**Evaluation of Questionnaires – Georgia**

As part of the project, a uniform questionnaire has been prepared and sent out to various stakeholders and experts. More than 50 persons/organisations were targeted, of which 13 answered the questionnaire positively. Targeted organisations included: ministries and other policy actors, SME organisations, agricultural associations, think tanks and expert groups, universities, banks dealing with SME financing and local representatives of international organisations. Hereby we analyse the results of the replies. To help the respondents the questionnaire was translated and distributed both in English and Georgian language. In this analysis, we use the English terms of the questionnaire. The target group was also reminded via phone calls to fill out the questionnaire.

In the first part of the questionnaire template, respondents were asked to evaluate, to what extent the factors listed were impeding the development and activities of SMEs in the country. On a 1-4 scale, 1 represented “not at all”, 2 represented “somewhat”, 3 stood for “significantly”, 4 meant “very significantly”. The NA option was provided in case the respondent did not know.

Parallel to this exercise, respondents were asked to mark “help” in case they think that an intervention by the GMU Project would be advised and welcomed. Some respondents marked (or not marked) “help” parallel to giving a number from 1-4 signalling the importance of the given topic, but some others understood “help” as the means to signal “most important, very significant”, not giving a value from 1-4 but expressing that this issue is of crucial importance and policy recommendations and knowledge transfer is most welcome regarding the given obstacle.

For methodological/technical reasons, in all of those cases where the respondent was NOT giving a number value BUT marked “help” for a given topic, we understood that they consider the topic as a major obstacle to SME development in the country and calculated in the database with a number 4 value. We analyse the “help” answers separately.

The questions targeted six domains relevant for the development and daily activities of SMEs. The main domains were:

* Labour and skills,
* Red tape/bureaucracy,
* Tax burdens,
* Law and order,
* Market specificities,
* Finance and other issues.

In the table below, we provide the average value of the responses given to the seriousness of the obstacle (without the “NA” answers), and the number of “help” responses out of the 13 respondents, who considered that the project and V4-GMU experiences could add to the solution of the given problem.

**Results**

**Table 1:** Labour and Skills domain, Georgian experts’ survey results - 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1** | **Domain/Obstacle** | **Help** | **Mean value** | **SE** | **Obs.** |
| A | Low market skills of entrepreneurs / Inadequate business education | 1 | **3.31** | 0.21\* | 13 |
| B | Lack of business experience | 0 | **3.00** | 0.28 | 13 |
| C | Lack of experience in foreign trade, in EU in particular | 3 | 2.54 | 0.18\* | 13 |
| D | Lack of knowledge of EU regulations | 3 | 2.69 | 0.24\* | 13 |
| E | Lack of language skills and contacts abroad | 0 | 2.69 | 0.24\* | 13 |
| F | Low availability of high skill workers | 1 | **3.00** | 0.25 | 13 |
| G | Low availability of low-skill workers | 0 | 2.08 | 0.14\* | 13 |
| H | Demographics / low number of young labour market entrants | 0 | 2.15 | 0.25\* | 13 |
| I | High emigration | 0 | 2.54 | 0.24\* | 13 |
| J | Expensive labour / Mismatch between labour cost and productivity | 0 | 2.31 | 0.29 | 13 |
| K | Employer-employee conflicts | 0 | 2.00 | 0.25 | 13 |
| L | Low labour market flexibility | 0 | 2.77 | 0.23\* | 13 |
| M | High syndicalization / Excessive power of labour unions | 0 | 1.62 | 0.31 | 13 |
| N | Low labour ethics | 1 | 2.54 | 0.18\* | 13 |
| O | Low business ethics | 1 | 2.85 | 0.19\* | 13 |
| **1** | **Labour & Skills** | **10** | **2.54** | **0.23\*** | **13** |

\*) Mean value significant at 5 %

The most impeding factor is considered 1A - Low market skills of entrepreneurs. The lack of business experience and low availability of high skilled workers (1B, 1F) is on average (3.00) seen as an obstacle, however, there is also a strong disagreement between experts on that topic.

Other issues rated from “somewhat” to “significantly” important are 1O - Low business ethics (2.85), 1L - Low labour market flexibility (2.77), 1C -Lack of knowledge of EU regulations (2.69), 1E - The language barrier (2.69), 1C – Foreign trade experience (2.54), 1I – high immigration and 1N - low labour ethics.

These obstacles named above are also considered requiring an intervention. Help is needed mostly in the area of EU trade and regulations. Then in business and labour ethics, lack of high skilled workers, and the insufficiency of market and business skills.

