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EBRD and EU join forces with Bank of Georgia to help Georgia's private sector reach new opportunities

On 21st September EBRD jointly with the EU and a local partner bank – Bank of Georgia held a conference in Tbilisi's TechnoPark to introduce to the local Small and Medium Sized enterprises the new EBRD-EU financing facility.

Implemented by the Bank of Georgia through credit lines, the facility aims to support SME development in the context of Association Agreement/the Deep and Comprehensive Free Trade Area (DCFTA) allowing the companies to take full advantage of the opportunities offered by the DCFTA.

The main objective is to support the modernization of local SMEs in accordance to AA/DCFTA requirements. The facility will help local SMEs invest in improvements to product quality and modernise their services to meet EU standards. This in turn will create an environment that is beneficial to cross-border trade and economic growth in Georgia. The EU will provide interested SMEs with investment incentives of up to 15 per cent as well as technical assistance in the form of advisory services from international consultants and the EBRD's Advice for Small Businesses.

About 200 representatives of the Georgia's private sector gathered to learn about this product scheme, how it works and how the local businesses can access these schemes.

The establishment of a free-trade area is part of the EU's Association Agreements (AAs) with Georgia signed in 2014. It will offer local firm's access to the EU Single Market, the world's largest free-trade area, and help boost economic development and growth in Georgia.

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Furthermore, the financing package will increase access to credit in local currency and specifically support businesses that are managed or owned by female entrepreneurs for better access to finance, know-how and advice.

This is a very attractive financial package for Georgian SMEs and banks for the following reasons.

- Loans to SMEs are in local currency, which is very important for local enterprises.
- The loans have a tenor of up to five years, with a two-year grace period.
- Cash-back investment incentives of up to 15 per cent are available for SMEs.
- First-loss risk cover guarantees up to 10 per cent of the loan portfolio of eligible SMEs.
- Technical advice is available free of charge for these SMEs, from international experts.
- The package includes support for investment in new technologies and equipment.

This is the first phase of the planned EBRD-EU programme under which the EBRD is working with local banks to help businesses further invest in improving product quality and service standards.

Bruno Balvanera, EBRD Director for the Caucasus, Moldova and Belarus, said: "The Deep and Comprehensive Free Trade Area with the EU opens up an important new market to Georgian companies. The EBRD is ready to help local SMEs become more competitive on regional markets with the provision of long-term local currency financing. We are grateful to the EU, our largest donor, for its continuing support for the implementation of such an important initiative. The EBRD is committed to supporting businesses and companies in Georgia through investment, know-how and policy dialogue with the government to help the economy make the most of new market opportunities."

Since 2011 the EU has also provided funding to the EBRD's Advice for Small Business to boost the know-how of entrepreneurs seeking to grow their businesses in the European Neighbourhood region. Both programmes are part of the EU4Business initiative, which supports EU projects to back SMEs in Eastern Partnership countries.

With its local presence and 25 years of experience in working to develop the private sector in Georgia, the EBRD is in a strong position to successfully promote this project. The EBRD is the largest institutional investor in Georgia and has invested €2.6 billion in the country.

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The European Union is made up of 28 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 60 years, they have built a zone of stability, democracy and sustainable development while maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.