

**Programme:** Private Sector Development and Technical Vocational Education and Training Programme in South Caucasus: “Clusters4Development” Project

**PN:** 16.2179.6-007.00

**AV:** Hans Jürgen Cassens

**Activity:** Support to Enterprise Georgia in the establishment of a Cluster Development Policy Framework for Georgia

**Period:** September 21, 2020 – December 28, 2021

## 1. Brief information about the Programme

Georgia has undertaken significant economic reforms resulted in impressive growth rates and improved business climate repeatedly reported by the World Bank’s “Doing Business” surveys throughout the past few years. Nevertheless, a range of critical constrains allied to low productivity and marginal export rates, lacking adherence to international standards and poor competitiveness still impede Small and Medium Enterprises (SMEs) to grow. At the same time, extensive growth opportunities exist in a range of sectors that require further support to enhance capacities and technological upscaling, improve coherence to international standards and quality frameworks and increase access to global value chains. Georgian SMEs do not take advantage of the market opportunities provided by the European Union (EU) due to the lack of adequate entrepreneurial and institutional preconditions to develop foreign trade-oriented sectors for inclusive growth.

To foster business performance of private sector actors in construction, tourism and apparel fields and enhance institutional framework for cluster and business development, the GIZ Private Sector Development and Technical and Vocation Education (PSD TVET) Programme, within the framework of the EU Programme “Economic and Business Development in Georgia”, Component 3: Greater Business Sophistication, implements the “Clusters4Development” Project for the period of 3,5 years (starting in July 2019 and ending in January 2023). The Project is composed of four components:

- Component 1: Development and pilot implementation of a market-oriented cluster in the construction sector
- Component 2: Development and pilot implementation of a market-oriented cluster in the tourism sector
- Component 3: Development and pilot implementation of a market-oriented cluster in the apparel sector
- Component 4: Enhancement of institutional capacities for cluster and business development.

Within components 1-3, it is foreseen to support the establishment of sectoral clusters. This includes a cluster on “Quality and Innovation in Construction Materials”, up to three thematic clusters in tourism (Cluster 1: Kakheti and Imereti Local Wine and Food Tourism Cluster; Cluster 2: Imereti Authentic Accommodation Cluster; Cluster 3: Imereti Cultural Heritage Cluster) as well as a cluster “Sustainable Apparel Made in Georgia”. In Component 4, it is foreseen to support the establishment of a conducive cluster development framework at a national level as well as to provide specific

assistance to Enterprise Georgia (business development agency under the Ministry of Economy and Sustainable Development of Georgia) to strengthen its role and institutional capacities for promoting business development and providing demand-oriented services to the private sector.

## 2. Background and context of the project

Georgia is characterized by a large number of SMEs (94% of all enterprises) contributing only by 42% to employment and 15% to GDP, while in 2018, SMEs accounted for 53% of the EU-28 GDP.<sup>1</sup> Despite regulatory improvements, most SMEs in Georgia predominantly operate in low value-added segments and demonstrate minimal export activities (2.9% of small and 15.2% of medium-sized companies) with low levels of product and market diversification and sophistication. Throughout 2008-2017 years, SMEs contribution to the increase of the EU-28 value added and employment of the non-financial business sector were as 47% and 53% respectively. Despite new business opportunities in a view of the Deep and Comprehensive Free Trade Area (DCFTA), SMEs in Georgia face considerable challenges and short-term costs to comply with the EU standards and enhance sectoral competitiveness.

Established in 2014, Enterprise Georgia (EG), under the Ministry of Economy and Sustainable Development (MoESD) is a key Government institution responsible for business support, export and investment promotion. Endorsed by the MoESD, Enterprise Georgia plays a vital role towards socio-economic development of the country through implementing a large number of programmes promoting SME development. Targeting at increased competitiveness of Georgian economy, clustering approach has been acknowledged by EG at one of the major tools to enhance productivity at company level, drive innovation and stimulate new business opportunities in SME sector. Therefore, formation of a cluster development framework that will determine enabling environment for clustering, identify appropriate policy interventions and stimulate public and private partnerships is on the top of the EG agenda.

The purpose of this assignment is to support Enterprise Georgia to develop a policy framework for cluster development. This framework shall determine overall scope of the national cluster policy, stipulate enabling environment to engage and coordinate among private and public stakeholders, establish cluster organizations, elaborate appropriate policies and deliver supporting initiatives to drive process.

## 3. Objectives of the assignment

The main objective of this assignment is to strengthen institutional capacities of Enterprise Georgia to design cluster development framework, elaborate national cluster policy and implementation roadmap and initiate cluster development support programmes in Georgia.

