

Key Findings and Recommendations for Comparison

Guidelines and best practices
for micro-, small and medium enterprises in
delivering energy-efficient products and in
providing renewable energy equipment
in Georgia

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Methodology

Georgia

Methodology used for the data collection and analysis for the elaboration of this study included desk surveys, data obtained from experts' opinion, questionnaires & online interviews, documents and reports elaborated by the various agencies and organizations, case studies.

MSME Definition

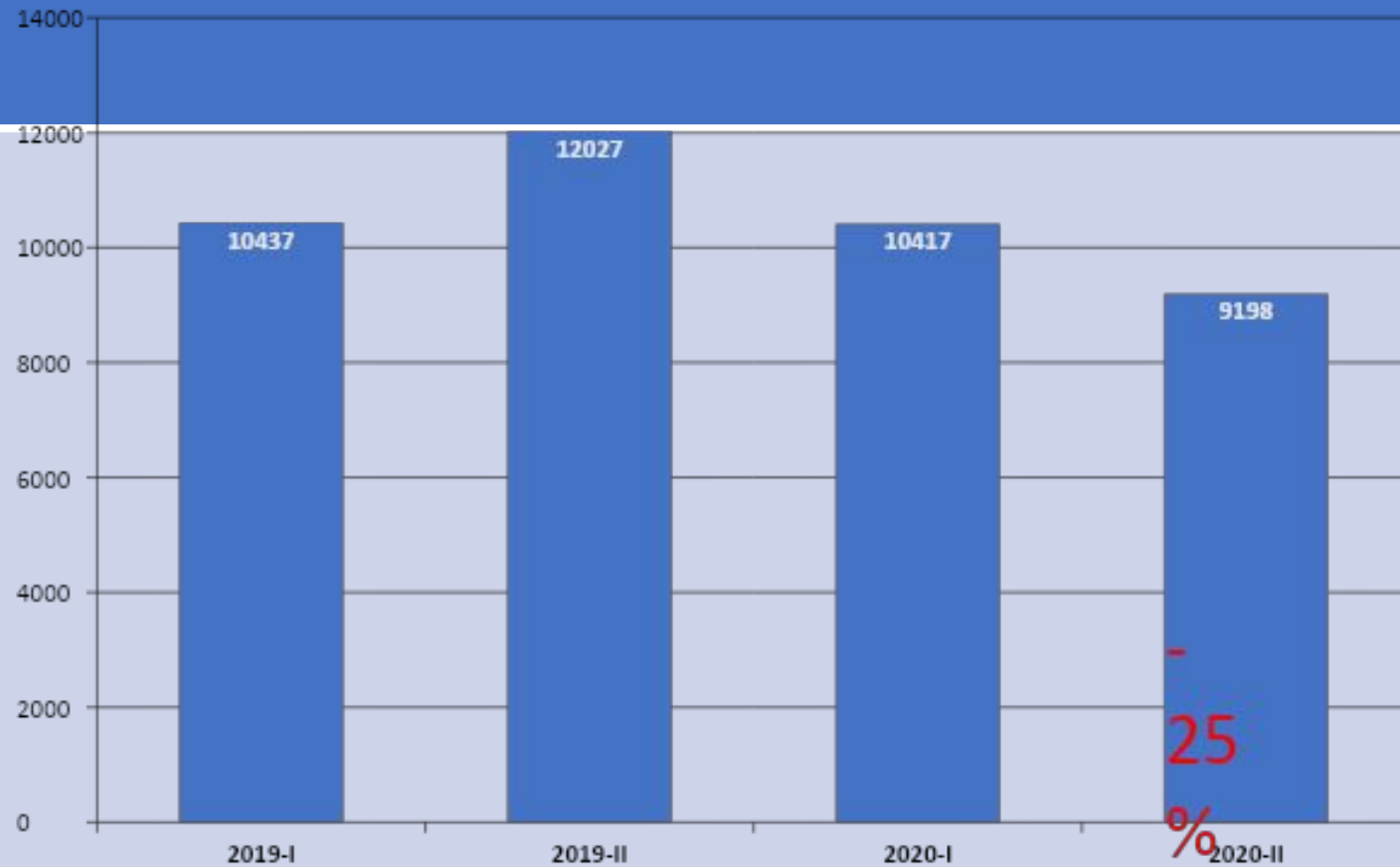
Georgia

Category	Number of employees	Average annual turnover (GEL ¹)
Micro	<10	<1 000 000 (250 000€)
Small	<50	1 000 000 - 12 000 000 (3 800 000€)
Medium	51-249	12 000 000-60 000 000 (19 200 000€)
Large	>250	>60 000 000 ²

