Sustainability of Projects in Small Business Development after Donor Disengagement (Case of Georgia)

Master of Business Administration
Project Management

Ana Tvaliashvili
1797488

August 22, 2014
Declaration of Ownership

I, Ana Tvaliashvili, declare that this research is my own, unaided work, except as indicated in the acknowledgements, the text and the references.

It is being submitted in partial fulfillment of the requirements for the degree of “Masters of Business Administration” at Dublin Business School.

It has not been submitted before, in whole or in part, for any degree or examination at any other institution.

Title: Sustainability of Projects in Small Business Development after Donor Disengagement (Case of Georgia)

Research Question 1: Is there appropriate environment created around the SMEs and their projects funded by donor organisations in order to build local capacity and sustain businesses in the long run?

Research Question 2: What are the most appropriate actions/measures that shall be conducted by different actors to support sustainable development of businesses?

Submission date: 22 August 2014

Author: Ana Tvaliashvili / 1797488

Supervisor: Dr. PJ Paul

Level: MBA Project Management

Number of words: 21,850 excluding: Title Page, Table of Contents, List of Tables, List of Diagrams, List of Schemes, List of Exhibits, List of Abbreviations, Appendices and Bibliography.

Date: 21 August 2014

Signed: Ana Tvaliashvili
# Table of Contents

Acknowledgments .................................................................................................................. 7

Abstract .................................................................................................................................. 8

Chapter 1: Introduction ............................................................................................................. 9
  1.1 Background ....................................................................................................................... 9
  1.2 Research Problem ............................................................................................................ 10
  1.3 The Aim, Objectives and Hypothesis .............................................................................. 10
  1.4 Approach to the Dissertation ......................................................................................... 11
  1.5 Organisation of the Dissertation .................................................................................... 12
  1.6 Scope and Limitations of the Research .......................................................................... 13
  1.7 Major Contributions of the Study .................................................................................. 14

Chapter 2: Literature Review .................................................................................................. 15
  Introduction ............................................................................................................................. 15
  2.2 Concept of Sustainability ............................................................................................... 15
  2.3 Planning for Capacity Building and Assessment; Evaluation Tools of Program
      Sustainability ......................................................................................................................... 16
      2.3.1 Planning for Capacity Building ............................................................................... 17
      2.3.2 Monitoring of Program Sustainability ...................................................................... 19
  2.4 Organisation of SMEs – Criticality to Program Success and Sustainability ..................... 19
      2.4.1 Characteristics of Social Enterprises (SEs) ............................................................... 21
  2.5 Role of Program Management Office in Achieving Sustainment .................................... 22
      2.5.1 Project Risks, Uncertainties, Situations and Opportunities ...................................... 23
      2.5.2 Practical Findings on PMO Efficiency and Project Success ..................................... 25
  2.6 PESTEL Analysis for Georgia as the Background for SME Sustainability Study .............. 28
      2.6.1 Key Indicators ........................................................................................................... 28
      2.6.2 Political Analysis ........................................................................................................ 29
      2.6.3 Economic Analysis .................................................................................................... 32
      2.6.4 Socio-Cultural Analysis ............................................................................................. 36
      2.6.5 Technological Analysis ............................................................................................. 37

Chapter 3: Research Methodology and Methods .................................................................... 39
  3.1 Methodology Introduction ............................................................................................... 39
  3.2 Research Design ............................................................................................................... 39
      3.2.1 Research Philosophy .................................................................................................. 39
      3.2.2 Research Approach .................................................................................................. 40
      3.2.3 Research Strategy .................................................................................................... 41
      3.2.4 Selecting Respondents ............................................................................................. 41
      3.2.5 Research Ethics .......................................................................................................... 42
  3.3 Data Collection Instruments ............................................................................................ 42
  3.4 Data Analysis Procedures ............................................................................................... 43
  3.5 Limitations of Methodology ............................................................................................. 44

