits
 - four new groups of products of animal origin
- Non-agricultural
 - Pet furniture - skyrocketed from USD 21,000 in 2014 to USD 10.5 million in 2019 (1072% growth)

New EU markets

- Austria, Belgium, Germany, Greece, the Netherlands, Lithuania, Latvia, and Romania



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Good practices of civil society engagement

- Match-making and networking opportunities with representatives of enterprises operating in the EU Single Market.
- Projects that were focusing on the capacity-building of local CSOs through training with field experts that allowed them to engage in advocacy campaigns, provide advice to SMEs, and overall contribute to DCFTA implementation.
- Events and discussions organised by civil society organisations, where SMEs can meet policymakers and directly discuss their challenges and offer solutions and recommendations on their part.
- Organizing in-person discussions with local SMEs who already have experience of exporting on the EU Single Market (success stories).



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Limitations of civil society engagement

The number of exporting SMEs is quite low, around 800 (0.6% of Georgian enterprises)

- The lack of access to the long-run and low-cost finance
- SMEs struggle with the costly process of adopting the EU standards in practice:
 - Around 98% of registered standards in Georgia were already European and international (SPS and TBT)
 - No mutual recognition with the EU laboratories
- Lack of the needed quality laboratories in Georgia
- Lack of access to the fridge/freezing facilities before/while exporting the agricultural products to the EU
- Costs associated with transporting the goods (even by post)
- Small-scale and inefficient production processes
- Seasonality of most of the agricultural products produced by SMEs
- Lack of practical exchanges with the EU companies and the successful SMEs already exporting to the European market
- Lack of capacity and professional knowledge of CSOs to engage with the SMEs on the issues around the DCFTA
- Lack of CSOs efforts to complement the government's efforts



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Recommendations

For the Georgian government:

- Help SMEs to adopt EU standards; establish a laboratory in Georgia which could provide a certificates on food safety that could be recognised in the EU.
- Help SMEs set up the fridge/freezing facilities.
- Ensure a level playing field by pursuing the needed competition
- Improve SMEs' access to long-run low-cost finance, create a national credit guarantee fund for SMEs, lower or subsidize interest rates on loans and provide alternative sources of financing other than loans.
- Invest in upscaling their production capacities.
- In consultations with the EU and Black Sea neighbour EU member states, develop transport corridors.

For the EU:

- Support Georgia to establish the laboratories and freezing facilities.
- Support Georgia in establishing transports corridors with the EaP and EU member states.
- Continue more tailored support programs via ENPARD and EU4Business to help SMEs in upscaling their production capacities and implement EU standards in practice.



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Recommendations

For civil society:

- Increase engagement with SMEs. Improve the coverage of DCFTA-related issues which are useful for SMEs.
- Develop tailored trainings for SMEs by considering the major setbacks faced by SMEs when starting or upscaling their exports to the EU.
- Engage in advocacy for SMEs when they face limitation in their trade activities.
- Engage in mainstreaming the interests of SMEs by participating more actively in public consultations run by the Georgian government.
- Support networking among SMEs by helping them to find business partners within Georgia, as well as in the EaP region and across the EU member states.



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Thank you very much for your attention

Q&A



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CSOs Role in DCFTA Implementation in the Trio States

Key findings

GEORGIA:

- Georgian civil society has limited capacity and resources to effectively advocate SME interests;
- There are gaps in the communication and coordination between Georgian civil society and SMEs as well as government representatives.
- SMEs in Georgia suffer from low productivity and are mostly concentrated in low-value-added sectors.



MOLDOVA:

- In Moldova, the role of civil society in informing SMEs about DCFTA components and opportunities is limited.
- The Moldovan civil society has an active policy dialogue with the governmental authorities and EU institutions, using different platforms of interaction;
- There are no precise statistics on SMEs' share in overall Moldovan exports to the EU.



UKRAINE:

- In Ukraine, there are 35 civil society organizations that implemented 66 projects promoting exports to the EU in the DCFTA framework.
- In Ukraine, the particular effectiveness of matchmaking directly connects Ukrainian enterprises with European partners.
- Ukrainian civil society faces the lack of cooperation and coordination among civil society itself, communication gaps between civil society and SMEs, and a lack of resources.

