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International School of Economics at TSU



IDENTIFYING SECTORS WITH HIGH GROWTH AND EXPORT POTENTIAL



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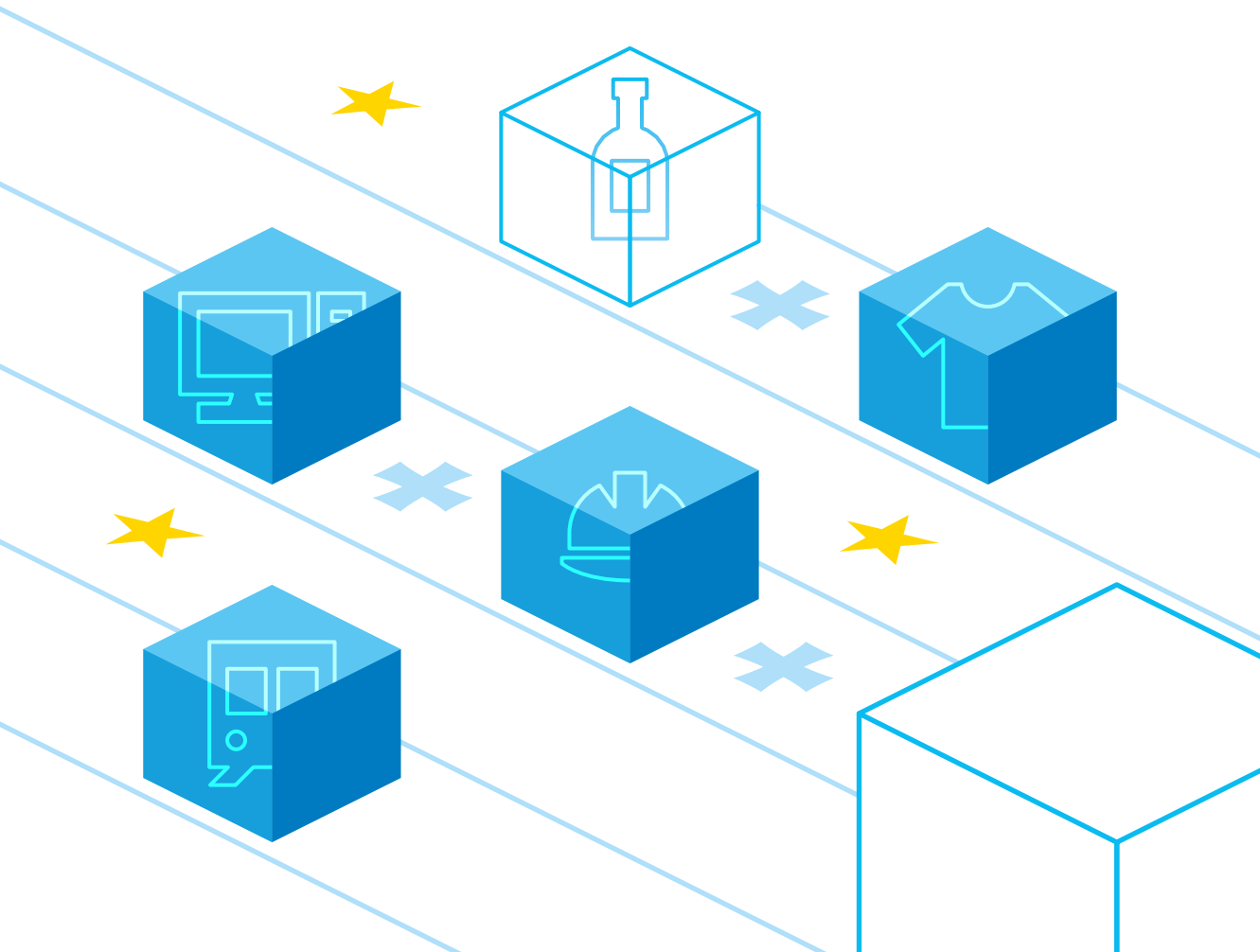


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List of Abbreviations

Abbreviation	Definition
ACAA	Agreement of Conformity Assessment and Acceptance of Industrial Products
CBAM	Carbon Border Adjustment Mechanism
DCFTA	Deep and Comprehensive Free Trade Area
EBOPS	Extended Balance of Payments Services
EPI	Export Potential Indicator
EU	European Union
GDP	Gross Domestic Product
GEL	Georgian Lari
Geostat	National Statistics Office of Georgia
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IA2M	Inclusive Access to Markets
ICT	Information and communications technology
ILO	International Labour Organization
ISET	International School of Economics at Tbilisi State University
ITC	International Trade Centre
MSME	Micro-, small and medium-sized enterprises
NACE	Statistical Classification of Economic Activities in the European Community
n.d.	No date
n.e.c.	Not elsewhere classified
n.i.e.	Not included elsewhere
PDI	Product Diversification Indicator
PMC	Policy and Management Consulting
PMCG	Policy and Management Consulting Group
RCA	Relative comparative advantage
SMEs	Small and medium enterprises
UK	United Kingdom
UNComtrade	United Nations Commodity Trade Database
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
USD	United States Dollar

Executive Summary and Key Findings



The goal of this study is to provide the UNDP Inclusive Access to Markets (IA2M) project with the selection of at least six sectors/subsectors in the Georgian economy where small- and medium-sized enterprises (SMEs) have established or potential opportunities for exporting to the European Union (EU) and European countries.¹ The research aims to identify sectors/subsectors where SMEs are best positioned to increase their exports, either by diversifying products and services or by penetrating new markets in Europe.

The study was conducted using both quantitative and qualitative data collected from multiple sources. This included a desk review and data collection from statistical agencies and other publicly available sources, as well as from interviews with key informants. The study pursued a comprehensive examination of export growth potential by supplementing quantitative analysis with qualitative insights from interviews with key stakeholders.







The primary objective of the qualitative analysis was to validate and enrich the findings of the quantitative analysis by investigating the practical experiences and perspectives of individuals directly involved in various economic sectors. This holistic approach aimed to uncover opportunities and challenges that statistical data alone might not have adequately captured. In response to these challenges, stakeholders proposed a series of recommendations aimed at fostering sustainable export growth. These encompassed initiatives such as capacity building for SMEs, adopting green technologies, identifying niche markets, continuous monitoring of market trends and strengthening public-private collaborations. Key stakeholders emphasized enhancing quality infrastructure and standardizing processes to streamline certification procedures, thereby boosting the competitiveness of Georgian exports in global markets.

The analysis compiled a comprehensive dataset covering 33 sectors of manufacturing and service provision. Among the sectors, six were identified as best positioned to enable SMEs to increase their exports. The sector selection process primarily relied on quantitative analysis, utilizing a set of indicators to assess export competitiveness, market demand in both the EU and Georgia, employment trends and prospects for value addition.

¹ For the purposes of this project, non-EU member, European countries will include countries of the European Economic Area, Eastern Partnership countries (Note: Belarus was not included within the scope of this report) and Switzerland.

Table 1 summarizes the aggregate results of the sectoral valuations. Presented scores are the weighted averages based on the weight distribution described in Table 1 (see Annex 3 for the detailed scoring of the sectors).

TABLE 1. Ranking of the Top Sectors

NACE ² Division/ BOP Category	Sector Description	Export competitiveness Rank	Market Demand Rank	Employment dynamics Rank	value addition in SME Rank	RANK
11	 Manufacture of beverages	36%	6%	8%	8%	58%
SC	 Transport	22%	16%	9%	9%	56%
SI	 Telecommunications, computer and information services	23%	13%	8%	11%	54%
14	 Manufacture of wearing apparel	30%	9%	7%	6%	53%
7	 Mining of metal ores	30%	6%	9%	7%	53%
24	 Manufacture of basic metals	32%	8%	5%	4%	50%

Based on our research findings, the **manufacture of beverages sector** received the highest score, primarily due to its strong performance in export competitiveness indicators. From 2020 to 2023, wine emerged as the primary export product, followed by mineral and aerated waters, waters containing added sugar, and then spirits distilled from grapes. Despite the significant export rates of these products, the EU's share remains relatively small, indicating potential for further expansion in this direction. The International Trade Centre's Export Potential Indicator (EPI) highlights further export potential in wine, mineral and aerated waters, and spirits distilled from grapes. However, the Product Diversification Indicator (PDI) suggests limited room for diversification.

The manufacture of beverages sector ranks relatively high in the dimension of employment dynamics, with notable levels of labour productivity and SME employment rates. Between 2020

2 Statistical Classification of Economic Activities in the European Community.

and 2022, SMEs accounted for an average share of 35 percent of the turnover within the sector. Compared to other sectors, manufacture of beverages scores lower in market demand and value addition dimensions, ranking 27th and 17th, respectively.

The transport sector, ranking second highest, demonstrates positive performance in the dimensions of market demand and employment dynamics. Its high ranking in the market demand dimension is primarily driven by high and rapidly growing demand in the EU market. Additionally, the sector holds the second position in the dimension of employment dynamics, attributed to a high rate of SME employment. In terms of export competitiveness, the transport sector secures the 8th position and has a significant 28 percent share of total service exports in Georgia. Notably, the largest subsector within transportation is the pipeline transport and electricity transmission subsector, contributing 38 percent to the total exports within the transportation sector. Following that is air transport, comprising 19 percent of exports, while the road, sea and rail transport subsectors contribute 18 percent, 15 percent, and 9 percent, respectively. SMEs have significantly contributed to this sector, representing 44 percent of the total turnover.

The telecommunications, computer and information services sector secured the third position in our ranking. This sector exhibited robust performance in the dimension of market demand. It should be noted that in the export competitiveness dimension, the EU market significantly contributed to Georgia's exports, representing 42 percent of the total exports in this sector. During the 2020 to 2022 period, the telecommunications, computer and information services sector accounted for 9 percent of total service exports. In terms of subsectoral analysis, computer services constituted 69 percent of exports, followed by telecommunication services at 20 percent and information services at 10 percent. In terms of other dimensions, this sector ranked highly in value creation and employment, securing the 8th and 9th positions, respectively. Notably, SMEs played a crucial role in this sector, with computer services exhibiting the highest contribution from SMEs (84 percent of the total subsector turnover).

The manufacture of wearing apparel is highlighted as a significant sector, primarily due to its outstanding performance in export competitiveness. Notably, T-shirts and vests (knit/crochet) dominated exports from 2021 to 2023, constituting 40 percent of total sector exports, followed by cotton variants at 9 percent, and men's trousers and shorts made of synthetic fibres (knit/crochet) at 26 percent. While these products performed well, others in the industry showed potential for further development, as indicated by relatively lower export percentages. This finding is supported by the PDI results. The top 10 products from the apparel industry in terms of product diversification in the EU and Western Europe held strong positions compared to other priority sectors, ranking among the top 100 products for this region according to the International Trade Centre.³ From 2020 to 2022, SMEs contributed approximately 29 percent of turnover in the manufacture of wearing apparel sector.

3 <https://exportpotential.intracen.org/en/products/diversification?fromMarker=i&exporter=268&toMarker=r&market=3&whatMarker=k>

Mining of metal ores ranks 5th among assessed sectors, demonstrating strong performance in export competitiveness and employment dynamics. Notably, it scored highly in the direction of revealed comparative advantage and the EPI. Copper ores and concentrates dominate the sector's exports, comprising 92 percent of the total share. However, there has been a notable decline in the EU market share of Georgia's exports of copper ores and concentrates from 2018 to 2023. Despite this decline, there remains untapped export potential, particularly in copper ores and concentrates, with an unrealized export potential of US\$8.7 million to the EU and Western Europe markets and US\$9.1 million for precious metal ores and concentrates. Unfortunately, the mining sector shows no potential for further diversification of export positions, according to the ITC assessment. Additionally, SMEs contribute only 12 percent to total sector turnover, which is relatively low compared to other priority sectors.

The manufacture of basic metals, the final priority sector, holds the second position in the export competitiveness dimension and excels in the export potential and product diversification indicators. Similar to the mining of metal ores sector, its exports are primarily centred around one good, ferro-silico-manganese, constituting 72 percent of total sector exports. Notably, there is substantial untapped export potential for this product to the EU and Western European markets, with an additional \$88 million. According to the ITC assessment, the sector only utilizes 20 percent of its export potential. Additionally, products like bars and rods and semi-finished products of iron and steel show unrealized potential. Furthermore, ferro-nickel, tubes of iron/steel and flat-rolled products of iron or non-alloy steel rank highly in product diversification indicators, suggesting room for expanding the export basket to EU and Western Europe markets. However, this sector ranks relatively low in market demand (16th place), employment dynamics (20th place), and value addition prospects (24th place). Notably, SMEs contribute only 12 percent to the total turnover of this industry.



Methodology



In order to identify sectors/subsectors with the highest export potential, we based our methodological approach and the selection of indicators to be analysed on the collaborative methodological document 'Guidelines for Value Chain Selection: Integrating economic, environmental, social, and institutional criteria' (GIZ and ILO, 2015). For selected priority sectors, we will extend the analysis, evaluating various economic dimensions in more detail, including market diversification possibilities, environmental and social impacts and institutional aspects in order to provide a comprehensive understanding of each sector's opportunities and challenges.

The study relies on quantitative and qualitative primary and secondary data collected from multiple sources. This includes a desk review and data collection from statistical agencies and other publicly available sources, as well as from interviews with key informants. Subsequent sections will provide an overview of the key findings in the literature as well as our approach and methodological steps undertaken for conducting quantitative analysis. The report concludes with the identification and detailed description of priority sectors that exhibit high export potential.

3

Literature Review



Over the past 10 years, assessments have been conducted in Georgia to pinpoint sectors with the highest potential for economic growth and increased exports to previously untapped European markets. International donor institutions have focused on enhancing SME development, boosting productivity, supporting export growth and improving Georgian companies' technological capacities and skills. The institutions have emphasized selecting the most promising sectors and achieving tangible results. Both national and local-level analyses have been carried out, covering different industries and municipalities. This section of the report provides an overview of the relevant studies and key findings.

The joint report of DAI & PMCG (2019) on 'Value Chain Prioritization and Gaps Assessment' evaluates the competitiveness potential of Georgian sectors and value chains to stimulate investment, job generation and revenue expansion. Employing a market analysis approach and emphasizing demand-side prospects for Georgian products and services, the report finds high-potential market growth opportunities in creative industries, light manufacturing, shared intellectual services and tourism. In addition, the report assesses these area's competitiveness for export growth.

The selection of value chains is based on the DAI's Competitiveness Appraisal Matrix methodology, with consideration of the 'Blue Ocean' concept, meaning that the selected value chains do not have direct competition because they have either a unique product or their product has a significant product differentiation capacity. More precisely, the selection criteria encompass three components:

- 1 **Competitiveness potential**, including domestic, regional and international market demand, both current and projected, competitive advantage, upgrading potential, and investor interest;
- 2 **Systemic impact**, including impact on micro-, small and medium-sized enterprises (MSMEs), job creation, women and youth, and regions, as well as potential opportunities for local supply chains; and
- 3 **Feasibility**, covering the strength of private sector leadership, the potential of public-private partnerships and other synergies, and alignment with Georgia's national priorities.

Based on this analysis, the selected value chains under each target sector are as follows:

- ➔ Tourism (adventure, cultural and gastronomic);

- ➔ Shared intellectual services (business process outsourcing);
- ➔ Light manufacturing (furniture and packaging); and
- ➔ Creative industries (artisan, post-production and production).

The top six value chains in the competitiveness appraisal matrix, in corresponding order, are:

- 1 Gastronomic tourism;
- 2 Adventure tourism;
- 3 Business process outsourcing;
- 4 Cultural tourism;
- 5 Furniture and home accessories; and
- 6 Post-production.

Some of the challenges associated with the development of the selected sectors are related to insufficient capital accumulation, low levels of labour skills, the quality of service provision, low levels of production and underdeveloped supply chains (DAI & PMCG, 2019).

A more recent study conducted by PMCG, under USAID's Economic Security Program, identifies the most promising sectors, value chains and goods that can benefit from utilizing the Diagonal Cumulation between Georgia, Türkiye and the EU. The study unveils various promising sectors and value chains that could benefit from this opportunity, including apparel, construction materials, cycling, footwear, furniture, motor vehicle parts, packaging, personal protective equipment, textiles and white goods/home electronic appliances. Additionally, the study identifies various raw materials from Türkiye, including aluminium, cotton, electrical components, fabrics, leather, motors, plastics, pumps and rubber, which could be successfully integrated into Georgian manufacturing processes and expand the potential of Georgian production through Diagonal Cumulation (PMCG, 2022).

Currently, the German Economic Team is working on analysing sectors to be covered by the Agreement of Conformity Assessment and Acceptance of Industrial Products (ACAA), envisaged by the EU-Georgia Association Agreement. To identify sectors with the highest ACAA potential, the study considers three dimensions:

- ↑ **Exports:** Observing export value and its growth rates, export market share of the EU and other countries adhering to or approximating to EU regulations, revealed comparative advantage (RCA) globally and for the EU market, and product and geographic diversification;
- ↓ **Imports:** Observing import value and its growth rate, and share of imports from the EU and other countries adhering to or approximating EU regulations; and
- ↻ **Domestic production:** Observing the value of production and production growth, the average number of employees, and the value added generated in each sector.

Sectors with higher ACAA potential are selected based on weighted scores across the three dimensions. The results will undergo verification through stakeholder consultations (Movchan & Staske, 2024).

In collaboration with ISET Policy Institute, the United Nations Industrial Development Organization (UNIDO) led a cluster mapping initiative under the EU Innovative Action for Private Sector Competitiveness. Published in 2020, the mapping aimed to identify the most promising clusters in Georgia and support the government and companies in developing and operating selected clusters. The mapping initiative uses qualitative and quantitative analyses to develop a comprehensive ranking of emerging and potential clusters in manufacturing, primary agriculture and mining.