**Table 2:** Red Tape and Bureaucracy domain, Georgian experts’ survey results - 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2** | **Domain/Obstacle** | **Help** | **Mean value** | **SE** | **Obs.** |
| A | Difficulties in registering company | 0 | 1.25 | 0.25 | 12 |
| B | High cost of market entry | 0 | 2.18 | 0.30 | 11 |
| C | Difficulties to expand business activities / bureaucratic obstacles | 0 | 1.75 | 0.25 | 12 |
| D | Non-transparent / inconsistent regulations | 1 | 2.00 | 0.16\* | 13 |
| E | Poor overall regulatory framework / Excessive burden of regulations | 0 | 1.92 | 0.19\* | 12 |
| F | Foreign trade barriers | 0 | 2.92 | 0.23\* | 12 |
| G | Institutional differences with EU | 3 | 2.83 | 0.30 | 12 |
| **2** | **Red Tape /Bureaucracy** | **4** | **2.12** | **0.24** | **12.00** |

\*) Mean value significant at 5 %

This domain is seen as least important of all and, on average, no issue is seen as fully important. “Somewhat” to “significantly” important obstacles are regulations, which are inconsistent and non-transparent and linked to a poor regulatory framework. Help in that area is required. Foreign trade barriers are the most problematic obstacle in the domain. Help in the area of institutional differences with the EU is required and also Georgian experts’ opinions differ a lot in that particular issue.

**Table 3:** Tax burden domain, Georgian experts’ survey results - 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **3** | **Domain/Obstacle** | **Help** | **Mean value** | **SE** | **Obs.** |
| A | Unstable and non-transparent tax rules and/or their applications | 0 | 2.33 | 0.22\* | 12 |
| B | High cost of compliance | 0 | 2.25 | 0.18\* | 12 |
| C | High effective SME presumptive tax rates | 0 | 2.11 | 0.11\* | 9 |
| D | High effective personal income tax rates | 0 | 2.33 | 0.26 | 12 |
| E | High effective corporate income tax rates | 0 | 1.90 | 0.28 | 10 |
| F | High effective value added tax / trade tax rates | 0 | 2.36 | 0.31 | 11 |
| G | High custom charges | 0 | 1.91 | 0.25 | 11 |
| H | Other high taxes and fiscal fees/charges | 0 | 1.89 | 0.35 | 9 |
| **3** | **Tax burden** | **0** | **2.14** | **0.25** | **10.75** |

\*) Mean value significant at 5 %

Similarly to previous domain, this is also one of the least important group of obstacles. No help is required and, on average, none of the obstacles is seen as fully important. Experts also differs in their views and according to the average number of observations they also weren’t able to answer. Again transparency in regulations – this time taxes, along with high cost compliance, and high effective SME presumptive tax rates are seen as somewhat important.

**Table 4:** Law and order domain, Georgian experts’ survey results - 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **4** | **Domain/Obstacle** | **Help** | **Mean value** | **SE** | **Obs.** |
| A | Weak property rights / weak contract enforcement | 1 | 2.69 | 0.26 | 13 |
| B | Crime and violence (low safety) | 0 | 1.58 | 0.23\* | 12 |
| C | Corruption / Clientelism / Favouritism | 0 | 1.83 | 0.27 | 12 |
| D | Weak judiciary | 1 | 2.77 | 0.26 | 13 |
| **4** | **Law and order** | **2** | **2.22** | **0.25** | **12.5** |

\*) Mean value significant at 5 %

This domain is also rather not important, even though, help is required in 2 cases. The experts’ views differ a lot and they can only agree on relatively non-problematic area of crime. Contract enforcement and weak judiciary are obstacles requiring help. They are, however, seen only by a fraction of experts as important obstacle for SME’s.

