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POLICY PAPER

Challenges and Prospects for SMEs, Particularly Women-led Businesses, during and after the COVID-19 Pandemic

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DISCLAIMER:

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EXECUTIVE SUMMARY

The COVID-19 pandemic and consequent stringent lockdown measures have had a drastic toll on the Georgian economy. The economic downturn has significantly affected the resilience of local Small and Medium Enterprises (SMEs), whose sales decreased by almost 13% (YoY) in the first two quarters of 2020. These negative impacts of the economic contraction have been particularly severe for Women-led Small and Medium Enterprises (WSMEs). In the business-as-usual scenario, compared to their male counterparts, women face greater constraints in establishing and running enterprises in Georgia. Such gender disparities were moreover found to be exacerbated because of the strict quarantine measures introduced throughout the country.

This policy paper evaluates the impacts, specific challenges, and prospects for women-led businesses during and post the COVID-19 pandemic in Georgia, and also offers recommendations to the government, donors, and private sector stakeholders on how to cushion Coronavirus-driven harm. For this analysis, different qualitative and quantitative research methods were utilized.

Our findings reveal that the pandemic is coupled with diverse challenges and opportunities for WSMEs. In relation to the former, it appears 17% of WSMEs operating in the most adversely affected sectors likely experienced adverse economic effects, while 78% of WSMEs have felt mild financial consequences. Moreover, an increase in unpaid care work and low digital literacy in women are potential contributors to the extreme challenges that WSMEs may be facing during the pandemic. Equally though, it appears businesses digitization has the potential to increase female entrepreneurial competitiveness. However, such opportunities are conditional on the type of business, improved digital literacy, and access to digital facilities. Furthermore, the government's economic stimulus package, especially the amendments to the Micro and Small Business Support Program and Credit Guarantee mechanisms of Enterprise Georgia, might potentially enhance the financial resilience of WSMEs, provided they are adequately informed about such support opportunities. Lastly, the current crisis can be considered a window of opportunity for advocating WSME-friendly support programs and more female-inclusive business agglomerates across the country.

Drawing on the findings, we encourage the relevant stakeholders to study the potential of and to support digitization, and to raise WSME digital literacy. It is also advisable to promote better coordination between different stakeholders in allocating resources. We further recommend that state and non-state stakeholders support female entrepreneurship advocacy groups to help strengthen their voice within relevant policymaking. Moreover, we suggest that the Georgian government conducts a comprehensive gender impact assessment of COVID-19, and raises awareness of state support programs among Georgian women. Besides which, we recommend that donor organizations consult WSMEs on business pivots and promote more business clusters across the relevant sectors. Finally, we encourage WSMEs to solidify peer-to-peer coordination and to establish more grassroots-based advocacy efforts to better deliver their needs at the state level.

INTRODUCTION

Georgia detected its first case of COVID-19 on 26 February 2020, and shortly thereafter the infection spread. To mitigate health risks, the Government of Georgia (GoG) introduced stringent nationwide restrictions and a state of emergency (March 2020). The lockdown measures included a curfew, a ban on international flights and transportation, alongside the closure of all public and private services, bar the essentials. The government's successful crisis strategy was praised at the international level. However, recently Georgia has recently had a surge in cases of the novel Coronavirus, the total of which amounted to 174,383 (with 164,786 recoveries and 1883 deaths) as of 15 December 2020.¹ This unprecedented spread of infection was followed by new restrictions and a subsequent lockdown, enforced on 28 November 2020.

Coronavirus and the consequent lockdown measures have had a drastic toll on the Georgian economy. The economic downturn has specifically affected the resilience of Small and Medium Enterprises (SMEs), which constitute many active enterprises in the country and represent the backbone of the Georgian economy.² Moreover, the lasting impact of the crisis on Georgian SMEs is well reflected in ISET-PI's recent Business Confidence Index (BCI) release; largely measuring the confidence of Small and Medium Enterprise, the BCI reached an alarming low of -28.6 in Q4 of 2020.³

The negative impact of the economic contraction has been particularly severe in Women-led Small and Medium Enterprises (WSMEs). In the business-as-usual scenario, in comparison to their male counterparts, women meet greater limitations when establishing and running enterprises. Such limitations generally exist because of the, significantly, disproportionate burden of unpaid domestic work that women in Georgia have to undertake. In addition, Georgian WSMEs have unmet financial needs amounting to one billion USD,⁴ and thus face substantial liquidity obstacles,⁵ while low levels of female property ownership further decrease their liquidity.⁶ Such gender disparities are only exacerbated by the stringent quarantine measures. For example, the lockdown resulted in an increased workload within families, leaving less time for the management of businesses. Moreover, the crisis-driven drop in demand amplified the liquidity constraints of WSMEs. Being actively involved in tourism and hospitality,⁷ certain female entrepreneurs have also experienced negative shocks due to restricted tourism inflows.

Based on key informant interviews, a respective desk review, and a quantitative analysis of GeoStat's statistical survey of enterprises and business registry data, this policy paper evaluates the challenges

¹ Please see Georgia's regularly updated COVID-19 data from [STOP.GOV.GE](https://stop.gov.ge).

² EU4Business. [Investing in SMEs in the Eastern Partnership. Georgia Country Report](#), June 2018, P.6.

³ ISET Policy Institute. [Business Confidence Index Q4 2020](#), November 2020, P.1.

⁴ According to the SME Finance Forum, the unmet financial needs of MSMEs are estimated as the difference between the current supply of finances and the potential financial demand that could potentially be addressed by commercial banks or micro finance institutions.

⁵ SME Finance Forum. [MSME Finance Gap](#).

⁶ Asian Development Bank (ADB). [Measuring Asset Ownership and Entrepreneurship from a Gender Perspective: Methodology and Results of Pilot Surveys in Georgia, Mongolia and the Philippines, April 2018](#).

⁷ World Bank Group. [Tourism and Hospitality Value Chain Analysis: Georgia, 2017](#).

and prospects of SMEs, particularly WSMEs, amid and post the first lockdown. Moreover, it offers recommendations to the government, donors, and private sector stakeholders on how to cushion Coronavirus-related damage to women-led SMEs.