Chapter 4: Data Analysis and Findings .................................................................................... 45
  4. Research Findings ............................................................................................................... 45
  Introduction .............................................................................................................................. 45
4.1 Environment Around the SEs Funded by Donor Organisations ........................................ 45
4.1.1 Major Donors and Other Stakeholders ......................................................................... 45
4.2 Qualitative Data Analysis and Findings .......................................................................... 51
4.2.1 Sustainability as Complex Subject Matter ....................................................................... 51
4.2.2 Interviewing for Qualitative Research of the SEs’ Current Stance on Sustainability .......... 52
4.2.3 Depth of Information Received from the Interviews ......................................................... 53

Chapter 5: Conclusion ........................................................................................................... 67
5.1 Government Perspective .................................................................................................. 67
5.2 Donor Perspective ........................................................................................................... 68
5.3 Recipient Organisations (SE) Perspective ....................................................................... 69

Chapter 6: Recommendations and Future Intentions ............................................................. 71

Chapter 7: Self Reflection on Own Learning and Performance .............................................. 76
7.1 Personal Experiences ...................................................................................................... 76
7.1.2 Reflection on Learning Process ....................................................................................... 76
7.1.3 Reflection on Writing Process ......................................................................................... 77
7.1.4 Reflection on Use of Sources .......................................................................................... 78
7.2 Strengths and Weaknesses .............................................................................................. 78
7.2.1 Skills Acquired and Developed ...................................................................................... 78
7.3 Conclusion ...................................................................................................................... 79

Bibliography ....................................................................................................................... 80

Appendices ........................................................................................................................... 85
Appendix 1 (Program Sustainability Assessment Tool) .............................................................. 85
Appendix 2 (Interview Questions for Donor Organizations) ...................................................... 87
Appendix 3 (Interview – EPF) ................................................................................................ 88
Appendix 4 (Interview – CSRDG) ........................................................................................... 92
Appendix 5 (Interview Questions for Managers of Small Business/Social Enterprises) .......... 94
Appendix 6 (SE – Tanadgoma (Employing PWDSs)) ............................................................. 96
Appendix 7 (SE – Car Wash (Employing Street Children)) ....................................................... 101
Appendix 8 (SE – Bakery (Employing IDP Women)) ............................................................... 104
Appendix 9 (SE – Ikorta (Employing IDP Women)) ............................................................... 108

List of Tables

Table 1. The Program Sustainability Planning Progress (Source: The Author) ................................. 17
Table 2. Program Sustainability Framework Domains and Definitions (Source: The Author) ............ 18
Table 3. Innovation Capacities for SMEs (Source: The Author) .................................................... 20
Table 4. Tax Rates and Administrative Burden in Georgia (The World Bank, 2013) ......................... 30
Table 5. Procedures and Documents for Trading Across Borders in Georgia ............................... 30
Table 7. Unemployment Rate in Georgia (Source: National Statistics Office of Georgia, 2013) .......... 33
Table 8. CPI (Inflation) in Georgia (Source: National Statistics Office of Georgia, 2013)................................. 33
Table 9. Exchange Rates (Source: National Statistics Office of Georgia, 2013).................................................. 34
Table 10. External Trade (Source: National Statistics Office of Georgia, 2013).................................................. 34
Table 11. Gross Income, Consumption and Disposable Income (Euromonitor International, 2014).................... 35
Table 12. Population Growth Rate (CIA, The World Factbook, 2013).............................................................. 37
Table 13. Life Expectancy in Georgia (CIA, The World Factbook, 2013)............................................................. 37
Table 14. Opportunities & Threats under PEST Analysis; Directions to Improvements (Source: The Author)... 38
Table 15. Sustainment Division of Responsibilities for Projects Funded by Donors in Georgian SMEs/SEs
(Source: The Author) ........................................................................................................................................ 75

List of Figures

Figure 2. The PMO as an Enabler of Program Success (PMOSIG, 2011) ................................................................. 26

List of Diagrams

Diagram 1. Plan Risk Responses: Inputs, Tools & Techniques, and Outputs (PMBOK, 2013) ......................... 23
Diagram 2. Tree Diagram for Sustainment Steps ............................................................................................................ 74
Diagram 3. Learning Cycle (Source: Honey and Mumford (1986)) ........................................................................... 76

List of Schemes

Scheme 1. Stakeholders of Social Enterprise Development in Georgia (Source: The Author) .......................... 46

