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**UN JOINT PROGRAMME EUROPEAN UNION INNOVATIVE ACTION FOR  
PRIVATE SECTOR COMPETITIVENESS IN GEORGIA (EU IPSC)  
ANNUAL PROGRAMME NARRATIVE PROGRESS REPORT  
REPORTING PERIOD: 1 JANUARY – 31 DECEMBER 2022**

Programme Title & Project Number	Country, Locality(s), Priority Area(s) / Strategic Results
<p>Programme Title: UN Joint Programme European Union Innovative Action for Private Sector Competitiveness in Georgia (EU IPSC) Programme Number ENI/2018/401-351</p> <ul style="list-style-type: none"> <li>MPTF Office Project Reference Number: 00114145</li> </ul>	<p>Country/Region: Georgia/Kakheti and Imereti</p> <p>Priority area/ strategic results <b>Business sophistication, innovation and entrepreneurship</b></p>
Participating Organization(s)	Implementing Partners
<ul style="list-style-type: none"> <li>Organizations that have received direct funding from the MPTF Office under this programme</li> </ul> <p><i>UNDP, UN FAO, IOM and UNIDO</i></p>	<p>National counterparts (government, private, NGOs &amp; others) and other International Organizations</p> <p>Ministry of Economic and Sustainable Development (MoESD) and its agencies Enterprise Georgia, Georgian Innovations and Technology Agency, the Ministry of Environmental Protection and Agriculture and its agency Scientific Research Centre and the Diaspora Relations Department Ministry of Foreign Affairs.</p>
Programme/Project Cost (US\$)	Programme Duration
<ul style="list-style-type: none"> <li>Total approved budget as per project document:</li> </ul> <p>Agency Contribution (<i>by Agency</i>)</p> <ul style="list-style-type: none"> <li><b>EU USD 5,693,500</b></li> <li><b>UNDP USD 80,000</b></li> <li><b>FAO USD 50,000</b></li> <li><b>UNIDO USD 20,000</b></li> </ul> <p><b>TOTAL: USD 5,843,500</b></p>	<p>Overall Duration (<i>months</i>) <b>4 Years</b></p> <p>Start Date: <i>(dd.mm.yyyy)</i> <b>1 February 2019</b></p> <p>Original End Date <i>(dd.mm.yyyy)</i> <b>31 January 2023</b></p> <p>Current End date <i>(dd.mm.yyyy)</i> <b>31 July 2023</b></p>
Programme Assessment/Review/Mid-Term Eval. – NA	Report Submitted By
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## LIST OF ABBREVIATIONS

RDA	Rural Development Agency
CAC	Conformitas Agraria Communitatis
CMO	Cluster Management Organization
CMT	Cluster Management Team
DCFTA	Deep and Comprehensive Free Trade Agreement
EPR	Extended producer responsibility
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GEOSSA	Georgian Seeds and Saplings Association
GFA	Georgian Farmers' Association
IOM	International Organization for Migration
ISF	International Seed Federation
MEPA	Ministry of Environmental Protection and Agriculture
MoESD	Ministry of Economic and Sustainable Development
NFA	National Food Agency
SRCA	Scientific Research Centre of Agriculture
SLA	State Laboratory of Agriculture
PRO	Producer Responsibility Organization
UNDP	United Nations Development Programme Georgia
UNIDO	United Nations Industrial Development Organization
PMAG	Packaging Manufacturers' Association of Georgia



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## EXECUTIVE SUMMARY

The present reporting period encompasses the fourth year (2022) of the UN Joint Project, which aims to bolster the comprehensive viability of the Georgian private sector through cluster enhancement strategies that can be translated into the effect of advancing market-oriented and innovative entrepreneurial practices for job generation and enhanced corporate sagacity in the long run. In the current reporting period, UNIDO has established the Georgian Marine Fishing Cluster and Georgian Biopharmaceutical Cluster and has implemented a series of cluster-level collective activities. Both clusters were established as a Non-entrepreneurial Non-commercial Legal Entity. Corporate identities, websites and social media have been created for digital presence. Furthermore, herbal pharmaceuticals, bacteriophage, as well as toys and jewellery producers were capacitated on digital skills, that allowed them to increase significantly their online sales. Georgian Marine Fishing Cluster quickly became a main actor to facilitate discussion with the state agencies of Georgia and foreign counterparts and to represent the interests of the members, leading to such initiatives as mediation with a shipbuilding company in Turkey, and the signing of an amendment to a legal act. The Georgian Biopharmaceutical Cluster benefited from training sessions in Good Manufacturing Practice (GMP), a practical tour in a GMP accredited laboratory in Tbilisi and 39 individual coaching sessions with five pharmaceutical companies. One company passed Good Distribution Practice (GDP) accreditation successfully and more companies are on the road towards GMP certification. More coaching sessions and five more trainings are being planned on GMP in 2023.

UNDP provided a range of services to bolster the packaging clusters of Kakheti, Imereti, and Tbilisi, such as strategic planning, capacity building, and the promotion of entrepreneurship through consultancy, coaching, sector-specific initiatives, research, data-driven decision-making, the facilitation of local and international partnerships, strategic investments to tackle key issues, direct engagement with relevant stakeholders, and the implementation of environmentally friendly packaging and production practices. This aid enabled policy-makers and other stakeholders to recognize and develop clusters better and enabled the packaging cluster to pioneer efficient and effective practices. UNDP in 2022 significantly contributed to the progress of economic growth and the enhancement of the capacities of the Packaging Manufacturers Association of Georgia (hereafter PMAG) and its members, including their strategic plans and initiatives. Through the implementation of their project, UNDP was successful in furthering market-driven and innovative business models, which generated job opportunities and improved the sophistication of businesses. The overarching goal of UNDP was to improve the innovation, cognizance and potential of the cluster management organizations and member companies within the packaging value chain. Moreover, their initiatives in the private sector of Georgia sought to further the development of SMEs while emphasizing the promotion of digitalized, environmentally friendly and equitable growth. The membership and regional coverage were broadened within 2022 through project support. In 2022, PMAG united 67 member companies and (92 members in 2021). Except from these members, the cluster has 11 free/honorary members, and 3 companies are pending (potentially 2 will be full members and 1 associated member), they are waiting for the board



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decision to join the cluster. In total, based on this information PMAG unites 81 member and potential member companies for the time being. Significantly, the total sales of the member companies quadrupled if compared with the start of the project in 2019 - In 2022, 67 members total sales surpassed 216 mln GEL (compared to 56 mln GEL from 2019 (from 8 members)) with the total employment reaching 1880 people.

The FAO is one of the implementing partners of the EU IPSC project in Georgia, and its role has been to enhance the competitiveness of the fruit sector by implementing targeted interventions to tackle the pressing issues faced by the sector, involving various stakeholders. The first phase of the project focused on creating a certification system for sapling nurseries and improving the capacity of sector and government staff, while the second phase aimed to improve phytosanitary quality and modernize the sector to meet European standards. The interventions carried out by the FAO have resulted in significant progress towards achieving the project's objectives. In the reporting period, FAO has collaborated with Georgian government ministries such as MEPA, SRCA, and NFA to develop a certification system for sapling producer nurseries during the reporting period. This certification system aims to establish mandatory quality, phytosanitary, and management practices for sapling production to ensure the viability of the entire fruit value chain. FAO is working closely with relevant stakeholders to ensure compliance with these standards, utilizing best practices from other countries and Europe to enhance competitiveness in the sector. From the non-governmental side, FAO supports the seeds and saplings sector through the Georgian Seeds and Saplings Association (GEOSSA), created in January 2021 with the project's support. As the Cluster Management Organization (CMO) in the fruit saplings sector, the Association has attracted 24 members, including fruit and grape vine sapling producers and other companies throughout the country. GEOSSA and FAO have already achieved several milestones towards helping member nurseries comply with CAC qualification requirements. These include individual consultations and numerous technical trainings, as well as support with propagating basic or certified materials, grafting equipment and infrastructural items. Additionally, awareness-raising and promotional activities have been conducted to inform cluster stakeholders about the upcoming regulation, CAC standard, and the certification system.

FAO is providing comprehensive support to the private sector in order to promote the sustainable development of perennial fruit value chains. To facilitate this, numerous trainings have been conducted, imparting technical knowledge on essential topics such as pruning, Integrated Pest Management (IPM), varietal selection and more. These sessions have been conducted by FAO's international experts, who have showcased best practices through both theoretical and practical demonstrations.

During the reporting period, IOM furthered support in B2B networking between the Georgian diaspora and Georgian businesses in packaging (including Food & Beverage producers), pharmaceuticals (bacteriophage and plant-based medicine) and Seeds & Seedlings sectors. In particular, the Diaspora Networking Event was held in Nuremberg, Germany, bringing together Georgian SMEs participating in the international trade fair- Fachpack 2022, and diaspora

representatives from Germany. The networking event aimed to support local entrepreneurs in finding potential partners from the diaspora community to support export promotion. Georgian producers were able to discuss opportunities for diaspora engagement and generate new business linkages for export development. Also, during the reporting period, IOM contributed to achieving enhanced entrepreneurship and business sophistication by engaging qualified diaspora members in temporary assignments for CMOs and business training sessions. In cooperation with FAO, UNDP and UNIDO, IOM has initiated three such diaspora assignments. The project contributed to enhanced awareness of the potential for diaspora engagement in local development initiatives through targeted workshops with the regional and municipal governments in Kakheti region; as a result of these workshops local governments have initiated the migration mainstreaming process in the mid-term municipal development documents (MDDs) of these municipalities. The diaspora web portal was regularly updated by the portal administrator throughout the reporting period. This function was eventually taken over by the Diaspora Relations Department, MFA, by introducing the diaspora web portal administrator's position in its staff composition, thus ensuring the sustainability of the portal content development process.

The detailed performance annual reports for each program, UNIDO, UNDP, FAO, and IOM are presented as separate annexes<sup>1</sup>.

## **I. Purpose**

The JP endeavours to augment the acumen of government bodies, local organizations, and corporations while emphasizing the efficacy of such strategies by enhancing business sophistication and fostering entrepreneurship. To accomplish this purpose, the four key results/outputs will be realized through the joint efforts of the associated UN Agencies:

1. Strengthened capacities of policymakers to identify clusters and support the establishment of SME clusters (Implementor UNIDO).
2. Developed pilot clusters for the two sectors of packaging and seeds/seedlings through the support of cluster management organizations (Implementor: UNDP Georgia – Packaging, FAO – Seeds/Seedlings).
3. Development and support of strategic investments in companies deemed necessary to improve the cluster. (Implementor: UNDP Georgia).
4. To enhance the ability of national and local-level institutions and businesses to identify and connect with the diaspora for sector development, skill transfer and financing. (Implementor: IOM).

To accomplish the stated objectives, the JP works to increase entrepreneurship and business acumen, foster local production, diversify the economy, and open up trade opportunities by

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<sup>1</sup>Annex: UNDP Detailed Actions Performance in supporting packaging cluster CMO strengthening and EPR 2022

Annex: FAO Detailed Actions Performance 2022

Annex: IOM Detailed Actions Performance 2022

Annex: UNIDO Detailed Actions Performance 2022

promoting ‘cluster’ development to optimize value chain efficacy and collaboration, investing strategically in individual enterprises, and reaching out to the Georgian diaspora as an underutilized asset for business growth. This is achieved through collaboration at institutional, sectoral, geographic, and individual business levels. The JP initiatives are anticipated to be instrumental in the advancement of the private sector in the nation by devising a policy for clusters, evaluating experimental models for cluster assistance via Cluster Management Organizations and individual enterprise assistance via strategic investments, as well as promoting the incorporation of the Georgian diaspora into the process. Subsequently, JP is consonant with the Strategic United Nations Planning Framework (e.g., UNDAF).

## **II. Results**

### **i) Narrative reporting on results**

The joint actions of UNIDO, UNDP, FAO and IOM contributed to proceeding to achieve the outcome of enhancing entrepreneurship and business sophistication by strengthening the capacities of government and local entities to develop and operate clusters and supporting companies directly with strategic investments while also demonstrating the effectiveness of these strategies to businesses. The changes and results attained stem from the activities facilitated and planned by these programs. The output level changes regarding the indicators are presented below for each program.

#### **1. Progress on outcome indicators**

**Outcome:** Enhance entrepreneurship and business sophistication by strengthening the capacities of government and local entities to develop and operate clusters and supporting companies directly with strategic investments while also demonstrating the effectiveness of these strategies to businesses.

**Indicator 1.** # Of identified potential clusters (*Tbilisi, Kakheti and Imereti*) (baseline – 0, target by 2022 – 10) was fully achieved. Two clusters in the packaging sector (UNDP) and the seeds/seedlings sector (FAO) were identified initially. For UNIDO, the indicator was successfully achieved during previous reporting years with mapping of *57 emerging and potential clusters* in manufacturing, agribusiness, and primary agriculture in 2019 and validated findings in 2020.

Significantly, in this regard, UNDP plans to go beyond the packaging sector and conduct diagnostics and identify potential clusters for the other related sectors that will serve as the reasonable development of the packaging sector activities. These interventions will be based on the experience gained through the previous years in the packaging sector and contribute to the curing two major areas for the export products – organizing the export processes, for instance, formalizing logistical matters, and secondly, guaranteeing the quality of the product, relevant to the international requirements, before packaging processes start.

**Indicator 2.** *The growth rate of selected clusters' members' turnover (baseline – 2018 output data, target by 2022 – 20% growth) was achieved fully as for the UNDP PMAG cluster.*

Average turnover of the packaging cluster member companies, due to the pandemic reality, for 2020 decreased by 12.4% compared to 2019, however in 2021 and 2022 sales recovered again. In 2022 sales figures of the cluster member companies were higher by **108.3% compared to 2018 for the same companies**. Packaging producer companies (full members of PMAG) appears to be more resilient to the pandemic realities than other businesses (downstream) in packaging cluster. Turnover growth from 2018 to 2021 for packaging manufacturing companies is 129.2% compared to 108.3% growth for all members together.

**Indicator 3.** *Balance of trade in selected sectors (baseline – 2018 output data, target by 2022 – 10% improvement (higher exports or lower imports)).* Compared to 2018, the balance of trade (net import) was reduced (improved) by 17.7% thanks to the high growth of paper packaging products export. Accordingly, the trade balance for 2022 for paper and plastic packaging together was minus 36.85 mln USD, compared to minus 34.49 mln USD for 2021, and to minus 44.76 mln USD for 2018.

### **Output 1: Strengthened capacities of policymakers and other stakeholders to identify and develop clusters (UNIDO):**

At the Outcome level, one of the indicators “*the number of identified potential clusters (baseline – 0, target by 2022 – 10)*” was successfully achieved during previous reporting years with mapping of *57 emerging and potential clusters* in manufacturing, agribusiness, and primary agriculture in 2019 and validated findings in 2020.

Further Progress against this output is provided in the next section.