The remainder of this paper is structured as follows: after presenting the employed methodology, the pre-crisis economic and entrepreneurial activity of both women and men is evaluated comparatively. Thereafter, based on a literature review and qualitative interviews, the specific obstacles that entrepreneurs have met during COVID-19 are considered. In the following step, we assess the sectoral economic consequences of COVID-19 for WSMEs and outline the opportunities that emerged amidst the crisis in Georgia. The final concluding section of the paper introduces recommendations for the respective stakeholders.

METHODOLOGY

This policy paper utilizes qualitative and quantitative research; using desk research of both the international literature and existing studies for the pre-crisis gender disparities in Georgian economic and entrepreneurial activities. The desk review summarizes the crisis-related literature regarding: (1) the overall impact of contractions on firms' resilience; and (2) the particular effect of the COVID-19 pandemic on all SMEs, globally and within Georgia. The research also contains an overview of the governmental support programs developed for SMEs in response to the pandemic.

The quantitative methods include an analysis of GeoStat's Statistical Survey of Enterprises and Business Registry data. Using a regression analysis, we evaluate the impact of COVID-19 on business performance, as measured by the production value within each sector of the Georgian economy and provide a respective assessment of how this impact relates to SMEs and WSMEs.

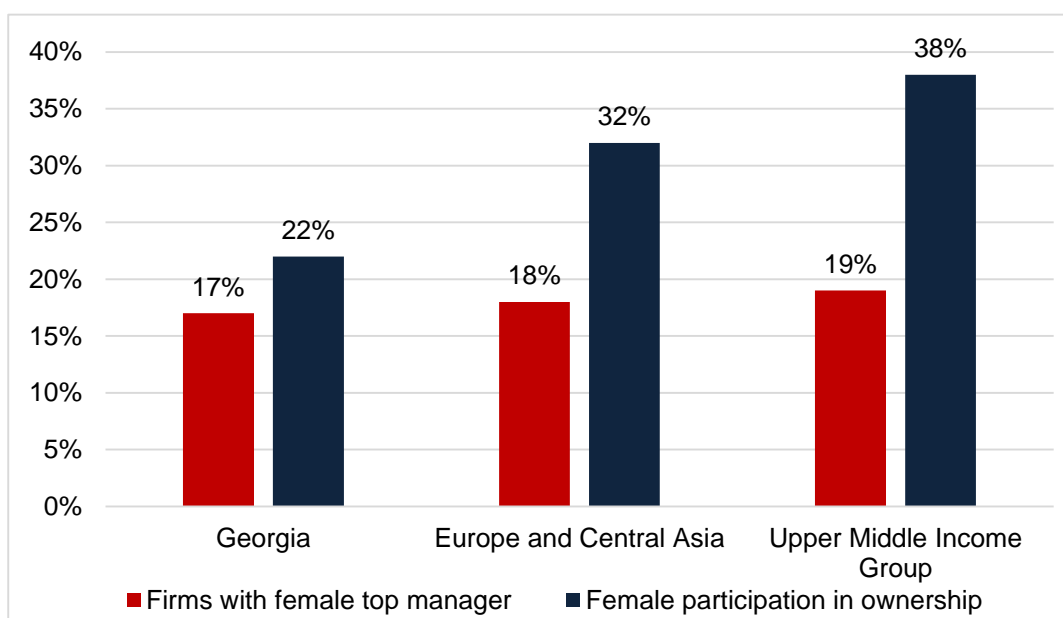
To present a better-informed analysis of the main barriers and opportunities for WSMEs, the data obtained was supplemented by in-depth key informant interviews with gender experts and stakeholders working on women's economic empowerment in Georgia. The Key Informant Interviews (KIIs) were conducted remotely between 25 October 2020 and 7 December 2020. A list of the respective interviewees is provided in Appendix 1.

THE PRE-CRISIS ECONOMIC ACTIVITY OF WOMEN AND MEN IN GEORGIA

As of 1 January, 2020, 53% of the adult populace in Georgia is female. However, even prior to COVID-19, women were involved disproportionately in economic activities across the country. For instance, in 2019, economic activity was 18 pp higher among men (72.6%) than among women (54.5%).⁸

The latest data on entrepreneurial activities within Georgia also shows stark gender disparities. As the World Bank's Enterprise Survey suggests, of enterprises examined, only 22% of firms reported female participation in ownership. The same indicator for European and Central Asia countries and the Upper Middle-income Group was 10 and 16 pp higher, respectively (Graph 1).

Graph 1: Female participation in top management and ownership



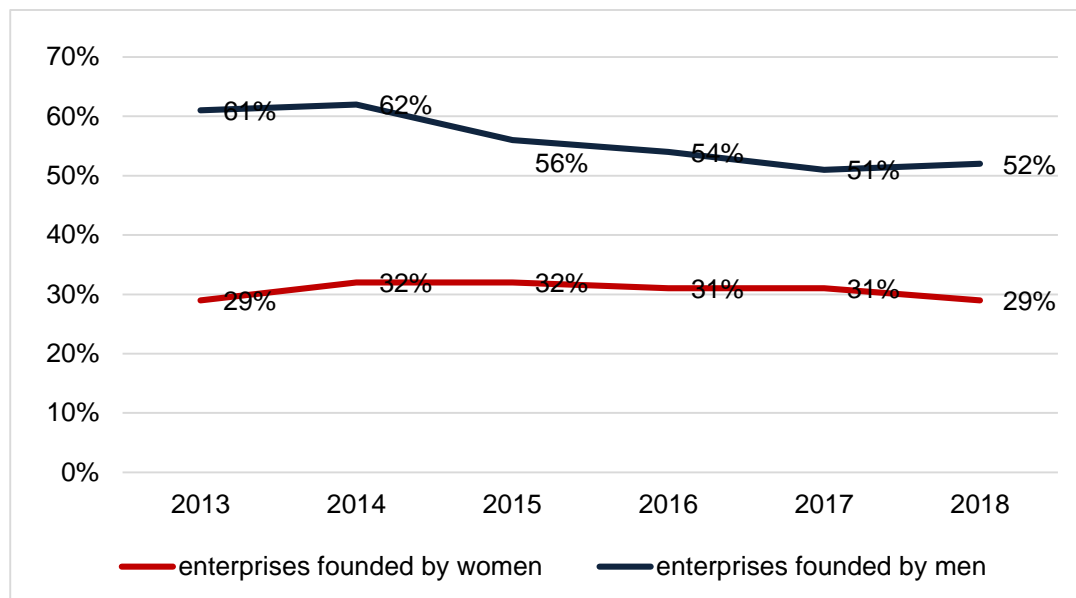
Source: The World Bank's Enterprise Surveys: Georgia 2019 Country Profile.⁹

In line with the World Bank's findings, GeoStat's annual statistical publication on *Women and Men in Georgia*, also indicates a substantial gender gap in entrepreneurial activity across the country. Between 2013-2018, on average, women were almost half as likely to start their own enterprises than men (Graph 2).