Ten selection criteria covered different aspects of the clusters' current performance and perceived potential, including the export value and regional and national competitiveness, the number of employees and their productivity, environmental impacts and the potential for investment attraction. Cluster selection analysis utilizing the selected criteria was done for Tbilisi and each region individually. As a result, 57 clusters were selected, the top ten of which include three wine clusters in different regions of Georgia and four clusters in Tbilisi: apparel, furniture, jewellery and pharmaceutical, with the remaining three clusters being marine fishing, poultry and processing and preserving of fruits and vegetables (including perennial fruits, such as berries, nuts and peaches) (UNIDO & ISET PI, 2020).

The PMC Research study on regional markets in Georgia employed desk research and comprehensive qualitative data analysis to identify key sectors, major development constraints and gaps related to human resources. The analysis encompasses economic potential indicators of sectors and their subsectors, including specialization, growth dynamics, international competitiveness and other relevant factors. The following sectors and subsectors were selected across various municipalities: agriculture, hunting and related services; activities of travel agencies; building of complete constructions or parts thereof; civil engineering; manufacturing of food products and beverages; other mining and quarrying activities and supporting and auxiliary transport activities. The report concludes that the main challenges for businesses in selected sectors/subsectors include the availability of qualified staff, lack of modern equipment, limited access to finance, small domestic markets and a volatile economic environment (PMC Research, 2019b).

Under the Good Governance Fund initiative, PricewaterhouseCoopers, in collaboration with the ISET Policy Institute and PMCG, identified priority investment sectors in Georgia with the highest growth and investment attraction potential and the highest potential to be successful internationally, most notably in the EU. The study analyses the competitive advantages of each sector based on four elements: current sector conditions, existing market demand, related supporting industries, and existing competition and competitiveness. As a result, the following priority sectors were selected: agriculture, creative industries, food processing, pharmaceuticals, start-ups, and transportation and logistics. Additionally, the survey identifies that the most significant bottlenecks hindering the export and sector growth in Georgia are access to finance, lack of branding/marketing, lack of infrastructure and logistics systems, lack of qualified personnel and low product standards (PWC, ISET PI, & PMCG, 2016).

A joint study by the Center for Training and Consultancy (CTC), the Georgian Institute of Public Affairs (GIPA) and the ISET Policy Institute on the Competitive Advantages of Mountainous Regions

of Georgia analysed the economic performance of these regions. It identified economic gravity centres and functional regions, and selected priority sectors based on criteria assessing the development potential and competitiveness of the sectors. These criteria included specialization index and sector growth rates; value chain strength; access to production resources; and a Strengths, Weaknesses, Opportunities and Threats analysis of the sectors. The study identifies the production of dairy products as the main sector with a competitive advantage and growth potential. The main challenges associated with the dairy products sector's development include generally poor quality of livestock and risk of diseases, lack of infrastructure, especially quality road infrastructure; lack of pastureland; a shortage of workers in some municipalities due to migration and a lack of skilled workers and veterinarians in others and weak linkages with hotels and the restaurant industry. The study identifies hotels and similar accommodation services as the second competitive sector, as Georgia's mountainous regions are attractive to tourists (CTC, GIPA, & ISET PI, 2019).

A 2019 PMC Research study, 'Identification of Functional Regions and their Competitive Advantages in Kakheti', analysed leading economic sectors, focusing on both concentrated and competitive industries within each selected functional region. Using the Smart Specialization approach,⁴ the study identifies that wine manufacturing is the leading subsector in five functional regions of Kakheti, while egg production was ranked highest in one functional region. The study offers insights obtained from a survey of businesses, revealing that key challenges hindering wine export growth include small-scale production, inability to meet demand and limited cooperation with international traders. Lack of technical skills, water infrastructure and the unavailability of wine testing laboratories are other major concerns. Egg production is characterized by very little export, as production at the time of the study could only meet local demand. Dependence on imported raw materials, high import competition, lack of knowledge about export potential and markets and low quality of local inputs are mentioned, implying the low competitiveness of Georgian egg production (PMC Research, 2019a).

In 2017, the joint research study of the German Economic Team and ISET Policy Institute examined the existing state of Georgia's agri-food exports and provided policy recommendations. It analysed the export portfolio, exploring the potential growth of Georgian agricultural exports, identifying key constraints, suggesting strategies for exporters and offering policy implications for the government. Most notably, the results emphasize a significant concentration of Georgia's agri-food export, with 47 percent being beverages (hard spirits, mineral waters and wine), while fruit, particularly nuts, comprise an additional 28 percent. The findings also highlight three main directions for agri-food export growth: increasing the quality and quantity of already exported products; producing new, organic and high-value niche products, including fresh and frozen berries and hybrid fruits and berries; and upgrading the quality of products such as processed

4 The Smart Specialization approach was elaborated by the European Union and aims to promote regional development by supporting the regions in identifying and building on their specific competitive strengths. A detailed description of the process and methodology can be obtained here: http://publications.jrc.ec.europa.eu/repository/bitstream/JRC111430/2018-04-24_western-balkans-report_online.pdf

fruit, tea, honey, herbs and spices. The study also identifies disorganized export value chains and shortage of raw materials as two main factors constraining export growth (German Economic Team Georgia & ISET PI, 2017).

The EU4Business programme report presents survey results depicting the readiness of Georgian SMEs to implement the Deep and Comprehensive Free Trade Area (DCFTA) agreement. The research analysed their capacities, awareness regarding the DCFTA, export potential and existing challenges. Carried out in 2017, the survey covers 559 SMEs in 61 Georgian municipalities and identifies the top products produced in each region, as well as the types of products exported to EU and non-EU countries. Based on the obtained results, the most manufactured product is honey, followed by cheese/curd, fruits and berries/dry fruit, nuts and wine. Only 23 percent of the surveyed SMEs already exported their products, with the top destinations being Russia, Türkiye and Ukraine; top European export destinations are Germany, Italy and France.

The study also identifies the biggest obstacles for Georgian SMEs to export to the EU. The main challenges hindering export growth are associated with obtaining the necessary certifications and meeting EU quality and standard requirements for specific products. Other obstacles include a lack of information on export potential and procedures, as well as insufficient production capacity for export (EU4 Business, 2018).

Drawing from national- and regional-level sector assessment report findings, it can be concluded that agriculture, including the production of food and beverages, is one of the main sources of export, constituting almost a third of Georgia's total goods exports from 2015 to 2023.⁵ Key products and value chains identified by the literature are dairy products, fruits (including nuts and berries), honey and mineral waters and wine. Notably, several sector analysis studies conducted by the EU4Business programme, the German Economic Team in collaboration with ISET Policy Institute, as well as the joint study of UNIDO and ISET Policy Institute mention berries as a new and emerging production area in Georgian regions, with the potential for export growth that can be achieved by increasing the product quality.

In addition to agriculture and food processing, several studies consider apparel, creative industries, light manufacturing, and pharmaceuticals to be emerging new areas with high export potential. Tourism, especially agricultural, eco and gastro-tourism, is also considered to have high export potential.

Even though different sectors and regions face different challenges and bottlenecks, there are some commonalities. The literature has identified several general factors that hinder export and sectoral growth, the most notable being the high transportation costs, increased capital needs for new equipment and technology, lack of access to finance, lack of knowledge about export opportunities, low compliance with product quality standards, shortage of qualified personnel, small scale of production and weak logistics systems.

5 UN Comtrade data.

Data



The period of analysis for most of the indicators covers at least six consecutive years. This allows for the comparison of three-year averages (and growth rates) for the most recent periods available for each indicator. Guided by our data collection plan, secondary data for indicators other than trade data was collected for the period from 2017 to 2022 at the division level of sectors using the Statistical Classification of Economic Activities in the European Community (NACE) Rev. 2 Classification.⁶ Given the scope of the assessment, the primary production in agriculture and tourism-related services sectors was excluded from the analysis.⁷ Trade in goods data was analysed at the Harmonized System 6-digit level for the period of 2018-2023; the respective concordance tables were used to establish a mapping between product and sector classification systems. Data from UNcomtrade was converted to Central Product Classification 2.1⁸ to map trade data into NACE classification. Trade in services data was obtained from the Extended Balance of Payments Services (EBOPS)⁹ classifications. Therefore, we mapped the rest of the data for services sectors that were available in NACE classification into EBOPS categories using the EBOPS 2010 - NACE Rev. 2 correspondence table (Eurostat, 2021). Our analysis of services trade statistics covers only the latest available three years since trade in services data at the NACE classification is available only for 2020-2022. See Annex 2 for a list of service sectors considered in the analysis.

6 See Annex 1 for the definition of respective divisions/sectors of goods and services (NACE divisions).

7 These relate to 55. Accommodation; 56. Food and beverage service activities; and 76. Travel agency, tour operator reservation service and related activities.

8 Statistical classification of products by activity.

9 The EBOPS classification provides a breakdown of the Balance of Payments Trade in Services item, encompassing both debit and credit, as defined in BPM6.

5

Sector Selection Criteria



Indicators for identifying priority sectors are selected so that they provide insights into different aspects of export potential, encompassing both current opportunities and future prospects for sector growth and export. Given that the primary aim of the project is to identify sectors with SME export potential, it is essential to evaluate well-established exporters as well as industries that are currently oriented towards local markets but may further benefit from emerging international market opportunities. Therefore, this assessment considers the export competitiveness of Georgian sectors as well as the demand dynamics in the EU and local markets. In addition, sectoral indicators, such as employment trends and value-addition prospects, are utilized to further inform the selection process. Under these dimensions, a set of indicators is considered. Whenever feasible, indicators are disaggregated by enterprise size, focusing on SMEs.

To identify priority sectors, their relative scores across different evaluation dimensions are weighted according to the significance of individual criteria. Specifically, the export competitiveness dimension carries a weight of 50 percent, market demand carries a weight of 20 percent, and employment dynamics and the prospects of local value creation each carry a weight of 15 percent. When scoring sectors across individual dimensions, a percentile ranking will be utilized, which involves ranking sectors based on their relative position. The scores per dimension and their weights jointly contribute to determining an overall ranking, informing the selection process.

Due to limited data availability, certain services sectors' export competitiveness indicators are not accessible. Consequently, the weights of these indicators will be evenly distributed among the remaining indicators within this dimension. For instance, due to the unavailability of data on the export of goods from Georgia to the EU, the indicator "Change in Georgia's export market share in the EU" cannot be evaluated for services. Moreover, the ITC's EPs are only available for goods sectors. Table 2 outlines the selected indicators along with their respective data sources and assigned weights. The results obtained from the scoring exercise are presented in Section 6. The results were subject to further verification and validation through stakeholder consultations.

TABLE 2. Indicators Selected for Identifying Priority Sectors

Dimension	Indicator	Description	Weight	Source of Indicator	Data Source
Export competitiveness	Revealed Comparative Advantage (RCA) - World	$\frac{\text{Exports of X product from Georgia}}{\text{Total exports of Georgia}} \bigg/ \frac{\text{World's exports of X product}}{\text{Total world exports}}$	10%	World Bank - Sector Competitiveness Analysis Tools	UNcomtrade; Balance of Payment Statistics
	Revealed Comparative Advantage (RCA) - EU	$\frac{\text{Exports of X product from Georgia}}{\text{Total exports of Georgia}} \bigg/ \frac{\text{EU's exports of X product}}{\text{Total EU exports}}$	10%		
	EU market share in Georgia's exports	$\frac{\text{Georgia's exports by sector to EU}}{\text{Georgia's total exports by sector}}$	5%	Authors' consideration	UNcomtrade; Balance of Payment Statistics
	Change in Georgia's export market share in the EU	$\frac{\text{Imports by sector in EU from Georgia}}{\text{Total imports by sector in EU}}$	5%	World Bank - Sector Competitiveness Analysis Tools / Boston/Bethesda matrix	Geostat; Eurostat; Balance of Payment statistics
	The export potential indicator (EPI)	The EPI identifies products that a country already exports competitively and which have good prospects of export success in a given target market - World and European Market	5%	ITC Export Potential Map	ITC Export Potential Map
	Georgia's export performance	$\frac{\text{Exports of SMEs by sector}}{\text{Turnover of SMEs by sector}}$	5%	Authors' consideration	Geostat; Balance of Payment statistics
	Export Growth rate	Total exports' growth rate by sector	5%	Authors' consideration	Geostat Balance of Payment statistics
	Value of SME Exports	Value of SME exports by sector	5%	Authors' consideration	Geostat Balance of Payment statistics

Dimension	Indicator	Description	Weight	Source of Indicator	Data Source
Market demand	Value of Imports in the EU	Value of imports by sector in EU	5%	ILO/GIZ guideline document	Eurostat
	Growth of sectoral imports compared to total EU imports	Growth rate of $\frac{\text{Imports by sector in EU}}{\text{Total imports in EU}}$	5%	World Bank - Sector Competitiveness Analysis Tools/ Boston/Bethesda matrix	Eurostat
	SME Turnover Value	Value of SME turnover by Sector (Mln. GEL)	5%	Authors' consideration	Geostat
	Turnover growth rate	SME turnover growth rate by sector	5%	Authors' consideration	Geostat
Employment dynamics	Growth rate of employment	Growth rate of employment in SMEs by sector	5%	ILO/GIZ Guidelines	Geostat
	Labour Productivity	$\frac{\text{SME value added by sector}}{\text{Number of employees in SMEs by sector}}$	5%	World Bank - Sector Competitiveness Analysis Tools	Geostat
	Number of Employed in SMEs	Employment in SMEs by Sector	5%	Author's consideration	Geostat
Prospect for value addition	Value added to turnover ratio	$\frac{\text{SME value added by sector}}{\text{SME turnover by sector}}$	5%	Author's consideration	Geostat
	Ratio of value added to GDP	$\frac{\text{SME Value added by sector}}{\text{GDP}}$	5%	Author's consideration	Geostat
	Share of SMEs in turnover	Share of SMEs in turnover by sector	5%	Authors' consideration	Geostat



Selection of Priority Sectors









To identify sectors with high export potential, we ranked sectors of goods and services across four dimensions using 19 indicators.





EXPORT COMPETITIVENESS INDICATORS

The assessment of export competitiveness indicators, as outlined in Table 3, highlights several key sectors. The total weight of this dimension is set at 50 percent. Notably, the manufacture of beverages sector exhibits the highest export competitiveness. In particular, wine, mineral waters and spirits derived from grape wine or grape marc distillation account for the highest share of the sector's exports. Following that are the mining and the manufacture of metal products sectors, along with the manufacture of wearing apparel and textiles. The manufacture of wood products emerges as another significant sector, primarily driven by exports of plywood, particle board and related items.

Following the manufacturing sectors, the service sectors also demonstrate high export competitiveness. Telecommunications, computer and information services stand out, particularly in computer services, which, as of 2022, represent a significant 73 percent share of exports of this category. The transportation sector is another priority service sector identified through the evaluation.

TABLE 3. Export Competitiveness Dimension Rank

NACE Division/ BOP Category	Sector Description	Rank
11	 Manufacture of beverages	0.36
24	 Manufacture of basic metals	0.32
7	 Mining of metal ores	0.30
14	 Manufacture of wearing apparel	0.30
13	 Manufacture of textiles	0.24
16	 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.23

NACE Division/ BOP Category	Sector Description	Rank
SI	 Telecommunications, computer and information services	0.23
SC	 Transport	0.22
10	 Manufacture of food products	0.22
32	 Other manufacturing	0.21









Revealed Comparative Advantage

The first indicator associated with the export competitiveness of Georgian sectors assesses Georgia's Revealed Comparative Advantage in exporting products of a particular sector compared to the world and the EU. RCA serves as a valuable metric to evaluate a country's specialization patterns. In the numerator, the indicator reflects the share of Georgia's exports in a given sector in the total exports from Georgia. The denominator denotes the ratio of world (or alternatively EU) exports in the sector to the World's (or EU's) total exports. A ratio between these two shares that exceeds 1 signifies that Georgia exports more in the given sector relative to its total exports than the other party (World or EU), indicating a revealed comparative advantage.

When assigning scores, the sectors with an RCA less than 1 are assigned 0, while a percentile ranking is conducted for sectors with an RCA greater than or equal to 1. The trade data is retrieved from the UNComtrade Database and converted to NACE rev. 2 divisions based on the conversion tables mentioned above.

Based on the results, only eight sectors have an RCA greater than 1 (Table 4).

TABLE 4. Georgia's Revealed Comparative Advantage









NACE Division/ BOP Category	Sector Description	RCA - World	Score	RCA - EU	Score
11	 Manufacture of beverages	29.6	100%	11.3	86%
7	 Mining of metal ores	17.4	86%	128.6	100%
24	 Manufacture of basic metals	2.3	71%	4.2	71%
14	 Manufacture of wearing apparel	2.0	57%	2.7	57%
16	 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.4	43%	1.1	14%
SC	 Transport	1.4	29%	1.4	43%
10	 Manufacture of food products	1.2	14%	1.2	29%
20	 Manufacture of chemicals and chemical products	1.1	0%	0.9	0%



Export Potential Indicator

The next indicator related to export competitiveness includes the Export Potential Indicator (EPI) for Georgia, developed by ITC to assist countries in identifying promising products for export promotion initiatives. It is important to highlight that this indicator not only evaluates a sector's current performance but also projects future prospects for export growth. EPI identifies products that a country already exports competitively that also hold promising prospects for export in a specific target market. It assesses the potential export value for exporters in a given product and target market using an economic model that incorporates the exporter's supply, the target market's demand, market access conditions and bilateral linkages between the two countries (ITC, n.d.).

Aligned with the objectives of our analysis, we utilize the EPI for Georgia to evaluate export potential, beginning with an assessment of the global market and subsequently focusing on European countries. This approach enables us to evaluate export potential on both a global and European scale. According to the ITC assessment, the sector with the highest export potential is the manufacture of basic metals, which includes untapped export potential in the exports of ferro-alloys and aluminium. Following closely is the potential in exporting spirits obtained by distilling grape wine or grape marc, wine and mineral water. In the case of metal ores, unused potential is revealed in the exports of copper ores and concentrates. Export potential in the chemical products sector mainly arises from fertilizers. Meanwhile, the food products sector has a diversified basket of EPIs across several products. Lastly, the sixth sector exhibiting high export potential is the manufacture of wearing apparel, primarily in exports of topwear and trousers (Table 5).