### **Output 2. Development and functioning of the clustering approach in the packaging and seeds/seedlings sectors:**

#### **a. Packaging Sector (UNDP):**

In the fourth year of the project, based on in-cluster cooperation and networking, the CMO adopted measures to direct the planning, implementation, daily management, and coordination of activities and services of PMAG and allowed it to execute its role. Simultaneously, UNDP has further supported the cluster in studying and analysing the cluster and sector companies' needs and facilitated and supported design and delivery of response measures. Consequently, all activities are carried out using co-creation and mediation approach consolidating consensus among the national and local actors and the cluster.



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Despite the COVID-19 and Ukraine-Russia War related challenges, the packaging cluster keeps dynamic development. By the end of 2022, 516 companies<sup>2</sup> are registered in the packaging sector (companies directly or indirectly intersecting with packaging sector), **out of which about 48% (252) are economically active**. Out of the active companies, the sector is dominated by small-sized companies accounting for 92% (232 companies) of the active companies. As for the regional coverage for active companies, the focus regions of Tbilisi (117), Imereti (17) and Kakheti (7) unite 141 active companies for 2022. The rest are mostly scattered in Adjara (14), Kvemo Kartli (9), Shida Kartli (12) and Samegrelo Zemo Svaneti (2) regions. These numbers indicate that the pool of potential members of the PMAG packaging cluster is large and covers almost the whole country.

Tracking the outcome indicators, we observe the following trend for the **balance of foreign trade in specific packaging products**. In 2022 in total Georgia imported 232.11 (+35%) mln USD packaging materials<sup>3</sup>, meanwhile exported only 48.64 (+43%) mln USD. Largest importing packaging materials are glass, plastic and aluminium. As an export the most demanding packaging materials from Georgia are paper and plastic, as well as sacks and bags. So, the best competitive advantage of the Georgian packaging sector has in paper, plastic, as well as sacks and bags packaging.

Among the different packaging materials, largest gap between import and export (worst trade balance) is in Glass Containers and Bottles – negative trade balance for this product type in 2022 dramatically widened, reaching 72.19 mln USD compared to 45.21 mln USD in 2021. Meanwhile in 2018 negative trade balance for the same product category was only 28.7 mln USD. The untapped potential is in Glass and Aluminium packaging, especially in glass, considering the growth nature of the Georgian drinks and beverages sector. The growth rate of drinks and beverages industry (including production of wine, beer and soft drinks) created increasing demands for glass bottles and thus potential for the import substitution. Post pandemic situation, as well as war in Ukraine affects logistics and production of packaging materials, as well as food and beverages industries, creating new realities and opportunities for Georgian industries to adopt and expand production and export.

As far as UNDP project is mainly concentrated on Plastic and Paper packaging, the following figures show the balance of trade for only these two types of packaging (HS Codes 3923 and 4819).

<sup>2</sup> Companies that are identified to be involved in packaging activities and related activities – Paper, cupboard, plastic, wood, glass packaging, and others

<sup>3</sup> HS codes:

- Plastic Foil and Film 3920
- Plastic Packaging 3923
- Wooden Packaging 4415
- Paper Packaging 4819
- Glass Containers 7010
- Aluminum Containers 7612
- Sacks and Bags 6305



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In 2022 the total import of Plastic and Paper packaging products was 72.07 mln USD, this is 22% more than in 2021 with 58.86 mln USD and 34% more than in 2018 with 53.64 mln USD import. Meanwhile the total export figure for those products together reached 35.22 mln USD in 2022. This is 45% more than 24.37 mln USD in 2021, and up by 296% from 8.89 mln USD of 2018 year – so during the project implementation period the export figures of the targeted packaging materials was almost tripled. Consequently, compared to 2018, the balance of trade (net import) was reduced (improved) by 17.7% thanks to the high growth of paper packaging products export. So, the trade balance for 2022 for paper and plastic packaging together was minus 36.85 mln USD, compared to minus 34.49 mln USD for 2021, and to minus 44.76 mln USD for 2018.

The UNDP project team devoted efforts to reinforcing the capacities of PMAG and its members, expanding their reach across the region, and regularly assessing the requirements and anticipations of enterprises in the packaging sector. Intending to aid cluster management organizations and the members of the packaging value chain in Georgia in becoming more modernized and cognizant of their capabilities, UNDP has:

- Continued **developing capacities of PMAG** to institutionalize and reinforce its cluster management functions
- Promoted **inclusive, digitalized and green development**, enhancing PMAG member companies' business models, management practices and marketing efforts to increase their competitiveness and expand their market access;
- Facilitated **job creation, expanded sales and quality schemes adoption** through strategic investments for packaging companies;
- **Facilitated sharing experiences and best practices** by organizing workshops and trainings;
- **Enhanced entrepreneurship and business sophistication** by supporting and implementing research and analysis in specific areas related to the packaging industry;
- Facilitated a series of meetings and trainings for **increasing the competitive advantage of the PMAG cluster member** companies;
- **Supported PMAG to establish partnerships and cooperation** with their local and international counterparts, lay grounds for strong networking;

The PMAG Packaging Cluster has emphasized augmenting its market share, executing effective business blueprints, championing eco-friendly practices, advancing technology, and exploring fresh markets. The UNDP's commitment to developing services has generated increased attention to the cluster, further elevating its sustainability and potential to confer advantages to the industry.

The PMAG Packaging cluster **improved networking, coaching and business sophistication** (via a mixture of remote online and offline meetings due to the pandemic). UNDP has been diligently working towards enhancing the members' capabilities of the PMAG, primarily focusing on refining their financial reporting, digitization, automation of business processes, access to finance, and the incorporation of circular economy principles. Through cluster development, the UNDP

has strived to raise the overall competitiveness of the Georgian private sector, with the resulting outputs expected to promote market-oriented and innovative business models that will result in job creation and foster sophistication in business in the long run. As a result, companies involved began to recognize the importance of the sector's medium- and long-term perspectives and quick returns. With a few exceptions, new members are aware of the cluster's additional value through their benefits, not always through the broader sector impact. Thus, the functioning of the clustering approach in the packaging and seeds/seedlings sectors was reinforced. **UNDP Actions that were commenced in the packaging sector include:**

- Generating evidence and studies, trainings, workshops, expanding networking, and sharing best international practices to address common needs.
- Implementing capacity development programmes and digitization of products of PMAG cluster members.
- Assisting packaging value chain companies in increasing sales, boosting employment, and improving production quality.
- Supporting improving operational standards.
- Supporting member companies in access to finance.
- Supporting packaging companies through strategic investments for modernization and sophistication of the production processes.

From 2020 to 2022, the Georgian private sector was subjected to unprecedented geopolitical and economic challenges, including the outbreak of the **COVID-19** pandemic, the disruption of supply chains, the rise in food and raw material prices, and the outbreak of the **Ukraine-Russia war**. These events have had a detrimental impact on businesses, particularly those reliant on commodities, with rising costs reducing profit margins and hampering the sustainability of operations. In response to this, the EU and UN have launched the Innovative Action for Private Sector Competitiveness in Georgia (EU IPSC) Programme, which focuses on the smooth functioning of the packaging value chain and provides financial and technical support, introduces new technologies and processes, and increases the level of professionalism and quality of packaging products. UNDP was building capacities of packaging cluster member organizations and companies by conducting initiatives and support for internalization. UNDP aided the PMAG Packaging Cluster's internationalization. UNDP's collaboration with PMAG aided the Cluster Management Organization in expanding and strengthening its capacity and linkages within the EU and boosting the export of the Georgian Packaging Companies.

PMAG Packaging Cluster participated in **the exhibition of FACHPACK 2022 (“Transition in Packaging”<sup>4</sup>)**, which provided a unique opportunity for the Georgian packaging cluster to explore international markets, find new partners, and expand its professional networks. The trip was a great

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<sup>4</sup> Annex: UNDP Internalization of PMAG packaging cluster



success for the cluster and its members, resulting in introductions, established contacts, discussed market trends, and comparison of the Georgian and German markets.

The internationalization of packaging companies, marked by its participation in the 2022 exhibition, has created a promising opportunity for companies to enter the international market and gain co-financing from Enterprise Georgia. This marks the first instance of the agency sponsoring packaging companies and PMAG in Georgia to have a stand at the exhibition, providing them with the necessary digitization to present their products both physically and digitally (*The UNDP initiative "Digitization of products of PMAG packaging cluster member companies and the preparation of electronic catalogues"; The initiative of "the video presentation of PMAG packaging cluster members" see below*).

At the exhibition, six packaging companies had their stands, with the seventh stand presenting the production of thirty companies of the PMAG cluster. The involvement of IOM and PMAG international consultants throughout the process was also instrumental in helping to establish export contacts with companies. The event in Nuremberg gave a compact yet comprehensive insight into the range of products and services for the packaging process chain for industrial and consumer goods. Additionally, with the partnership International Organization of Migration (IOM), there was a forum with the participation of the Georgian diaspora in Germany to establish cooperation with the Georgian private sector for bringing knowledge, technological solutions, investment, and export.

These efforts have paid off, with Enterprise Georgia allocating funding for a common space and a stand for packaging businesses that are members of the PMAG cluster at the next exhibition at Interpack 2023, Germany. Internationalization has resulted in the focus on what needs to be done in terms of product improvement and market focus. Additionally, the EU client companies' demand for eco-friendly, better-quality products has provided a concrete incentive for Georgian Packaging companies to improve their production, making the Georgian market healthier and more sustainable. This is evidenced by the support the initiative has produced in the second year, with PMAG now having eight exhibitors and all members of the cluster. Three contracts were signed within this exhibition, out of which one is regarding the export to the EU and the second – cooperation with the German counterparts.

The UNDP initiative "Digitization of products of PMAG packaging cluster member companies and the preparation of electronic catalogs" for the member companies aimed at laying grounds to strengthen the competitiveness and innovation capacity of packaging value chain businesses. The EU and UNDP backed the digitalization of products and the preparation of electronic catalogs for PMAG packaging cluster member companies tailored to their needs. This enabled the creation of digital versions of each company's products for effective communication with foreign partners, resulting in the successful digitization and preparation of electronic catalogs for 6 packaging cluster member companies, unlocking the potential for export development.



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The initiative of “the video presentation of PMAG packaging cluster members” allowed the companies to market their products and services, increasing their brand awareness and reaching a broader audience; Thus, thus strengthening the overall competitive position of domestic packaging companies. 4 promotional videos for the EU and UNDP's packaging cluster members were successfully created.

UNDP enabled the PMAG packaging cluster to stay ahead of the rapidly-shifting economic landscape by providing strategic investments to enhance e-commerce, entrepreneurship and **developing knowledge products**. As a result, companies are now better equipped to keep pace with the digital transformation and introduce sophisticated business processes:

- A research study, "Waste Management Practices and Opportunities for Sustainable Development in the Hotel Industry in Georgia,<sup>5</sup>" uncovers potential opportunities for sustainable development in the hotel industry in Georgia. By examining 30 hotels across three regions (Kakheti, Imereti, and Adjara), the research identified waste management practices, eco-oriented techniques, and bottlenecks for further policy implementations. The findings provide a basis for adopting EU practices and recommendations for the sustainable management of hotels in Georgia, thus reducing the environmental impact of the industry;

UNDP collaborated with PMAG and planned and implemented a **training module** in 2022 to develop its business processes. This has seen an increase in the capacities of policy-makers and other stakeholders, creating a positive impact on the packaging cluster. A training module of “the International Standard of Financial Reporting for Small and Medium Enterprises (IFRS for SMEs)”<sup>6</sup> contributed to achieving the outcome of sophisticated business processes. 29 packaging company representatives and 2 PMAG management team members gained enhanced financial reporting abilities through the International Standard of Financial Reporting for Small and Medium Enterprises (IFRS for SMEs) training program. The meetings enabled the trainees to produce financial statements and explanatory documents based on the mentioned standard and to upload the reports with the related data on the portal (RMS.REPORTAL.GE). The trainees highly praised the training, highlighting the importance of proper financial reporting in their daily professional activities.

UNDP was building capacities and strengthening the competitiveness of Packaging cluster member organizations and companies by conducting workshops on specific topics of packaging technology, business digitalization, improvement of customer service through a flexible ERP/MIS SOFTWARE, access to finance for small and medium businesses, trade finance tools, additional capabilities and benefits, and environmental sustainability and circular economy. Overall, these workshops further enabled business sophistication, and promoted market-oriented and innovative models for job creation in the sector.

<sup>5</sup> Annex: UNDP Waste Management Practices and Opportunities for Sustainable Development in the Hotel Industry in Georgia

<sup>6</sup> Annex: UNDP The International Standard of Financial Reporting for Small and Medium Enterprises (IFRS for SMEs) Report

Significantly, within the last topic of circular economy, UNDP successfully empowered municipalities and packaging companies from the Imereti and Kakheti Regions to ensure separate collection of municipal and specific waste, establish cost-effective schemes, and comply with current and upcoming regulations for waste management and green economy, promoting market-oriented and innovative business models. The statement of intent is planned to be incorporated between UNDP Georgia, , the State Representative Administration in Imereti and Kakheti Region and their respective, Administrative-Territorial Units (12 Units in Imereti and 8 Units in Kakheti, Packaging Waste Producers Union “Georgia Plus” (Producers Responsibility Organization in Georgia PRO), PMAG Packaging Cluster World Packaging Organization (WPO) and Waste Management Association of Georgia, on joint actions for developing waste separation, collection and recycling partnerships, Infrastructure, and knowledge-sharing platforms and other issues.

**PMAG sustained the ECEI BRONZE Label "Striving for Cluster Excellence" through the partnership within-cluster excellence.** The award confirms that the organization fulfils the Eligibility Criteria for Cluster Management Excellence Labels and documents its intention to strive for excellence by improving management capabilities and performance levels. The ECEI BRONZE Label "Striving for Cluster Excellence" documents the intention of a cluster management organization to strive for excellence by improving its management capabilities and performance levels. PMAG is the only cluster from Georgia with the ECEI Bronze Label. This is in line with the strategy's targets of strengthening the overall competitive position of domestic packaging companies and securing compliance with environmental protection standards. **Significantly, generally, 1.5-2 years should pass after obtaining the ECEI Bronze Label before the process of obtaining a new label (Upgrade to ECEI Silver Label) has started.** This 2-year period ends in March 2023 for PMAG.

The PMAG Packaging Cluster as a **World Packaging Organisation** member uses this opportunity to deliver exclusive training on advanced packaging technologies and circularity, an extremely rare case for newly joined members. The cluster is registered on the European Cluster Collaboration Platform and has attained the ECEI BRONZE Label.

**UNDP's partnership with PMAG has helped the cluster management organization expand and strengthen its linkages, leading to the increased presence of domestic packaging companies in international markets, access to the latest technology and machinery, and improved competitiveness via sales-boosting.** PMAG Packaging Cluster Strategy actions taken in 2022 aided in increasing the presence of domestic packaging companies in international markets. The international fairs' participation allowed PMAG packaging companies to acknowledge the latest technological achievements in the packaging sector - filling the informational gap caused by the pandemic, developing and strengthening international networks, and thus maintaining competitiveness through access to machinery, which translates indirectly into sales-boosting.