⁸ GeoStat data on [Employment and Unemployment](#).

⁹ The Enterprise Survey only covers enterprises with 5+ employees, formal (registered) firms, and those with a minimum 1% private ownership. Furthermore, the survey excludes the following sectors: Agriculture, Fishing, Mining, Public Utilities, Financial Intermediation, Public Administration, Education, and Health and Social Work.

Graph 2: Newly established enterprises founded by women and men (2013-2018)



Source: GeoStat statistical publication: *Women and Men in Georgia (2019)*.

Low female economic and entrepreneurial participation was already a challenge prior to the spread of the COVID-19. Crucially, there are three common driving factors behind the inactivity of Georgian women, predominantly linked with disproportionate gender roles in Georgian families. The first being the significant amount of unpaid care work for women.¹⁰ Secondly, due to the lack of economic empowerment, a shortage of financial resources and property ownership, women have little seed money to establish enterprises, while their access to commercial bank credit has also been restricted.¹¹ Lastly, there is also a prominent lack in entrepreneurial skillsets among Georgian women. According to the findings of the Global Entrepreneurship Monitor (GEM), 26.7% of the women surveyed in 2014 reported having adequate skills for starting a business (in comparison with 43.3% of men),¹² which further engenders female reluctance to engage in business activities. Our analysis discerned that these aforementioned challenges have been further aggravated due to COVID-19. The sections below provide an in-depth overview of the insights of the research.

¹⁰ UN Women. [Country Gender Equality Profile of Georgia, 2020](#).

¹¹ Thematic Inquiry Report of Gender Equality Council of the Georgian Parliament. [Female Participation in in State Economic Programs, 2019](#).

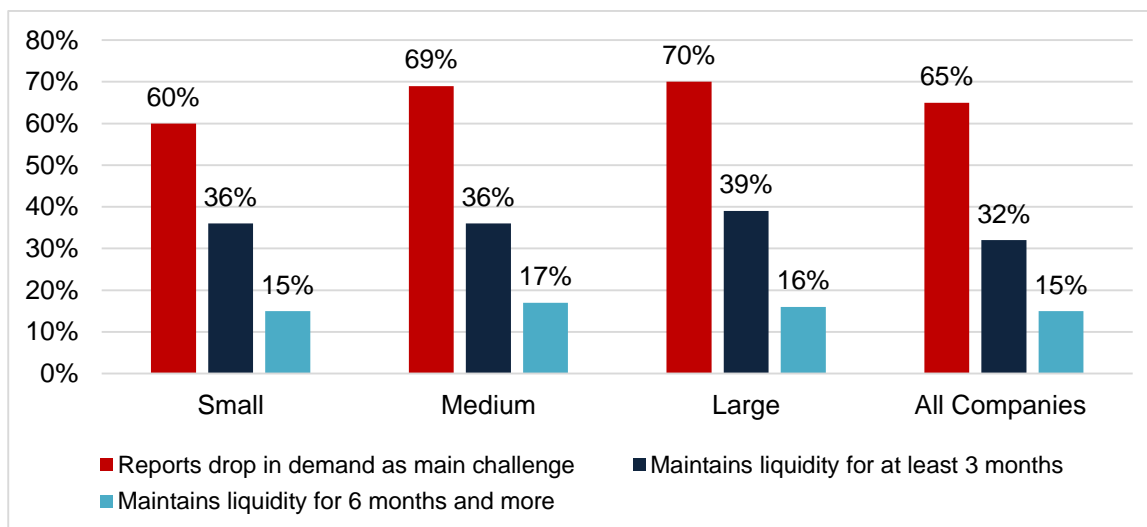
¹² Boris Lezhava, Paata Brekashvili, & Irena Melua. [Global Entrepreneurship Monitor: Special Topic – Women Entrepreneurship in Georgia, 2014](#).

CHALLENGES FACED BY WSMES AMID AND POST COVID-19

According to recent research from the World Bank Group, extreme economic distress (e.g., a COVID-19-driven contraction) significantly decreases a firm's chance of survival. As per their findings, "In all hypothetical scenarios, firms suffer untimely death regardless of age, size and productivity levels... and extreme economic distress caused by a hypothetical pandemic is responsible for this result".¹³ Thus, firms alone cannot cope with the extreme economic consequences of pandemics unless governments or other support actors intervene.¹⁴

The context in Georgia further reinforces the previously mentioned findings. In May 2020, 65% of companies surveyed by PriceWaterhouseCoopers (PWC) reported their main problem to be a sharp drop in demand. Although 32% of these firms were able to maintain operational liquidity for at least three additional months, only 15% reported having enough liquid resources to sustain business operations for six months or more.¹⁵ Significantly, regardless of the size of the company, these responses remained consistent (Graph 3).

Graph 3: The main challenges and liquidity capacities of small, medium, and large businesses during COVID-19



Source: PriceWaterhouseCoopers.

Moreover, in June 2020, under the scope of an assessment from the Georgian Chamber of Commerce and Industry (GCCCI), only 14% of Georgian businesses reported having the capacity to meet their financial obligations without the governmental credit repayment and tax deferral measures, while 53% of the businesses surveyed regarded a drop in sales to be their greatest challenge.¹⁶

¹³ Bosio Erica, Simeon Djankov, Filip Jolevski, & Rita Ramalho. [Survival of Firms during Economic Crisis. World Bank Group Policy Research Working Paper, May 2020, P. 21.](#)

¹⁴ Ibid

¹⁵ PriceWaterhouseCoopers. [Georgian Companies Facing Challenges Driven by Covid-19 Pandemic, May 2020.](#)

¹⁶ Georgian Chamber of Commerce and Industry. [Covid-19: Business Needs Assessment, June 2020.](#)

Although the pandemic has a general negative effect on SMEs, it also presents additional burdens for female-led businesses. Experience from the 2008 financial crisis reveals that during economic contractions, such firms have a higher exit rate than male-managed businesses, and thereafter in continuing operations, women-led companies suffer significantly more in the long-term. The higher short-term exit rate may be explained due to slightly reduced productivity levels of WSMEs, while the protracted challenges faced are likely driven by lesser adaptability in facing crises.¹⁷ Recent EBRD research additionally indicates that, in labor market effects, COVID-19 has had a more disproportionate impact on women than observed in the 2008-2009 Global Financial Crisis.¹⁸ Evidence from previous epidemics (Cholera and the Ebola virus) further indicates how the emergency measures applied, such as lockdown policies, increase female involvement in unpaid care work threefold,¹⁹ resulting in an intensified entrepreneurship gender gap.