TABLE 5. Georgia's Export Potential Indicator (EPI)

NACE Division	Sector Description	World (Thsd. USD)	Score	Europe (Thsd. USD)	Score
24	 Manufacture of basic metals	795,405	100%	122,877	100%
11	 Manufacture of beverages	718,239	95%	112,712	90%
7	 Mining of metal ores	560,500	90%	117,197	95%
20	 Manufacture of chemicals and chemical products	418,910	85%	56,094	75%
10	 Manufacture of food products	258,389	80%	90,346	80%
14	 Manufacture of wearing apparel	200,955	75%	98,655	85%
21	 Manufacture of basic pharmaceutical products and pharmaceutical preparations	123,387	70%	22,993	70%
16	 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	44,970	65%	6,262	45%








NACE Division	Sector Description	World (Thsd. USD)	Score	Europe (Thsd. USD)	Score
27	 Manufacture of electrical equipment	35,789	60%	10,516	60%
22	 Manufacture of rubber and plastic products	30,230	55%	6,822	50%




EU market share in Georgia's exports

Considering that the primary aim of the analysis is to assess Georgia's export potential to European countries, it is crucial to evaluate the importance of the EU market to Georgian exports. To achieve this, we assess the share of the EU market in Georgia's total exports by sector. To mitigate the impact of potential short-term fluctuations and provide a more consistent representation of the EU market's importance over time, we utilize the average export values from 2021 to 2023 in the case of the goods sectors and from 2020 to 2022 in the case of the services sector.

As the results indicate, the highest share of the EU market is observed in the export of textiles, with the EU representing 53 percent of total exports in the sector. Among the service categories, the telecommunications, computer and information services sector are leading. An important sector for Georgia's exports to the EU is mining of metal ores, with the EU's share in total exports representing 42 percent. This sector accounts for 54 percent of Georgia's total exports to the EU and primarily comprises copper ores and concentrates. In addition, the EU represents 37 percent of the export market for food products and 33 percent for furniture, which mainly consists of exports of wooden furniture (Table 6).

TABLE 6. EU Market Share in Georgia's Exports

NACE Division/ BOP Category	Sector Description	EU share	Score
13	 Manufacture of textiles	53%	100%
32	 Other manufacturing	45%	97%
SI	 Telecommunications, computer and information services	42%	94%
7	 Mining of metal ores	42%	91%
10	 Manufacture of food products	37%	88%
31	 Manufacture of furniture	33%	84%
SB	 Maintenance and repair services not included elsewhere (n.i.e.)	27%	81%











NACE Division/ BOP Category	Sector Description	EU share	Score
16	 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	26%	78%
19	 Manufacture of coke and refined petroleum products	25%	75%
SJ	 Other business services	25%	72%

Georgia's export performance

To evaluate SME export performance, we examine the ratio of SME exports to SME turnover by sector. To construct this indicator, we utilize UNComtrade data. To assess SME trade in goods, we align UNComtrade data with the distribution of SME shares by sector as provided by Geostat. This approach was adopted because our focus lies on the trade of goods in a particular sector rather than the sectors themselves that may be involved in trading goods originating from different sectors. Due to limited data availability, calculating SME exports by service sectors was unfeasible. Therefore, we evaluated the ratio of total exports to the total turnover of service sectors.

According to the results presented in Table 7, the high export orientation of SMEs is depicted in the manufacture of computer, electronic and optical products, followed by the manufacture of motor vehicles, trailers and semi-trailers, and the manufacture of machinery and equipment.











TABLE 7. Georgia's Export Performance

NACE Division	Sector Description	Ratio of export to turnover	Score
26	 Manufacture of computer, electronic and optical products	23.90	100%
29	 Manufacture of motor vehicles, trailers and semi-trailers	8.82	97%
28	 Manufacture of machinery and equipment not elsewhere classified (n.e.c.)	2.60	94%
32	 Other manufacturing	1.19	90%
24	 Manufacture of basic metals	1.17	87%
13	 Manufacture of textiles	0.84	84%
15	 Manufacture of leather and related products	0.83	81%
11	 Manufacture of beverages	0.69	77%
14	 Manufacture of wearing apparel	0.54	74%
20	 Manufacture of chemicals and chemical products	0.49	71%

Georgia's Export Growth rate

To assess Georgia's dynamic development of exports, it is crucial to analyse export growth rates over the years. To calculate the indicator, we utilize the three-year average of exports from Georgia by sector for the periods of 2018 to 2020 and 2021 to 2023. As the results show, the highest growth was observed in intellectual property services. However, it is important to note that this sector holds little significance for Georgia's total exports in services, accounting for less than 1 percent. The second leading sector is the manufacture of textiles. Additionally, a high export growth rate was identified in the telecommunications, computer and information services sector (Table 8).

TABLE 8. Export Growth Rate by Sector











NACE Division/ BOP Category	Sector Description	Growth rate	Score rate
SH	 Charges for the use of intellectual property n.i.e.	112%	100%
13	 Manufacture of textiles	75%	94%
SI	 Telecommunications, computer and information services	48%	89%
27	 Manufacture of electrical equipment	25%	83%
SJ	 Other business services	24%	78%
17	 Manufacture of paper and paper products	18%	72%
32	 Other manufacturing	17%	67%
29	 Manufacture of motor vehicles, trailers and semi-trailers	13%	61%
24	 Manufacture of basic metals	12%	56%
26	 Manufacture of computer, electronic and optical products	11%	50%

Value of SME Exports

In addition to analysing growth rates, it is crucial to assess the value of SME exports in each sector. While the RCA indicator helps identify sectors with high export performance, its scoring technique often overlooks sectors with an RCA of less than 1. To ensure a comprehensive evaluation and to account for the value of SME exports, the three-year average (2020-2022) value of exports disaggregated by sector was assessed.

Due to data availability limitations in service sectors, quantifying the amount of SME exports by sector was unfeasible. Consequently, we utilized the total value of exports of the whole sector as an alternative indicator. It is worth noting that for sensitivity analysis, we employed the share of SME turnover in service sectors to estimate the probable value of SME exports. Notably, this did not lead to any significant changes in the export competitiveness rank.




TABLE 9. Value of SME Exports (2020-2022 average)








NACE Division/ BOP Category	Sector Description	SME Exports (Min. USD)	Score
SC	 Transport	907.43	100%
SI	 Telecommunications, computer and information services	308.99	97%
11	 Manufacture of beverages	217.93	94%
10	 Manufacture of food products	186.55	91%
24	 Manufacture of basic metals	116.14	88%
SJ	 Other business services	109.64	84%
28	 Manufacture of machinery and equipment n.e.c.	31.31	81%
20	 Manufacture of chemicals and chemical products	28.60	78%
SK	 Personal, cultural, and recreational services	25.98	75%
32	 Other manufacturing	25.91	72%

Change in Georgia's market share in the EU

In addition to the EU market share in Georgia's exports, it is essential to consider the share of Georgia's imports in the EU market and how it has changed over the years. The indicator aims to assess whether Georgia's exporters are expanding their market share in European countries. For this purpose, we compare the three-year average of imports from Georgia to the EU by sector for the periods of 2018-2020 and 2021-2023 to the three-year average of total EU imports by sector for the same periods. The growth rate between these periods is subsequently calculated. According to the results, the manufacture of wearing apparel exhibited the highest growth. Next in line is the manufacture of products of wood and cork, which, as previously noted, predominantly includes EU imports of plywood and various wooden articles (sliced, peeled, etc.). Other sectors showing positive trends include refined petroleum products, textiles and chemical products (Table 10).

TABLE 10. Change in Georgia's Market Share in the EU











NACE Division	Sector Description	% Change in share	Score
14	 Manufacture of wearing apparel	0.045%	100%
16	 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.028%	95%
19	 Manufacture of coke and refined petroleum products	0.027%	89%

NACE Division	Sector Description	% Change in share	Score
13	 Manufacture of textiles	0.023%	84%
20	 Manufacture of chemicals and chemical products	0.018%	79%
27	 Manufacture of electrical equipment	0.003%	74%
12	 Manufacture of tobacco products	0.001%	68%
17	 Manufacture of paper and paper products	0.001%	63%
29	 Manufacture of motor vehicles, trailers and semi-trailers	0.001%	58%
28	 Manufacture of machinery and equipment n.e.c.	0.000%	53%

MARKET DEMAND

The next dimension encompasses indicators of EU and local market demand. This dimension carries a total weight of 20 percent. Notably, the sector demonstrating the highest market demand is transportation, followed by the manufacture of chemicals and chemical products, telecommunications, computer and information services, extraction of crude petroleum and natural gas, and other business services.

TABLE 11. Market Demand Dimension Rank











NACE Division/ BOP Category	Sector Description	Rank
SC	 Transport	0.16
20	 Manufacture of chemicals and chemical products	0.15
SI	 Telecommunications, computer and information services	0.13
6	 Extraction of crude petroleum and natural gas	0.13
SJ	 Other business services	0.12
27	 Manufacture of electrical equipment	0.11
25	 Manufacture of fabricated metal products, except machinery and equipment	0.11
SH	 Charges for the use of intellectual property n.i.e.	0.10
14	 Manufacture of wearing apparel	0.09
10	 Manufacture of food products	0.09

Growth rate of sectoral imports compared to total EU imports

Assessing import dynamics is essential for understanding demand trends in EU markets. To achieve this, we examine whether sectors within the EU market are undergoing growth or decline in their imports relative to overall EU imports. The assessment period spans from 2018 to 2023, during which we compare the ratios of three-year average values of imports by sector to total EU imports for the periods of 2018-2020 and 2021-2023. We use the same method to assess imports in service sectors with data for the period of 2017-2022. By employing a percentile ranking, each sector is assigned a score based on its growth rate between these periods.

According to Table 12, the extraction of crude petroleum and natural gas sector demonstrates the highest growth rate of 3.6 percent. The transport and intellectual property service sectors follow closely, as well as the manufacture of chemicals and chemical products sector and the telecommunications, computer and information services sector.

TABLE 12. Sectoral Import Growth Rate Relative to Total Imports in the EU











NACE Division/ BOP Category	Sector Description	Growth rate	Score
6	 Extraction of crude petroleum and natural gas	3.6%	100%
SC	 Transport	2.5%	89%
SH	 Charges for the use of intellectual property n.i.e.	2.2%	78%
20	 Manufacture of chemicals and chemical products	1.4%	67%
SI	 Telecommunications, computer and information services	1.2%	56%
SJ	 Other business services	0.8%	44%
27	 Manufacture of electrical equipment	0.5%	33%
5	 Mining of coal and lignite	0.2%	22%
19	 Manufacture of coke and refined petroleum products	0.1%	11%
7	 Mining of metal ores	0.0%	0%

Value of Imports in the EU

In addition to analysing growth rates, another key indicator used to assess market demand in the EU involves examining the three-year average value of imports in goods sectors from 2021 to 2023 and in service sectors from 2020 to 2022.

The findings reveal that the sector depicting the highest import volume is crude petroleum and natural gas, comprising 16 percent of total imports in the EU. Notable EU demand is also evident in the computer, electronic, optical products, chemical products manufacturing, transport, intellectual property services, machinery and equipment, electrical equipment, and basic metals sectors (Table 13).





TABLE 13. Value of Imports in EU by Sector







NACE Division/ BOP Category	Sector Description	Value of Imports in the EU (US dollars)	Score
6	 Extraction of crude petroleum and natural gas	439,042,170,400	100%
SJ	 Other business services	418,632,205,499	97%
26	 Manufacture of computer, electronic and optical products	363,033,277,588	94%
20	 Manufacture of chemicals and chemical products	214,301,766,767	91%
SC	 Transport	205,486,613,426	88%
SH	 Charges for the use of intellectual property n.i.e.	188,307,456,520	84%
28	 Manufacture of machinery and equipment n.e.c.	167,217,081,277	81%
27	 Manufacture of electrical equipment	158,464,098,747	78%
24	 Manufacture of basic metals	143,602,819,183	75%
21	 Manufacture of basic pharmaceutical products and pharmaceutical preparations	135,425,894,702	72%

Value of SME Turnover

In evaluating domestic market demand, we examine the value of SME turnover by sector. We assess the three-year average value of turnover in both goods and service sectors spanning from 2020 to 2022. Since service sectors are presented in broader categories compared to NACE divisions, they appear in the leading positions in this ranking (Table 14). Other product sectors, such as the manufacture of food products, non-metallic mineral products, beverages, rubber and plastic products, and basic metals, also exhibit notable turnover during this period.

TABLE 14. Value of SME Turnover by Sector (2020-2022 average)











NACE Division/ BOP Category	Sector Description	Turnover (Thsd. USD)	Score
SE	 Construction	2,190,369	100%
SC	 Transport	1,390,089	97%
SJ	 Other business services	1,215,059	94%
10	 Manufacture of food products	592,758	90%

NACE Division/ BOP Category	Sector Description	Turnover (Thsd. USD)	Score
23	 Manufacture of other non-metallic mineral products	324,739	87%
11	 Manufacture of beverages	315,219	84%
SI	 Telecommunications, computer and information services	314,695	81%
22	 Manufacture of rubber and plastic products	156,662	77%
24	 Manufacture of basic metals	98,909	74%
25	 Manufacture of fabricated metal products, except machinery and equipment	98,274	71%

Turnover growth rate

Another indicator designed to assess domestic demand in Georgia is focusing on the SME turnover growth rate. Specifically, we calculate the compound annual growth rate of SME turnover based on the three-year average value over two distinct periods: 2017-2019 and 2020-2022. According to the scoring results, leading sectors in this direction are manufacture of motor vehicles, trailers and semi-trailers, fabricated metal products, wearing apparel, coke and refined petroleum products, textiles and other manufacturing (Table 15).

TABLE 15. SME Turnover Growth Rate by Sector











NACE Division/ BOP Category	Sector Description	Growth rate	Score
29	 Manufacture of motor vehicles, trailers and semi-trailers	43%	100%
32	 Other manufacturing	42%	97%
25	 Manufacture of fabricated metal products, except machinery and equipment	31%	93%
14	 Manufacture of wearing apparel	26%	90%
19	 Manufacture of coke and refined petroleum products	25%	87%
13	 Manufacture of textiles	22%	83%
20	 Manufacture of chemicals and chemical products	20%	80%
17	 Manufacture of paper and paper products	20%	77%
12	 Manufacture of tobacco products	16%	73%
28	 Manufacture of machinery and equipment n.e.c.	15%	70%

EMPLOYMENT DYNAMICS

Along the export competitiveness and market demand dimensions, the sector selection process involves evaluating the domestic performance of sectors. The indicators focused on analysing employment dynamics and labour productivity within sectors. This dimension holds a total weight of 15 percent.

Identified priority sectors include transport, manufacture of fabricated metals and mining of metal ores. The transport sector's prominence arises from its combination of high labour productivity and substantial employment rates. Similarly, the construction and beverage manufacturing sectors exhibit high rates in these indicators compared to the growth rate of employment (Table 16).










TABLE 16. Employment Dynamics Dimension Ranking

NACE Division/ BOP Category	Sector Description	Rank
25	 Manufacture of fabricated metal products, except machinery and equipment	0.10
SC	 Transport	0.09
7	 Mining of metal ores	0.09
19	 Manufacture of coke and refined petroleum products	0.09
SE	 Construction	0.09
17	 Manufacture of paper and paper products	0.08
32	 Other manufacturing	0.08
SI	 Telecommunications, computer and information services	0.08
11	 Manufacture of beverages	0.08
14	 Manufacture of wearing apparel	0.08

Growth rate of employment

The assessment of employment dynamics relies on assessing current employment patterns to establish a foundation for evaluating potential gains in the sectors' further development. A pivotal aspect of the recent performance analysis is the sector's employment growth rate, specifically targeting the growth rate of employment in SMEs. The growth rate is calculated using the compound annual growth rate for the three-year average value of employment in SMEs, comparing the periods of 2017-2019 and 2020-2022. When assigning scores, the sectors with negative growth are assigned 0, while a percentile ranking is conducted for sectors with a positive dynamic. The results of the analysis are presented in Table 17.




TABLE 17. The Growth Rate of SME Employment by Sector

NACE Division	Sector Description	Compound annual growth rate	Score
29	 Manufacture of motor vehicles, trailers and semi-trailers	32%	100%
19	 Manufacture of coke and refined petroleum products	24%	92%
26	 Manufacture of computer, electronic and optical products	17%	83%
25	 Manufacture of fabricated metal products, except machinery and equipment	11%	75%
14	 Manufacture of wearing apparel	9%	67%
7	 Mining of metal ores	9%	58%
17	 Manufacture of paper and paper products	8%	50%
13	 Manufacture of textiles	5%	42%
32	 Other manufacturing	4%	33%








Labour productivity

Labour productivity serves as another important metric in evaluating sector performance. In our analysis, it involves calculating the value added per worker by dividing the three-year (2020-2022) average SME value added by the three-year average SME employment.¹⁰ According to the data analysis, the highest labour productivity is revealed in the extraction of crude petroleum and natural gas, followed by the manufacture of tobacco products and other manufacturing. In the services sector, high labour productivity is revealed in intellectual property and construction (Table 18).

TABLE 18. Labour Productivity by Sector

NACE Division/ BOP Category	Sector Description	Labour Productivity (USD)	Score
6	 Extraction of crude petroleum and natural gas	26,030	100%
12	 Manufacture of tobacco products	22,421	97%
32	 Other manufacturing	21,270	93%










¹⁰ $\frac{\text{Three-year (2020-2022) average SME value added}}{\text{Three-year (2020-2022) average SME employment}}$

NACE Division/ BOP Category	Sector Description	Labour Productivity (USD)	Score
SH	 Charges for the use of intellectual property n.i.e.	20,513	90%
SE	 Construction	18,786	87%
7	 Mining of metal ores	17,656	83%
11	 Manufacture of beverages	17,257	80%
19	 Manufacture of coke and refined petroleum products	15,078	77%
20	 Manufacture of chemicals and chemical products	14,428	73%
SC	 Transport	14,515	70%

SME employment rate

An additional indicator used to assess the significance and prospects of sectors in employment is the number of persons employed by SMEs. As mentioned earlier, the leading position of the service sectors is partially attributed to their categories being broader than NACE divisions. The results of scoring in this indicator are presented in Table 19.