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**UNDP strengthened international representations in Germany and Spain. Consultants working on the EU Competitiveness Union project in Germany<sup>7</sup> and Spain** were instrumental in developing the PMAG cluster. Georgian companies were able to develop an export plan to Spain thanks to their shared vision and expertise. Furthermore, as part of the project, the cluster established a link to Germany by working with a Georgian-German consulting firm. This enabled cluster members to sell their products to the partners.

During the visit to the exhibition in Germany, different types of cooperation interests were highlighted. With the help of the DG Consult GmbH team, visitors were proactively attracted during the exhibition and Georgian companies were given the opportunity to hold interesting meetings on the spot in addition to the scheduled meetings.

International exhibitions are great opportunities for companies to meet potential customers on the spot and establish direct contact with them. Such meetings increase the prospects of cooperation and potential and reduces the time of finding a client. It is very important that the exhibiting company is well prepared about the topics that can be discussed with the potential client. In the end, the exhibition in Germany turned out to be a great experience for Georgian companies. Companies got acquainted with the current trends and competitors in the market, had many meetings with potential customers or other interested companies, saw the real picture where does their companies currently stand, in what direction should development take place, process refinement and what export barriers may arise. According to the advice of the international representative of UNDP/PMAG in Germany, it is very important at this stage to continue supporting Georgian companies and the industry as a whole, to export Georgian products.

As for Spain representation, the B2B meetings with potential buyers in the food and beverage industry in Spain have led to some interesting results for Georgian companies. The market potential led to the planning of a visit by a delegation of Spanish Chamber of Commerce representatives and investors to Georgia for potential commercial relationships. The necessity to open a small Georgian food and beverages hub in the north of Spain with the possibility of tasting has also been identified. Despite transportation and communication challenges, the results achieved in a challenging time frame are satisfying, and negotiations are continuing.

**UNDP's partnership with PMAG helped the cluster management organization expand and build its linkages responding to the outcome through UNDP aiming to develop and function the clustering approach in the packaging (outcome 2 level).** Many companies deem the domestic market saturated, with little potential for growth. However, PMAG sees opportunities to bring together actors in the packaging value chain to exploit better new opportunities.

**UNDP supported and promoted forming partnership approaches and formal cooperation with various bodies in Georgia to strengthen the strategy implementation process and keep pace with the sector's local and global developments. Within the cooperation, Kutaisi American**

<sup>7</sup> Annex: UNDP Georgian companies Support in the direction of business development in Germany within the framework of FACHPACK 2022



Food and Agriculture  
Organization of the  
United Nations



Corner has signed a memorandum of cooperation, allowing the parties to actively cooperate in the common interest of projects within the field. In its efforts to promote job creation, 5 students have been given the opportunity to apply their skills in the real world through an internship program in Kutaisi American Corner in the Imereti region through 2022.

The **Women's Business Empowerment Project** seeks to foster economic growth and development in the Imereti region by empowering women entrepreneurs and engaging young people in business activities. Through education, mentorship, and consulting services, this initiative enables 20 female entrepreneurs and 25 youth to gain the skills and knowledge needed to succeed in the business world. This project will create lasting positive change in the Imereti region by connecting these individuals' experiences and expertise with the local community's resources.

To evaluate **packaging sector<sup>8</sup>** for 2022, the project surveyed packaging cluster member companies and collected statistical data relating to the packaging sector. In the scope of the project, 67 packaging cluster member organizations and 11 free/honorary members were surveyed, and packaging product import and export statistics for 2022 were collected and analysed. Referencing the outcome indicator of the growth rate of selected clusters' members' turnover achieving a 20% level for 2022, the indicator is over fulfilled. Average turnover of the packaging cluster member companies, due to the pandemic reality, for 2020 decreased by 12.4% compared to 2019, however in 2021 and 2022 sales recovered again. In 2022 sales figures of the cluster member companies were higher by 108.3% compared to 2018 for the same companies. Packaging producer companies (full members of PMAG) appears to be more resilient to the pandemic realities than other businesses (downstream) in packaging cluster. Turnover growth from 2018 to 2021 for packaging manufacturing companies is 129.2% compared to 108.3% growth for all members together.

**PMAG has a multi-tier membership structure**, keeping the flexibility to attract more members from the packaging value chain. Based on this structure, as of 2022, out of **67 members (compared to 92 members in 2021)**, **27 companies are full members** (packaging producers), **40 are associated members (downstream, upstream and supporting sectors)**. As a cluster matures over time, a natural and anticipated process is the decline in membership numbers. In the year 2022, the focus shifted towards quality and engagement, with membership payment and individual as well as group activity serving as the key determinants. Consequently, a distinct and cohesive team was formed, and a sense of appeal developed within the sector, which is likely to be sustained in the long run. It is noteworthy that the decline in membership was predominantly associate members, who did not consider packaging as a primary aspect of their business.

Additionally, the cluster has 11 free/honorary members from different parts of the packaging value chain. As for the regional coverage, out of these 78 members, 37 member companies are represented by the capital of Tbilisi, 25 – from Kakheti and 16 – from the Imereti Region. Additionally, 3 companies are pending (potentially 2 will be full members and 1 associated

<sup>8</sup> Annex: UNDP Packaging Sector Study 2022



Food and Agriculture  
Organization of the  
United Nations



member), **In total PMAG unites 81 member and potential member companies for the time being.** As the membership of the cluster decreased in 2022 it should be emphasized that mostly small-sized companies decided to leave the cluster. PMAG introduced free honorary membership for educational organizations and other supportive non-profit institutions to strengthen linkages between these organizations and cluster members. **Women manage 39.7% (31 companies: 11 full members, 16 – associated members and 4 – honorary ones) of member companies or are co-managed by women at a cluster member companies' level. As for the pending 3 companies, 1 potentially full member and 1 potentially associated member are fully managed by women.**

In 2022, 67 members (27 full members, and 40 associated members, and additionally 11 free/honorary member) total sales surpassed 216 mln GEL (compared to 56 mln GEL from 2019 (from 8 members)) with the total employment reaching 1880 people. Members companies represent different segment of packaging sector, like paper, plastic and plastic foil packaging. Generally, cluster members will range from manufacturers of all types packaging manufacturing companies (full membership) and companies form upstream and downstream packaging value chains and providers of various supporting services for the industry (associate membership). In addition, cluster have also 11 honorary members such as universities and associations. Within 2022, PMAG cooperated with other JP programs and participated in IOM and FAO-organized events. With the backing of the EU, UNDP and IOM engaged in a collaborative effort to explore international opportunities through a study tour in Germany, with a resounding impact on the cluster members. This undertaking enabled them to forge stronger ties with foreign companies and markets, thereby increasing their access to resources and ensuring greater economic stability and sustainability. Additionally, UNDP and FAO joined forces for the needs assessment of the Georgian Seeds and Saplings Association. Subsequently, PMAG members, with the support of UNDP, implemented the investment project for the seed and seedling cluster, thereby providing Georgian Seeds and Saplings Association members with access to cassettes at a reduced price while utilizing solar-powered production and 100% waste material for recycling to advance the green economy in Georgia.

#### b. Seed/Seedlings Sector (FAO):

The quality of seeds and saplings is a major factor hindering the development of fruit and wine value chains in Georgia, greatly reducing productivity levels and leading to high loss rates on farms across the country. In an effort to address this issue, the Georgian government has taken a commitment to pursue the alignment of its legal framework with that of the EU, so that producers can utilize international standards and careful planning, rather than relying on traditional methods of cultivation, propagation, and production.

To this end, in 2022 FAO has been providing support to both the Georgian state and the private sector to create a system of qualification and certification for nurseries in Georgia, which requires that propagating materials produced in Georgia should fulfil the minimum production standard of

CAC (Conformitas Agraria Communitatis). This system will improve the financial sustainability of Georgian production, and will become mandatory for nurseries wishing to put saplings and propagating material on the market.

To achieve its objective, FAO has worked with various sector-related stakeholders to prepare the necessary legal framework for the certification system, provide technical support to nurseries to meet the requirements of the qualification and certification systems (including through the work of GEOSSA), and facilitate access to basic services and quality/clean material for the nurseries.

Since 2021, FAO has been providing structured assistance to the private sector in order to increase the capacity of various fruit producers to become more competitive, and to produce safer and better-quality edible products. To this end, in 2022 FAO has organized multiple training sessions on Good Agricultural Practices, delivered by national and international experts, to benefit the stakeholders of the perennial fruit cluster. This initiative not only aids in attaining CAC certification and quality standards, but also complements FAO's support along the entire fruit value chain, from private nurseries to farmers and producers.

FAO has provided a series of technical trainings to groups of orchard and vineyard owners/managers to address the most prevalent weaknesses and challenges identified in the production cycles of various crops. Throughout 2022, the trainings focused on four major commercial crops in Georgia: grape vines<sup>9</sup>, apples<sup>10</sup>, berries<sup>11</sup>, peaches and apricots<sup>12</sup>. By the end of the year, a total of 250 farmers from six municipalities (Kakheti, Mtskheta-Mtianeti, Shida Kartli, Imereti, Samegrelo, Guria and Adjara) had participated. Of these, up to ninety representatives from twenty businesses - ranging from small to large-scale wine producers - attended the trainings from the grape vine sector alone.

### **Output 3. Packaging and seeds/seedlings clusters enhanced through strategic investment (UNDP):**

UNDP conducted an in-depth investment needs assessment to identify the constraints and opportunities that could unlock the potential of the packaging sector value chain. The assessment identified three key investment areas to focus on: machinery modernization and upgrading, quality certificates and compliance with international standards, and capacity building and trainings. To support these strategic investments, a Matching Grant Scheme was implemented in 2022 and launched to help companies in Imereti and Kakheti, including Tbilisi, with necessary funds to

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<sup>9</sup> Annex: FAO Detailed Actions Performance 2022 – Grape vine subsection

<sup>10</sup> Annex: FAO Detailed Actions Performance 2022 – Apple subsection

<sup>11</sup> Annex: FAO Detailed Actions Performance 2022 – Berries subsection

<sup>12</sup> Annex: FAO Detailed Actions Performance 2022 – Peaches and Apricots subsection

improve the sector's performance. The Grants Scheme also extended nationwide to maximize its potential impact on the target regions.

Through the 2022 Matching Grant Program, investments in 19 PMAG member companies in the packaging value chain were strategically facilitated, resulting in job creation, expanded sales, and 8 quality schemes adoption in total. This Programme enabled the modernization of companies in Tbilisi, Imereti, and Kakheti Regions, with a total investment of 1,226,778.68 USD, and grant funding of 703 782,30 USD<sup>13</sup>. 9 companies were awarded the UNDP grant in Kakheti and Imereti Regions<sup>141516</sup>. The grant amount awarded to the businesses in these two focus regions accounted for \$ 263 618 USD Dollars, as the total budget of projects compromised \$ 452 707,68 USD Dollars. Accordingly, UNDP intervened with a 58% share of the budget in implementing machinery modernization and upgrading projects, resulting in product quality improvement.

Cost Benefit Analysis for Implemented Strategic Investments for Growth in the Packaging Value Chain in Kakheti and Imereti Regions - UNDP interventions, and grant projects in Kakheti and Imereti Regions led to the development of 9 cost-benefit analyses, helping businesses in the packaging value chain make complex decisions systematically and weigh the pros and cons of proposed actions and investments. The analyses identified and fulfilled the explicit and implicit costs and benefits, increasing productivity and overall growth.

UNDP intervention aimed at supporting and sustaining jobs in the focus regions, expanding sales of the awarded businesses and adopting quality schemes by economic operators with EU support. Except for these progress indicators, UNDP implemented Cost-Benefit Analysis to examine the profitability growth of the beneficiary companies for three consecutive years of 2022-2024 (mid-term period) and attain a value that is a reflection of the total impact of the intervention from the company's perspective and measures the sign and size of the impact of the UNDP intervention.

Overall, the Results for 9 Companies **of the Kakheti and Imereti Regions** can be summarized as follows:

- US\$ 263 618 (58.2% share of the total projects budget) was the UNDP total Grant Amount for Imereti and Kakheti Regions. The total projects budget comprised US\$ 452 707,68;
- Within the obligation of the grant, 20 full-time and 9 internship jobs is being created in the Imereti and Kakheti Regions; Out of these, for the time being, 17 jobs and 4 internship positions has already been created; The above obligation is 117 jobs to be created within 3 years, according to applications;
- 4 quality schemes are adopted in total in Kakheti and Imereti Regions;
- The expanded sales forecast for all beneficiaries in these two regions on Average for 2022-2023 is 43.2%;

<sup>13</sup> Annex: UNDP Strategic Investments for Growth: Summary for Imereti, Kakheti regions and Tbilisi

<sup>14</sup> Annex UNDP Presentation Strategic Investments for Growth for Companies In The Packaging Supply Chain Report for Kakheti and Imereti

<sup>15</sup> Annex: UNDP Cost Benefit Analysis for 6 beneficiaries in the Imereti Region of UNDP Strategic Investments for Growth

<sup>16</sup> Annex: UNDP Cost Benefit Analysis for 3 beneficiaries in the Kakheti Region of UNDP Strategic Investments for Growth



Food and Agriculture  
Organization of the  
United Nations



- 7 Companies have a boost in Exports, and 4 – have the import substitution potential;
- UNDP Investment of creating 1 job by UNDP 2022-2024, US\$ is 10 307;
- The total Net impact calculated by CBA 2022-2024 USD is \$ 9 603 145.

Tbilisi unites 2/3 of the packaging companies of Georgia, thus forming a packaging hub in the country. Additionally, for most packaging companies operating in the Imereti and Kakheti regions, strategic planning is done from Tbilisi. Thus, Tbilisi represents one of the important regions for the PMAG cluster and UNDP. Total UNDP Investment for Tbilisi beneficiaries comprised 440 164.30 USD Dollars, 56.9% of the budget of implemented projects. 43.1% was co-financed by beneficiaries (774 071 USD Dollars). Out of 9 beneficiary companies, 4 introduced quality schemes.

- CBA for the Tbilisi region and other progress indicators are being assessed for the time being; thus, exact numbers are not calculated yet.
- As for employment and creating sustainable jobs, focusing on the Tbilisi beneficiaries, the already attained numbers show that 9 companies have an obligation to hire 18 full-time employees and 9 interns within the intervention;

#### **Output 4. Migration is mainstream component of SME development support (res. IOM)**

Progress against this output is provided in the next section.