List of Exhibits

Exhibit 1. Matrix of Cross-Case Analysis Linking Donor Activities and Areas Relevant to SEs Sustainability
Capacity Building (Source: The Author) ....................................................................................................................... 53
Exhibit 2. Matrix of Cross-Case Analysis Linking General Preconditions of Sustainability and Achievements of
the SEs (Source: The Author) ................................................................................................................................. 59

List of Abbreviations

BIT – Bertelsmann Stiftung’s Transformation Index
BMG – Bostock Marketing Group
CIA – Central Intelligence Agency
CIF – Cost, Insurance, Freight
CRRC – Caucasus Research Resource Center
CSRDG - Center for Strategic Research and Development
EBRD – European Bank for Reconstruction and Development
ENP AP – European Neighborhood Policy Action Plan
EPF – Eurasia Partnership Foundation
EPMA - European Journal of Medical Research
ERP – Enterprise Resource Planning
Acknowledgments

I am using this opportunity to express my gratitude to everyone who supported me throughout the course of this MBA project. I am thankful for their aspiring guidance, invaluably constructive criticism and friendly advice during the project work.

I express my warm thanks to Dr. PJ Paul, my dissertation supervisor for the continuous support of my MBA study and research, for his patience, motivation, enthusiasm, and immense knowledge. I could not have imagined having a better advisor and mentor for my MBA study. Besides my supervisor, I would like to thank Ms. Brid Lane for the constructive feedback on my proposal, which made the thesis writing process much easier.

I am grateful to Mrs. Mariam Avaliani, my lecturer of Project Management at Georgian-American University, Tbilisi who was an inspiration to follow this field for my MBA. I am also thankful to Mrs. Nino Shoshtaishvili, my professor at Georgian-American University, who supported and guided me through the years after graduating from BBA.

My gratitude goes to my colleagues and friends at Eurasia Partnership Foundation (EPF) where I worked for four years before my MBA. They played significant role in my growth both in career and personal skills and achievements. Particular thanks goes to Ms. Ketevan Vashakidze, EPF’s country director (now president) for giving me excellent examples of project and people management; also my former colleagues, especially Mr. Viktor Baramia who provided me with information, interview and excessive support for my dissertation.

My appreciation goes to Mrs. Nino Chiabrishvili, Assistant Professor at Tbilisi Ilia State University for proofreading my final draft dissertation.

Last but not least, I could not have done this without the love, support and patience of my family and friends who have helped me stay concentrated and focused on my goals; especially my parents and my younger brother, who gave me strength and encouragement throughout the entire MBA course.
Abstract

The Research Problem: Identification of factors influencing self-sufficiency and sustainability of donor funded projects in small social enterprises in Georgia. A possible scenario could be that donor organisations do not provide enough training and guidance that ensure development of proper set of skills for sustaining the business after donor disengagement. In order to examine this issue, over fifty academic sources were reviewed and used; two research questions with their assumptions were thought out based on the practical experience from working previously in the NGO providing grants to small enterprises; actors playing important role in building sustainability were identified; factors were studied; findings were summarized; and solutions were provided.

Methodology: The SME/Social Enterprise manager sample size was four and two project managers from donor organizations took part in the qualitative research. The research was conducted using separate set of interview questions for donors and SE project managers and cross-sectional qualitative analysis of current stance on sustainability was performed.

Conclusions and Recommendations: Both research questions are addressed and assumptions for them are tested successfully in these parts of the research paper. Perspectives of the three actors: government, donors and beneficiary organisations are described; weaknesses of their activities performed for sustainability are reviewed; and preconditions for drafting recommendations are identified in the conclusion part. Recommended six steps were (1) Sustainment Vision and Strategy Building, (2) Priority areas for Sustainability, (3) Collaboration, (4) Strategies and Methods for Sustainability, (5) Developing Action Plans, and (6) Documenting and Communicating Success. Sub-activities under each step were suggested and sample table of Division of Responsibilities was developed for applying when reasoning at capacity building and long-term self-sustainability.

