



PROJECT SUMMARY

Integrated Employment Generation and SME Development Program

Total budget:	USD 706,729
UNDP Sector:	Promoting Poverty Eradication
Starting Date:	January 2003
Duration:	36 months
Executing agency:	Ministry of Labour, Health and Social Welfare

Background:

Reduction of poverty through promotion of economic growth is the goal of the Government of Georgia explicitly stated in the Poverty Reduction and Economic Growth Programme (PREGP), adopted by the President of Georgia in May 2003. One of the reasons for poverty is low rate of job creation in Georgia. In the absence of high volume of foreign direct investment needed to revitalize big industry in Georgia, promotion of small and medium enterprises is viewed as an effective tool for decreasing the level of unemployment in the country and rising incomes. The surveys indicate that small enterprises face barriers of operation in par with bigger enterprises (corruption, unclear tax legislation, lack of experience in marketing and export, lack of access to bank loans and information, lack of transparent administrative procedures), but have fewer resources to solve these problems. In 2002, more than 60 thousand small enterprises were registered in Georgia. According to the government data these enterprises cover up to 30% of the employed population and produce 20% of value added in the country.

Development of SMEs can be a powerful tool for reduction of poverty in Georgia. The Government of Georgia has developing policy tools to further this aim. Ministry of Labor, Health and Social Affairs has developed "Employment Support Program", which implies provision of guaranteed loans to the unemployed and established businesses. So far, 140 unemployed around the country has benefited from the program. Establishment of business incubation will build upon this experience.

Objective:

The overall goal of the program is attacking unemployment from different fronts and stimulating SME development in Tbilisi and regions of Georgia thus contributing to economic growth and poverty alleviation through self-employment. The programme is also seen as a means of strengthening the private sector and fostering the reduction of regional disparities through regional development

The first component (Consulting Centers) of the project supports already successful state employment program, which aims at reducing unemployment and providing loans for start-up businesses by strengthening/expanding the network of business consulting centers. The advantage of the component is that it fosters employment in regions, which are more dramatically affected by poverty and unemployment than Tbilisi. Out of the existing 17 consulting centers 11 have reached full self-financing status and 6 need intensive assistance in technical and professional capacity building in order to become self-sustainable. The expansion of network is planned through opening of two more consulting centers in underrepresented region of Mtskheta-Mtianeti (city of Dusheti) and Borjomi. The Consulting centers provide business training to the unemployed and assist the most successful ones to obtain preferential loan for starting up business or expanding existing small enterprise. The Government has committed itself to finance/administer the loan component through the State Social Insurance Fund

The second component (Beautiful Borjomi) will aim at reducing urban unemployment by conducting public works dedicated to upgrading the decaying urban environment in Borjomi (parks, buildings). The project will generate temporary jobs, implement vocational training, execute urban refurbishment projects, and build government capacities to execute similar projects in other parts of Georgia. The component will also envisage subsidising of the working places for the unemployed in the established companies operating in tourism and service sectors. The scheme is introduced in Georgia for first time and will be replicated in other regions in case of success.

The third component (Business Incubation Network) aims at demonstrating the success of the approach in providing sustainable and fairly paid employment through establishment of Business Incubation Network covering virtually all regions of Georgia with the central office in Tbilisi. Network of 19 Business Consulting Centers will provide all services of standard business incubator except for office rent to the selected start-up micro and small enterprises, as well as the unemployed wishing to start-up their business. In addition, the project will encourage formal employment in Georgia, where a big chunk of the economy is in "black" or "gray" sectors.