#### **2. Progress on output indicators**

**UNIDO: At the Output level, UNIDO aims at strengthening the capacities of policymakers and other stakeholders to identify and develop clusters.**

*The Target 1.1 Cluster mapping undertaken based on prioritization criteria set with local counterparts (baseline – 0, target by 2022 – 1) was successfully achieved at 100% in 2019.*

*The Target 1.2 No of emerging and/or potential clusters detailed diagnostic studies by the programme (target by 2022 - 8) was achieved at 100% in 2021.*

*The Target 1.3 No of institutions and people trained on cluster mapping and diagnostic (% of women) (target by 2022 - 5 institutions, 30 people) was fully achieved at 100% by February 2020.*

*The Target 1.4 N of cluster activities realized in pilot clusters identified through the diagnostic (target by 2022 – 2) has been achieved at 100% by the end of 2022. The process of selection and realization of the collective activities in the selected clusters was done based on the regular*

communication and feedback from the cluster members and the following milestones were achieved to reach the Target 1.4<sup>17</sup>:

UNIDO, implemented four activities to support the development of the Georgian Biopharmaceutical and Marine Fishing Clusters. Activity 1.5.1 involved identifying collective activities and validating work plans with cluster stakeholders. Cluster development strategies and work plans are expected to be finalized in 2023. Activity 1.5.2 was aimed at establishing and strengthening the capacities of the cluster management organizations. Cluster Development Agents were recruited, and both clusters were registered as Non-Entrepreneurial Non-Commercial Legal Entities. Corporate identities and websites were developed, and the same company is continuing to work with the clusters on website and content management, digital promotional material, and social media pages. Activity 1.5.3 focused on facilitating public-private dialogue towards sector-specific policies, strategies, and support programs. The Georgian Marine Fishing Cluster facilitated the introduction and approval of an amendment to one of the legal acts in Georgia to allow fishing companies to exploit newly leased ships for fishing in the Black Sea. Activity 1.5.4 involved training and coaching MSMEs and experts. E-marketing and E-commerce online courses were developed, and international and national GMP experts developed a training/coaching program for pharmaceutical companies. The E-marketing and commerce online course was successful, and the beneficiaries increased their sales online. Finally, a Graduation Ceremony was held, and 14 beneficiaries were awarded certificates of completion.

**FAO: At the Output 2 Level, FAO aims at developing and functioning of the clustering approach in the seeds/seedling sectors.**

*Indicator 2.1 Number of CMOs that are operating in the packaging sector, target for 2022 is 2 (for FAO and UNDP). Achieved 1 in seeds and saplings sector.*

On 4 January 2021, the Georgian Seeds and Saplings Association (GEOSSA) was created to support Georgian nurseries in their production of fruit and grape vine samplings. The Association has also become a Cluster Management Organization (CMO<sup>18</sup>) in the fruit sapling sector, striving to develop the cluster and foster growth. Furthermore, in line with the Georgian government's goal of establishing qualification and certification standards in the country, GEOSSA is supporting its member nurseries to reach these standards by implementing and executing necessary infrastructural, phytosanitary, and managerial changes in their nurseries.

Since its inception, the Association has been actively working to assist its members in meeting the CAC standard. During 2022, the Association facilitated field visits and individual assessments of selected grape vine and berry nurseries, jointly undertaken by an International Consultants in April and May. To further ensure quality, on-site trainings with a learning by doing approach were provided in six municipalities (Kakheti, Mtskheta-Mtianeti, Shida Kartli, Imereti, Samegrelo, and

<sup>17</sup> Annex: UNIDO Detailed Actions Performance 2022

<sup>18</sup> Annex: FAO Detailed Actions Performance 2022 – GEOSSA became a CMO

Adjara) to up to forty nursery representatives, teaching them how to produce high-quality, disease-free, and traceable planting material.

Moreover, GEOSSA has achieved a number of significant milestones<sup>19</sup>, such as creating a corporate identity, carrying out awareness-raising activities through the development of short video clips for broadcast on national television, creating a digital catalogue of GEOSSA members, successfully mediating between various Gene banks, and providing support to the SRCA for the digitalization of the National Catalogue of varieties.

**Indicator 2.2** *No of companies who are part of the CMO in the seeds and seedlings sector. The target for 2022 is at least 50 companies in both clusters. By the end of 2022, GEOSSA had 24 confirmed members.*

In May 2022, at the Annual General Assembly of GEOSSA, the attendees discussed and voted to accept the applications of two new companies, resulting in a growth of the organization's membership to 24. These members come from perennial fruit nurseries and seed producers of various sectors, such as almond, walnut, hazelnut, berry crops, apple, grape, subtropical fruits and others. The largest seed producers in the region are also members of GEOSSA. The twenty-four members are spread across different regions, including Kakheti, Kvemo Kartli, Shida Kartli, Mtskheta-Mtianeti, Imereti, Samegrelo, Adjara and Tbilisi.

**Indicator 2.3** *No. of inter-firm collaborative initiatives/projects undertaken between the CMOs' members.*

*The target for 2022 is at least 10 for both clusters. 24 cluster activities successfully carried out in the seeds and saplings cluster alone.*

GEOSSA has been actively working on the cluster level to define actors related to the sector, both in the core and extended value chains, networking with them, and offering collaboration on different aspects. This has resulted in sound cooperation with professional colleges, sectorial associations, and state agencies, though further development and joint actions are needed in terms of networking.

Inter-firm collaborative initiatives/projects planned and undertaken between the members of the cluster in 2022 *inter alia* include clonal selection of local wine grape by GEOSSA and SRCA; development of greenhouse cluster at Bagdati and Tskaltubo municipalities; establishing formal partnerships between GEOSSA and different interested parties including SRCA, Georgian Academy of Agriculture Science, college Iberia; GEOSSA's participation in the International Fair – Growtech.<sup>20</sup>

**Indicator 2.6** *No. of priority needs solved in CMOs.*

<sup>19</sup> Annex: FAO Detailed Actions Performance 2022 – Significant Milestones Delivered by GEOSSA

<sup>20</sup> Annex: FAO Detailed Actions Performance 2022 – Inter-firm collaborative initiatives/projects



Food and Agriculture  
Organization of the  
United Nations



*The target for 2022 is 20 (in total for packaging and seeds and seedlings sector). Result for 2022 is that 14 priority needs solved for the seeds and saplings CMO, including technical assistance, trainings on critical needs and procurement of production material and equipment.*

FAO has taken steps to improve Georgian nurseries, such as technical assistance, training, infrastructural support, and access to high quality, healthy plant propagating and grafting materials. To this end, FAO has leveraged its network of national and international consultants and experts. Assistance has been provided on an individual and collective basis, focusing on improving areas such as nursery management, propagation techniques, and quality control measures. The main directions in which the nurseries have been assisted so far are as follows: Awareness raising activities on the requirements of the CAC; Access to basic category plant materials; Provision of technical trainings and technology transfer; Needs assessments and individual consultations.

During the reporting period, FAO has provided a total of eighteen nurseries with capacity building interventions<sup>21</sup>, including technical trainings and individual consultancies to improve their operations. The project has developed a specific training programme and a tailor-made support plan for nurseries (capacity development, strategic investments, etc.) as a follow-up to field visits, evaluations and individual assessments of selected nurseries, jointly carried out by the international consultants, GEOSSA and FAO technical officers.

***Indicator 2.7 Seedling Certification System approved and operational.***

*Seedling certification system designed and approved by the Georgian government in 2021 and to enter in force in 2024.*

Since 2018, a series of meetings and consultations between FAO specialists and the Ministry of Environment Protection and Agriculture (MEPA), Scientific-Research Centre of Agriculture (SRCA) and National Food Agency (NFA) were held to formalize the framework and create a system for transforming nurseries from producers of low-grade, sub-standard plant materials with incompatible infrastructure and management systems to CAC (Conformitas Agraria Communitatis) compliant ones. Coordination meetings were held to divide roles and responsibilities between the state bodies, ensure implementation of the process according to standard operating procedures, and issue CAC certificates, plant passports, and quality certificates for planting material.

FAO supported the Government of Georgia in establishing a regulatory framework and, as a result, on 28 September 2021, the Government of Georgia adopted Decree №478 on “Qualification requirements for a nursery that produces fruit propagating materials and seedlings”.

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<sup>21</sup> Annex: FAO Detailed Actions Performance 2022 – Capacity building interventions for nurseries

The main objective for 2022 was to prepare amendments to the Georgian legal system to bring it into compliance with EU requirements. In coordination with the SRCA and NFA, FAO proposed amendments to the Decree of the Government of Georgia №40 on "Approval of the conditions for placing on the market of the fruit propagating materials and seedlings for fruit production" and Decree of the Government of Georgia №591 on "Technical Regulation on approval of the protected zone and plant passport". The revised versions of the decrees were sent back to both agencies for ultimate review and approval.

In December 2022, the Decree №40 was ready for approval. However, as the responsibility for plant protection in Georgia is divided between two agencies (NFA and SRCA), several meetings were conducted with both agencies to clearly understand their responsibilities for upcoming changes. After careful consideration, it was decided to discuss both Decree №40 and Decree №591 at the same time with both agencies.

**Indicator 2.9 Number of nursery operators registered and selling certified nursery material.**  
*Planned Target: 25 (at least 10% women –led). Achieved 2 in the seeds and saplings cluster.*

Through intensive support mechanisms provided by FAO and GEOSSA, such as trainings, individual coaching and supervision, as well as support with infrastructure and planting materials, several nurseries are moving closer to CAC standards, and, on a voluntary basis, several of them have already earned official documents, certifying that they produce CAC grade saplings approved by the SRCA as the issuing authority.

**UNDP: At the Output 2 Level, UNDP aims development and functioning of the clustering approach in the packaging.**

**Indicator 2.1 Number of CMOs that are operating in the packaging sector, target for 2022 is 2,**  
*Achieved, CMO in packaging sector is established covering Tbilisi, Kakheti and Imereti*

To achieve this milestone, UNDP continued to undertake the following actions:

- 1. Raising Awareness in Clusters:** UNDP continued to present a series of workshops, events and trainings (led by an PMAG representatives and international partners (WPO)) to raise awareness among packaging company representatives on the benefits and specificity of the cluster.
- 2. Cluster capacity development through international best practices:** UNDP had a significant impact in fostering change through its various initiatives. Its investments in capacity building, digital transformation and software packages enabled companies in the packaging sector to contribute significantly to the economic development of their respective countries. Furthermore, UNDP's efforts to provide beneficiaries with extensive knowledge

about customized software packages, promote digital sales, and increase their financial literacy, legal consulting, and strategic mindset, enabled them to overcome the obstacles that hindered their success.

- 3. Strategy building, implementation and advancements:** UNDP continued to support packaging company representatives build and implement their strategic visions and the operational work plans being undertaken by the cluster initiative. The strategy is built on identified needs and challenges. With support from international experts, recommendations were developed to effectively adapt PMAG Packaging Cluster Strategy implementation to the pandemic and post-pandemic and war/post-war circumstances.

UNDP 2022 effectively contributed to the advancement of economic development in Georgia through its strategic plan and initiatives. Specifically, the UNDP's support to packaging clusters in Kakheti, Imereti, and the Tbilisi area was instrumental in promoting a market-oriented and innovative business model to generate job opportunities and improve business sophistication.

- 4. Promoting inclusive, digitalized and green development:** UNDP's work in the private sector of Georgia has been instrumental in facilitating a transition towards a greener, more inclusive and digitalized economy. Through its intervention, UNDP has created a more equitable and sustainable business environment, supported the development of SMEs and facilitated the uptake of digital technologies and green practices.
- 5. Promoting job creation, expanded sales and quality schemes adoption:** UNDP allowed PMAG member companies access to additional financial resources through matching grants for improved entrepreneurship, business sophistication, and machinery update. Within the obligation of the grant, 20 full-time and 9 internship jobs are being in the **Imereti and Kakheti Regions**; Out of these, for the time being, 17 jobs and 4 internship positions have already been created. The above obligation is 117 jobs to be created within 3 years of 2022-2024, according to the applications; Out of these 17, 6 jobs were for women. Also, except above mentioned, 6 students have been given the opportunity to apply their skills in the real world through an internship program in member companies in the Imereti region within the cooperation of Kutaisi American Corner, and all of them were employed for full-time jobs in 2022 in the same companies.
- 6. International partnerships and Internalization:** The PMAG Packaging Cluster's internationalization was aided by UNDP. In 2022 UNDP's collaboration with PMAG aided the Cluster Management Organization in expanding and strengthening its capacity and linkages to WPO. UNDP strengthened international representations in Germany and Spain. Consultants working on the EU Competitiveness Union project in Germany and Spain were instrumental in developing the PMAG cluster. Georgian companies were able to develop an export plan to Spain thanks to their shared vision and expertise. Furthermore, as part of the project, the cluster established a link to Germany by working with a Georgian-German

consulting firm. This enabled cluster members to sell their products to the partners. During the visit to the exhibition in Germany, different types of cooperation interests were highlighted. With the help of the DG Consult GmbH team, visitors were proactively attracted during the exhibition and Georgian companies were given the opportunity to hold interesting meetings on the spot in addition to the scheduled meetings.

7. In terms of Spain representation, Georgian companies have benefited from B2B meetings with potential buyers in the food and beverage industry in Spain. Because of the market potential, a delegation of Spanish Chamber of Commerce representatives and investors will travel to Georgia to explore potential commercial relationships. The need for a small Georgian food and beverage hub in northern Spain, with the option of tasting, has also been identified. Despite transportation and communication challenges, the results obtained in a short period of time are satisfactory, and negotiations are ongoing.

The internationalization of packaging companies, marked by its participation in the 2022 exhibition, has created a promising opportunity for companies to enter the international market and gain co-financing from Enterprise Georgia. This marks the first instance of the agency sponsoring packaging companies and PMAG in Georgia to have a stand at the exhibition, providing them with the necessary digitization to present their products both physically and digitally

***Indicator 2.2 No of companies who are part of the CMO in the packaging sector and the seeds and seedlings sector.***

*The target for 2022 is at least 50 companies in both clusters. By the end of 2022, the PMAG Packaging Cluster combined 81 members from the packaging sector (27 full and 40 associate members and 11 honorary members and 3 pending members).*

UNDP has undertaken the following measures since the beginning of the project:

**Strengthening and advancing the cluster management and its representation in the Imereti and Kakheti regions:** To effectively implement cluster operations, strategy implementation has commenced, and organizational structure and the core team has been built. Regional representation has strengthened outreach and support efforts for packaging cluster member companies from Imereti and Kakheti.

UNDP supports institutional development of PMAG so that its developmental impact reaches at wider angles both nationally and regionally. Online Member Directory: <https://bit.ly/3ukpE5D>

As of 2018, eight member companies had combined total assets of GEL 40 million. 2018 revenue was GEL 35 million and 2019 revenue was GEL 56 million. Employment was 300 people. In 2022, 78 members (27 full members, and 40 associated members and 11 honorary member) total sales surpassed 216 mln GEL with the total employment reaching 1880 people. Members companies

represent different segment of packaging sector, like paper, plastic and plastic foil packaging. Project found out that, based on preliminary data, the revenues (total sales) of the cluster member companies in 2022 surpassed 216 mln GEL compared to 56 mln GEL from 2019 (from 8 members). Special attention was given to the inclusivity of women in the initiatives, the Women's Business Empowerment Project aims to promote economic growth and development in the Imereti region by empowering female entrepreneurs and engaging youth in business activities. This initiative provides 20 female entrepreneurs and 25 youth with the skills and knowledge they need to succeed in business through education, mentorship, and consulting services. By connecting these individuals' experiences and expertise with the resources of the local community, this project will create long-term positive change in the Imereti region.