In Georgia, the survival of women-led SMEs during COVID-19 has been highly dependent on businesses' sectoral characteristics: the lockdown has particularly affected those female operators not engaged in Fast-Moving Consumer Goods (FMCG) production.²⁰ As revealed during the stakeholder interviews, COVID-19 has had the hardest toll on WSMEs in tourism (agritourism) and the hotel industry.

According to the Georgian Farmers Association's (GFA) Rapid Needs Assessment (RNA), of 129 surveyed SMEs, 69 (53.5%) businesses suspended operations in March, amid the first wave of nationwide quarantine measures. The absolute majority of temporarily closed businesses were within the tourism or hotel industries, while the remainder of female-led SMEs produced other non-FMCGs (e.g., handicrafts, dried fruits); enterprises that continued operating have faced halved demand for their products.

Female producers of agricultural products reported a significant decrease in sales following the nationwide restrictions on transportation. The ban on public transport and intraregional mobility notably served to contribute towards the difficulties female agricultural entrepreneurs faced. The key informant interviewees suggested that even with mobility suspension, male SME owners managed to distribute products using private minibuses and cars. Whereas, regional female producers beforehand used public transport to reach municipal markets. However, even without transportation services, the key informants emphasized the distinct survival strategies WSMEs adopted. For instance, female producers that received orders from online platforms (e.g., soplidan.ge) began to use postal services to connect the points of production realization.

¹⁷ Tanima Ahmed, Silvia Muzi, & Kohei Ueda. 2020. [Do Crises Hit Female-Managed and Male-Managed Firms Differently? Evidence from the 2008 Financial Crisis](#). Enterprise Note Series; No. 39. World Bank, Washington, DC. License: CC BY 3.0 IGO

¹⁸ Koczan Zsoka. [Not All in This Together?: Early Estimates of the Unequal Labor Market Effects of COVID-19](#). EBRD Working Paper, November 2020.

¹⁹ CARE International South Caucasus. *CARE Rapid Gender Analysis for COVID-19: Caucasus-Georgia*, September 2020.

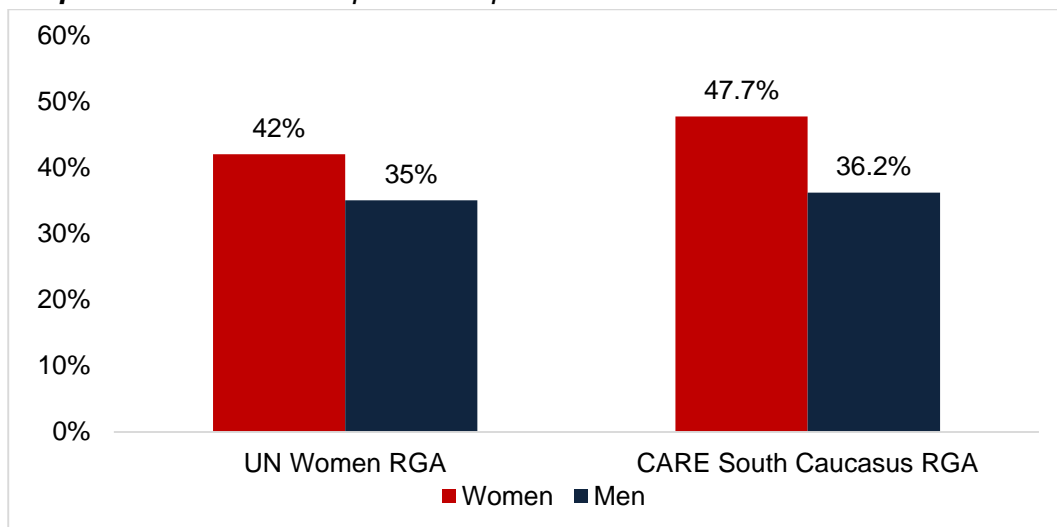
²⁰ Fast-Moving Consumer Goods (FMCGs) are nondurable products that are typically consumed rapidly. FMCGs include the following categories: Processed food; prepared meals, beverages, baked goods; fresh and frozen foods and dry goods; medicines, cleaning products, cosmetics, and toiletries; and office supplies.

As a further example of pivoting strategies, owners of rucola greenhouses, unable to supply restaurants that had suspended operations, switched to producing other agricultural products, like tomatoes; while a small proportion of WSMEs that specialize in sewing shifted their operations to successfully respond to the sudden boost in demand for protective equipment. However, such coping strategies lack financial sustainability.

A significant share of women-led businesses continued to operate, with some interruptions, in the post-lockdown reality; for instance, family hotels, guesthouses, and agritourist destinations attempted to benefit from domestic tourism. SMEs generally targeting foreign customers suffered a substantial reduction in their revenues, though many enterprises directed towards the domestic market and largely returned to business-as-usual after lockdown measures eased in June.

Interruptions to business operations represent only a single dimension of the challenges faced by WSMEs. The Rapid Gender Assessments (RGA) conducted by CARE International South Caucasus and UN Women further reveal the disproportionate impact of COVID-19 on women in Georgia. According to the CARE evaluation, 47.7% of female survey participants placed additional effort into housework and childcare, where 36.2% of the male respondents reported the same (Graph 4).²¹ The UN Women study indicates a similar increase in female involvement in unpaid care work. The evaluation suggests that, compared to male respondents, a higher share of female survey participants changed their work patterns and switched to remote work (49.3% of women, 28.9% of men). As a result, 42% of female participants spent more time on at least one form of unpaid care work (35% of men reported such an increase).²² Thus, female entrepreneurs were left with less time for business management and capacity development activities.

Graph 4: Increased time spent on unpaid domestic care work



Source: UN Women; CARE International South Caucasus.

²¹ CARE, Rapid Gender Assessment 2020.