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<sup>1</sup> *Annual Report on European SMEs 2017-2018: SMEs growing beyond borders; Publication Office of the European Commission*

The Project strives to contribute to this goal through the three major objectives within the scope of this assignment:

**Objective 1:** Review of international best practices of cluster policy development frameworks and sectoral cluster development initiatives in Georgia for the joint development of a national cluster policy development framework with the Ministry of Economy and Sustainable Development of Georgia (MoESD) and Enterprise Georgia (EG)

**Objective 2:** Strengthening the capacities of the core cluster team and selected departments of MoESD and EG

**Objective 3:** Joint development of a cluster development support programmes and/or initiatives in Georgia

#### **4. Relevance, approaches, activities and deliverables**

Current assignment will be carried out under the *Pillar 1: Support to Cluster Development Framework* of the Component 4 of the Project: “Enhancement of Institutional Capacities for Cluster and Business Development”.

##### **4.1 Approach to the implementation & specification of inputs and outputs**

To serve the purpose outlined in section 3, the Project seeks to contract an individual local consultant experienced in the cluster policy framework development and/or development of sectoral clusters and cluster management organizations to prepare grounds for, support and work in a tandem with an international consulting company. The local consultant will assist the Project in the implementation of activities outlined in sections above with a pool of intranational experts in the areas of (1) national cluster policy framework development, (2) capacity building within designated core cluster team of the EG and relevant departments of the MoESD (3) elaboration of a cluster development support programmes and initiatives in Georgia.

To achieve the objectives defined in section 3, the assignment shall be carried out in five phases:

##### **4.1.1. Phase (1): desk research and preparation for the first mission of international consultants**

The local consultant shall:

- 1) Conduct a comprehensive desk research and prepare background information, inter alia:
  - a) Mission, structure, scope of interventions and existing cluster support initiatives of the Enterprise Georgia;

- b) Contributions to review the MoESD / EG interventions and programmes for SME development in Georgia, including SME development strategy and support framework (in association with international consultant);<sup>2</sup>
  - a) Comprehensive overview of donor supported cluster initiatives in Georgia, including lessons learnt and from established business clusters;
  - b) Review of existing studies, relevant reports and recommendations provided by the C4D project
- 2) Initiate cooperation with the contracted international consulting company:
- a) share background information and observations of the desk research.
- 3) Contribute to the finalization of the report on the of cluster policy development frameworks and policy initiatives of selected EU countries, including an overview on the cluster policy implementing agencies and/or government bodies;
- 4) Compile a suggested short-list of interview partners from the Ministry of Economy and Sustainable Development of Georgia, Enterprise Georgia and other potential stakeholders: government agencies, relevant business and industry associations, established clusters, international actors, education and research institutions;
- 5) Contribute to the finalization of the scope, agenda and itinerary of the international experts' mission to Georgia and arrange for the logistics of relevant meetings and interviews to be conducted by the international consulting company.

#### **4.1.2. Phase (2): Support in the implementation of the first mission of the international experts to Georgia**

The activities of the local consultant for this phase shall entail:

- 1) Support the organization, participate, contribute to and document the meeting with the Project, international experts and relevant counterparts;
- 2) Assist in the implementation of the scheduled meetings and interviews with potential stakeholders, inter alia:
  - b) Support the international experts with operations, logistical arrangements, last minute /on-site preparations and documentation of the results;
  - c) Provide interpretation during the meetings between English and Georgian, as needed.

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<sup>2</sup> International consultants will be mobilized by the C4D Project through a separate international call

- 3) Participate in, contribute to and document the results of the workshop on international best practices of cluster development framework and findings of the Georgian experiences to be held with the EG;
- 4) Support the international experts with compiling the mission report and planning on next steps.

#### **4.1.3. Phase (3): Capacity building of core cluster team and selected departments of EG and the Ministry of Economy and sustainable development of Georgia**

Activities of the local consultant for this phase shall involve:

- 1) Contribution to the elaboration of the questionnaire and/or other tools to identify the needs of core cluster team and relevant departments of EG and MoESD to enhance their knowledge and understanding in cluster policy development frameworks, systemic elements to be in place and general setup of cluster policy initiatives in the country;
- 2) Support to in the development of the capacity building measures e.g. trainings / seminars / further mentorship for the staff of the EG / MoESD;
- 3) Organizational arrangements, participation in and contribution to:
  - a) delivery of the tailor-made workshops and trainings for the EG / MoESD staff;
  - b) planning of coaching schedule of the EG staff;
  - c) facilitation of sectoral dialogues between clusters and SME bodies/agencies;
- 4) Support in preparation and organizational arrangements (in close coordination with the Project, international consultant and EG) of the study tour to selected EU county/countries, that should incorporate, among other things, contributions to:
  - a) Elaboration of the study tour objectives, concept and partner institutions to be visited for experience sharing;
  - b) Proposal on the counties to be visited (with relevant justification and selection criteria);
  - c) Development of the detailed plan of the visit, including agenda, meeting partners and proposal on the composition of Georgian delegation (particularly, recommendations of potential state agencies, e.g. MoESD, Ministry of Regional Development and Infrastructures).