**Indicator 2.3 No. of inter-firm collaborative initiatives/projects undertaken between the CMOs' members.**

*The target for 2022 is at least 10 for both clusters. Six activities (Raising Awareness in Clusters; Capacity Building through best practices; Strategy Building; Promoting inclusive, digitalized and green development; Promoting job creation, expanded sales and quality schemes adoption; International Partnerships and Internalization) were initiated and supported in 2022 in the packaging cluster.*

**UNDP supported the preparation of the Strategy on Inter-firm Cooperation:** Supporting inter-firm cooperation is among the most important — and one of the most difficult — activities that a CMT can organize for its cluster members. The ability to reach good inter-firm cooperation is the main differentiator between regular business support organizations (which often apply a bilateral approach in a client-service supplier relationship) and a CMO.

The task of preserving and reinforcing a cluster quality brand label is progressing satisfactorily. The brand's inception began in the year 2020, with initial actions entailing the creation of a website, namely [www.pmag.ge](http://www.pmag.ge), and a social media presence, a brand logo, as well as a communication package that encompassed diverse tools such as posters, photo shoots, a brand video, and business cards. This developmental process was carried on actively throughout the year 2022. UNDP extended its valuable support by providing suggestions regarding inter-cluster linkages and the internationalization of the packaging cluster. As a future prospect, the Cluster Management Team is contemplating the establishment of a workgroup named "**PMAG Go Global**" – "**Unpack Success with Georgian Touch**" that will be dedicated to internationalization activities related to cluster members. In doing so, PMAG cluster member companies will transcend their pandemic-induced hesitancy to take risks and, in addition to concentrating on surviving and preserving their standing in the market, they will be offered the opportunity to receive investment support that is indispensable for enhancing their standards and preparing them for certification, a prerequisite for international business expansion.

The internationalization actions included reinforcing the inter-firm collaborations and supply chains in the packaging industry, facilitation innovations, technological advancement and capital

goods upgrade, since packaging material production is highly capital-intensive. The well-functioning, upgraded machinery is vital for these business operations, in order to attain less waste and discrepancies. The machinery is in a strong correlation with the costs of the production and energy usage. Purchase of the new machinery is related to the very high costs and obstacles related to the existence of relevant suppliers. thus, UNDP intervened supported companies to get acquainted and implement new technological solutions.

### **Indicator 2.4 % of self-financing of CMO in packaging**

*Achieved, subject to cluster member adhere fulfilling payment of member fees - Target for 2022 is at least 30% self-financing (does not include donor funding). Over 30% of self-financing annualized, adjusted for operational costs, 67 paying member companies financing volume in case full financing exceeds GEL 100,00 annualized, while annualized operational costs do not exceed GEL 200,000.*

UNDP continued to support the PMAG Packaging Cluster through low-value grant agreements, supporting the cluster in operations and in member company integration. The cluster was guaranteed with the continuation of external support to reduce the gap in financing by the end of June, 2023. and to be able to provide basic service activities for members.

**The cluster has reached 67 paying member companies, thus should generate annual fees over GEL 100,00.** Full member companies (packaging manufacturers) pay an average yearly membership fee of GEL 2,400 (divided into three categories: GEL 1,200 for micro-enterprises, Gel 2,400 for small enterprises and GEL 3,600 for medium and large enterprises). Associate member companies (downstream, upstream and supporting industries) pay an average yearly membership fee of GEL 1,200 (also divided into three categories: GEL 600 for micro-enterprises, Gel 1,200 for small enterprises and GEL 1,800 for medium and large enterprises). The CMO management team will have to be involved in networking activities to further expand membership and regional coverage. Delivering revenue-generating business support services remains challenging and entails specific in-house competencies. Another challenge remains sustainability and continuation of stable payments from member companies, the financial year 2022, due to pandemics and the war was quite challenging for companies, many companies are lagging behind membership fee payments.

***Indicator 2.5 CMO in packaging cluster facilitates extended producer responsibility (EPR) implementation in packaging.***

*The indicator is on track;*

UNDP significantly impacted the packaging sector in Georgia, as it facilitated the transition to a green and circular economy. This was achieved by encouraging resource efficiency and raising awareness about Extended Producer Responsibility (EPR) policies and the successful and unsuccessful examples sharing. Furthermore, the UNDP supported companies in the packaging value chain in Georgia to modernize their machinery and invest in new technologies to meet

international standards and certification requirements, as well as to address environmental pollution, health, safety and waste management issues. This intervention ultimately enabled the Georgian packaging sector to align with two EU standards, thus improving the country's trade orientation and overall economic development.

EPR<sup>22</sup> system introduction under the UNDP component needs additional time, as the national regulation and legislation framework formation did not progress in 2022, and the national consensus on EPR-related regulations has not been achieved yet. Even though the exact deadlines for implementing EPR regulations packaging components are unknown, the largest producers (such as soft drinks producers) have registered the PRO organization but have not been authorized by the regulator in the absence of such regulations.

In the circumstances of the nonexistence of the regulations, UNDP is capable of preparing these organizations in advance, strengthening their capacities and supporting Georgian packaging sector businesses to comply with upcoming EPR regulations adopting regulation. For instance, the incentivization of plastic waste could be initiated and implemented in different cities, or raise awareness and conduct workshops about the PRO integrated systems based on the best practices of several other countries. As the scope and structure of the upcoming EPR regulations are not explicit, discussing several country cases that best fit the Georgian Environment is recommended. UNDP focuses on advancement through complex interventions at the national and subnational levels and across multiple actors to create preconditions and an enabling system for implementing circular processes.

#### ***Indicator 2.6 No. of priority needs solved in CMOs***

*The target for 2022 is 20 (in total for packaging and seeds and seedlings sector). Result for 2022 is 14 needs (for packaging cluster).*

**Based on preliminary studies, 14 actions were undertaken during the reporting period to address needs in four areas:**

##### **I. CMO development and international best practices**

1. CMO business strategy and corporate governance
2. Participation in international exhibitions, technological transfer and advancement and innovation
3. Local and international partnerships
4. Women's Business Empowerment Project

##### **II. Vocational training and capacity strengthening**

5. International financial reporting standard for small and medium enterprises
6. Planning Digital resources ERP/MIS SOFTWARE
7. Business Digitalization

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<sup>22</sup> Annex: UNDP Detailed Actions Performance in supporting packaging cluster CMO strengthening and EPR



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Organization of the  
United Nations



8. Access to finance
9. Trade Finances
10. Circular Economy
11. Packaging Technologies
12. Waste Management attractive Practices and Opportunities for Sustainable Development in Tourism Industry

### III. Internalization

13. Export-orientation activities with the support of Enterprise Georgia
14. Strengthening International representatives in Germany and Spain

**IOM: At the Output 4 level it is defined, Migration is a mainstream component of SME development support.**

#### **Output 4. Migration is a mainstream component of SME development support.**

Although there is no direct diaspora related indicator for this Project Outcome, there is an expectation that diaspora economic forums, engaging diaspora professionals in the clusters' development process and B2B networking, should indirectly influence the Outcome indicators e.g related to turnover and/or export, that will be measured by the end of the Project.

***Indicator 4.1: Diaspora mapping conducted, interests, and priorities for investment identified and presented to the partner agencies for further consideration.***

IOM has established individual profiles inventory. In total 68% data files have been filtered and individual profiles of 3,600 diaspora professionals have been established and outreached in four or more rounds. Out of these individuals, to this date 572 have expressed interest in cooperation: this positive rate of 16% is very high, indicating a successful outreach process. It was observed that, as the outreach is targeted to diaspora professionals, whose experiences/qualifications directly matching the specific needs of the cluster businesses, the probability of expression of interest by diaspora to get engaged. The diaspora inventory is a backbone of all the diaspora related activities within the project. In Total 158 diaspora profiles have been shared with the project partner UN agencies – UNDP, FAO and UNIDO, selected per communicated interest of member businesses by the Cluster Management Organizations (CMOs) in the Packaging, Agriculture - Seeds & Seedlings, Pharmaceutical - phages and endemic plants-based medicines, clusters. Out of this number, 59 diaspora profiles were preselected by UNDP (41), FAO (6) and UNIDO (12) for further online meetings and defining the scope of their potential engagement with the cluster businesses' development.

The IOM has conducted 52 online meetings between partner UN agencies, cluster management organizations, interested member businesses, and selected diaspora members from various sectors. Finally, a dedicated diaspora web portal ([www.gda.ge](http://www.gda.ge)) has been established, which is being regularly updated with information on diaspora interests and importance related to business



Food and Agriculture  
Organization of the  
United Nations



development and investment opportunities in Georgia. The Web portal is operational within the MFA web system and administered by the Department of Diaspora Relations of the ministry.

***Indicator 4.2: Number of Trained Staff of Central and/or local authorities in mainstreaming migration into local development.***

***Workshops on migration mainstreaming in local development (MMLD) in the Kakheti region, municipalities of Telavi, Kvareli, Lagodekhi and Akhmeta<sup>23</sup>.***

In December 2022, the third round of workshops on mainstreaming migration into local development were conducted for the staff of the financial and economic divisions of IOM partner regional and municipal governments in the Kakheti region. This involved training 46 municipal staff, 63% of whom were women. Follow-up meetings were held with the mayors of four partner municipalities to ensure that migration-related issues were mainstreamed into the Midterm Municipal Development Documents planned through 2023. In addition, MMLD related discussions were held with mayors in the Imereti region, and IOM was invited to participate in the elaboration process of the new generation of green economic development programme for the Bagdati municipality, which is planned within 2023.

***Indicator 4.3: Networking events and/or trade fairs in Georgia and EU***

***Diaspora – Business Networking supported in the EU and Georgia***

The Enterprise Georgia, UNDP and IOM supported the participation and exhibition of the Georgian businesses from the Packaging Cluster at the international trade fair – Fachpack. which took place in Nuremberg, on 27- 29 September 2022. Six packaging businesses were exhibited and other 24 participated in the international exhibition. IOM used this opportunity to organize the networking event on 27 September, between the diaspora from Germany and Georgian businesses represented in this international event. In total 13 diaspora persons and 20 businesses attended the networking event<sup>24</sup>.

The invited diaspora from Germany, transport and logistics professionals, producers of dairy products, potential buyers and Georgian packaging sector businesses were given the opportunity to exchange and discuss potential cooperation, export promotion, etc.

IOM supported the Tbilisi City Hall in organizing the 12th Local Economic Development Forum (LEDF), on November 1-2, 2022, dedicated to sustainable economic recovery. The diaspora professional from London, named among the top 10 Young Women Engineers in 2018 and among the top 50 Women in Engineering in 2020, in the UK, and a young professional from Germany,

<sup>23</sup> Annex: IOM Workshop on MMLD Agenda&Lop

<sup>24</sup> Annex: IOM Diaspora MSME Networking Event in Germany

the finalist and Project Manager of the “Predictive Maintenance” research project at Freiburg Smart City (Germany), were invited by IOM and Tbilisi City Hall to present and share UK and German experiences at the panels on Green Economy and Investment in Business Friendly Cities. Their presentations were highly appraised by the fellow panelists and the attending audience and contacts with them continued by the representatives of the respective units of the Tbilisi City Municipality after the LEDF.

Within the framework of the forum, the migration panel was hosted by IOM, where the economic impact of migration - migrant remittances and diaspora capital were discussed. Invited Georgian Diaspora took part in this event. The panel also provided an opportunity to review migration in connection with the local development agenda of the Tbilisi Municipality<sup>25</sup>.

**Indicator 4.4:** Number of qualified diaspora assignments for CMOs and/or companies capacity building purposes

**Diaspora Assignment 1.** The assignment was carried out by a Georgian diaspora member from Spain to support small and medium-size Georgian businesses and members of the Packaging Cluster (<http://pmag.ge/ka/>) in expanding their access to the Spanish market.

End result: The interested buyers from Spain and concrete export possibilities identified for the packaging businesses:

- Fabrica 1900 and Caucaspak with RajaPack, Bracelona, Spain
- Colorgroup with BakePlus, the Netherlands (branch located in Spain)
- Buetea with potential investor Westrock Ltd. UK (branch located in Spain) - direct foreign investment possibility of the entire or partnership sale of the Tea Factory with its plantations. The negotiation with the investor on behalf of Buetea is conducted by the Savvy Georgian Consulting Agency. Visit of investor to the Buetea plantations is planned in Spring 2023. The investor will be accompanied by the diaspora person to ensure also the follow-up of this visit. The total interest of the investment is the 300-hectare sized tea production in Georgia.
- Agrostore-Chacha, tasting of CHACHA, by the local restaurants in Madrid, Spain, was successful and first 576 bottles reached the market and were delivered to the local restaurants in Madrid, Spain.
- Nuts Qalaquri and Geo organic dry fruits with Proditali, Alconendas, Spain, negotiations are in progress.
- Aqua new life and Alali Juices, negotiations in progress with different Spanish buyers.

The diaspora member is currently organizing the visit to Georgia of the Chamber of Commerce of Alava, along with the member company representatives and investors from Spain, tentatively scheduled for 5 June 2023, to discuss the potential business investment opportunity. The CMOs

<sup>25</sup> Annex: IOM LEDF Agenda

of packaging (incl. F&B producers), Seed and Seedlings clusters and selected clusters' member businesses will have the opportunity to introduce their businesses to potential investors and discuss the investment opportunities directly. Meetings with the government authorities are part of the visit agenda<sup>26</sup>.

**Diaspora Assignment 2<sup>27</sup>**. Jointly with UNDP, IOM developed the scope of work with the DG Consult GmbH, diaspora established Georgian-German consulting agency led by an active diaspora professional.

- DG Consult supported the participation of the Georgian Packaging Cluster in the trade fair on packaging, processing and technology (FACHPACK 2022). Georgian companies had an opportunity to showcase and demonstrate their products, examine recent market trends and meet with potential partners. With DG Consult's support, the companies could reach their most important target groups, attract visitors, forge initial contacts and establish new business relations.
- About 350 companies were contacted and notified by the DG Consult team on participation of Georgian companies in the exhibition. The Individual B2B meetings between Georgian and German businesses were planned through the Talque app, communication platform of the FACHPACK 2022.
- 30 face to face networking meetings were conducted between the 6 exhibited Georgian companies and 19 German businesses throughout the event 27-29 September 2023, during the Fachpack exhibition.

There was strong interest in Georgian products from the following international buyers, K.A. Schmersal GmbH & Co. KG, KASTELPLAST, HK-Pack Krautscheid GmbH, HORNA GmbH Verpackungen & Kopp Verpackungen GmbH, xxxLutz, Raja Pack expressed interest to cooperate with Georgian producers. The negotiations between the Georgian producers and German buyers are in progress.