²² UN Women. [Rapid Gender Assessment of the COVID-19 Situation in Georgia, June 2020](#).

THE ECONOMIC CONSEQUENCES OF THE COVID-19 PANDEMIC

To further assess the economic consequences of COVID-19 on SMEs and women-led enterprises, the study evaluates the impact on sectoral production values in the Georgian business sector and thereafter provides an assessment of how such impacts relate to SMEs and WSMEs. To do so, we first predict the potential outputs (using a regression analysis) for the first two quarters of 2020, in each sector of the economy, and subsequently calculate the percentage deviation from the actual, respective production values. These deviations are thus matched to: i) the share of the business sector in total sectoral output; ii) the share of SMEs in total business sector production; and iii) the share of the women-led businesses in all enterprises from each sector (Table 1). This analysis allows for the identification of the sectors most affected by the pandemic, and therefore reveals the tentative share of the most vulnerable SMEs and WSMEs operating in those sectors.

Table 1: *The impact of COVID-19 on business sector production*

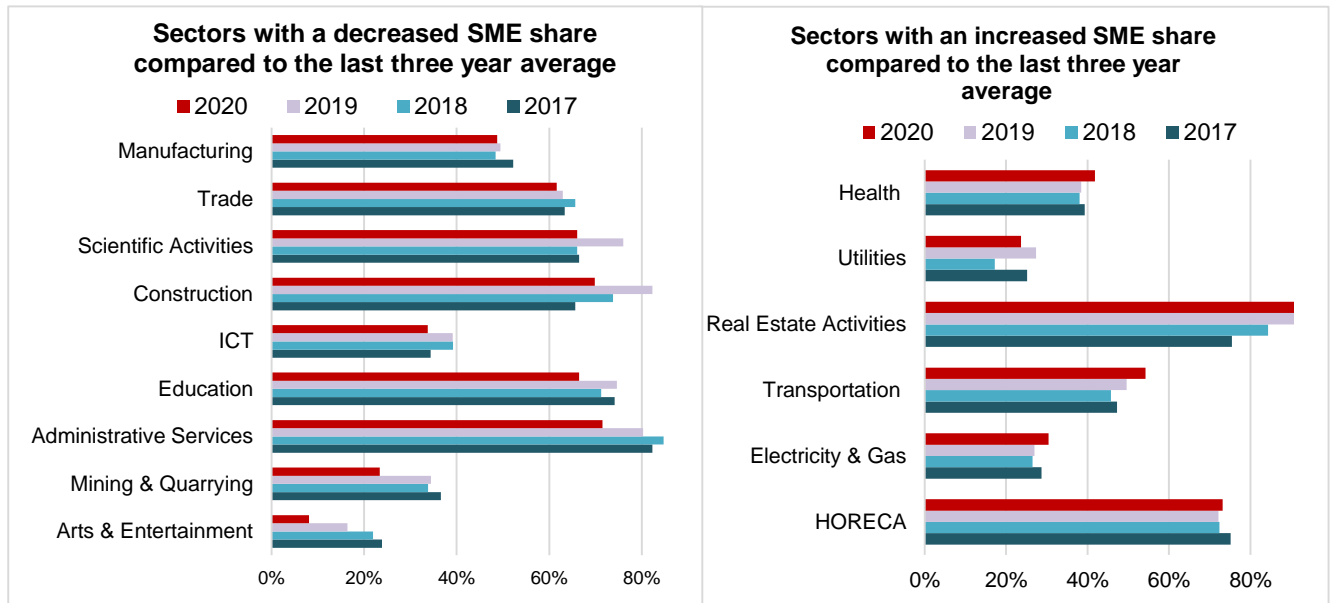
Sector	Share of business sector in total sectoral output (2019)	SME share in total business sector production (2019)	Share of women-led enterprises (as of 1 Nov 2020)	Deviation of output values from the model predictions (Q1-Q2, 2020)
Administrative and support services	93%	77%	33%	-38%
Accommodation and food service activities	49%	71%	41%	-35%
Construction	90%	74%	9%	-31%
Professional, scientific, and technical activities	88%	62%	33%	-24%
Arts, entertainment, and recreation	67%	18%	31%	-21%
Water supply; sewerage, waste management, and remediation activities	69%	19%	13%	-17%
Wholesale and retail trade; repair of motor vehicles and motorcycles	87%	64%	40%	-16%
Transportation and storage	84%	48%	9%	-15%
Human health and social work activities	62%	36%	58%	-13%
Manufacturing	71%	52%	26%	-11%
Real estate activities	25%	92%	30%	-10%
Electricity, gas, steam, and air conditioning supply	99%	24%	8%	-9%
Information and communication	86%	39%	21%	-8%
Education	20%	69%	63%	-2%
Agriculture, forestry, and fishing	12%	81%	16%	11%
Mining and quarrying	78%	38%	8%	12%

Source: GeoStat Business Register; Authors' calculations.

As identified in Table 1 (see Appendix 2 for a graphical representation), the deviation from the predicted values is negative for all industries, with the exception of: i) agriculture, forestry and fishing; and ii) mining and quarrying. It is evident that the deviations are highest (greater than 20%) in the following sectors: administrative and support services (-38%); accommodation and food services (-35%); construction (-31%); professional, scientific, and technical activities (-24%); and arts, entertainment, and recreation (-21%). In these industries, the business sector is represented significantly (column 2 in Table 1), and equally the SME contribution to business sector output (column 3) is fairly high, except within arts, entertainment, and recreation. In the four most affected sectors, the share of SMEs in total business sector production varies between 62% and 77%. The quarter-on-quarter analysis of these shares (Graph 5) compares the first two quarters of 2020 (Q1-Q2, 2020) with the respective quarters of previous years to determine whether the current decline in sectoral output can be attributed to reduced SME operations due to the pandemic. Notably, following steady growth in previous years, in 2020 the biggest decline (-12pp) in SME contribution to total business sector production is found in construction, the third most negatively affected sector.

This negative influence on construction would never be gender-neutral, though the scale of the impact is expected to be low for female entrepreneurs due to the small proportion of women-led enterprises (9%) in the industry (Table 1). Furthermore, despite the slight increase (1 pp) in SME contribution to the output of accommodation and food service activities (HORECA) in 2020, COVID-19 continues to hit the tourism sector heavily, with it maintaining the most business closures. This will moreover have an adverse impact on the financial vulnerability of many women-led enterprises operating in the sector (41% of businesses in the tourism industry are led by women).