TABLE 19. Number of Employees in SMEs by Sector

NACE Division/ BOP Category	Sector Description	Number of employees in SMEs	Score
SJ	 Other business services	54,086	100%
SE	 Construction	50,386	97%
SC	 Transport	31,787	94%
10	 Manufacture of food products	17,540	91%
SI	 Telecommunications, computer and information services	15,227	88%
23	 Manufacture of other non-metallic mineral products	7,393	84%
11	 Manufacture of beverages	6,358	81%
SB	 Maintenance and repair services n.i.e.	5,716	78%
22	 Manufacture of rubber and plastic products	3,630	75%

PROSPECT FOR VALUE ADDITION

The next dimension for assessing sectors is their potential for high value-added production, with a total weight of 15 percent. Notably, the leading sectors in this regard are maintenance and repair services, followed by construction and other business services. Within the category of other business services, the highest value-added activities include real estate activities and professional, scientific, and technical activities. Among the product sectors, extraction of crude petroleum and natural gas, other mining and quarrying, other manufacturing, and manufacture of paper and paper products also demonstrate significant potential for high value-added production.











TABLE 20. Prospect for Value Addition in SME Dimension Ranking

NACE Division/ BOP Category	Sector Description	Rank
SB	 Maintenance and repair services n.i.e.	0.12
SE	 Construction	0.12
SJ	 Other business services	0.12
6	 Extraction of crude petroleum and natural gas	0.11
8	 Other mining and quarrying	0.11
32	 Other manufacturing	0.11
17	 Manufacture of paper and paper products	0.11
SI	 Telecommunications, computer and information services	0.11
18	 Printing and reproduction of recorded media	0.10
26	 Manufacture of computer, electronic and optical products	0.10

Ratio of SME value added to SME Turnover

Our primary indicator is the ratio of SME value added to turnover, calculated using the three-year averages of value added and turnover during the 2020-2022 period. Sectors with the highest ranking are highlighted in Table 21.






TABLE 21. Ratio of SME Value Added to SME Turnover






NACE Division/ BOP Category	Sector Description	Ratio of value added to turnover	Score
6	 Extraction of crude petroleum and natural gas	82%	100%
26	 Manufacture of computer, electronic and optical products	61%	97%
SH	 Charges for the use of intellectual property n.i.e.	60%	93%
SI	 Telecommunications, computer and information services	59%	90%
SJ	 Other business services	58%	87%
32	 Other manufacturing	53%	83%
SB	 Maintenance and repair services n.i.e.	50%	80%
7	 Mining of metal ores	50%	77%
29	 Manufacture of motor vehicles, trailers and semi-trailers	48%	73%
SE	 Construction	43%	70%

Ratio of SME Value Added to GDP

Another indicator for evaluating value creation prospects is the contribution of SMEs to GDP. To compare sectors across this dimension, we calculate the proportion of SME value added by sector relative to a country's GDP, considering three-year average values spanning from 2020 to 2022. The respective scoring of the sectors is depicted in Table 22.

TABLE 22. Ratio of SME Value Added to GDP by Sector

NACE Division/ BOP Category	Sector Description	Ratio of Value added to GDP	Score
SE	 Construction	5.6%	100%
SJ	 Other business services	4.2%	97%
SC	 Transport	2.7%	93%
SI	 Telecommunications, computer and information services	1.1%	90%
10	 Manufacture of food products	0.7%	87%







NACE Division/ BOP Category	Sector Description	Ratio of Value added to GDP	Score
11	 Manufacture of beverages	0.7%	83%
23	 Manufacture of other non-metallic mineral products	0.5%	80%
22	 Manufacture of rubber and plastic products	0.2%	77%
SB	 Maintenance and repair services n.i.e.	0.2%	73%
25	 Manufacture of fabricated metal products, except machinery and equipment	0.2%	70%



























Share of SMEs in turnover

The final indicator assesses the contribution of SMEs to economic activity within the sector using the SMEs' share in the sector's total turnover. This analysis is crucial for understanding the role of SMEs in meeting market demand.

To calculate this indicator, we examine the three-year average value of SME turnover during the period of 2020-2022 and compare it to the three-year average value of the total turnover of the sector for the same period. The findings reveal that SME representation is very high in the majority of goods sectors. The worst-performing sectors across these criteria include the manufacture of basic pharmaceutical products and pharmaceutical preparations, chemicals and chemical products, leather and related products, basic metals and mining of metal ores (Table 23). In contrast to product sectors, the share of SMEs in service sectors is relatively low. For example, only 6 percent of turnover accounts for SMEs in personal, cultural, and recreational services, while it is 34 percent in telecommunications, computer and information services.

TABLE 23. Share of SME in Turnover by Sector

NACE Division/ BOP Category	Sector Description	Share/ Score
18	 Printing and reproduction of recorded media	100%
17	 Manufacture of paper and paper products	100%
16	 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	100%
8	 Other mining and quarrying	100%
32	 Other manufacturing	100%
6	 Extraction of crude petroleum and natural gas	100%

NACE Division/ BOP Category	Sector Description	Share/ Score
13	 Manufacture of textiles	100%
12	 Manufacture of tobacco products	100%
28	 Manufacture of machinery and equipment n.e.c.	100%
26	 Manufacture of computer, electronic and optical products	100%
29	 Manufacture of motor vehicles, trailers and semi-trailers	100%
SB	 Maintenance and repair services n.i.e.	94%
22	 Manufacture of rubber and plastic products	87%
SE	 Construction	74%
31	 Manufacture of furniture	73%
27	 Manufacture of electrical equipment	73%
SH	 Charges for the use of intellectual property n.i.e.	67%
23	 Manufacture of other non-metallic mineral products	61%
10	 Manufacture of food products	61%
SJ	 Other business services	56%
25	 Manufacture of fabricated metal products, except machinery and equipment	53%
SC	 Transport	44%
19	 Manufacture of coke and refined petroleum products	37%
11	 Manufacture of beverages	35%
SI	 Telecommunications, computer and information services	34%
14	 Manufacture of wearing apparel	29%
21	 Manufacture of basic pharmaceutical products and pharmaceutical preparations	22%
20	 Manufacture of chemicals and chemical products	22%
15	 Manufacture of leather and related products	18%
7	 Mining of metal ores	12%
24	 Manufacture of basic metals	12%
SK	 Personal, cultural, and recreational services	6%

7

Review of Selected Sectors



This section of the report provides insights into sectors' export dynamics, unrealized export potential in European countries, product diversification, significance of SME involvement in the sector and female representation in the relevant labour markets. It is based on a more detailed overview of selected sectors outlined in Section 6 (manufacture of beverages; transport; telecommunications, computer and information services; manufacture of wearing apparel; mining of metal ores; and manufacture of basic metals).

Importantly, stakeholders validated the obtained results. Key informants agreed that the findings of this study reflect current trends and highlighted cases where the present dynamics of the sectors' exports may be deceptive. They argued that in some instances, the current situation is already antiquated and that therefore, value chain analysis may fail to feature potential driving forces for export. What may seem promising or indicative of increasing export activity can, in fact, be misleading with regards to its sustainable future potential.

This section further consolidates the practical experience and material insights from the key stakeholders in order to identify revealed and indirect opportunities and challenges related to exporting certain products and services, which may not have been addressed in the literature or may not be properly captured by the selected indicators of the quantitative analysis. Interviewed stakeholders include representatives from different business and sectoral associations and parties involved in the implementation of business support programmes targeted at exploiting and fostering SME development and export potential. The full list of interviewed stakeholder organizations is presented in Annex 4.

MANUFACTURE OF BEVERAGES

Following consultations with public and private stakeholders, the manufacture of beverages can be considered a sector with further export growth capacity. The export potential of traditional beverages, such as wine and mineral water, can benefit from the growth of the tourism sector, which enhances the visibility of Georgian products and, subsequently, may translate into increased demand in the European market. Local manufacturing of glass bottles and jars could yield significant synergistic benefits; this approach has the potential to lower packaging costs for juices and other beverages and enhance their competitiveness.

Wine was named as the key export product with a well-regulated national quality standard. However, Georgia faces challenges in competing with traditional European wine-producing

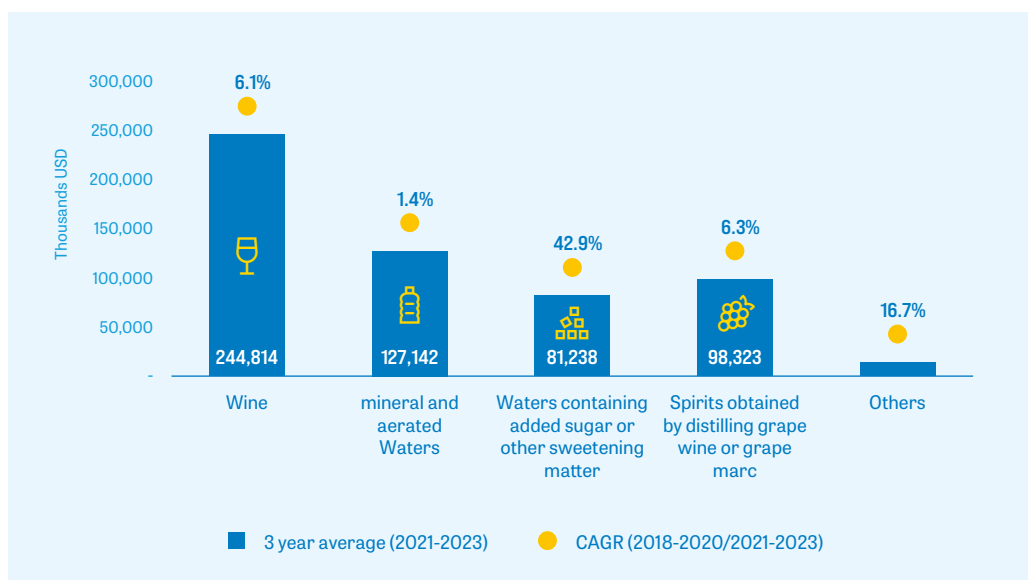
countries in the mass production of lower-priced wines. On the other hand, boutique wineries show promise for market diversification, although their current export volume remains limited. To capitalize on this, Georgian SMEs could pursue green production certifications and cater to the growing European demand for high-quality organic wines.

Export by Products

This section presents the findings regarding the most traded goods within the industry. During the 2020-2023 period, wine emerged as the leading export product, comprising 43 percent of the total export of beverages. Next is the category of mineral and aerated waters, which, despite slow growth in recent years, also demonstrated significant potential, constituting 22 percent of the sector's exports. Two other notable product groups include waters containing added sugar, holding a 14 percent share, and spirits distilled from grapes, accounting for 17 percent of total exports in the sector. The remaining product categories represent a minimal share, collectively amounting to only 2.4 percent of total exports (Graph 1).

Regarding the export growth rates, waters containing sugar and other sweetening matters exhibited the most substantial increase in the amount of \$79 million from 2018 to 2023. Meanwhile, the export of wine increased by \$60 million over the same period.

GRAPH 1. Export Product Categories within the Manufacture of Beverages Sector



Share of EU in Exports

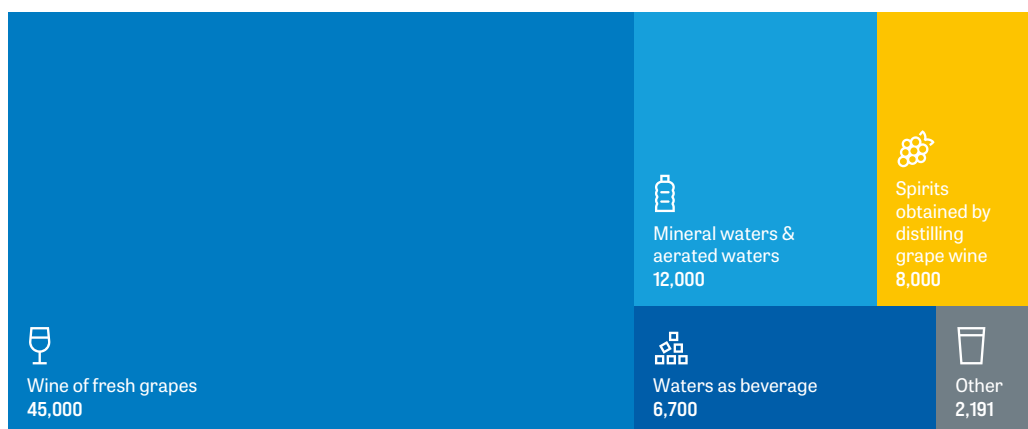
Between 2021 and 2023, on average, 12 percent of Georgia's wine exports were directed to the EU market, while 11 percent of mineral and aerated water exports followed a similar route. However, the export shares to the EU for other key sectors during the same period were notably lower, with a 5 percent share for the spirits obtained by distilling grapes, constituting a 3 percent share for water containing added sugar or other sweetening matters.

Export Potential by Products

As outlined in the methodology, we utilize the ITC-developed EPI to assess promising products for export promotion. This indicator evaluates current performance and projects future possibilities within the identified sectors. It covers sectors where Georgia is already competitively exporting and those that have higher prospects for export development. Based on the exporter's supply, the target market's demand, market access conditions and bilateral linkages between countries, we employed the EPI assessment to evaluate the export potential in the beverages sector for EU and Western European countries.

According to the results of the EPI assessment of this sector, the highest unrealized export potential was revealed in the export of wine, where Georgia has the additional potential of exporting \$45 million worth of goods to European countries. This is followed by mineral and aerated waters, with an unrealized export potential amounting to \$12 million, and spirits obtained by distilling grape wine, with an unrealized export potential of \$8 million (Graph 2).

GRAPH 2. Unrealized Export Potential in EU and West European Countries (Thousands USD)

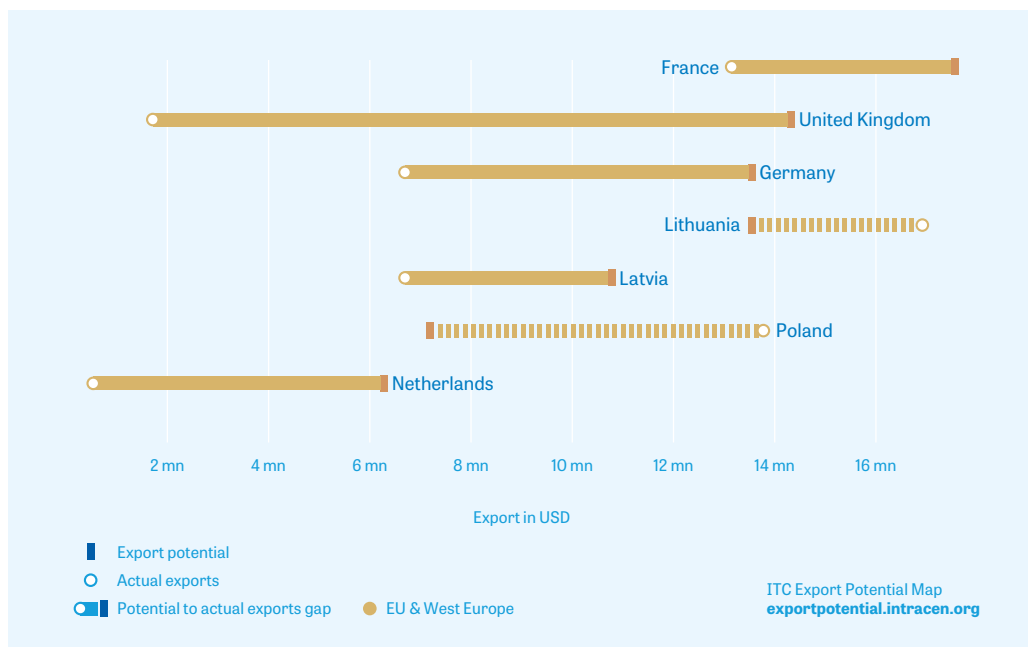


Source: *Export Potential Map*¹¹

Another aspect of this evaluation involves identifying potential destination markets for these products. In regard to Georgia's exports of beverages to European countries, there is significant potential for development in exports to France, the UK, Germany, Latvia and the Netherlands (Graph 3).