**Diaspora Assignment 3<sup>28</sup>**. This assignment was facilitated by IOM and UNIDO to support the newly created Georgian Pharmaceutical Cluster, which unites the manufacturers of bacteriophages and herbal pharmaceuticals. Three rounds of training in sterile manufacturing were conducted by the professional diaspora from the pharmaceutical company in Germany, for the members of the Cluster businesses, to increase their capacity in complying with GMP standards. A total of 40 individuals, of whom 29 were women and 11 men, attended the training on 22 October, 2022; 35 participants (32 women, 3 men) attended the training on 5 November, 2022 and 29 (26 women, 3 men) - on 19 November, 2022.

<sup>26</sup> Annex: IOM Diaspora Assignment 1 TOR&Assignment Report

<sup>27</sup> Annex: IOM Diaspora Assignment 2 Final Report Summary

<sup>28</sup> Annex: IOM Diaspora Assignment 3 Training Report and LoP

### **3. Delays in implementation, challenges, lessons learned & best practices**

#### **Delays:**

Due to the Ukraine-Russia war and post-pandemic period restrictions over international and local travels, some delays for the project occurred, including:

1. **(UNIDO)** In 2022, there were unexpected delays with the incorporation and registration of the Georgian Biopharmaceutical Cluster. The reason was the desire of the leader company, which was also to be nominated as the head of the board, to have a strong grip over the management of the cluster and its activities. Finalizing the text for the charter took time and effort, since the interests of the head of the board and the rest of the cluster members had to be reconciled. Furthermore, the Public Service Agency requested amendments to the charter before incorporation, which meant that more time had to be allocated to preparing the final draft with the involvement of lawyers. This meant that the cluster could not be incorporated until late October of 2022. The process showed that it takes a lot of time and effort to reach agreements based on mutual interest in clusters where there is fierce competition, with few players vying for influence over the sector.
2. **(UNDP)** Indicator 2.5. Because the Specific EPR legislation for packaging waste has not yet been approved, the assumptions for the following description are based on the most recent draft provided by the Ministry of Environmental Protection and Agriculture, which is the author and initiator of the EPR legislation in Georgia.

Development of the Extended Producer Responsibility-related legislation is ongoing in Georgia. The Government has approved Technical Regulations for 4 out of 6 EPR-specific waste streams. They are WEEE, waste oils, tires, batteries and accumulators. The already approved Regulations establish the national targets to be achieved gradually for collection, recycling and recovery of the respective waste. Two more Regulations (for packaging waste and ELVs) are being currently reviewed by the Governmental Institutions and the key stakeholders.

The introduction of an EPR system under the UNDP component requires more time because the national regulation and legislation framework formation did not progress in 2022, and national consensus on EPR-related regulations has not yet been achieved. Despite the fact that the exact deadlines for implementing EPR regulations for packaging components are unknown, the largest producers (such as soft drink producers) have registered the PRO organization but have not been authorized by the regulator due to the lack of such regulations.

3. **(UNDP)** The Ukraine-Russia war and resulting political instability in the region and the country have disrupted the value chain's logistical processes and money transactions. Transportation systems have become more expensive, impeding export processes for private sector companies. Furthermore, access to the European market has become more difficult for

Georgia and other Asian countries, leading to an overload of Georgia's logistical potential as Asian countries attempt to access Europe through its channels. On the other hand, these events incite an increase in the Georgia's potential to become a logistical hub in the region. Additionally, the international markets face the spikes in the commodity prices due to price rises for energy carriers, however, Georgia has a relatively stabilized pricing system as it is in the region of Azerbaijan, energy exporter country, which provides relatively more stability in this regard.

4. The **UNDP** strategic interventions for growth grant scheme implementation process were delayed. The project conducted the screening process for implementation of strategic investment, with the purpose to reach the maximum number of potential applicants. The screening was implemented in two stages: The idea generation and concept screening was conducted as first stage by UNDP and PMAG representatives and full technical screening – as the second stage by implementing. In total 141 applications for both stages. In between, UNDP arranged the business model generation training and individual coaching for the businesses in Kakheti, Imereti and Tbilisi. The above-mentioned process intended to generate a relatively high quality and volume of grant applications and to enable the Project to select the best possible applications took additional several months. It is worth mentioning to consider logistical problems deriving from the pandemic; since most of the equipment comes from overseas, it was a priority to take extra actions and precautions to minimize risks, general terms of delivery of equipment are dramatically increased.

#### **Lessons learned:**

- (**UNIDO**) Reconciling project interests with the representatives of the Georgian Biopharmaceutical Cluster proved challenging, due to few available members and a fierce competition in the cluster, which made it difficult to reach a consensus regarding the structure and management of the cluster.

To avoid concentration of power and influence with dominant players in the cluster it is important to encourage the Board of the Georgian Biopharmaceutical Cluster to bring in more potential members to give the cluster better representation. At the same time, it is important not to undermine the sustainability and continuity of the cluster by creating the grounds for possible conflicts of interest between members by over-expanding the membership beyond those, which meet membership criteria laid out in the Charter.

The case of the Georgian Marine Fishing Cluster shows that it is important to take a bottom-up approach by working directly with cluster members and considering their needs. With the support of UNIDO, the Georgian Marine Fishing Cluster managed to identify strategically important issues that the members are concerned with the most. Working directly with cluster members made it possible to take targeted actions with minimal financial contribution from UNIDO, while also representing member needs and concerns



before national and international counterparts in a way that suits the interests of the cluster the most, and earning the trust from the members.

- **(UNDP) Trust building and expectations:** In 2022, the PMAG cluster initiative saw an increase in member companies' confidence and experience in collaborative efforts, resulting in the cultivation of mutual trust and respect among participants. Seasoned cluster participants facilitated the integration of newcomers, fostering a culture of openness and cooperation among competitors. Through shared workshops and experience-sharing opportunities, export-orientation activities led to tangible outcomes and an increased proficiency in navigating inter-organizational relationships within the cluster environment. The UNDP's promotion of gender equality further strengthened bonds of trust and camaraderie among member companies, resulting in an increased desire to contribute to Georgia's socio-economic development.
- **(UNDP) Emerging subgroups:** The establishment and maintenance of a cluster is an ongoing process that requires a sustained focus on trust-building and collaboration among participating companies, not only in Tbilisi but also in other regions. The pandemic-induced restrictions on in-person interactions have posed a challenge for cluster members, both new and old, resulting in the emergence of subgroups within the larger cluster. This situation has been further compounded by the diverse size and developmental stages of the packaging companies that comprise the cluster, necessitating a proactive approach to trust-building and management by cluster leaders. However, in the course of 2022, these subgroups - including export-oriented companies - have demonstrated a higher level of cooperation and experience sharing, indicating that such subdivisions can yield positive outcomes for the PMAG cluster.
- **(UNDP) Internalization:** For the first time in Georgia, the packaging cluster has ventured into the international arena, supported by the combined efforts of the UNDP and PMAG initiative. The inception of this progressive and transformative development was made possible by the indispensable intervention of Enterprise Georgia and IOM. Prior to this remarkable milestone, the packaging sector had not been accorded due attention nor received active support from the state, and was perceived as an insignificant player in the larger economic landscape. However, through the strategic intervention of the UNDP and the clustering approach, the packaging sector has emerged and captured the attention of the state, who has now opened the doors to Georgia's global participation and recognized the sector's inherent potential for international trade. All these are laying grounds to more active involvement of the state institutions in the development of the sector. The success cases of the packaging companies were a base for building trust within other packaging companies, discovering channels for implementing innovations and respond the demand respectively, explore their competitive advantages.
- **(IOM) During the reporting period,** IOM intensified outreach to the professional diaspora from the profiles inventory. It became clear from the response rate, that, the more the outreach to diaspora professionals is targeted based on their qualifications and experience

and its relevance to the concrete needs or requirements of the cluster businesses, the higher the positive response rate with expression of interest and engagement of the diaspora.

- **(IOM)**The potential Georgian diaspora possesses - diverse qualifications, knowledge, experience that still need to be well communicated with the private sector, local communities, government and other stakeholders in Georgia. For that purpose, IOM plans to produce a matrix displaying specific qualifications/professions of diaspora in correlation to economic sectors, countries and other parameters. Another important tool for utilizing diaspora potential is the planned diaspora portal functionality development, that should encourage creation the diaspora professional and business groups, per specific qualification/knowledge, institution of affiliation (as an additional resource), business sector etc. indispensable resource for further utilization by the country both in emergencies and for development purposes.

### **Challenges:**

1. EPR system introduction under the **UNDP** component needs additional time, as the national regulation and legislation framework formation did not progress in 2022, and the national consensus on EPR-related regulations has not been achieved yet. Even though the exact deadlines for implementing EPR regulations packaging components are unknown, the largest producers (such as soft drinks producers) have registered the PRO organization but have not been authorized by the regulator in the absence of such regulations.

In the circumstances of the nonexistence of the regulations, UNDP is capable of preparing these organizations in advance, strengthening their capacities and supporting Georgian packaging sector businesses to comply with upcoming EPR regulations adopting regulation. For instance, the incentivization of plastic waste could be initiated and implemented in different cities, or raise awareness and conduct workshops about the PRO integrated systems based on the best practices of several other countries. As the scope and structure of the upcoming EPR regulations are not explicit, discussing several country cases that best fit the Georgian Environment is recommended. UNDP focuses on advancement through complex interventions at the national and subnational levels and across multiple actors to create preconditions and an enabling system for implementing circular processes. Public and private sector collaboration and partnership play a crucial role in the successful implementation of EPR within the context of circular economy practices. UNDP has made significant efforts to empower municipalities and packaging companies from the Imereti and Kakheti Regions in Georgia to comply with regulations, establish cost-effective schemes, and promote innovative business models for waste management and green economy. A statement of intent has been planned between UNDP Georgia, the Ministry of Environmental Protection and Agriculture, and several other organizations to establish joint actions for developing waste separation, collection, and recycling partnerships, infrastructure, and knowledge-sharing platforms. **These parties will become unified through circular economy, waste management, and separation issues, allowing for some steps to be taken to overcome the lack of EPR. However, it is important to note**



Food and Agriculture  
Organization of the  
United Nations



**that additional time and resources will be required to fully implement the agreement and achieve its objectives. This underscores the need for sustained efforts and cooperation between the public and private sectors to effectively manage waste and promote a sustainable circular economy.**

2. The **UNDP** reports that the Ukraine-Russia war and resulting political instability in the region have disrupted logistical processes and money transactions, posing significant challenges for private sector companies operating in the value chain. Expensive transportation systems have hindered the export processes for these companies, and accessing the European market has become more difficult for Georgia and other Asian countries. As a result, Georgia's logistical potential has become overloaded as Asian countries attempt to access Europe through its channels. Furthermore, international markets are facing spikes in commodity prices due to rising energy costs, but Georgia's relatively stable pricing system, being in the region of Azerbaijan, an energy-exporting country, has provided more stability in this regard. As the packaging sector is heavily depended on the imported production material all above mentioned was a considerable challenge for them.
3. Challenge remains sustainability of cluster, filling financial gaps of operational expenses and delivering value-adding services for maintaining membership and increasing coverage.
4. Support PMAG to execute its strategy to address challenges existing in the industry, still valid, specifically:
  - a. Modernizing the machine park to guarantee quality, repeatability and price competitiveness of products offered on the market.
  - b. Developing competencies among employees, at management and operational functions levels (e.g., accounting, sales, human resources) and at the production level (operators, maintenance personnel, production planning and optimization).
  - c. Strengthening cooperation in material buyers' groups will enable them to buy materials at a lower price on the international market.
  - d. Strengthening cooperation in sales platforms will create more complex services and product portfolios and will flexibly meet the requirements of niche segments.
  - e. Reaching conformity with international standards and certification requirements (food safety, EPR).
  - f. Coping with environmental issues concerning water and air pollution, health and safety issues, waste recuperation and recycling in order to reach conformity with international standards.
  - g. Improving insight into new technologies and developing packaging solutions, including active packaging (gas scavengers, corrosion control, moisture control, antimicrobial), intelligent packaging (sensors, codes, tags, tracking devices, time-temperature indicators), edible packaging, soluble packaging, antibacterial packaging, self-cooling and self-heating packaging, multisensory packaging and non-stick packaging.



Food and Agriculture  
Organization of the  
United Nations



- h. Strengthening cooperation with downstream industries in Georgia on the development of tailor-made solutions for the international market in the food and chemical sectors.
  - i. Increasing the presence in the international markets, especially in the EU and the Black Sea area, Caspian Sea area and Gulf area.
5. **(FAO)** The finalisation of the legislative framework needed to provide full coverage to the CAC certification, is taking more time than initially foreseen, due to delays in the collaboration amongst the different Georgian institutions, NFA, SRCA and MEPA. The Decree №478 on “Qualification requirements for a nursery that produces fruit propagating materials and seedlings” did not fully consider all the needs for CAC certification, and the Decrees №40 and №591 will need to be approved urgently to allow for the full legal requirements.

#### 4. Qualitative assessment

The qualitative assessment evaluates a Programme's overall achievement, emphasizing key partnerships and their impact on results.

**UNDP:** The activities of UNDP were planned and implemented with relevant government and non-government stakeholders:

- The project continued partnerships with local and regional authorities of the Imereti and Kakheti regions; MEPA and its Agriculture and Rural Development Agency; Enterprise Georgia.
- UNDP actively cooperated with FAO, within the nursery and PMAG cluster rapprochement.
- UNDP actively cooperated with IOM for involvement in diaspora activities.
- Cooperation with perspective PRO was also significant
- International partnerships have been established and enhanced as already discussed.

**FAO:** The activities of FAO were planned and implemented with close collaboration with relevant government and non-government stakeholders:

- State Institutions: MEPA, SRCA, NFA
- Private Sector:
  - ✓ Nurseries – members of the Georgian Seeds and Saplings Association (GEOSSA);
  - ✓ Fruit producers: orchard owners/managers – apples, peaches, apricots, berries (raspberry, blackberry, blueberry);
  - ✓ Wineries and grape producers (small/medium and large);
  - ✓ Producers of niche products (GIs, terroir products and endemic varieties) - Georgian cheese, meat products, wine, honey, jams, tea, handmade sweets.
  - ✓ Other stakeholders: UNDP, IOM, UNIDO, GEOSSA, RDA, sectorial associations.