Graph 5: Share of SMEs in total business sector production (I-II Quarters)



Source: GeoStat

While it is still difficult to precisely capture negative economic effects of pandemic on business sector and SMEs in particular, our analysis reveals that SMEs take the hardest hit in the following industries: Administrative and support service activities; accommodation and food services; construction; professional, scientific, and technical activities, and arts, entertainment, and recreation. There is a slightly negative impact (output deviation between 10%-20%) on businesses in certain sectors, such as wholesale and retail trade; transport and storage; manufacturing; health; utilities; and real estate activities. Through these industries, the negative shocks of the COVID-19 crisis are likely to have negatively affected around 96% of women businesses operating in the sectors listed above. From these, around 17% of women-led enterprises are expected to be exposed to significant negative shocks (the most affected sectors being: accommodation and food services; professional and scientific activities; administrative services; and arts, entertainment, and recreation) and 78% to experience mild negative effects (in trade, transport and storage, manufacturing, utilities, health, and the real estate sectors).

OPPORTUNITIES FOR WSME OWNERS

Alongside the various challenges described above, the pandemic has also revealed numerous opportunities for WSMEs. Exploiting such opportunities, nevertheless, comes with substantial obstacles and necessitates that businesses pivot to more than basic services, for instance via connections to a digital infrastructure.

Businesses and Education Digitalization

At its core, COVID-19 has amplified the importance of business digitization and demonstrated the importance of all businesses switching to electronic commerce (e-commerce) platforms. Moreover, the interviewed experts tend to describe female business operators as significantly more motivated towards digitizing their businesses compared to male SME owners. For instance, in one project financing the design of online selling platforms for Georgian SMEs, female participants constituted 96% of all applicants, even though the project had no gender specific focus. This experience suggests that Georgian WSMEs possess notable interest in e-management within their businesses. Thus, post-lockdown may prove the ideal time to ensure the resilience of women-led SMEs by encouraging their digitization.

In order to utilize such an opportunity, certain donor stakeholders have planned specific programs to assist women-led SMEs in the process of switching to e-commerce after the lockdown. However, poor access to digital connections and low digital literacy among Georgian women ought to be regarded as a central obstacle of this potential opportunity. Therefore, at this stage, digitization does not represent a mainstream opportunity for all businesses (e.g., tourism) and is conditional on the business type and sector, on improved digital literacy within SMEs, and on access to digital facilities. Additional research is thus needed to detect the potential for digitization in WSMEs.

Yet another meaningful facet of the nationwide lockdowns relates to the increased digitization of entrepreneurship-related support schemes, such as capacity building workshops and training tailored towards women. The interviewed experts suggested that prior to COVID-19, a significant number of participants in entrepreneurship support programs were already experienced and empowered WSMEs. Nevertheless, the target segment of such support initiatives, female entrepreneurs *en masse*, especially those from the regions, did not engage in support initiatives due to poor access to information or high transaction costs for transportation. Consequently, COVID-19 has aided the availability of entrepreneurial education schemes, as involvement has become borderless.

During the pandemic, Georgia has seen an increase in digitized entrepreneurship support schemes for women. Such initiatives are designed to: (1) nurture women's motivation to start, or continue, business operations; and (2) teach women how to enhance their operational resilience towards the crisis. Nonetheless, the interviewed experts noted that although working from home, certain WSME owners are frequently unable to connect to online training programs due to increased domestic responsibilities. In some cases, women in online entrepreneurial courses experience domestic violence, which further constrains their participation. Moreover, as the majority of households possesses a single accessible device, women face the potential tradeoff between their involvement in capacity building workshops and the e-lessons of children. Hence, the study revealed that the mere availability of educational services does not necessarily result in the proportionally higher usage of such services by WSMEs.

Government Support Packages

When analyzing the opportunities of women-led businesses in the post-lockdown period, the governmental crisis alleviation strategies are noteworthy; introduced in two waves, the first in March 2020 and the second in November 2020, concurrent with restrictions around the country. These strategies have primarily been focused on the immediate strengthening of liquidity and survival capacities in the private sector. However, they have equally created a number of options for SMEs to access finance. For instance, the updated Credit Guarantee Program has allocated 330 mln. GEL for credit collateral. Moreover, amendments to Enterprise Georgia's entrepreneurship support programs have increased interest co-financing rates, lowered minimum loan requirements, and broadened loan co-financing periods. Significantly, revisions have also been introduced to the Micro and Small Business Support Program, which includes quotas for female beneficiaries and incentivizes their involvement by assigning additional evaluation points to female applicants. Table 2 provides a brief summary of the governmental response.

Table 2: Governmental crisis-mitigation response (only relevant policies)

The GoG Crisis Alleviation Strategy (1st Stimulus Package)	
For Citizens	Credit repayment deferral for citizens (3 months)
	Assistance of 200 GEL for employees who have lost their jobs or are on unpaid leave (6 months)
	One-time assistance of 300 GEL to the various categories of self-employed
	Utility bill subsidies (3 months); social allowance paid to disabled persons and households with certain subsistence rating scores (6 months)
For Businesses	Property and income tax deferral for businesses operating in the tourism-related industries for 4 months and until 1 November 2020
	Personal Income Tax (PIT) waiver for monthly salaries not exceeding 750 GEL (6 months); PIT waiver for the 750 GEL portion of monthly salaries within 1500 GEL (6 months)
	Amendments to Enterprise Georgia support schemes (including an increase of grants introduced to the Micro and Small Grants Program, increased access to credit guarantees, a mortgage loan subsidy (for the new loans issued in 2020), and an interest rate payment subsidy for family, small and medium sized hotel loans for 6 months)
The GoG Crisis Alleviation Strategy (2nd Stimulus Package)	
For Citizens	Possibility of deferment of bank loans for persons employed at outlets or facilities whose operations have been restricted
	One-time compensation of 300 GEL to the individual entrepreneurs and persons employed at outlets or facilities that suspended operations in December and January due to additional restrictions
	Social assistance of 200 GEL to formal sector employees who have temporarily lost their jobs (6 months, starting from January 2021)
	Utility bill subsidies (4 months); social allowance paid to disabled persons and households with certain subsistence rating scores (6 months)
For Businesses	Concession of property tax for the tourism sector in 2021
	PIT write-off for 4 months of deferred PIT payments in 2020
	PIT concession for the 750 GEL portion of monthly salaries within 1500 GEL (6 months)
	Bank loan deferral for companies that suspended operations in December and January
	Continuation of subsidizing bank loan interest rates for hotels; further subsidizing bank loan interest rates for restaurants (6 months)