MSME Sector in

Georgia

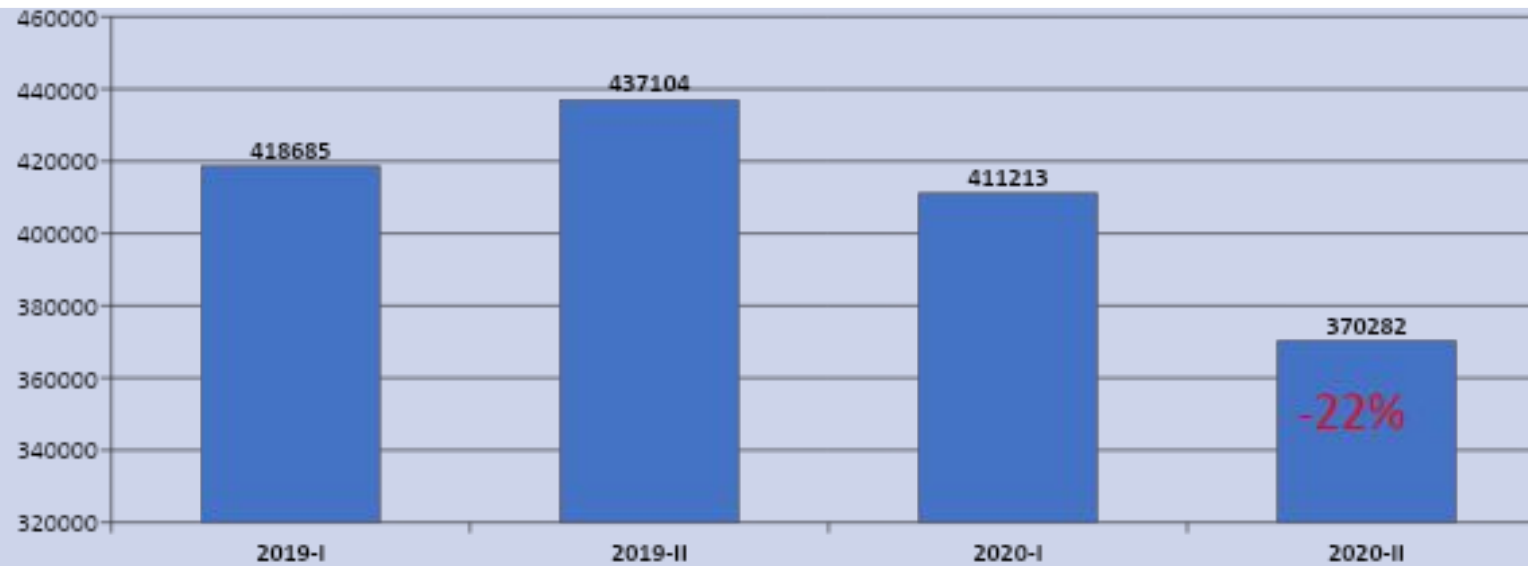
SME Turnover, Million GEL



MSME Sector in

Georgia

Fluctuation Number of Employees in SME



Main Findings

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23% of companies working in RE & EE field the production did not change
69% volume of production has reduced almost twice

14% of companies have lost part of their property.

Salaries for the employees remained unchanged in 73% of companies,
20% of companies had to reduce salaries.

As a temporary suspension of salaries reported in 7% of companies.

Bank liabilities for 93% of MSME's working in RE & EE field the situation didn't change,
7% of companies stated that the liabilities to the banks have increased.

State assistance 80 % of companies received assistance

13% of companies state that the provided assistance helped them to a certain extent
only 7% reported that the provided assistance was not effective.

Sales remained either unchanged or slightly increased for 53% of companies
47% reported 2 times decrease of sales.

50% of companies mentioned that export-import operations did not change and only for 13% such activities had stopped

Key Conclusions

Georgia

- Limited availability of funding programmes for financial stabilization of MSMEs.
- No tailored support to MSMEs working in renewable energy and energy efficiency sector
- Most MSMEs have been forced to adjust to the remote working conditions and social distancing. Although remote working mode decreased some operation costs (utility costs) for MSMEs but productivity level was also decreased;
- None of interviewed MSME's working in RE & EE field declared bankruptcy and cut the number of employees. But some of them were forced to offer to their employees to go on unpaid leave.
- As after the outbreak of COVID-19 the majority of MSMEs (68%) faced decreased demand for their services influencing the curtail of operations. Such decrease influenced the demand for RE & EE products and services among MSMEs on one hand, and on another hand the decrease of public interest to invest in RE & EE products provoked by the state subsidizing energy bills. At the same time with consideration of the fact that subsidies for utilities are temporary and the tariff increase for energy (electricity, gas) and water imposed on Dec.31, 2020 by GNERC may serve as an incentive for revitalization of the market for EE & RE products.
- Though about 60% of interviewed companies working in RE & EE field are going to create backup resources (raw materials/stocks) for their business operations
- 13% percent of these companies had to approach bank for additional financial resources, while another 13% preferred to sell property to cover necessary needs

Main Recommendations I

Georgia

- Prepare a clear guidance for companies on the available support provided, such as how to access various financial instruments, whom to contact for questions, who are the national bodies involved in funds disbursement, what is the role of commercial banks and what are their obligations, etc.
- Government and National bank of Georgia shall introduce regulations and guidance for commercial banks including mechanism for protecting of businesses;
- Temporary abolishment of taxies (i.e. property tax) for the lockdown periods.
- Temporary tax breaks to reduce the amount of taxes to be paid by MSMEs.
- Include RE &EE enterprises in existing National programmed (e.g. Enterprise Georgia) to support MSMEs though grants, loans, credit guarantees on loans, and establish dedicated support programme;
- Monitor the process of providing financial assistance by partnering with major banks/institutions and Avoid providing the same resources or opportunities to everyone regardless of their needs by elaboration of support policies and programmes that guarantee equity approach through treating companies differently dependent on their needs (i.e. avoid situations when business receives financial support while downsizing workforce).

Main Recommendations II

Georgia

- Rather than subsidizing energy bills for households and food product producers for short period of time promote and subsidize investments in EE&RE products and services which will accomplish in energy and bill savings in long-term perspective
 - review and adjust public procurement procedures and encourage procurement of EE& RE products from local suppliers/manufacturers.
 - develop and offer government subsidized vocational education for EE&RE installers and inspectors as well as RE&EE support schemes as prescribed by the laws on EE and RE;
 - Explore and start immediate process of association /clustering in order to increase competitiveness and become more attractive for the end users of EE and RE products and services;
 - develop the procurement strategy for own company and/or cluster that ensures having necessary stock in advance
- Introduce Circular Economy and Resource efficiency principles in their production processes to optimize operational costs.