#### **4.1.4. Phase (4): Development of the cluster policy framework and implementation roadmap**

This phase shall enclose:

- 1) Contribution to drafting In-depth analysis of potential elements of Georgian framework incorporating the findings of the two missions in Georgia and international practices;

- 2) Input / comments to drafting the cluster policy development framework and implementation roadmap in close cooperation and liaison with EG and the international consultant;
- 3) Support in the implementation of the third mission of the experts to Georgia (tentatively in July 2021), inter alia:
  - a) Contribute to the development of the workshop agenda, presentations and other supporting materials;
  - b) Organizational support, participation in and contribute to the outcomes of the workshop with the EG and potential stakeholders;
  - c) Inputs to the planning on the next steps and interventions.

#### **4.1.5. Phase (5): Development of cluster development support programmes in Georgia**

The stream of work of the local consultant for this phase shall consist of:

- 1) Contributions to the overview of international examples of supportive measures to promote cluster development in the country;
- 2) Further advisory and guidance of EG and MoESD to identify the services and/or projects supporting cluster development in Georgia, including the definition of the scope, approaches, target groups and desired impacts of supportive measures for cluster development;
- 3) Support in elaboration of the cluster development support programmes and services in close cooperation with EG, MoESD, international consultant and project team;
- 4) Contributions to and quality assurance of the EG work concerning the support initiatives and programmes;
- 5) Support in the advisory and guidance (where requested) of the core cluster team of the EG monitoring team in conducting the pilot assessment on the services / projects in accordance with the approved methodology and clearly defined criteria;
- 6) Contributions to and quality review of draft assessment report by the EG;
- 7) Support in the implementation of the fifth mission of international experts to Georgia, inter alia:
  - a) inputs to the finalization of the assessment report;
  - b) co-facilitation of the public presentation of workshops and public presentations to a wider range of stakeholders;
- 8) Development of the final report to the C4D Project to include, among other things:

- a) A full account of tasks implemented under this ToR against due deliverables defined in the 4.1. subsection of this ToR;
- b) Overview of outputs generated through the implementation of the ToR;
- c) Justifications and clarifications on changes made to the initial implementation plan, if any;
- d) Observations on the international consulting company's inputs;
- e) Recommendations on the further advisory to the core cluster team of the EG and next steps;
- f) Annexes giving evidence on the provision of each of the submitted deliverable and on the agreements on changes to the plan / definition of the deliverable made in writing between the contractor and the Project.

Furthermore, throughout the phases of implementation of this assignment, the consultant is expected to support the C4D Project with activities:

- Facilitation of workshops for the business clusters to be established in apparel, construction materials and tourism fields
- Development of presentations (where needed)
- Quality assurance of documents produced (where needed)

**The indicative level of effort per phase of the assignment and mobilized expert days:**

Phase / Activities	Description of Deliverables	Level of Effort (Expert-Days)	
		Expert days	Due dates
(1) Desk research and preparations for the first mission of international consultants	Desk research on the mission of EG, SME development support measures and initiatives of the Government, MoESD and EG (*.docx format)	10	October 30, 2020
	Comments and inputs to the overview document on international best practices (*.docx format)	5	
	List of interview partners; draft agenda of the mission (*.docx format)	2	
(2) Support to the first of the international experts in Georgia	Minutes of the initial meetings with the project and the EG (*.docx format)	1	November, 2020
	Documentation on the meetings and interviews with the Project stakeholders: actual itinerary, list of meetings held, minutes of meetings with government agencies (*.docx format)	5	