11 <https://exportpotential.intracen.org/en/products/tree-map?fromMarker=i&exporter=268&toMarker=r&market=3&whatMarker=k>

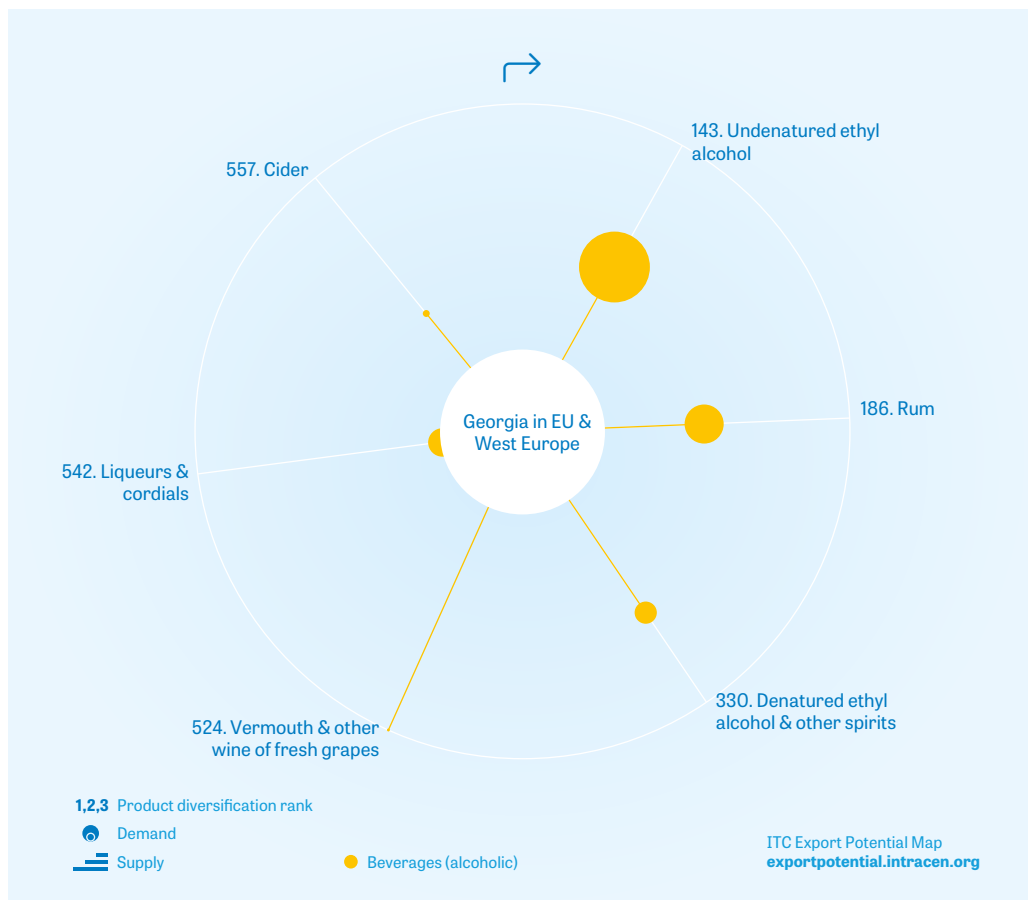
GRAPH 3. EU and Western Europe Markets with the Potential for Georgia's Exports of Beverages (USD)



Product Diversification Indicator

To identify opportunities for the diversification of export baskets, we utilize the ITC-developed Product Diversification Indicator (PDI). Using Hausmann and Hidalgo's notion of the product space, PDI identifies products that the exporting country does not yet competitively export but which seem feasible given the country's current export basket and the export baskets of similar countries (ITC, n.d.). ITC ranks these products; we concentrate on the highest-ranked goods in each sector for assessment purposes. According to the PDI results, key products in the manufacture of beverages sector for export diversification in the EU and Western Europe include undenatured ethyl alcohol, rum, denatured ethyl alcohol, vermouth, liqueurs and cider (Graph 4). Since the indicator doesn't offer insights into potential export values, sector potential is presented solely based on the ranking. Notably, PDI positions products within the beverages sector relatively low.

GRAPH 4. Product Diversification in EU and West Europe



SME Dimension

Between 2020 and 2022, SMEs accounted for an average share of 35 percent of the turnover within the manufacture of beverages sector. The annual growth rate of SME turnover within the sector amounted to 9 percent when comparing the period from 2017 to 2019 to the 2020 to 2022 period. Notably, this growth rate slightly outpaced the total SME turnover growth rate within the broader business sector, which stood at 7 percent.

Women in the Labour Market

To evaluate the social aspects of the sector's potential development, we examine the employment of women and their average salary compared to men within the manufacture of beverages sector. From 2018 to 2022, women's employment in the sector fluctuated between 33 percent and 36 percent, showing no significant changes. However, the three-year average rate of women's employment in the industry was 36 percent, slightly lower than the overall female

employment rate in the business sector, which stood at 41 percent during this period. On average, 2,275 women are employed every year in this sector.

Regarding the salary disparity, based on the data from 2020 to 2022, the average salary of women is 1,010 GEL, which amounts to 75 percent of men's average salary in the sector. It is worth noting that the average salary in this sector aligns with the average of women across all sectors combined, which was 1,021 GEL during the same period.

TRANSPORT

Recently, geopolitical shifts, notably Russia's invasion of Ukraine and the Red Sea crisis, have underscored the importance of alternative transport corridors like the Middle Corridor, linking China to Europe through Kazakhstan, Azerbaijan, Georgia and Türkiye. The development of the Middle Corridor holds promise for trade route diversification and increasing export volumes for transit countries, presenting opportunities for Georgia's transport and logistics sector to benefit from increased goods movement (World Bank, 2023b). However, significant challenges related to infrastructure and regulatory frameworks must be addressed to realize this potential.

The lack of harmonized systems and procedures among Middle Corridor countries leads to delays in border crossings and cargo processing. Disparate recording and monitoring systems complicate paperwork management and container traceability, particularly given the corridor's multimodal nature. On the other hand, Georgia's limited railway and port infrastructure capacity, coupled with insufficient auxiliary logistics spaces and services, constrain cargo volumes transiting through the country. The World Bank's analysis suggests that Georgia's main transit port, Poti Sea Port, is on track to reach full capacity within the next few years. Outdated infrastructure and rolling stock pose challenges for rail freight (World Bank, 2023a).

The growing interest in developing the Middle Corridor and ongoing cooperation among participant countries could help overcome institutional and border bottlenecks. Furthermore, large-scale projects planned in Georgia, such as the Anaklia Deep Sea Port, the Black Sea Submarine Cable linking Georgia and the EU, the East-West Highway rehabilitation project, and a modernization initiative for Georgian Railway, aim to enhance the country's transit capacity and facilitate the transportation of higher cargo volumes. At the same time, the Georgian logistics sector could benefit from increased collaboration between business associations, improving the capacities of personnel and advancing quality management within companies (PMC Research & ISET PI, 2023).

An increase in re-export volume and added value (e.g. re-packaging) could also further promote the sector's growth. However, it is crucial to note that key products transported via maritime and railway routes, such as chemicals and fertilizers, ferro-alloys, metals, oil products, and ores, have relatively low value and may be subject to the upcoming EU Carbon Border Adjustment Mechanism (CBAM) regulations. This could potentially decrease their price competitiveness compared to EU-produced goods, thereby limiting transit and export volumes.

Finally, customs regulations are identified as a significant obstacle to air cargo business development, requiring resolution at a higher level to align regulations with the specific needs of air transportation.

Export by Subsectors

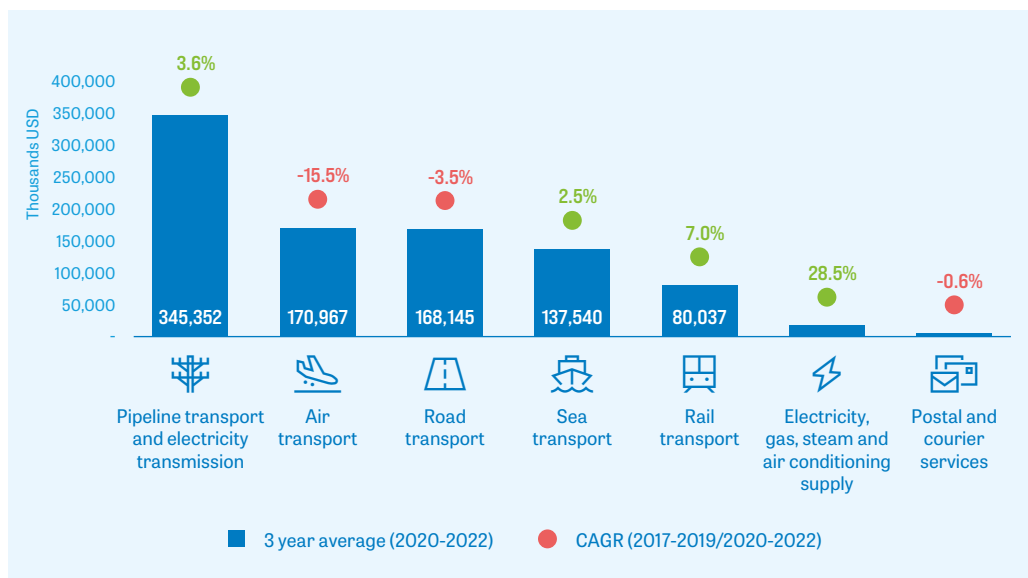
The transport sector, as classified by the EBOPS categories, encompasses several important subsectors, including land transport and transport via pipelines, water transport, air transport, warehousing and support activities for transportation, postal and courier activities, as well as the segment related to electricity, gas, steam and air conditioning supply.

With its significant 28 percent share of total service exports, the transport sector stands out as a crucial component of the country's export landscape. Notably, the largest subsector within the transport category is pipeline transport and electricity transmission, accounting for 38 percent of total exports in this sector. Following closely is air transport, comprising 19 percent of exports, while road, sea, and rail transport contribute 18 percent, 15 percent, and 9 percent, respectively, to the total transport service exports. As mentioned, this category also encompasses exports of goods related to electricity, gas, steam and air conditioning supply, primarily involving the export of electrical energy to neighbouring countries, notably Türkiye.

In terms of growth rate, the most significant positive compound growth rate was observed in the export of electrical energy, followed by the rail transport, pipeline transport and sea transport sectors. Conversely, other sectors experienced a negative compound annual growth rate during this period (Graph 5).

To summarize, from 2018 to 2022, exports in pipeline transport and electricity transmission increased by \$51.5 million, sea transport saw a rise of \$63.7 million and exports from the rail transport sector increased by \$26.5 million.

GRAPH 5. Export by Subsectors in the Transport Sector

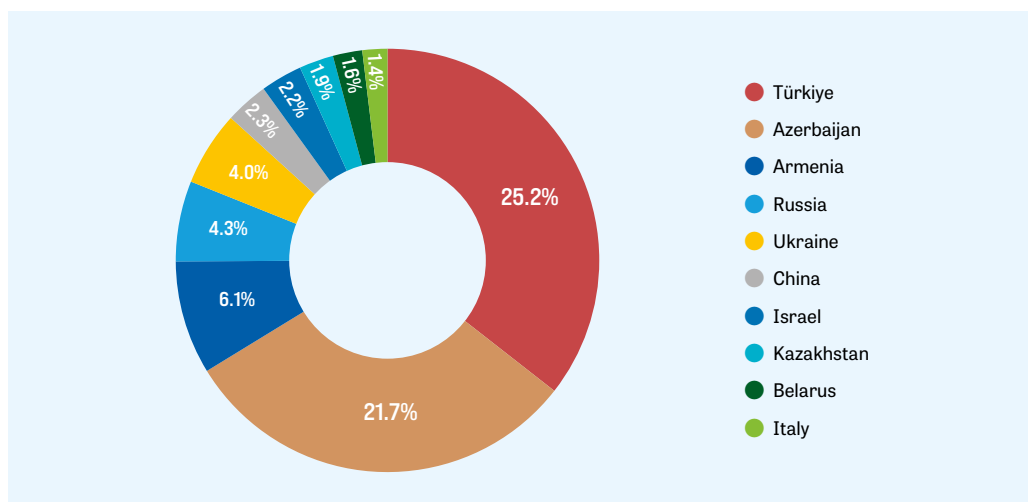


Share of EU in Exports

Due to data availability constraints, it is not feasible to assess the share of the EU market based on subsectors within the transport category. However, it is worth noting that exports of services in the broader transport category to the EU market accounted for 11 percent between 2020 and 2022. This share is slightly lower than the overall share of the European market in total service exports, which is close to 13 percent.

An analysis of exports disaggregated by country reveals that Türkiye and Azerbaijan emerge as the most prominent partners. Following them, another group of neighbouring countries (Russia and Armenia) also play significant roles. Within Georgia's top ten partners, Italy stands as the only European country, contributing 1.4 percent of total service exports in this direction. After Italy, European countries such as Germany, Bulgaria and Poland each contribute shares of close to 1 percent of total service exports (Graph 6).

GRAPH 6. Transport Services Exports by Country (3-year Average 2020-2022)



SME Dimension

Notably positive results are observed when assessing the share of SMEs in the total turnover of the sector for the period of 2020-2022. SMEs comprise a significant portion, accounting for 44 percent of the total transport sector turnover. The highest rates of SME turnover are observed in water transport (74 percent), land transport and transport via pipelines (58 percent), and warehousing and support activities for transportation (56 percent). However, SME shares are relatively lower in subsectors such as electricity, gas, steam, air conditioning supply and air transport.

Women in the Labour Market

The transport sector serves as a significant source of employment, contributing to 7.1 percent of total employment in the business sector. However, the representation of women in this sector

remains relatively low, accounting for 22 percent of total employment during the 2020-2022 period.

When considering women's salaries in the sector, it is noteworthy that despite being higher than the average salary in the business sector, they still fall considerably below that of men's salaries within the sector. Between 2020 and 2022, women earned an average salary of 1,471 GEL, which is 44 percent higher than the female average salary in the broader business sector, amounting to 1,021 GEL. Comparatively, men employed in the sector received an average salary of 1,920 GEL, which is 23 percent higher than that of women's salaries within the sector.

TELECOMMUNICATIONS, COMPUTER AND INFORMATION SERVICES

The information and communications technology (ICT) sector in Georgia holds significant promise, particularly in exporting computer and information services. Following the tax benefits offered by the Georgian government, large international companies have established a presence in the country, primarily focusing on outsourcing software-related services. As per the sector representative, this trend is projected to persist for several more years. Further, the surge in global demand for software outsourcing following the COVID-19 pandemic has extended to Georgia. However, it is crucial to recognize that this direction may not be sustainable in the medium to long term because Georgia lacks a sufficient number of software engineers, and tax benefits can be easily replicated by other countries. Another issue is that such activity is characterized by low profit margins, primarily due to its position at the lower end of the value chain, where competition from other countries is most fierce. Addressing this issue will require significant and risky investments to elevate the sector to higher segments of the value chain.

Local demand remains relatively low, as key sectors such as energy, finance, health care and telecommunications either purchase ICT services in combination with hardware or provide the services in-house, in many cases competing with ICT companies for high-skilled personnel.

Hardware production remains underdeveloped. Efforts to promote deep tech solutions, coupled with advancements in hardware development, could diversify the sector. However, a concerted effort, possibly through a national strategy, is needed to stimulate growth and innovation, leveraging emerging technologies like artificial intelligence and digitization to propel the industry forward.

It was suggested that Georgia focus on creating higher value-added products, necessitating support for advanced technologies. In response, notable government initiatives have emerged, such as tax incentives geared towards artificial intelligence, agrotech and biotech. However, shifting to a higher segment of the value chain will take a lot of consolidated effort and investment.

Another significant challenge limiting the sector's growth is the lack of skilled workers. Education remains a critical aspect of the ICT field, with efforts needed to align existing curricula with fast-changing industry demands, particularly in emerging fields like cybersecurity and programming.

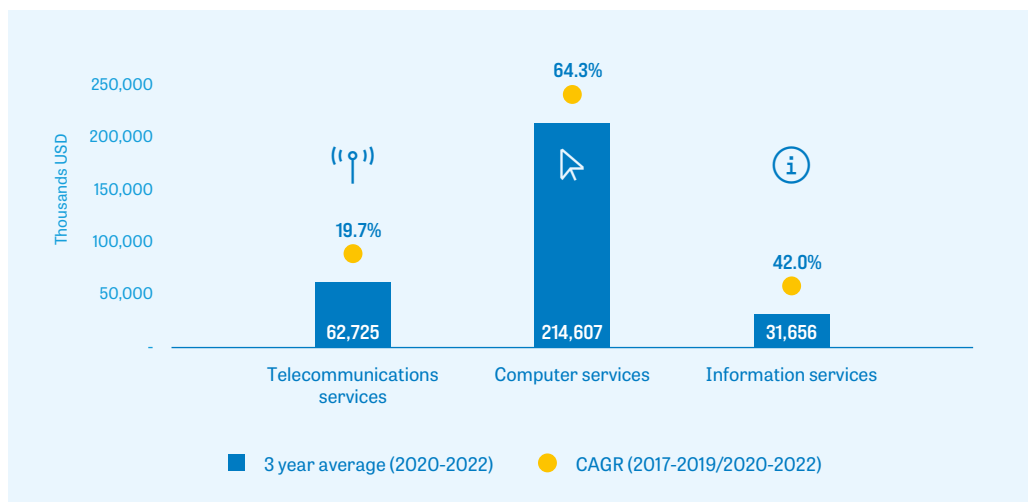
Export by Subsectors

The EBOPS category, telecommunications, computer and information services sector, comprises three main subsectors, with computer services leading in export competitiveness. This category accounted for 9 percent of total service exports during the 2020-2022 period. Subsectoral analysis reveals that 69 percent of exports are attributed to computer services, while telecommunication services and information services contribute 20 percent and 10 percent, respectively, to service exports in this direction.

It is important to note that compared to other identified sectors, the growth rate between 2017-2019 and 2020-2022 is relatively high. The compound annual growth rate for the entire sector during the assessment period was 47.9 percent, with the computer services sector experiencing the highest growth rate (Graph 7).

To summarize and emphasize the significance of the sector's growth, it is crucial to compare the total value of exports between 2017 and 2022. The export value of telecommunication services increased from \$28 million to \$85 million, while information services saw a rise from \$21.6 million to \$75 million. The most notable increase was observed in computer services exports, reaching \$437 million in 2022 compared to \$40 million in 2017.