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Organization of the  
United Nations



## ii) Indicator Based Performance Assessment:

	<u>Achieved Indicator Targets</u>	<u>Reasons for Variance with Planned Target (if any)</u>	<u>Source of Verification</u>
<p><b>Outcome 1</b>  <b>Enhance entrepreneurship and business sophistication by strengthening the capacities of government and local entities to develop and operate clusters and supporting companies directly with strategic investments while also demonstrating the effectiveness of these strategies to businesses</b></p> <p><b>Indicators:</b></p> <p>1. # of identified potential clusters  <b>Baseline: 0</b>  <b>Planned Target: 10</b></p> <p>2. Growth rate of selected clusters' members' turnover  <b>Baseline: 2018 output data</b>  <b>Planned Target: 20% growth</b></p> <p>3. Balance of trade in selected sectors  <b>Baseline: 2018 sector balance of trade</b>  <b>Planned Target: 10% improvement (higher exports or lower imports)</b></p>	<p>1. 57 emerging and potential clusters</p> <p>2. UNDP: In 2022 sales figures of the cluster member companies were higher by 108.3% compared to 2018 for the same companies.</p> <p>3. Compared to 2018 baseline, the balance of trade (net import) was reduced (improved) by 17.7% thanks to the high growth of paper packaging products export. Accordingly, the trade balance for 2022 for paper and plastic packaging together was minus 36.85 mln USD, compared to minus 34.49 mln USD for 2021, and to minus 44.76 mln USD for 2018.</p>		<p>Project Report</p> <p>UNDP: "Packaging Sector Study Report 2022" (includes survey of companies and available public data sources, GeoStat)</p>

	<u>Achieved Indicator Targets</u>	Reasons for Variance with Planned Target (if any)	Source of Verification
<b>Indicator 1.1</b> Cluster mapping undertaken based on prioritization criteria set with local counterparts <b>Baseline: 0</b> <b>Planned Target: 1</b> (Achieved 100%)	UNIDO. 1.1. First of its kind comprehensive mapping of 57 manufacturing and agri-business clusters in Georgia		Report “Mapping Emerging and Potential Manufacturing and Agri-Business Clusters in Georgia” Press clips Conference reports
<b>Indicator 1.2</b> No of emerging and/or potential clusters detailed diagnostic studies by the programme  <b>Baseline: 0</b> <b>Planned Target: 8</b>	UNIDO. 1.2. First-of-its-kind 9 cluster diagnostic studies conducted	UNIDO has conducted an additional cluster diagnostic study for the greenhouse in the Imereti region upon request from MEPA	Cluster Diagnostic Studies Project reports
<b>Indicator 1.3</b> No of institutions and people trained on cluster mapping and diagnostic (% of women) <b>Baseline: N/A</b> <b>Planned Target: 5</b> institutions; 30 people (male/female – TBI) (Achieved 50%)	UNIDO. 1.3. 30 persons, including 13 women (43%), from 10 organizations were trained on clusters with a focus on diagnostics and action planning for cluster sustainability ( <i>MoESD, Enterprise Georgia, MEPA, RDA, Scientific-Research Center of Agriculture, UNDP, FAO, Packaging Association, PMCG Research, TBSC Consulting</i> )	N/A	Training Report Project reports
<b>Indicator 1.4</b> # of cluster activities realized in pilot clusters identified through the diagnostic <b>Baseline: 0</b> <b>Planned Target: 2</b>	UNIDO. 1.4. 5 types of cluster collective activities have been completed by December 2022. The cluster activities are: 1. Incorporation of the two clusters 2. Helping the clusters with corporate identities, digital presence, website and social media 3. GMP trainings and coaching 4. E-marketing trainings and coaching Public-private dialogue to serve the needs of the Georgian Marine Fishing Cluster	N/A	Project reports Press clips and pictures Attendance sheets and feedback from beneficiaries Research report



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Organization of the  
United Nations



	<u>Achieved Indicator Targets</u>	<u>Reasons for Variance with Planned Target (if any)</u>	<u>Source of Verification</u>
<p><b>Output 2 Development and functioning of the clustering approach in the packaging and seeds/seedling (UNDP Georgia and FAO)</b></p> <p><b>Indicator 2.1</b> Number of CMOs that are operating in the packaging and seed and seedling sectors  <b>Baseline:0</b>  <b>Planned Target :2</b> (in total for UNDP and FAO)</p>	<p>UNDP: 2.1. 1 in the packaging sector (with 3 representations in the Imereti, Kakheti and Tbilisi Regions),  FAO: 2.1. CMO for seeds and saplings sector has been created and is actively operating.</p>	<p>N/A</p>	<p>FAO: Registration of the Association on 4 January 2021 as a Non-commercial legal entity in the public service hall and an extract from the registry.</p> <p>UNDP: Project Report and Cluster member web page:  <a href="http://pmag.ge/en/13-memberscat">http://pmag.ge/en/13-memberscat</a></p>
<p><b>Indicator 2.2</b> No of companies who are part of the CMOs in the packaging and seed and seedlings sector  <b>Baseline:0</b>  <b>Planned Target: At least 50</b> (in total for UNDP and FAO)  <b>(at least 10 % women-led)</b></p>	<p>UNDP: 2.2. The PMAG Packaging Cluster has 67 members from the packaging sector - 27 full and 40 associate members). Additionally, the cluster has 11 free/honorary members and 3 companies are pending to become members in the future).</p> <p>Women manage 39.7% (31 companies: 11 full members, 16 – associated members and 4 – honorary ones) of member companies or are co-managed by women at a cluster member companies' level. As for the pending 3 companies, 1 potentially full member and 1 potentially associated member are fully managed by women.</p>	<p>N/A</p>	<p>UNDP: Project Report and Cluster member web page:  <a href="http://pmag.ge/en/13-memberscat">http://pmag.ge/en/13-memberscat</a></p> <p>FAO: GEOSSA database</p>



Food and Agriculture  
Organization of the  
United Nations



	<u>Achieved Indicator Targets</u>	<u>Reasons for Variance with Planned Target (if any)</u>	<u>Source of Verification</u>
	FAO: 2.2. Number of nurseries members of the Georgian Seeds and Saplings Association (GEOSSA): 24 confirmed members, among them two are women lead.		
<b>Indicator 2.3</b> No of inter-firm collaborative initiatives/projects undertaken between the CMOs' members <b>Baseline:0</b> <b>Planned Target:</b> At least 10 – for reporting period - (in total for UNDP and FAO)	UNDP: 2.3. Six activities were initiated and supported in 2022 in the packaging cluster.  FAO: 24 cluster activities successfully carried out in support of GEOSSA members and seed/fruit value chain stakeholders	FAO: 2.3 Number of inter-firm collaborative initiatives/projects undertaken between CMOs' members: planned for Year 2021	UNDP Project Report  FAO: Different sources, including progress reports from GEOSSA
<b>Indicator 2.4</b> % of self-financing of CMO in packaging <b>Baseline:0</b> <b>Planned Target:</b> At least 30% (does not include donor funding)	UNDP: Achieved. Over 30% of self-financing annualized, adjusted for operational costs, 67 paying member companies financing volume in case full financing exceeds GEL 100,00 annualized, while annualized operational costs do not exceed GEL 200,000.		UNDP: Project Report
<b>Indicator 2.5</b> CMO in packaging cluster facilitates EPR implementation in packaging <b>Baseline: No</b> <b>Planned Target:</b> Yes	UNDP: On track, UNDP significantly impacted the packaging sector in Georgia, as it facilitated the transition to a green and circular economy. This was achieved by encouraging resource efficiency and raising awareness about Extended Producer Responsibility (EPR) policies and the successful and unsuccessful examples sharing. Furthermore, the UNDP supported companies in the packaging value chain in Georgia to modernize their machinery and	UNDP: EPR 1 Development of the EPR related legislation is ongoing in Georgia. The Government has approved Technical Regulations for 4 out of 6 EPR specific waste streams. They are WEEE, waste oils, waste tires, waste batteries and accumulators. Two more Regulations (for packaging waste and ELVs) are being currently reviewed by the Governmental Institutions and the key stakeholders, there is no concrete decisions made.	UNDP: Project Report

	<u>Achieved Indicator Targets</u>	Reasons for Variance with Planned Target (if any)	Source of Verification
	invest in new technologies to meet international standards and certification requirements, as well as to address environmental pollution, health, safety and waste management issues. This intervention ultimately enabled the Georgian packaging sector to align with two EU standards, thus improving the country's trade orientation and overall economic development.	Despite the fact that the exact deadlines for implementing EPR regulations for packaging components are unknown, the largest producers (such as soft drink producers) have registered the PRO organization but have not been authorized by the regulator due to the lack of such regulations.	
<b>Indicator 2.6</b> No of priority needs solved in CMOs <b>Baseline:</b> No <b>Planned Target:</b> 20 (in total for UNDP and FAO)	UNDP 2.6. On the track, 14 needs solved in 3 areas  FAO: 2.6. 14 priority needs solved for the CMO, including technical assistance, trainings on critical needs and procurement of production material and equipment.	FAO: Number of priority needs solved in CMO planned for Year 2021	UNDP Project Report  FAO: Documentation on the priority needs and progress reports from GEOSSA.
<b>Indicator 2.7</b> Seedling Certification System approved and operational <b>Baseline:</b> NO <b>Planned Target:</b> YES	FAO: 2.7 Seedling certification system designed and approved by the Georgian government in 2021 and to enter in force in 2024		FAO: 2.7. Ordinance of the Government of Georgia available on the legislative herald of Georgia, as released on 28 September 2021
<b>Indicator 2.8</b> Seed Association created Baseline: 0 Planned Target: 1	FAO: 2.8 Seed association was created as part of GEOSSA		FAO: 2.8. Registration of the Association on 4 January 2021 as a Non-commercial legal entity in the public service hall and an extract from the registry.
<b>Indicator 2.9</b> Number of nursery operators registered and selling certified nursery material Baseline: 0 Planned Target: 25 (at least 10% women –led)	FAO: 2.9 2 nurseries earned CAC qualification on a voluntary basis.		FAO: 2.9 CAC certificates.
<b>Indicator 2.10</b> The creation of multi-stakeholder platform for seeds and seedlings			



Food and Agriculture  
Organization of the  
United Nations



	<u>Achieved Indicator Targets</u>	<u>Reasons for Variance with Planned Target (if any)</u>	<u>Source of Verification</u>
Baseline: 0 Planned Target: 1	FAO: 2.10 multi-stakeholder platform for seeds and saplings created on Viber and actively operational.		FAO: 2.10 Multi-stakeholder platform on Viber.
<b>Output 3 Packaging and seeds/seedlings clusters enhanced through strategic investment (UNDP)</b>  <b>Indicator 3.1</b> No of jobs supported/sustained by the EU (UNDP and FAO) <b>Baseline:0</b> <b>Planned Target: At least 30</b>  <b>Indicator 3.2</b> No of companies expanded sales at least by 15% (UNDP and FAO) <b>Baseline:0</b> <b>Planned Target: At least 10</b>  <b>Indicator 3.3</b> No of quality schemes adopted by economic operators with EU Support (UNDP and FAO) <b>Baseline:0</b> <b>Planned Target: At least 8</b>	<p>3.1 UNDP: 17 full-time and 4 internships leading to full-time employment were created through strategic investments in Imereti and Kakheti. (Out of these 17 jobs, 6 are for women).</p> <p>Also, except above-mentioned project, 6 students have been given the opportunity to apply their skills in the real world through an internship program in other PMAG member companies in the Imereti region, and all of them were employed for full-time jobs in 2022 in the same companies.</p> <p>3.2 25 (out of 67) PMAG Packaging Cluster member companies have increased sales at least by 15%. In 2022 sales figures of the cluster member companies, were higher by 108.3% compared to 2018 for the same companies.</p> <p>3.3 UNDP: 4 quality schemes were supported, one in each company</p>	<p>UNDP: Indicators 3.1 and 3.3 to be achieved in the years 2021 and 2022</p> <p>FAO: FAO: Indicators, 3.1, 3.2 and 3.3. Result expected in year 2023.</p> <p>Actual values for the indicators are expected to be compiled by the end of 2023.</p> <p>UNDP:</p> <p>For Imereti and Kakheti, 3 more full-time jobs and 5 internships are being created within the strategic investments for growth project.</p> <p>Investments of Tbilisi companies are in the implementation phase in 2023. Tbilisi unites 2/3 of the packaging companies of Georgia, thus forming a packaging hub in the country.</p> <p>Total UNDP Investment for Tbilisi beneficiaries comprised 440 164.30 USD Dollars, 56.9% of the budget of implemented projects. 43.1% was co-financed by beneficiaries (774 071 USD Dollars).</p> <p>Out of 9 beneficiary companies, 4 will introduce quality schemes. CBA for the Tbilisi region and other progress indicators are being assessed for the time being; thus, exact numbers are not calculated yet.</p> <p>As for employment and creating sustainable jobs, focusing on the Tbilisi beneficiaries, the already achieved numbers show that 9 companies have an obligation, the commitment is made to hire 18 full-time</p>	<p>UNDP Packaging Sector Study Report 2022 (includes survey of companies and available public data sources)</p> <p>Annex: UNDP Strategic Investments for Growth: Summary for Imereti, Kakheti regions and Tbilisi</p>



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Organization of the  
United Nations



	<u>Achieved Indicator Targets</u>	<b>Reasons for Variance with Planned Target (if any)</b>	<b>Source of Verification</b>
		employees and 9 interns within the intervention. These numbers will be finalized and all results will be attained until July, 2023.	
<b>Output 4</b> <b>Migration is a mainstream component of SME development support</b> <b>(Resp. IOM)</b> <b>Indicator 4.1</b> Diaspora mapping conducted, interests, and priorities for investment identified and presented to the partner agencies for further consideration <b>Baseline: No</b> <b>Planned Target: Yes</b>	Inventory of 3600 diaspora professionals  572 diaspora persons out of the outreached responded back and expressed their interest in cooperation  158 diaspora profiles shared with the project partner UN agencies – UNDP, FAO and UNIDO. 59 diaspora profiles preselected.  52 thematic online meetings between the UNDP, FAO and UNIDO, the cluster management organizations (CMOs) and interested businesses with the selected diaspora persons		Diaspora professional profiles inventory
<b>Indicator 4.2 Number of Trained Staff of Central and/or local authorities in mainstreaming migration into local development</b> <b>Baseline:0</b> <b>Planned Target: 30</b>	46 municipal staff, 63% women		Attendance sheets
<b>Indicator 4.3 Networking events and/or trade fairs in Georgia and EU</b> <b>Baseline: 0</b> <b>Planned Target: 3</b>	Business Networking Event in Nuremberg, Germany. Over 50 persons attended, including the represented businesses at the		Business Networking Event-Agenda, list of participants.



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Organization of the  
United Nations



	<b><u>Achieved Indicator Targets</u></b>	<b>Reasons for Variance with Planned Target (if any)</b>	<b>Source of Verification</b>
	FachPack Trade Fair and diaspora persons from Germany.		
<b>Indicator 4.4 No of qualified Diaspora assignments for CMOs and/or companies capacity building purposes</b> <b>Baseline: 0</b> <b>Planned Target: 4</b>	IOM: 1 assignment was developed in cooperation with UNIDO and 2 with UNDP (for Germany and Spain)  FAO: 3 assignments developed in cooperation with UNDP		Assignment contracts, TORs, consultant reports



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United Nations



### iii) A Specific Story

**UNIDO:** With the effort of UNIDO team, national and international experts, significant results have been achieved with considerable positive impact on producers:

- The E-marketing/commerce program helped beneficiaries use social media, websites and online marketplaces, leading to increased sales online from about 20% and above within a short period of time.
- The GMP program helped companies initiate the process of transition from traditional to GMP compliant companies. One of the companies- Neopharm, already passed an audit and became GDP certified in December 2022. Some other pharmaceutical companies are preparing for early 2023 to apply for GMP certification.
- The Georgian Marine Fishing cluster became an active intermediary between its members, State agencies and supporting industries (such as the ship-building sector in Turkey). An important change in a governmental legal act was successfully advocated, which was later signed and approved by the Prime Minister of Georgia in October 2022, thus benefiting the fishing companies.