**Table 5:** Market domain, Georgian experts’ survey results - 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **5** | **Domain/Obstacle** | **Help** | **Mean value** | **SE** | **Obs.** |
| A | Small market size / Weak demand | 0 | **3.23** | 0.28 | 13 |
| B | Barriers for exports to foreign markets | 0 | **3.15** | 0.19\* | 13 |
| C | Unfair competition / Uneven playing field / Informal economy | 0 | 2.58 | 0.19\* | 12 |
| D | Monopolization / Excessive market power of some participants | 0 | **3.00** | 0.23\* | 13 |
| E | Weak market position of SMEs | 0 | **3.38** | 0.14\* | 13 |
| F | Weak professional organizations of SMEs | 1 | 2.92 | 0.18\* | 13 |
| G | Weak analytical and policy advocacy of SME organizations | 0 | **3.25** | 0.13\* | 12 |
| H | Discriminatory practices of authorities | 0 | 2.00 | 0.17\* | 12 |
| I | Unfair privileges for foreign investors | 0 | 1.75 | 0.18\* | 12 |
| J | Macroeconomic instability (demand, inflation, exchange rate) | 0 | 2.92 | 0.21\* | 13 |
| K | Political instability | 0 | **3.00** | 0.23\* | 13 |
| L | Insufficient market information/governmental support for SMEs | 1 | 2.92 | 0.23\* | 12 |
| M | Weak support/lack of support by international organizations | 1 | 2.42 | 0.19\* | 12 |
| N | Low level of activities of venture capital | 0 | **3.25** | 0.25 | 12 |
| **5** | **Market** | **3** | **3.03** | **0.20\*** | **12.5** |

\*) Mean value significant at 5 %

This domain is the most important and help is required in three cases which are rather somewhat important. Help is needed in overcoming the lack of information about the public and foreign support and also in the area of strengthening the influence of professional SME organization. The most impeding factors are: 5E – current weak market position of SME’s, which might be linked with the 5D excessive market power of some of the companies and weakly also to 5C - unfair competition, then 5F - weak SME organizations, 5J&5K – political and macroeconomic instability and barriers for exports.

On average, weak demand and lack of venture capital are highly impeding the SME’s, however, not all the experts shares this views. As unimportant is considered 5I – unfair privileges for foreign capital.

**Table 6:** Finance and Other domain, Georgian experts’ survey results - 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **6** | **Domain/Obstacle** | **Help** | **Mean value** | **SE** | **Obs.** |
| A | Difficulties in accessing financial services | 1 | **3.15** | 0.27 | 13 |
| B | High cost of credit | 1 | **3.31** | 0.24\* | 13 |
| C | Inappropriate infrastructure | 0 | 2.45 | 0.25 | 11 |
| D | Weak professional organizations of SMEs | 1 | 2.75 | 0.18\* | 12 |
| E | Difficult access to internet / Lack or low quality of business websites | 0 | 2.50 | 0.23\* | 12 |
| F | Lack of open communication channels with EU | 1 | **3.00** | 0.19\* | 11 |
| **6** | **Finance and other** | **4** | **2.86** | **0.23\*** | **12** |

\*) Mean value significant at 5 %

This is the second most important domain. There are high costs of getting a credit, banks require a collateral or a guarantee, which is a barrier especially for SME’s. Accessing financial services is an issue not all experts see as problematic, however, help in this area is needed to overcome both the high costs and problematic access to financial services. Help is also required to overcome the EU-Georgia communication barriers and strengthen the position of SME organisations.

In the second part of the survey, respondents were asked which sectors they consider as the most important ones regarding international transfer of knowledge and support activities.

The most respondents (8) identified agriculture and agriculture related fields like food processing, trade with agricultural products. From a sectorial help would benefit the rest of manufacturing industries, and in particular, engineering, ICT sector, tourism, and textile industry. Services are also mentioned however without further remarks. Also we encountered the opinion to avoid structural policies at all.

|  |  |
| --- | --- |
| Agriculture | “One of the main problems in this sector is ignoring demand by entrepreneurs.”  “The country should develop a strategy to meet the demand of the domestic market by local production. Need to develop individual entrepreneurship and cooperatives. Storage and processing infrastructure development / modernization is needed, seasonally produced cheap production should not be sold immediately, but to store and sell later on non-seasonal period with an expensive price. ”  “Low labour productivity, lack of information about new technologies.” |

Finally, in the third part of the survey, respondents were asked to provide any further suggestions they considered as relevant for the V4-GMU project. The following areas were mentioned where an exchange of experiences, knowledge transfer may support the Georgian SME’s:

|  |
| --- |
| "You shall use all possible channels of communication to disseminate information on your good work to the local entrepreneurs in the regions, which are weak at current stage."  "No need for the sectorial support. It is desirable to work on improving the overall business enabling environment rather than selecting some sectors and introducing sectorial policy.  Some of the key factors that impede the SME growth are:   * Amendment of the tax code, further liberalization, decriminalization, avoiding double interpretation and decreasing the cost of compliance, supporting the holding structure of the organization, growth of the SMEs and etc. * Improving the rule of law and property rights * Improving the enforcement mechanisms (private contracts, private arbitrages "   “Energy efficiency and renewable sources - energy costs, material costs - all sectors issue” |