Source: *The Georgian government.*²³²⁴

On the whole, the experts interviewed did not regard the governmental crisis mitigation strategy to be gender responsive. The key informants suggest that the stimulus package neglects both the specific liquidity needs of WSMEs amid COVID-19 and low financial and digital literacy, which restricts women from benefiting, especially those in rural areas. Thus, to improve the gender-responsiveness of future crisis mitigation strategies, the GoG ought to consider strengthening the voice of female entrepreneurship advocacy groups within state level policymaking. Moreover, assessing the overall entrepreneurship support ecosystem, a lack of coordination among support actors was outlined as a significant shortcoming. The efficiency of support programs, by both state and donor institutions, would arguably be enhanced if more complementary and holistic approaches were utilized.

The Window of Opportunity for Advocacy

Insights from the stakeholder interviews suggest the current status quo serves as a window of opportunity for donor and non-state stakeholders, including female private sector representatives, to advocate the enhancement of women-led SME resilience in two distinct dimensions. Primarily, COVID-19 has highlighted the importance of passing a new legislative initiative on Georgian agritourism. The draft law on agritourism, instigated in October 2019, introduces preferential terms (including on revenue tax and VAT) for qualified agritourist SMEs which utilize local agricultural production within their services. Thus, the legislation develops an enabling environment for businesses in the hospitality, tourism, and agricultural value chains, and moreover has the significant potential to strengthen their liquidity and chances of survival post COVID-19.²⁵ Additionally, the relevant stakeholders might take advantage of the situation after the virus to advocate for the creation of novel business clusters. During the process of improving WSMEs resilience towards economic contractions, the establishment of clusters in priority sectors will ensure the enhancement of competitive advantages, and access to knowledge and information resources for relevant women-led SMEs.

RECOMMENDATIONS AND STRATEGIES TO ENSURE SME RESILIENCE

In conclusion, the pandemic has challenged WSMEs in numerous ways. Our estimates identify that around 17% of WSMEs will likely have been severely impacted, those operating in sectors hardest hit by the pandemic, while around 78% of WSMEs will have experienced mild negative economic effects. Moreover, the inequitable impact of COVID-19 on Georgian female entrepreneurs is highlighted in assessing the additional burdens on WSMEs. The lockdown measures amplified female vulnerability to the crisis and increased engagement in unpaid care work. Moreover, switching to remote working

²³ The Government of Georgia. [Measures Implemented by the Government of Georgia against COVID-19: Report, 2020.](#)

²⁴ The Government of Georgia. [Inter-agency Coordination Council Discusses Enforcement of COVID Restrictions Coming into Force on November 28, 2020 and New Package of Government Support to Citizens and Businesses, 2020.](#)

²⁵ Please see further information on the [importance of agritourism legislation.](#)

patterns has further restricted certain female entrepreneurs from utilizing online resources due to their low digital literacy and a surge in domestic violence. Lastly, the pre-crisis liquidity constraints of WSMEs are likely to have been exacerbated by the restrictions introduced throughout Georgia.

Alongside such challenges, the pandemic has brought notable prospective benefits for WSMEs. Firstly, process digitization is considered to be advantageous for Georgian WSMEs, with some interviewed experts emphasizing that female entrepreneurs are eager to digitize their businesses, utilize online educational opportunities (if they are sufficiently literate), and have access to digital infrastructure. Furthermore, the government economic stimulus package, especially amendments to the Micro and Small Businesses Support Program and Credit Guarantee mechanisms from Enterprise Georgia, might potentially enhance the financial resilience of WSMEs, provided they are sufficiently informed about these support opportunities. Additionally, the pandemic may prove an appropriate time to consolidate advocacy efforts that better deliver WSME needs at the state level, while advocacy and grassroots initiatives become solidified within female enterprises.

Below, based on the analysis, are both the overarching and targeted recommendations for the relevant stakeholders. Notably, the scope of the recommendations, and the policy paper itself, largely focuses on assessing the impact of the first wave of lockdown restrictions on WSMEs. As a new wave of restrictions have since been introduced throughout Georgia, further research is required to study the emerging needs of businesses in the future.

Overarching Recommendations

- **We encourage governmental and non-governmental stakeholders to support SMEs' enhanced utilization of e-commerce platforms to increase their resilience towards the economic contractions.** Equally, it is important to expand the digital literacy of female entrepreneurs, especially those in rural areas, by further tailoring entrepreneurship support programs with incorporated digital literacy components. However, prior to these steps, the stakeholders may wish to conduct an in-depth assessment of businesses' digitization potential, which may prove an essential focus for strengthening female-managed enterprises;
- **We suggest that state and non-state support actors better coordinate their efforts and apply a holistic approach to resource allocation.** While promoting entrepreneurial activities, enhanced integration has the potential to yield more efficient results;
- **We further recommend that state and non-state support organizations solidify their efforts to strengthen female entrepreneurship advocacy groups and, through the same lens, promote the establishment of new advocacy initiatives.** From the state perspective, this entails strengthening the voice of female entrepreneurship advocacy groups in policymaking, including during the design of future crisis mitigation policies. For donor organizations, it is significant to support more community-level advocacy initiatives, those with the potential to deliver their needs at the governmental level.

Targeted Recommendations

For the government:

- **Conduct a comprehensive gender impact assessment of COVID-19 to gain a better understanding of the challenges WSMEs presently face.** Moreover, it is important to conduct a gender impact assessment of the current entrepreneurship support opportunities, including the governmental crisis alleviation strategies. At present, there has been no consolidated state-level effort to detect and understand female entrepreneurs' needs. Such an approach would better inform decision-makers as to how to cushion the economic and social risks WSMEs face during COVID-19;
- **Raise awareness of state support programs through local municipalities.** The research showed that some women, especially in rural areas, might not be aware of the entrepreneurship programs offered by the government. While economic downturns and an increase in unemployment might further stimulate necessity-driven entrepreneurship, it would be beneficial if the existing support opportunities were better communicated.