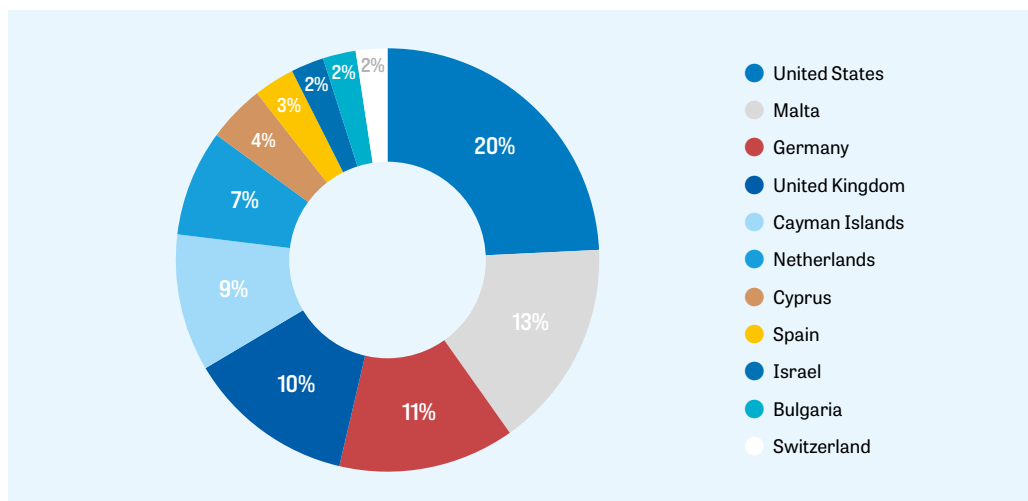
GRAPH 7. Export by Subsectors in Telecommunications, Computer and Information Services Sector



Share of EU in Exports

The significance of the sector is further underscored when considering the importance of the EU market. While the EU's share in total service exports amounts to 13 percent, in the case of telecommunications, computer and information services, the EU market represents a substantial proportion: 42 percent of total Georgian exports in this category (Graph 8).

GRAPH 8. Telecommunications, Computer and Information Services Exports by Country (3-year Average 2020-2022)



SME Dimension

When considering the importance of SMEs in the sector, the highest share of SME turnover in total turnover is observed in computer services, where SMEs account for 84 percent of the total subsector turnover. This is followed by a 50 percent share of SME turnover in information services and a 37 percent share of SME turnover in telecommunication services. Overall, the share of SMEs in the total turnover of the sector is 34 percent, which aligns with the total SME turnover share in the business sector, standing at 36 percent.

Women in the Labour Market

From 2018, a positive trend in women’s representation in the sector was evident, with their participation increasing from 44 percent in 2018 to 53 percent in 2020. Despite a slight decrease in their share to 49 percent by 2022, the importance of women in this sector remains evident. From 2020 to 2022, on average, 9,000 women were employed in this sector, accounting for 50 percent of the total employment. This indicates a balanced representation of women and men in the workforce. However, despite this progress in gender representation, a significant gender pay gap persists within the sector. Women’s average salary during the 2020-2022 period amounted to 1,444 GEL, representing only 72 percent of the salary received by men in the same sector.

MANUFACTURE OF WEARING APPAREL

Currently, Georgia’s apparel production is characterized by two distinct segments. Larger companies mass-produce branded clothing and uniforms, either for the local market or to directly export to Türkiye. When discussing the sector’s production potential, it is crucial to note that it is largely driven by local demand and is further linked with the sustained growth of the tourism industry (TBC Capital, 2023). SMEs are concentrated in the manufacturing of average

to high-quality apparel and fashion goods, primarily aimed at export markets. Stakeholders suggested that SMEs are well positioned for market growth and further diversification of their production.

During stakeholder consultations, the Diagonal Cumulation agreement was recognized for its potential positive impacts on the manufacture of wearing apparel, particularly as a significant portion of textiles is already sourced from Türkiye. The USAID's Economic Security Program and PMCG research identify apparel (more specifically, trousers and shorts) as one of the most promising products to benefit from the agreement. Additionally, the joint study of UNIDO and ISET Policy Institute (2020) named apparel among the top 10 clusters (in Tbilisi) with the highest potential, with workwear being the biggest subgroup.

Georgia's competitive advantage in the apparel sector can be its proximity to the EU, leading to reduced transportation time and logistical costs, as well as a relatively cheaper labour force and lower electricity costs. However, the USAID Value Chain Analysis report raises concerns about sustaining price competitiveness in the medium to longer run.

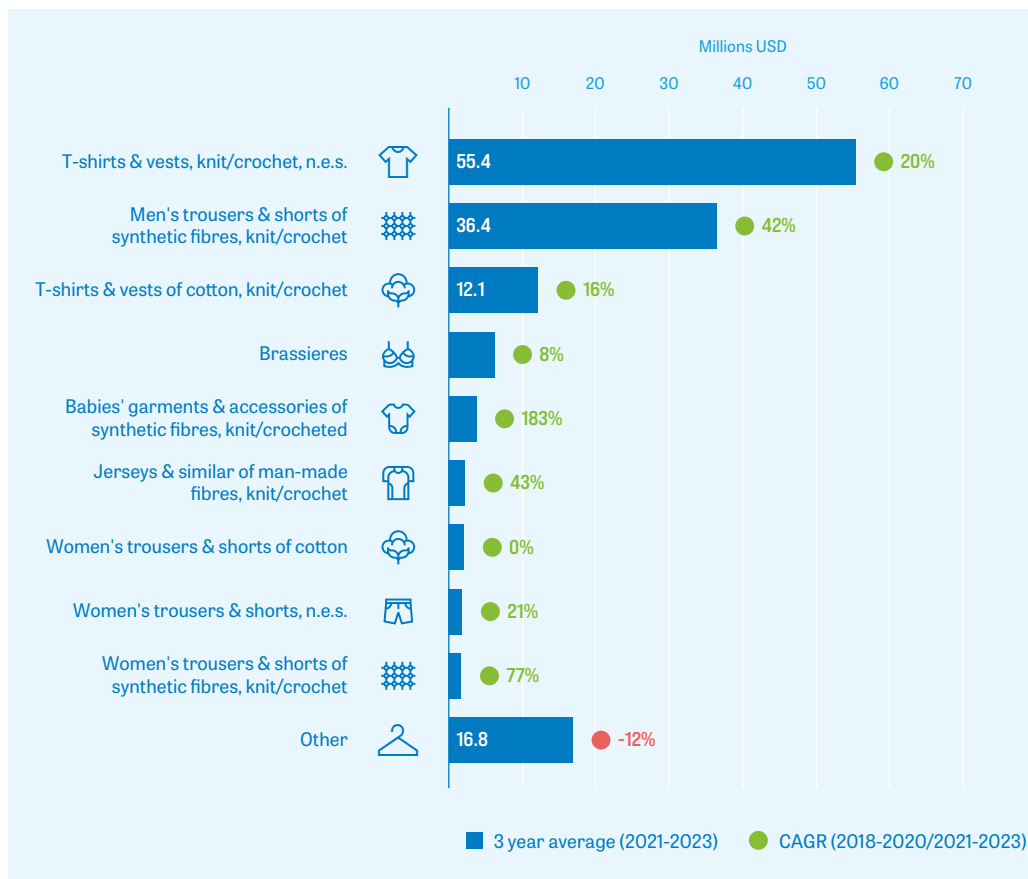
With the EU's increasing emphasis on social and environmental consciousness, evidenced by increasing demand for apparel made from bio and recycled materials and new regulations on supply chain transparency, Georgia has an opportunity to pivot towards producing and exporting higher-cost, lower-impact apparel.

Export by product/subsector

The manufacture of wearing apparel emerges as another notable priority sector. Throughout the period from 2021 to 2023, T-shirts and vests (knit/crochet) dominated, constituting 40 percent of total sector exports. Additionally, T-shirts and vests made of cotton (knit/crochet) held a significant position, representing 9 percent of total exports. Another noteworthy product within this industry is the export of Men's trousers and shorts made of synthetic fibres (knit/crochet), accounting for 26 percent of industry exports.

Other products exhibited relatively lower percentages, indicating untapped potential for further development. In this regard, it is crucial to consider the growth rates of exports for these products. Between 2018-2020 and 2021-2023, the compound average growth rate for total sectors equalled 20 percent. Notably, babies' garments and accessories made of synthetic fibres emerged as the highest-growing export product, with a remarkable growth rate of 183 percent. Additionally, Jerseys and similar products made of man-made fibres experienced a relatively high growth rate of 77 percent, while men's trousers and shorts made of synthetic fibres followed these products with a growth rate of 42 percent (Graph 9).

GRAPH 9. Export Products in the Manufacture of Wearing Apparel



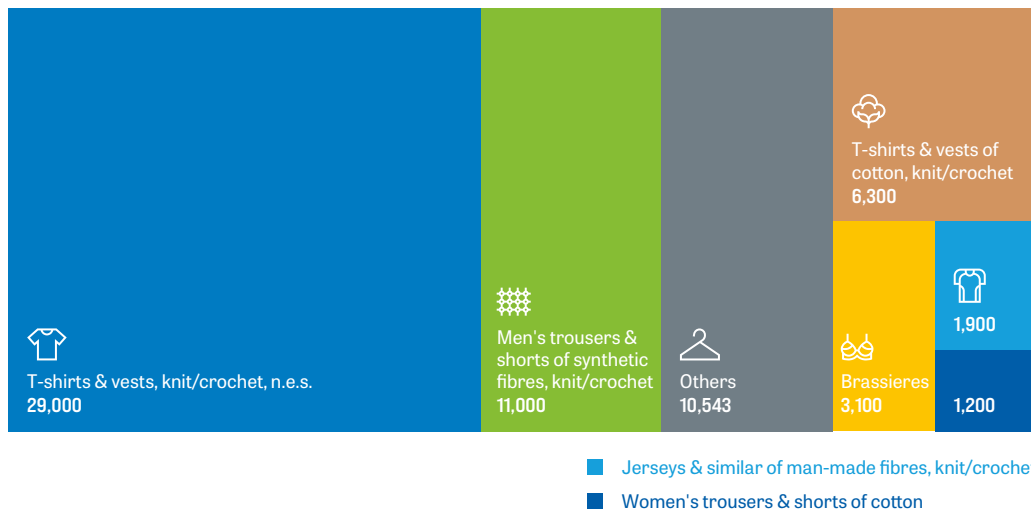
Share of EU in Exports

In regards to the importance of the EU market, it should be noted that the share of exports to European countries in the total exports of the industry amounted to only 7 percent. On a product level, the main export positions identified in the graph show varying shares. The relatively high share is revealed in cotton T-shirts, singlets, and other vests, with the EU being the destination for 17 percent of exports, followed closely by women's trousers and other similar articles of textile materials, with the EU share at 16 percent. Additionally, relatively important products for the export basket that are primarily directed towards the European Union include Women's and Men's Coats (Harmonized System codes 610290 and 620193), with EU shares at 100 percent and 99 percent, respectively.

Export Potential by Products

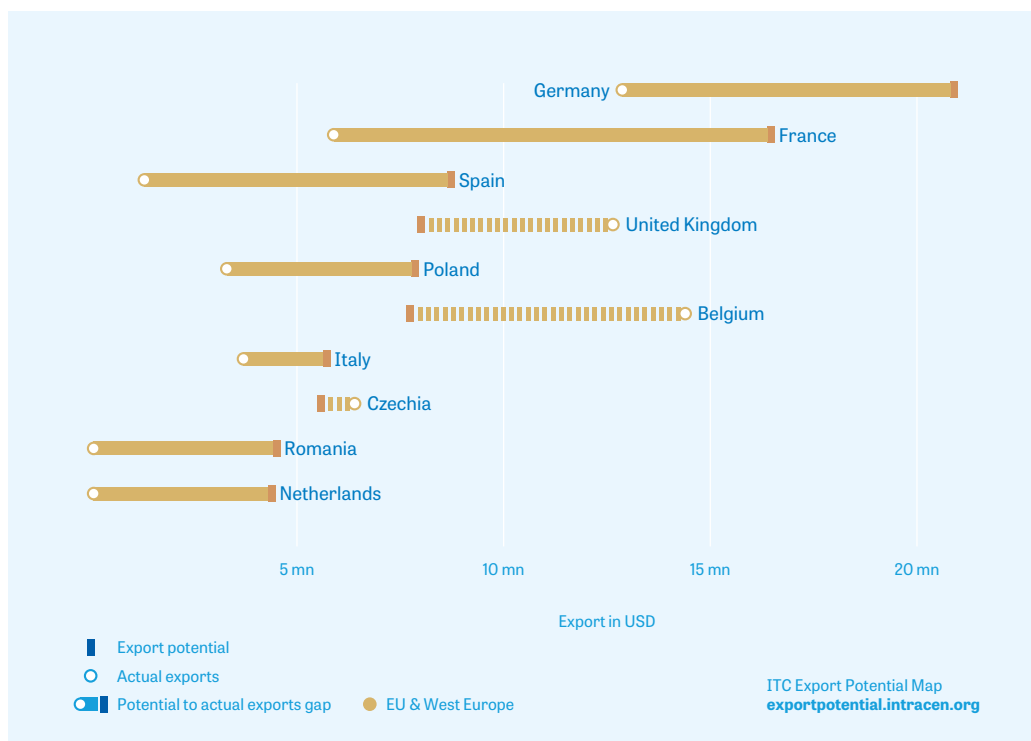
As expected, the highest unrealized potential for export in this sector is identified in the first export position: T-shirts and vests (knit/crochet), representing an unused export value of \$29 million. Additionally, Georgia has the potential to export products worth \$11 million and \$6.3 million in men's trousers and shorts and cotton T-shirts and vests, respectively, to the EU and Western Europe markets. In total, this sector holds untapped potential amounting to \$61.8 million.

Unrealized Export Potential in EU and West European Countries (thousands USD)



In regards to the highest unused potential in this sector as assessed by country, Georgia's exports show significant potential in Germany, France and Spain. However, it should be noted that the exports of this industry to the UK and Belgium exceed their expected potential (Graph 10).

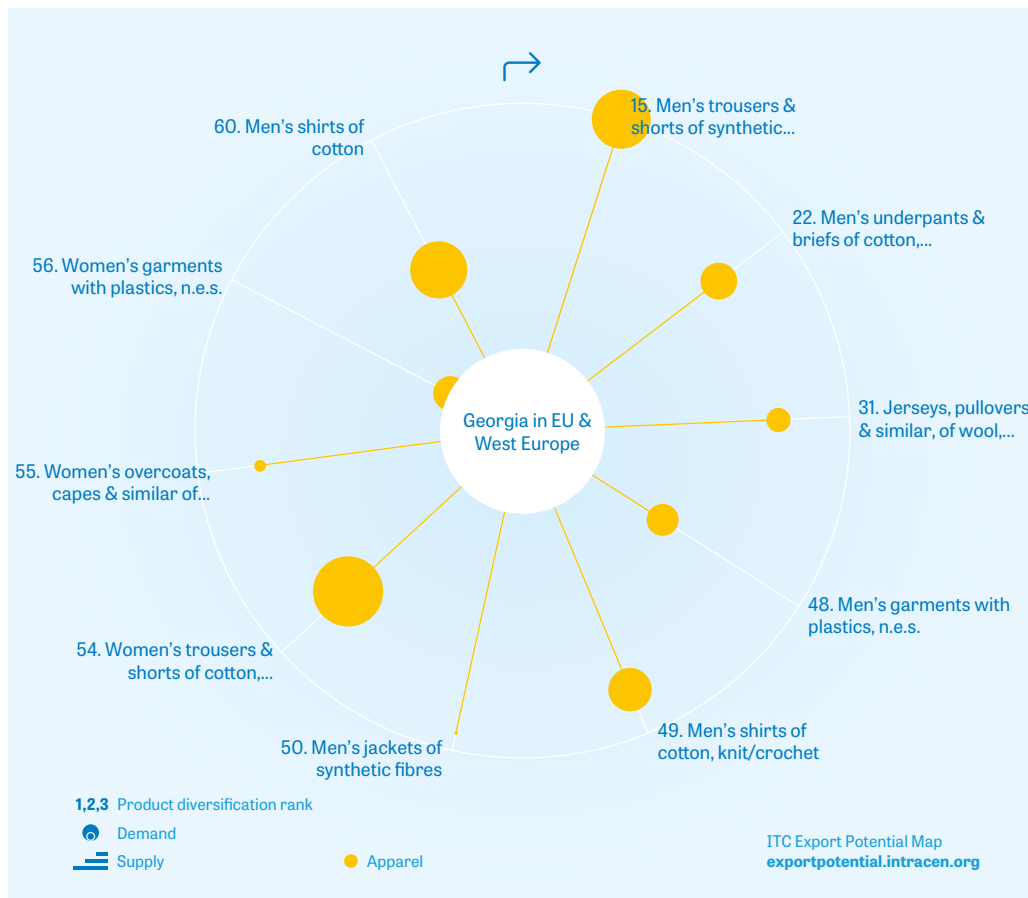
GRAPH 10. EU and Western Europe Markets with the Potential for Georgia's Exports of Wearing Apparel (USD)



Product Diversification Indicator

Graph 11 identifies the top 10 highest-ranked products from the apparel industry in terms of product diversification in the EU and Western Europe. According to the results of the ITC assessment, this industry holds relatively high positions compared to other selected priority sectors, with the top 10 products ranking among the top 100 products for this region. The highest-ranked product is men's trousers and shorts, followed by men's underpants and briefs. Both sectors currently exhibit relatively low levels of exports, averaging approximately \$15 thousand during the period 2021-2023.

GRAPH 11. Product Diversification in EU and West Europe



SME Dimension

From 2020 to 2022, SMEs accounted for approximately 29 percent of the turnover in the wearing apparel sector, on average. When examining the compound annual growth rate of SMEs in this sector between 2017 and 2019 compared to 2020 to 2022, a significant growth of 26 percent is evident, surpassing the overall SME revenue growth rate across the business sector, which stood at 7 percent for the same period.

Women in the Labour Market

Compared to other priority sectors, the female employment rate in the wearing apparel sector is the highest, fluctuating between 80-87 percent from 2018-2022. Over the period of 2020-2022, the average female share in employment in the sector was 85 percent, totalling approximately 2,691 women annually. The overall employment rate in this sector also demonstrated positive development, increasing by 16 percent from the period of 2017-2019 to 2020-2022.

However, despite women's high employment rate, a significant challenge lies in the low level of their salaries. The gender pay gap is notably wide, with women's wages amounting to only 54 percent of men's average wage during the 2020-2022 period. In addition, the average monthly salary in the business sector during this period was 1,021 GEL, whereas women in this industry earned an average monthly salary of 682 GEL.