Phase / Activities	Description of Deliverables	Level of Effort (Expert-Days)	
		Expert days	Due dates
	Documentation on the workshop: agenda, participants, outputs, recommendations (*.docx format, *.jpg for pictures)	3	
	Inputs / comments to the mission implementation report	3	
(3) Capacity building of core cluster team and selected departments of the MoESD	Questionnaire on needs assessment of the core cluster team the EG and assignment department(s) of the MoESD	5	November 2020 – March 2021
	Inputs / contributions needs assessment report (*. docx format)	8	
	Tailor-made workshop materials: agenda, participant list, TLM inputs (if needed) (*. docx format)	5	
	Contributions to preparations of the study visit: mission agenda, list of institutions to be visited, development of presentations (if needed), further logistical support	10	
(4) Development of the cluster policy framework and implementation roadmap	Communication between the international experts and the core cluster team team of the EG: brief on the work in progress (*. docx format)	5	June, 2021
	Inputs / comments to the potential elements of Georgian framework (*. docx format)	8	
	Contributions / comments / review of the roadmap (*. docx format)	5	
	Documentation of the the workshop: agenda, participants, outputs, recommendations (*.docx and *ppt formats, *.jpg for pictures)	5	
(5) Development of cluster development support programmes in Georgia	Quality assurance and guidance of core cluster team towards the development of cluster support programmes and measures: briefs on the work in progress (*. docx format)	10	October, 2021
	Input / contributions to the finalization of the of the support proqrammes and measures (*. docx format)	10	
	Contributions to the workshop materials: agenda, participant list, TLM inputs (if needed) (*. docx format)	5	

Phase / Activities	Description of Deliverables	Level of Effort (Expert-Days)	
		Expert days	Due dates
	Development of the final report to the C4D project (*. docx format)	5	
<b>Throughout the phases 1-5</b>	Support to the C4D project work in sectoral clusters: moderation of workshops, quality assurance of documents and papers produced, development of presentations and further work as per project request	15	September 2020 – December 2021

## 5. Coordination and Communication

Close coordination and reporting to the dedicated Programme Expert and Team Leader, as well as active cooperation with the assigned international consulting company is mandatory during the implementation of the assignment.

## 6. Conditions and payment terms

### 6.1. Eligible costs

**6.1.1. The financial proposal shall not include costs** for items which will be provided for by the project separately:

- a) Venue(s), facilities, interpretation, and refreshments for meetings and workshops;
- b) Transportation in Georgia (the costs for transportation are a subject of reimbursement based on the invoices provided by the consultant).

## 7. Submission requirements

The bidding individual consultant shall submit technical and financial proposals to comply with the following requirements:

- 7.1. The **technical proposal** shall contain information about the consultant and his/her relevant experience, proposed concept and work plan to implement the assignment;
- 7.2. The **financial proposal** shall clearly state all types of costs to be charged to the Project to implement this ToR (e.g. honorarium (including income tax and pension 2% if applicable), accommodation, daily allowance, etc.) considering provisions of Section 6.1 of the ToR.

## **8. Evaluation criteria**

Technical proposals of the bidders will be evaluated based on the quality of a technical proposal, bidder's qualifications, experience and consideration of recommendations.

### **8.1. Evaluation criteria for a technical proposal**

Technical proposal by a qualified bidder shall be evaluated based on the relevance of the chapters of the technical proposal to include:

- a) Interpretation of objectives;
- b) Strategy of implementation (technical concept / alternative concepts);
- c) Management of processes, cooperation, learning and innovation;
- d) Work schedule and timelines
- e) Monitoring and evaluation concept

### **8.2. Evaluation criteria for a bidder**

#### **8.2.1. Education**

Master's degree in Business Administration, Economics, Public Administration, Social Science or a related discipline.

#### **8.2.2. Knowledge and skills**

- a) Strong research, analytical and report writing skills;
- b) Advanced computer skills including Microsoft Office and web-based applications;
- c) Excellent knowledge of English and Georgian.

#### **8.2.3. Work experience**

- a) At least 7 years of relevant professional experience of providing consulting services to the business development organizations, private sector, government institutions, international development agencies working in the field of private sector development, out of which, at least 3 years of working experience in the areas of: 1) cluster development policy framework and/or 2) development of sectoral clusters and cluster management organizations;
- b) Proven track record of undertaking analytical work and prepare working papers, reports and studies;
- c) Professional experience in at least two of the following areas:
  - i. Consultancy and advisory services in institutional capacity development area for the government business development agencies;

- ii. Consultancy and advisory in development of business clusters and cluster management organizations (preferably for the private sector players);
  - iii. Cluster policy development frameworks and cluster development support programmes and initiatives (preferably with Government entities, business development agencies and international organizations).
- d) Proven track record of supporting international experts' missions to Georgia implementing assignments under international capacity development projects (preferably in private sector development field).

### **8.3. Recommendations**

At least two recommendation letters from international development partners / programs / projects in Georgia issued to a bidder in the last 2 years shall certify that the bidder successfully managed and completed consultancy assignments of the scope and complexity that are comparable to this ToR.