For donors:

- **Introduce, or continue, individual business pivot consultancies available for WSMEs.** Business pivots have magnified significance due to COVID-19 and the associated restrictions. While certain female entrepreneurs have employed individual survival strategies, many are still reluctant to continue business operations;
- **Continue the promotion of further business clusters in priority sectors.** In the process of increasing WSME resilience, the establishment of clusters will ensure greater enhancement of the competitive advantage of female-led enterprises.

For WSMEs:

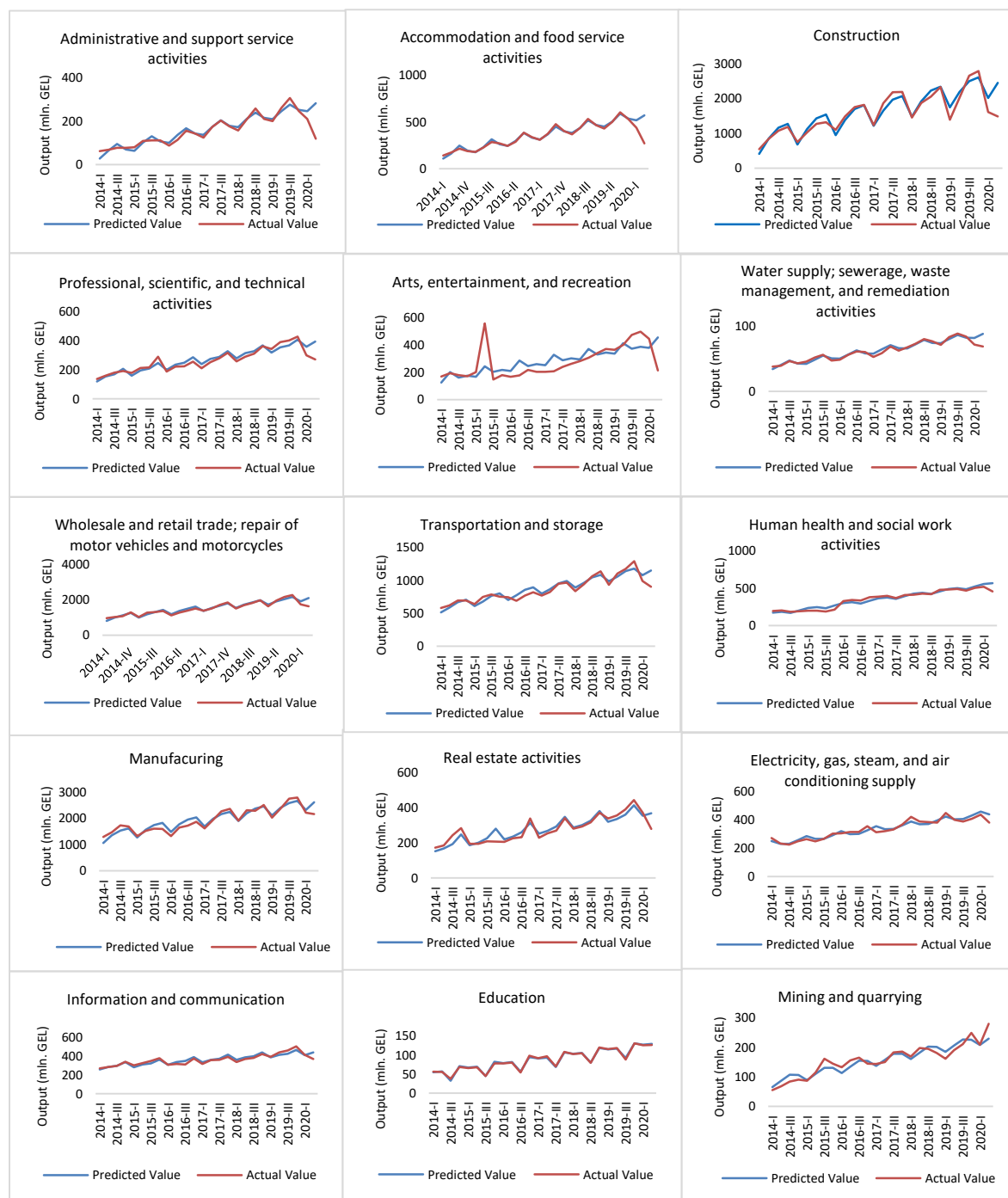
- **Intensify inter-WSME and peer-to-peer coordination by establishing personal connections with fellow entrepreneurs in related sectors.** Moreover, further strategize sectoral consolidation at the community level to increase resilience towards future interruptions in supply-chains and sales; as certain experts emphasized, personal connections play a positive role in increasing the competitiveness of WSMEs during the crisis;
- **Advocate for more bottom-up policymaking at the state level.** Thus, future governmental entrepreneurship support programs will have the potential to narrow the gender gap in entrepreneurship, have a clearer gender focus, be gender-responsive, and be implemented based on informed analyses of WSME needs.

APPENDIX 1

LIST OF INTERVIEWED EXPERTS	
Natia Katsia; Eliso Tskhadaia	CARE International South Caucasus
Ana Pashalishvili; Ekaterine Vachnadze	UN Women
Teona Babunashvili	Enterprise Georgia
Nino Elizbarashvili	The Georgian Association – Women in Business (GAWB)
Natia Ninikelashvili	The Georgian Farmers Association (GFA)
Nata Bekauri	Kakheti Regional Development Foundation (KRDF)
Mariam Kobalia	ENPARD Mestia
Maya Kobalia	Crystal Fund – YES-Georgia

APPENDIX 2

Model estimates and actual sectoral production values of the Georgian business sector





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Policy Institute

ISET POLICY INSTITUTE

ISET Policy Institute is the top independent economic policy think tank in Georgia, focusing on the South Caucasus region. It is a one-stop shop for policy research and consulting, training and public policy debate. ISET Policy Institute is the university-based think-tank and its affiliation with the International School of Economics (ISET) at TSU drives intellectual and financial synergies, as well contribution to delivering of world-class economic education, strengthening good governance and inclusive economic development in Georgia and in the region.

CARE CAUCASUS

CARE Caucasus mission is to decrease social injustice, vulnerability, and rural poverty, and contribute to improved conditions for sustainable development and security in the South Caucasus region. CARE works with the individuals and families in the poor communities, with special focus on women, youth, conflict-affected groups and those living in remote and difficult-to-access areas, as we know that we cannot overcome poverty and create social justice until all people have equal rights and opportunities.

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