MINING OF METAL ORES

The stakeholder consultation highlighted that the sector is expected to be heavily influenced by the new EU Carbon Border Adjustment Mechanism (CBAM) regulations set to take effect in 2025. CBAM imposes carbon costs on imported goods in the EU based on their carbon footprint. This mechanism aims to incentivize global partners to adopt climate-friendly practices and align their standards with the EU's climate goals. The regulation is expected to impact countries that lack comparable carbon pricing mechanisms and emerging environmentally friendly technologies.

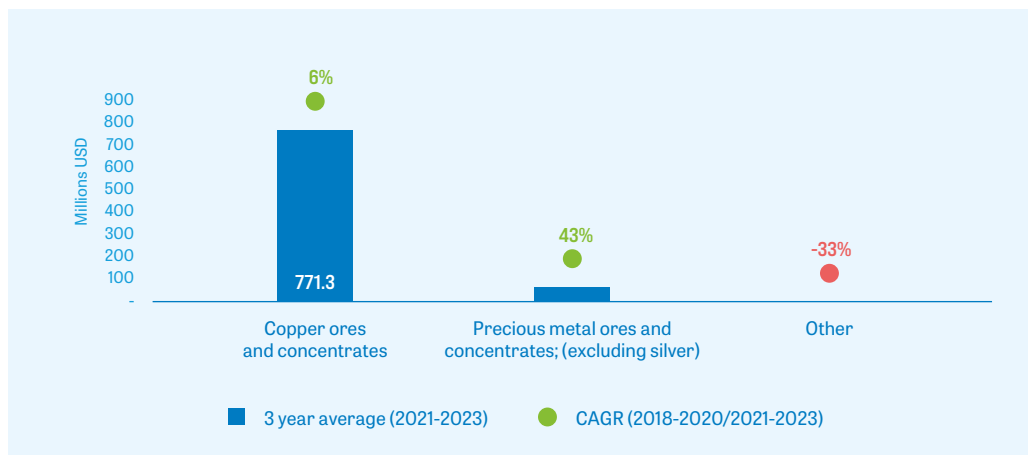
In its initial stage, CBAM is likely to focus on a select group of high-emission, energy-intensive industries. These industries typically include sectors such as aluminium and chemicals, cement and steel, making it much more costly for Georgia to export metal ores and basic metals. To tackle this challenge, there is a need to develop a comprehensive legal framework, implement carbon trading systems and establish certification processes. Additionally, Georgian manufacturers should prioritize the adoption of more sustainable production practices.

Export by product/subsector

In the mining industry, the primary export position is copper ores and concentrates, accounting for 91.8 percent of the total share of exports. Additionally, 7.7 percent is directed towards the exports of precious metal ores and concentrates. It is noteworthy that this sector holds significant importance to Georgia, representing 26 percent of total exports.

The compound growth rate in exports of copper ores and concentrates was positive from 2017-2019 to 2020-2022, although relatively slow at a rate of 6 percent. Conversely, precious metal ores and concentrates experienced a higher growth rate, reaching 43 percent for the same period. This growth resulted in exports amounting to \$65 million in 2023, compared to \$1 million in 2017 (Graph 12).

GRAPH 12. Export products in the Mining of Metal Ores



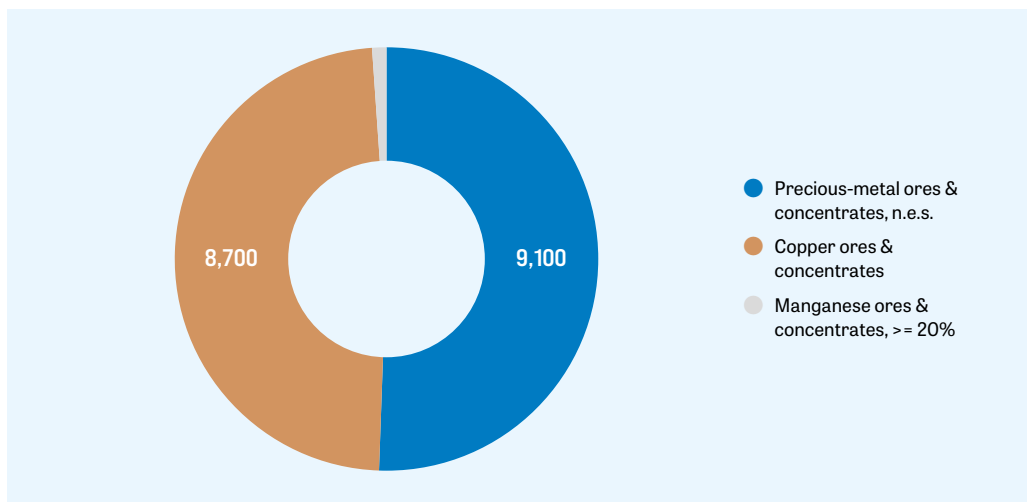
Share of EU in Exports

Taking into account the share of the EU market in the country's exports in this industry, the average annual share of the EU market for exports of copper ores and concentrates during the period of 2021-2023 was 45 percent. This figure marked a notable decrease compared to the share recorded in the period from 2018-2020, which averaged 61 percent. In the case of the export of precious metals, the average share of the EU market was very low during the 2021-2023 period, indicating that the development of exports was directed to markets other than the EU. During 2018-2020, the EU share equalled 35 percent.

Export Potential by Products

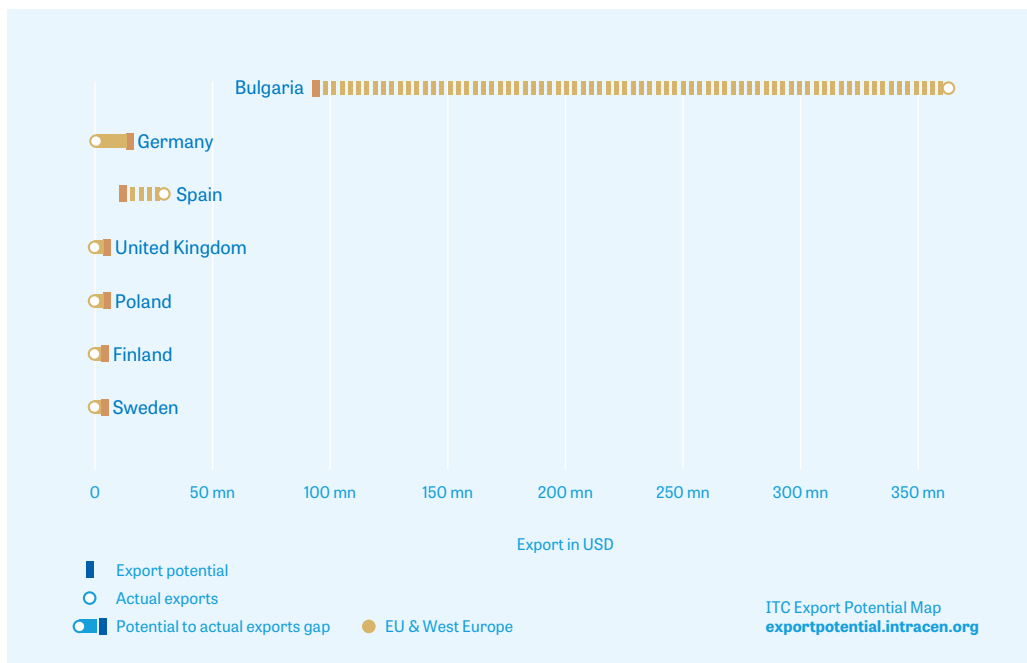
According to the ITC assessment, Georgia's potential in the export of copper ores and concentrates is highly utilized, with only an additional \$8.7 million in export value possibilities. This represents a relatively small amount compared to the total exports to the EU and Western Europe markets, which amount to almost \$400 million USD. Further, precious metal ores and concentrates have the potential to develop exports to this region by an additional \$9.1 million. This indicates the possibility of doubling the current export volume in this region (Graph 13).

GRAPH 13. Unrealized Export Potential in EU and West European Countries (Thousands USD)



The assessment of potential export markets for Georgia in this sector reveals untapped potential distributed across countries such as Germany, the United Kingdom, Poland, Finland, and Sweden. However, it should be noted that in the case of Bulgaria, Georgia is exporting a much higher amount of goods in this sector than its potential (Graph 14).

GRAPH 14. EU and Western Europe Markets with the Potential for Georgia's Exports (USD)



Product Diversification Indicator

According to the ITC assessment, the mining of metal ores sector does not exhibit any possibilities for further diversification of export positions.

SME Dimension

The share of SMEs in the total sector turnover is 12 percent, which is relatively low compared to figures in other priority sectors, as well as the SME share in the total business sector turnover. However, it should be noted that the compound growth rate of SME turnover in this industry exhibited a 13 percent increase. The total turnover growth rate in this period amounted to 24 percent, indicating positive dynamics in this direction.

Women in the Labour Market

As expected, the number of women employed in this industry is very low, comprising approximately 9 percent of total employment. In the period of 2020-2022, the sector employed 7,200 persons annually, with female employees accounting for 649 of this figure. This indicator is even lower in the case of the SME employment rate, with women representing only 8 percent of employed persons, amounting to 92 individuals.

The gender pay gap is also relatively high, with women's monthly salary amounting to 55 percent of men's average monthly salary in 2020-2022. During this period, the salary equalled 1,000 GEL, which is close to the SME average female salary in the business sector.

MANUFACTURE OF BASIC METALS

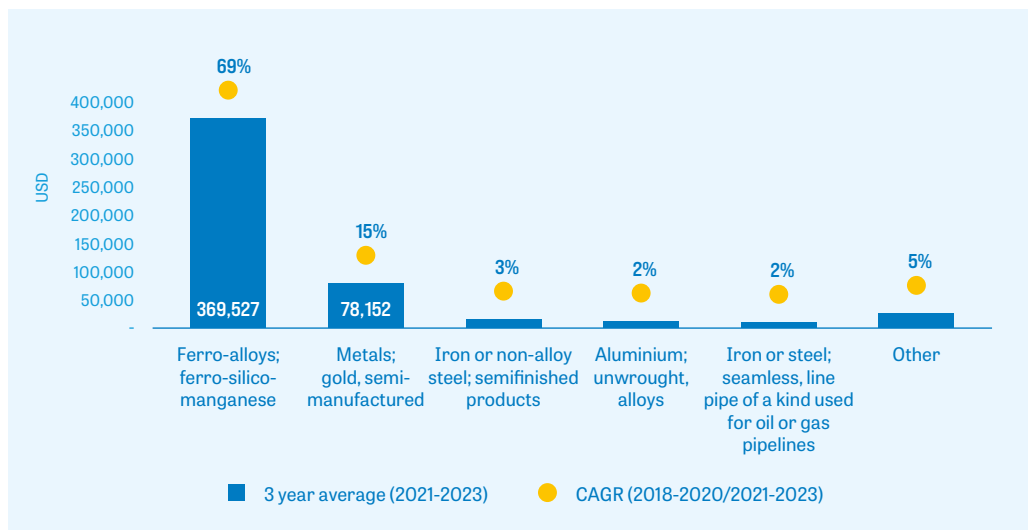
The opportunities and challenges identified during the stakeholder interviews for the manufacture of basic metals are vastly similar to those that are present in the manufacturing of metal ores. Compatibility with the CBAM regulations and, hence, increasing export costs is the key consideration for the sector's future development.

Export by Products

Similar to the mining of metal ores industry, exports in basic metals are primarily directed towards the export of its main product, ferro-silico-manganese, which accounts for 72 percent of total exports in the sector. Another relatively important product is semi-manufactured gold, which has a 15 percent share in the exports of the industry. Other sectors have their remaining shares distributed relatively evenly.

In consideration of the sector's development, the compound annual growth rate between 2018-2020 and 2021-2023 amounted to 7 percent in the case of ferro-silico-manganese and a 1 percent decrease in the case of semi-manufactured gold (Graph 15).

GRAPH 15. Export Products in Manufacture of basic metals



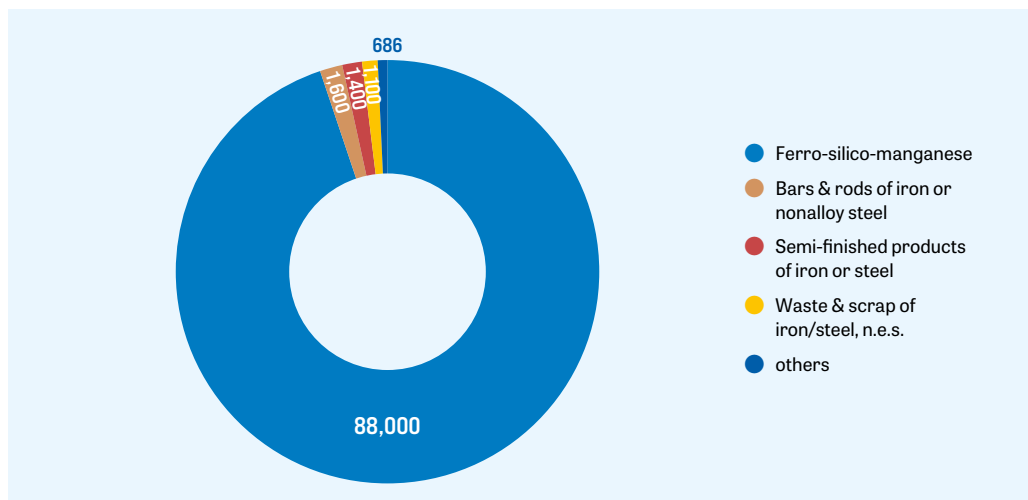
Share of EU in Exports

Considering the importance of the EU market for exports of these goods, only 5 percent of ferro-silico-manganese is exported to EU countries; only 2 percent of semi-manufactured gold is exported to EU countries. The highest share of the EU market is recorded in exports of line pipe used for oil or gas pipelines, which had an average value of \$9 million annually between 2021-2023 and accounted for approximately 2 percent of total exports in the sector.

Export Potential by Products

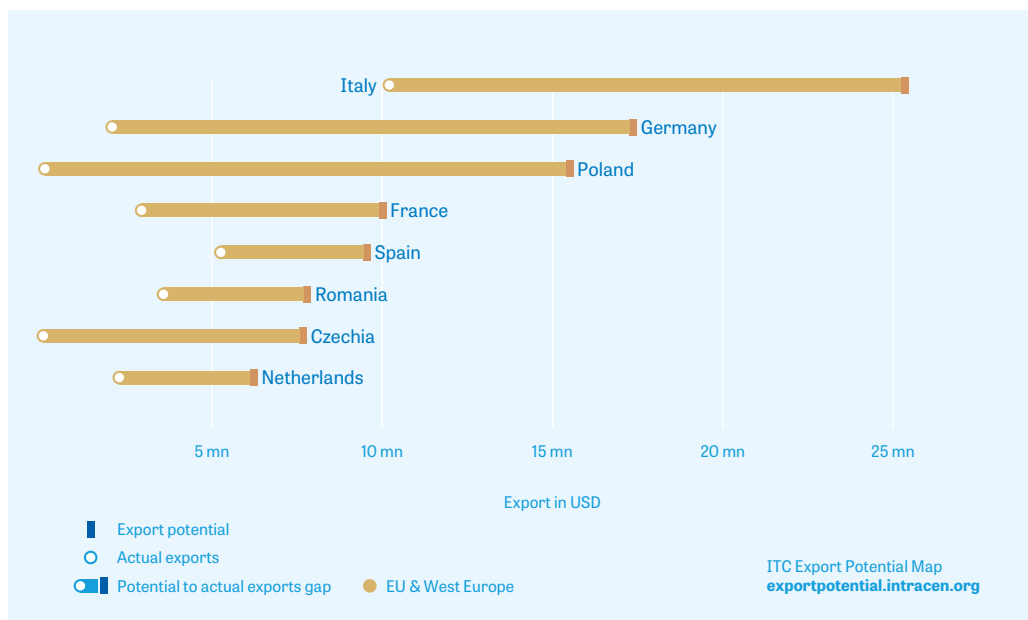
The main product with unused export potential in EU and West European countries is ferro-silico-manganese, where the country has an additional \$88 million potential to export to this region. According to the ITC assessment, the sector utilizes only 20 percent of its export potential. Another sector with unrealized potential is bars and rods and semi-finished products of iron and steel (Graph 16).

GRAPH 16. Unrealized Export Potential in EU and West European Countries (thousands USD)



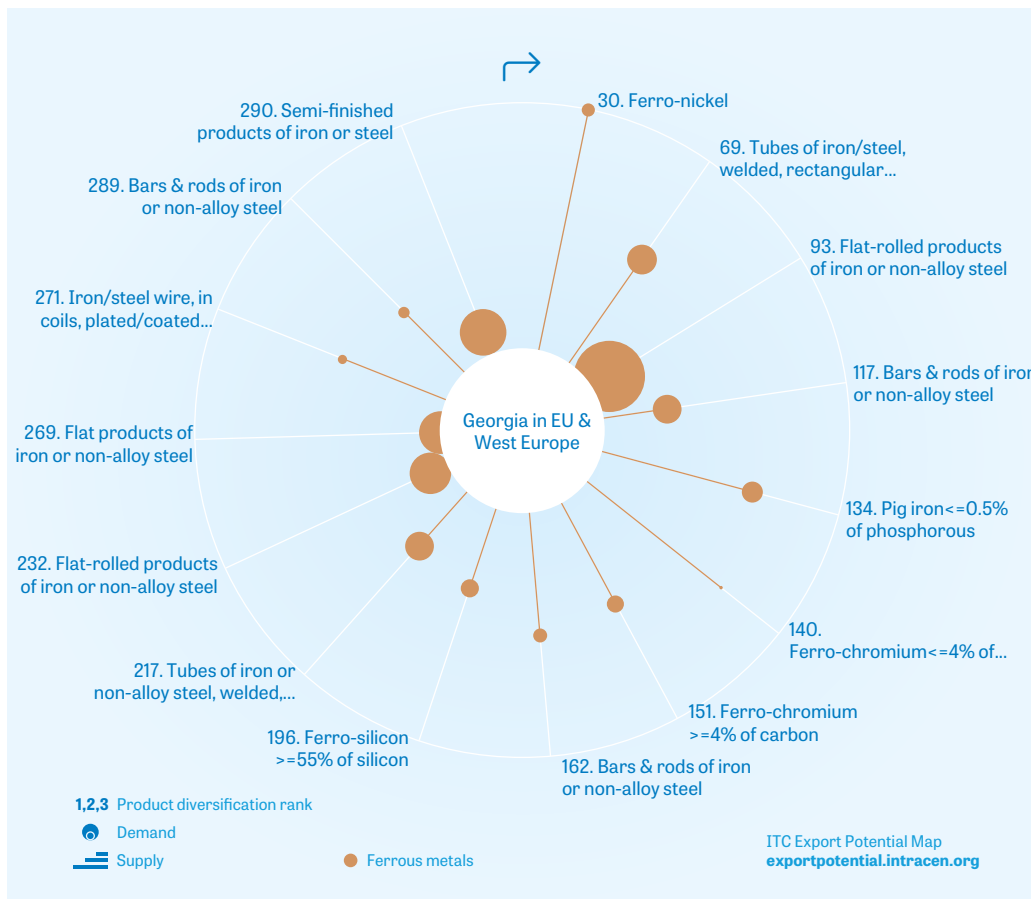
Considering the disaggregation of unrealized export potential in the EU and West Europe by countries, the highest potential is revealed in the case of Italy, Germany and Poland, with around \$15-16 million potential each. These countries are followed by Spain, Romania, Czechia, and the Netherlands, with export potential values ranging from \$5 million to \$7 million (Graph 17).