The results showed that project interventions can be highly effective once they are targeted at the practical challenges voiced and put forward by the producers themselves. Therefore, producers and project beneficiaries should become the main source to guide the project implementation, such as selection of questions and modes of delivery for trainings. This way better engagement is achieved with beneficiaries and trust is earned, increasing the effectiveness of project interventions.

**UNDP:** Nugbari Ltd, a small enterprise in the Tsnori Region of Georgia, has become a success story in recent years thanks to its delicious, high-quality Churchkhela. The company's focus on innovating its packaging technology and its commitment to creating additional value-added for its product have helped it expand rapidly. With a new vacuum skin packaging device and innovative packaging technology, Nugbari solved its bottleneck for sales promotion, which contributed to the company's significant sales growth. Nugbari's products are now sold in markets across Georgia and exported to more than 20 countries, including the U.S., Ukraine, Lithuania, Germany, China, Poland, and Great Britain.

Despite facing challenges such as the Covid-19 pandemic and Russia's invasion of Ukraine, Nugbari continued to work and expand its business. To deal with the issue of the vacuum machines breaking down, the company received support from a joint project implemented by UNDP: EU Innovative Action for Private Sector Competitiveness in Georgia under the EU4Business umbrella.

With financing under the Matching Grant Program, Nugbari acquired new, modern machinery that could process more than 10,000 Churchkhela daily. The new equipment uses fully recyclable raw materials and has 30% less waste than traditional vacuum packaging machines. Nugbari can now take big export orders and not worry about the product quality anymore. Nugbari's success story is a testament to the power of innovation, strategic investments, and entrepreneurship. Eka Boqolishvili, the owner of Nugbari, plans to export Georgian Churchkhela to many more countries in huge amounts. The company's commitment to producing high-quality Churchkhela and contributing to the Georgian economy has made it a beloved brand both locally and internationally.



Food and Agriculture  
Organization of the  
United Nations



**UNDP:** LL Plast Ltd, the only company in the Kakheti region specializing in plastic packaging materials, had been operating successfully for 18 years, serving various client businesses and individuals. The company had a loyal customer base, but they were looking to scale up their operations and expand their market reach. LL Plast received assistance from the EU Innovative Action for Private Sector Competitiveness in Georgia, which helped them overcome investment demands for machinery modernization and upgrading, improving their product quality and assortment.

One of the initiatives that LL Plast had undertaken was to build a network with large supermarket chains throughout Georgia to return used plastic bags. These bags were recycled and turned into plastic capsules, which could be used for agricultural products such as greenhouse tapes and roofing. This small investment would enable LL Plast to recycle 80% of the used plastic bags and help reduce agrarian pollution in the Kakheti region. The plastic bag return scheme would also provide the company with raw materials for production, reducing their reliance on imports.

Thanks to the support from UNDP and the EU, LL Plast's productivity increased, and their quality schemes improved, contributing to the development of the circular economy. The company's communication with the first Georgian packaging cluster (PMAG) also helped enhance their competitiveness and scale up through collaboration across the value chain.

LL Plast's success story had a positive impact on the local economy and environment. Their commitment to sustainability and innovation not only led to the growth of their business but also created opportunities for other businesses in the region. By working together with the community and taking advantage of resources and support available to them, LL Plast Ltd became a shining example of success in the Georgian private sector.

### **FAO: Mating Disruption Programme:**

In 2022, FAO implemented a pioneering Mating Disruption Programme to control and prevent crop destruction from *Lobesia botrana*, also known as European grapevine moth, in Kakheti and Mtskheta-Mtianeti regions of Georgia. This pest has caused significant losses in grape production, reducing harvests and decreasing the quality of grapes and the resulting wines.

The introduction of the innovative Mating Disruption Programme, an organic pest control solution, has revolutionized Georgian wine production. This eco-friendly method utilizes female pheromones to disorientate male grapevine moths, leading to decreased number of laid eggs and fewer grapevine moths, ultimately minimizing damage to vineyards. With over 200 hectares of vineyards implementing this strategy, twelve producers have reported a 40% increase in harvest, as well as reduced expenditure on chemical solutions. The sustainable practice not only boosts organic wine production, but also aids in the development of integrated pest management, as its effectiveness increases with each harvest season.

This collaborative initiative has been an immense success in promoting sustainable organic farming in the region. By creating a viable approach for improving food safety standards and reducing the risk of human consumption of wines with pesticide residues, the Programme has been embraced by wine producers, leading to fruitful harvests with reduced environmental impact. Its proven efficacy has been rewarded with positive outcomes for all those involved, making it a benchmark for other wine makers to follow. With continued support, this initiative is committed to ensuring future harvests will reap the same positive results, creating a more secure and environmentally-friendly future for farming in the region.



Food and Agriculture  
Organization of the  
United Nations



FAO is committed to promoting sustainable agriculture and supporting wine producers of all sizes in their efforts to reduce reliance on pesticides. This initiative is a great example of the positive impact that partnerships with Private Sector entities can have on food and agricultural processes, and the potential of collaboration to bring innovative and effective solutions.

Moreover, the project is contributing to Georgia's economic development by improving the quality and competitiveness of Georgian wine on both the national and international market. This, in turn, will lead to increased exports, investments and job opportunities, aligning with the goals set in the United Nation's 2030 Agenda for Sustainable Development. This partnership illustrates how meaningful progress towards the achievement of the SDGs can be enabled through strong collaboration.

### **FAO: Agrarian Markets – Unique Georgian Taste:**

In the framework of the Technical Cooperation Programme (TCP) Facility project (TCP/GEO/3802/C1) complementing the “Innovative Action for Private Sector Competitiveness in Georgia” project, FAO is promoting the concept of protection of niche products, such as Geographical Indications (GIs), terroir products and endemic varieties. Georgia has a rich heritage of terroir products that are dispersed across the different regions of the country and highly sought after by consumers. Despite some efforts to promote such products, both producers and consumers remain unfamiliar with the concepts and niche products as these do not yet represent a significant portion of the agricultural production. To strengthen the involvement of the Private Sector and promote terroir products, such as GIs or endemic varieties, it is crucial to create conditions for producers to understand the commercial potentials associated with these niche products and the related requirements; as well as for potential customers to understand the qualitative added value of these products.

In this regard, two solutions have been envisaged, in particular:

- ✓ Promotion of locally produced niche products and endemic varieties – provision of technical assistance to selected producers to help them build their understanding of different concepts and requirements of systems protecting niche products with a special focus on marketing and branding potentials (Activity 1.2);
- ✓ Creation of market linkages between selected producers, potential buyers and public institutions through the organization of several promotion events (producers' market fairs) in Tbilisi and other regions (Activity 1.3).

The project required identifying producers and developing a comprehensive training curriculum to address their needs. Initially, an implementing partner was intended to be hired for this purpose. However, internal communications within the programme revealed that FAO Georgia had already built a solid and comprehensive database of producers. This strategic decision allowed the project team to reallocate the savings and use them to support farmers with the production of promotional and branding material, such as flyers, business cards, labels, and packaging for their respective products.

Ultimately, 65 terroir product producers from all regions of Georgia were identified, of which 55 expressed interest and willingness to participate in the activity.



Food and Agriculture  
Organization of the  
United Nations



In April 2022, FAO organized a two-day training session in Tbilisi to help smallholder producers of niche products identify and capitalize on their potential. Up to fifty producers attended the master-classes, which covered topics such as Business Management, Food and Drinks Safety, Labelling, and Branding, with knowledgeable professionals providing guidance on each of these topics. The results of the event were highly encouraging. Many participants applied the theoretical knowledge to their daily operations, resulting in improved labelling and branding of their products. Several producers also conducted laboratory analyses of their products and modified their labels accordingly. This training session allowed the participants to unlock the potential of their niche products and better equip them to succeed in the markets.

The two-day "Unique Georgian Taste" farmers' markets, held in Tbilisi on 25-26 June and 30-31 July 2022, proved to be a great success, attracting up to 55 producers from different regions of the country. A variety of products were on display, including dairy and meat products, confectionery, tea, honey, jams, and condiments, allowing producers to showcase their agricultural heritage. The markets not only reinforced the relationships between participants, but also created new commercial links with some of the largest retailers in Georgia. Public attendance was high, with the 55 producers gaining more than 1,000 new customers.

The agrarian markets provided an invaluable opportunity to strengthen the agricultural industry in Georgia and promote local produce. With the successful outcome and productive results of both events, as well as extremely positive feedback from all involved stakeholders, six more agro-markets were held in Tbilisi, Kutaisi and Mestia, with the support of EU funded projects. As a result, around 160,000 GEL was generated by the producers through sales at the "Unique Georgian Taste" event series. Moreover, these events also stressed the empowerment of rural women, who made up 58% of all market participants.

"Unique Georgian Taste" events were widely covered by the media, contributing significantly to raising awareness about Geographical Indications (GIs) and niche products among consumers, as well as other stakeholders such as the HoReCa sector and retailers. The event series was featured on Georgian-language television channels with national coverage, including the Georgian Public Broadcaster, Rustavi 2, Imedi TV, Formula TV, TV Pirveli, Palitranews, and BMG. The event announcements and press releases were also broadcast on Commersant Radio and Radio Imedi. Moreover, news texts about the event were published on numerous leading online platforms, including commersant.ge, bm.ge, interpressnews.ge, agrokavkaz.ge, and kvira.ge.

The activities implemented by FAO successfully complemented and ensured the sustainability of the work already done to promote the idea of protection of niche products such as GIs, terroir products, and endemic varieties in Georgia. As a result, the Agrarian Committee of the Parliament of Georgia expressed its interest in supporting niche product producers and facilitating the organization of similar agrarian markets on a regular basis. This support will be invaluable in ensuring the long-term success of niche product protection in the country.

### III. Other Assessments or Evaluations



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Organization of the  
United Nations



Below is the list of various reports, assessments and evaluations, as well as reviews, produced by the JP, attached to this report. The first part is the additional integral documents to the report updated for 2022 and the second part is other annexes.

Additional integral documents to the report, updated for 2022:

1. UNJP 2022 Communication and Visibility Report
2. UNJP Risks Update 2022
3. UNJP Workplan 4 Year: UNIDO, UNDP, IOM, FAO

Other annexes:

4. UNIDO Detailed Actions Performance 2022
5. UNIDO Digital Guidelines for the Jewelry Cluster
6. UNIDO Digital Guidelines for the Toys Cluster
7. UNIDO Digital Guidelines for the Producers of Herbal Medicines
8. UNIDO Digital Guidelines for the Producers of Bacteriophages
9. UNIDO Brochures for the Georgian Marine Fishing Cluster
10. UNDP Detailed Actions Performance in capacity building of packaging companies 2022
11. UNDP Detailed Actions Performance in supporting packaging cluster CMO strengthening and EPR 2022
12. UNDP Internalization of PMAG packaging cluster
13. UNDP Waste Management Practices and Opportunities for Sustainable Development in the Hotel Industry in Georgia
14. UNDP The International Standard of Financial Reporting for Small and Medium Enterprises (IFRS for SMEs) Report
15. UNDP Packaging Sector Study 2022
16. UNDP Georgian companies Support in the direction of business development in Germany within the framework of FACHPACK 2022
17. UNDP Strategic Investments for Growth: Summary for Imereti, Kakheti regions and Tbilisi
18. UNDP Presentation Strategic Investments for Growth for Companies in The Packaging Supply Chain Report for Kakheti and Imereti
19. UNDP Cost Benefit Analysis for 6 beneficiaries in the Imereti Region of UNDP Strategic Investments for Growth
20. UNDP Cost Benefit Analysis for 3 beneficiaries in the Kakheti Region of UNDP Strategic Investments for Growth
21. FAO Detailed Actions Performance 2022
22. FAO Georgian Seeds and Saplings Association (GEOSSA) - Final Report
23. IOM Detailed Actions Performance 2022
24. IOM Workshop on MMLD Agenda&Lop
25. IOM Diaspora MSME Networking Event in Germany
26. IOM LEDF Agenda
27. IOM Diaspora Assignment 1 TOR&Assignment Report
28. IOM Diaspora Assignment 2 Final Report Summary
29. IOM Diaspora Assignment 3 Training Report and LoP



#### IV. Programmatic Revisions (if applicable)

After programmatic revisions are due to the obstacles, which led to challenges and opportunities for the finalization of the project activities within 2022, the extension of the project for 6 months (1 February – 31 July 2023) was approved for achieving the core outcomes of the project.

The rationale behind the extension of the project is as follows:

- UNDP: Project extension was necessary due to delays caused by COVID-19, including travel restrictions, and the need for additional time for activities and interventions. UNIDO's cluster diagnostic studies were delayed, and trust-building and collective activity implementation take time, which cannot be completed by January 2023.
- UNDP will focus on further capacity development and sustainability of regional clusters. The significant increase in number of PMAG packaging cluster companies has led to forming subgroups that serve as the basis for inter-cluster division. There is the need of reorganization and capacity development of the cluster in the direction of strengthening of capacities for sustainability of the regional cluster for effective stimulation of further cluster development initiatives.
- The UNDP strategic interventions for growth grant scheme implementation process requires more time. The screening process for strategic investment implementation was carried out by the project in order to reach the greatest number of potential applicants. The screening was carried out in two stages: The first stage was idea generation and concept screening by UNDP and PMAG representatives, and the second stage was full technical screening by implementing. In the interim, UNDP organized business model generation training and individual coaching for companies in Kakheti, Imereti, and Tbilisi. The preceding process, which was intended to generate a relatively high quality and volume of grant applications and allow the Project to select the best possible applications, took several months longer. It is worth noting that logistical issues resulting from the pandemic have been prioritized; because the majority of the equipment comes from overseas, it was a priority to take extra actions and precautions to minimize risks, and general terms of delivery of equipment have been dramatically increased.
- The EPR system introduction under the UNDP component needs additional time, as national regulations and legislation framework formation did not progress in 2022. The formation of the national regulation and legislation framework for the UNDP component to support EPR implementation did not progress in 2022, and there is no national consensus on EPR-related regulations yet. Despite the lack of known deadlines for implementing EPR regulations, some of the largest producers have already registered the PRO organization, which has not been authorized by the regulator due to the absence of such regulations. In the absence of regulations, UNDP is capable of theoretically preparing these organizations, strengthening their capabilities and supporting Georgian packaging sector businesses to comply with upcoming EPR regulations by adopting regulation.



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Organization of the  
United Nations



To this end, UNDP initiated and implements the incentivization of plastic waste inventories for different cities, raise awareness, and conduct workshops about PRO integrated systems based on the best practices of other countries. Since the scope and structure of the upcoming EPR regulations are not yet clear, it is recommended to discuss several country cases that best fit the Georgian environment. However, more time is needed for these processes to mature, and for UNDP to implement more complex and important interventions not only at the national level but also at the subnational level and across multiple actors. This is critical for the development of circular processes and the system.