GRAPH 17. EU and Western Europe Markets with the Potential for Georgia's Exports (USD)



Product Diversification Indicator. Except for several product groups, such as ferro-nickel, flat-rolled products of iron or non-alloy steel, and tubes of iron/steel, the product rankings are relatively low in terms of product diversification possibilities (Graph 18).

GRAPH 18. Product Diversification in EU and West Europe



SME Dimension

The share of SMEs in the total turnover of this industry is 12 percent; the compound growth rate from 2017-2019 to 2020-2022 amounted to 7 percent. In comparison, the total industry's growth rate was 20 percent during this period.

In summary, both the mining of metal ores and the manufacture of basic metals industries mainly rely on the activities of larger companies. However, the positive trend in the case of SMEs can create further possibilities for these companies to develop in these industries.

Women in the Labour Market

As identified, the employment landscape in this sector is similar to the mining of metal ores industry, with women accounting for 9 percent of employed persons in SMEs from 2020-2022. The average annual employment rate of women in the sector from 2020-2022 was 870 persons, with SMEs responsible for 137 of them.

An interesting finding is that women in this sector have the same average monthly salary as men, which is higher than the average salary of women in the business sector. In the period from 2020-2022, women's average monthly salary equalled 1,200 GEL, while men's salary was 1,211 GEL.

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Annex 1. List of NACE Rev.2 Sectors at the Division Level

Code	Description
1	Crop and animal production, hunting and related service activities
2	Forestry and logging
3	Fishing and aquaculture
5	Mining of coal and lignite
6	Extraction of crude petroleum and natural gas
7	Mining of metal ores
8	Other mining and quarrying
9	Mining support service activities
10	Manufacture of food products
11	Manufacture of beverages
12	Manufacture of tobacco products
13	Manufacture of textiles
14	Manufacture of wearing apparel
15	Manufacture of leather and related products
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
17	Manufacture of paper and paper products
18	Printing and reproduction of recorded media
19	Manufacture of coke and refined petroleum products
20	Manufacture of chemicals and chemical products
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations
22	Manufacture of rubber and plastic products
23	Manufacture of other non-metallic mineral products
24	Manufacture of basic metals
25	Manufacture of fabricated metal products, except machinery and equipment
26	Manufacture of computer, electronic and optical products
27	Manufacture of electrical equipment
28	Manufacture of machinery and equipment n.e.c.

29	Manufacture of motor vehicles, trailers and semi-trailers
30	Manufacture of other transport equipment
31	Manufacture of furniture
32	Other manufacturing
33	Repair and installation of machinery and equipment
35	Electricity, gas, steam and air conditioning supply
36	Water collection, treatment and supply
37	Sewerage
38	Waste collection, treatment and disposal activities; materials recovery
39	Remediation activities and other waste management services
41	Construction of buildings
42	Civil engineering
43	Specialized construction activities
45	Wholesale and retail trade and repair of motor vehicles and motorcycles
46	Wholesale trade, except for motor vehicles and motorcycles
47	Retail trade, except for motor vehicles and motorcycles
49	Land transport and transport via pipelines
50	Water transport
51	Air transport
52	Warehousing and support activities for transportation
53	Postal and courier activities
58	Publishing activities
59	Motion picture, video and television programme production, sound recording and music publishing activities
60	Programming and broadcasting activities
61	Telecommunications
62	Computer programming, consultancy and related activities
63	Information service activities
64	Financial service activities, except insurance and pension funding
65	Insurance, reinsurance and pension funding, except compulsory social security
66	Activities auxiliary to financial services and insurance activities
68	Real estate activities
69	Legal and accounting activities

70	Activities of head offices; management consultancy activities
71	Architectural and engineering activities; technical testing and analysis
72	Scientific research and development
73	Advertising and market research
74	Other professional, scientific and technical activities
75	Veterinary activities
77	Rental and leasing activities
78	Employment activities
80	Security and investigation activities
81	Services to buildings and landscape activities
82	Office administrative, office support and other business support activities
84	Public administration and defence; compulsory social security
85	Education
86	Human health activities
87	Residential care activities
88	Social work activities without accommodation
90	Creative, arts and entertainment activities
91	Libraries, archives, museums and other cultural activities
92	Gambling and betting activities
93	Sports activities and amusement and recreation activities
94	Activities of membership organisations
95	Repair of computers and personal and household goods

Annex 2. List of BOP Categories

SB	Maintenance and repair services n.i.e.
SC	Transport
SE	Construction
SH	Charges for the use of intellectual property n.i.e.
SI	Telecommunications, computer and information services
SJ	Other business services
SK	Personal, cultural and recreational services

Annex 3. Sector Assessment Matrix

NACE Division/ BOP Category	Sector Description	Export competitiveness									
		Revealed Comparative Advantage (RCA) - World	Revealed Comparative Advantage (RCA) - EU	Change in Georgia's market share in the EU	The export potential indicator (EPI) - World (Thousand USD)	The export potential indicator (EPI) - Europe (Thousand USD)	EU market Share in Georgia's Exports	Georgia's export performance (Exports/turnover)	Export (Total) Growth rate	Value of SME Exports	Export competitiveness Rank
	Weigh	0.10	0.10	0.05	0.03	0.03	0.05	0.05	0.05	0.05	0.50
11	Manufacture of beverages	1.00	0.86	-	0.95	0.90	0.50	0.77	0.28	0.94	0.36
SC	Transport	0.29	0.43				0.53	0.58	-	1.00	0.22
SI	Telecommunications, computer, and information services	-	-				0.94	0.65	0.89	0.97	0.23
14	Manufacture of wearing apparel	0.57	0.57	1.00	0.75	0.85	0.47	0.74	-	0.72	0.30
7	Mining of metal ores	0.86	1.00	-	0.90	0.95	0.91	0.23	-	0.22	0.30
24	Manufacture of basic metals	0.71	0.71	-	1.00	1.00	0.31	0.87	0.56	0.88	0.32
SJ	Other business services	-	-				0.72	0.42	0.78	0.84	0.18
32	Other manufacturing	-	-	0.42	0.40	0.65	0.97	0.90	0.67	0.75	0.21
20	Manufacture of chemicals and chemical products	-	-	0.79	0.85	0.75	0.63	0.71	0.17	0.78	0.19
13	Manufacture of textiles	-	-	0.84	0.50	0.55	1.00	0.84	0.94	0.69	0.24
10	Manufacture of food products	0.14	0.29	-	0.80	0.80	0.88	0.61	0.33	0.91	0.22
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.43	0.14	0.95	0.65	0.45	0.78	0.55	0.06	0.63	0.23
SH	Charges for the use of intellectual property n.i.e.	-	-				0.69	0.52	1.00	0.41	0.17
27	Manufacture of electrical equipment	-	-	0.74	0.60	0.60	0.44	0.48	0.83	0.44	0.18
17	Manufacture of paper and paper products	-	-	0.63	0.10	-	0.16	0.39	0.72	0.31	0.11
26	Manufacture of computer, electronic and optical products	-	-	-	0.05	0.10	0.59	1.00	0.50	0.66	0.14
29	Manufacture of motor vehicles, trailers and semi-trailers	-	-	0.58			0.56	0.97	0.61	0.28	0.15
25	Manufacture of fabricated metal products, except machinery and equipment	-	-	-	0.25	0.20	0.34	0.45	-	0.56	0.08
SE	Construction	-	-				-	0.10	0.44	0.53	0.07
28	Manufacture of machinery and equipment n.e.c.	-	-	0.53	0.35	0.30	0.41	0.94	-	0.81	0.15
22	Manufacture of rubber and plastic products	-	-	-	0.55	0.50	0.25	0.26	0.39	0.50	0.10
6	Extraction of crude petroleum and natural gas	-	-	-			-	0.03	-	0.03	0.00
19	Manufacture of coke and refined petroleum products	-	-	0.89			0.75	0.29	-	0.16	0.10
8	Other mining and quarrying	-	-	-	0.20	0.25	0.66	0.32	0.14	0.34	0.08
23	Manufacture of other non-metallic mineral products	-	-	-	0.45	0.35	0.38	0.19	-	0.38	0.07
SB	Maintenance and repair services n.i.e.	-	-				0.81	0.16	-	0.13	0.07
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	-	-	-	0.70	0.70	0.28	0.68	-	0.59	0.11
12	Manufacture of tobacco products	-	-	0.68			-	0.35	-	0.19	0.06
31	Manufacture of furniture	-	-	-	0.15	0.15	0.84	0.13	0.22	0.09	0.07
15	Manufacture of leather and related products	-	-	0.47	0.30	0.40	0.22	0.81	-	0.47	0.12
18	Printing and reproduction of recorded media	-	-	-			-	0.06	-	0.06	0.01
30	Manufacture of other transport equipment	-	-	-	-	0.05	0.19		-	0.25	0.02
5	Mining of coal and lignite	-	-	0.37			-	-	-	-	0.02

NACE Division/ BOP Category	Sector Description	Market Demand					Employment dynamics			
		Value of Imports in the EU	Growth of sectoral import compared to total EU imports	Value of SME Turnover (Thsd. USD)	Turnover growth rate	Market Demand Rank	Growth rate of employment	Labor Productivity	Number of Employed in SME	Employment dynamics Rank
	Weigh	0.05	0.05	0.05	0.05	0.20	0.05	0.05	0.05	0.15
11	Manufacture of beverages	0.09	-	0.84	0.30	0.06	-	0.80	0.81	0.08
SC	Transport	0.88	0.89	0.97	0.47	0.16	0.25	0.70	0.94	0.09
SI	Telecommunications, computer, and information services	0.69	0.56	0.81	0.63	0.13	0.17	0.47	0.88	0.08
14	Manufacture of wearing apparel	0.53	-	0.45	0.90	0.09	0.67	0.07	0.72	0.07
7	Mining of metal ores	0.34	-	0.42	0.50	0.06	0.58	0.83	0.44	0.09
24	Manufacture of basic metals	0.75	-	0.74	0.17	0.08	-	0.57	0.53	0.05
SJ	Other business services	0.97	0.44	0.94	-	0.12	-	0.50	1.00	0.08
32	Other manufacturing	0.50	-	0.29	0.97	0.09	0.33	0.93	0.28	0.08
20	Manufacture of chemicals and chemical products	0.91	0.67	0.55	0.80	0.15	0.08	0.73	0.47	0.06
13	Manufacture of textiles	0.38	-	0.32	0.83	0.08	0.42	0.23	0.38	0.05
10	Manufacture of food products	0.63	-	0.90	0.33	0.09	-	0.20	0.91	0.06
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.16	-	0.48	0.23	0.04	-	0.67	0.50	0.06
SH	Charges for the use of intellectual property n.i.e.	0.84	0.78	0.26	0.03	0.10	-	0.90	0.31	0.06
27	Manufacture of electrical equipment	0.78	0.33	0.39	0.60	0.11	-	0.63	0.34	0.05
17	Manufacture of paper and paper products	0.22	-	0.58	0.77	0.08	0.50	0.60	0.56	0.08
26	Manufacture of computer, electronic and optical products	0.94	-	0.06	0.67	0.08	0.83	0.17	0.09	0.05
29	Manufacture of motor vehicles, trailers and semi-trailers	0.66	-	0.03	1.00	0.08	1.00	0.03	0.06	0.05
25	Manufacture of fabricated metal products, except machinery and equipment	0.47	-	0.71	0.93	0.11	0.75	0.53	0.63	0.10
SE	Construction	0.06	-	1.00	0.10	0.06	-	0.87	0.97	0.09
28	Manufacture of machinery and equipment n.e.c.	0.81	-	0.16	0.70	0.08	-	0.43	0.16	0.03
22	Manufacture of rubber and plastic products	0.44	-	0.77	0.20	0.07	-	0.37	0.75	0.06
6	Extraction of crude petroleum and natural gas	1.00	1.00	0.13	0.53	0.13	-	1.00	0.25	0.06
19	Manufacture of coke and refined petroleum products	0.59	0.11	0.19	0.87	0.09	0.92	0.77	0.13	0.09
8	Other mining and quarrying	0.13	-	0.68	0.13	0.05	-	0.30	0.66	0.05
23	Manufacture of other non-metallic mineral products	0.31	-	0.87	0.40	0.08	-	0.40	0.84	0.06
SB	Maintenance and repair services n.i.e.	0.19	-	0.65	0.07	0.04	-	0.13	0.78	0.05
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.72	-	0.35	0.37	0.07	-	0.33	0.41	0.04
12	Manufacture of tobacco products	0.03	-	0.23	0.73	0.05	-	0.97	0.22	0.06
31	Manufacture of furniture	0.25	-	0.61	0.43	0.06	-	0.10	0.69	0.04
15	Manufacture of leather and related products	0.41	-	0.10	0.57	0.05	-	-	0.19	0.01
18	Printing and reproduction of recorded media	-	-	0.52	0.27	0.04	-	0.27	0.59	0.04
30	Manufacture of other transport equipment	0.56	-	-	-	0.03	-	-	-	-
5	Mining of coal and lignite	0.28	0.22	-	-	0.03	-	-	-	-

NACE Division/ BOP Category	Sector Description	Prospect for value addition in SME				Final Score (out of 1.00)
		ratio of Value added to turnover	ratio of value added to GDP	Share of SME in total Turnover	value addition in SME Rank	
	Weigh	0.05	0.05	0.05	0.15	
11	Manufacture of beverages	0.47	0.83	0.35	0.08	0.58
SC	Transport	0.33	0.93	0.44	0.09	0.56
SI	Telecommunications, computer, and information services	0.90	0.90	0.34	0.11	0.54
14	Manufacture of wearing apparel	0.57	0.40	0.29	0.06	0.53
7	Mining of metal ores	0.77	0.53	0.12	0.07	0.53
24	Manufacture of basic metals	0.10	0.60	0.12	0.04	0.50
SJ	Other business services	0.87	0.97	0.56	0.12	0.49
32	Other manufacturing	0.83	0.37	1.00	0.11	0.49
20	Manufacture of chemicals and chemical products	0.30	0.47	0.22	0.05	0.45
13	Manufacture of textiles	0.37	0.20	1.00	0.08	0.45
10	Manufacture of food products	0.07	0.87	0.61	0.08	0.44
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.43	0.43	1.00	0.09	0.43
SH	Charges for the use of intellectual property n.i.e.	0.93	0.33	0.67	0.10	0.43
27	Manufacture of electrical equipment	0.13	0.27	0.73	0.06	0.39
17	Manufacture of paper and paper products	0.53	0.63	1.00	0.11	0.38
26	Manufacture of computer, electronic and optical products	0.97	0.03	1.00	0.10	0.38
29	Manufacture of motor vehicles, trailers and semi-trailers	0.73	-	1.00	0.09	0.38
25	Manufacture of fabricated metal products, except machinery and equipment	0.40	0.70	0.53	0.08	0.36
SE	Construction	0.70	1.00	0.74	0.12	0.34
28	Manufacture of machinery and equipment n.e.c.	0.17	0.13	1.00	0.06	0.33
22	Manufacture of rubber and plastic products	0.23	0.77	0.87	0.09	0.32
6	Extraction of crude petroleum and natural gas	1.00	0.23	1.00	0.11	0.31
19	Manufacture of coke and refined petroleum products	-	0.10	0.37	0.02	0.31
8	Other mining and quarrying	0.60	0.67	1.00	0.11	0.29
23	Manufacture of other non-metallic mineral products	0.20	0.80	0.61	0.08	0.29
SB	Maintenance and repair services n.i.e.	0.80	0.73	0.94	0.12	0.29
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.67	0.30	0.22	0.06	0.28
12	Manufacture of tobacco products	0.63	0.17	1.00	0.09	0.26
31	Manufacture of furniture	0.27	0.50	0.73	0.08	0.25
15	Manufacture of leather and related products	0.03	0.07	0.18	0.01	0.19
18	Printing and reproduction of recorded media	0.50	0.57	1.00	0.10	0.19
30	Manufacture of other transport equipment				-	0.05
5	Mining of coal and lignite			-	-	0.04

Annex 4. List of Interviewed Stakeholders

	Date	Organization
1	March 22	GIZ
2	March 22	The USAID Economic Security Program / DAI
3	March 22	Export Development Agency (EDA)
4	April 5	Skills Agency
5	April 10, April 17	Policy and Management Consulting Group - PMCG
6	April 15	Investors Council
7	April 15	Small and Medium Enterprises Development Association (SMEDA)
8	April 15	Georgian Chamber of Commerce and Industry (GCCCI)
9	April 18	Georgian Producers Federation
10	April 22	Georgian ICT Cluster
11	May 2	TBC Research