Supplementary documents will be submitted as separate files. These documents include: PowerPoint – Poster, E-thesis Submission Form, and Deposit Agreement Form.
Chapter 1: Introduction

1.1 Background

Georgia has had to deal with tremendous challenges, such as: old Soviet heritage, a multiethnic population structure, difficult economic indicators and weak state institutions, but also a land conflict about the disputed territories of Abkhazia and South-Ossetia.

Georgia is the country with developing democracy. It is located on the crossroad of eastern and western civilizations. This location influenced and continues influencing all areas of political, economic and social life. In terms of politics, tension and turbulence are the factors, which hinder stable and steady development. The period after breakdown of the Soviet Union is characterized by turmoil, wars, and undemocratic regimes. When hostilities between Russia and Georgia escalated in the summer of 2008, the world had to witness a breakdown of the political process, which ended in a five-day military confrontation and almost one fifth of Russian occupied lands. Georgia’s economy experienced the outflow of investments and social life is further burdened by thousands of refugees. Fair and democratic elections in 2012 have ended authoritarian regime with façade democracy ruled based on political blackmailling and economic terror. “In various regions of Georgia, property owners were forced to officially abandon their property (and thus automatically transfer it to the state) or were forced to directly enter into contract and give their property to the state as a gift” (Association Green Alternative et al., 2012, p.3). Same source indicates that, according to the Public Registry, 1,563 cases of abandonment of property were reported throughout Georgia as of January 12, 2011. The widespread violation of ownership rights brought incentives for development of small- and medium-size businesses to critically low levels. Sustainability of projects funded by international donor organisations became the subject of serious concerns.

Social protection was a major focus of the new government immediately after the Rose Revolution in Georgia. The government introduced and implemented a number of new policies and reforms in this sector. Yet in November 2007 thousands of protesters gathered in front of parliament, demonstrated the deep dissatisfaction of Georgian citizens with the provision of social protection services.

The new government of Georgia considers economic development as a priority and continues supporting programs to improve macroeconomic indicators such economic growth
and employment. Sustainable development is one of the major directions of the government’s activities; it puts efforts to involve foreign donor organisations.

Understanding of schemes of stakeholders’ activities, collaboration of interested parties, and an early take-over of responsibilities by local organisations are assumed as key factors to success in long-run sustainment.

1.2 Research Problem
The research problem is to identify factors that ensure sustainability of projects in small and medium businesses in Georgia after disengagement of donor organisations. Paper focuses on projects funded by European donor organisations in particular Swedish International Development Cooperation Agency (SIDA).

Researching business environment in the country is of critical area of the dissertation since sustainability largely depends on the level of support by legal, administrative, and management resources.

Possible reason of undesirable outcome of the project may be the result of several mismatches between:

• Regulations of donor bodies and recipient state’s regulatory environment;
• Project goals on the one hand, and country’s economic conditions and financial circumstances on the other hand after donors’ support ends;
• Level of professionalism of donor organisation experts on one side, and preparedness of local specialists to take over all responsibilities, on the other side; management skills of these parties; etc.

1.3 The Aim, Objectives and Hypothesis
The aim of this dissertation is to conduct study of enterprises operating under the financial support of donor organisations.

Special attention will be devoted to Social Enterprises (SEs), where internally displaced persons (IDPs), Persons with Disabilities (PWDSs), and other socially vulnerable groups are employed to support their families. SEs encompass many of the attributes that are necessary for the growth of small and medium sized businesses. Cabinet Office of the UK conducted study: “Social Enterprise: Market Trends”, which is based upon the Business Innovation and Skills Small Business Survey 2012. This is a report by BMG Research, May 2013. According to this survey, twenty-four per cent of SME employers in 2012 thought of
themselves as social enterprises, defined as businesses that have mainly social or environmental aims (BMG Research, 2013).

Importance of development and sustainability of SEs are derived from high percentage of unemployment and people living in poverty in Georgia. Eurasia Partnership Foundation provides its observation on the economic and social circumstances, which served the reason for the organisation to get involved in the grant administration. “EPF’s Caucasus Research Resource Centers (CRRC) 2007 annual household survey found that 36% of Georgian respondents consider themselves unemployed. In the same survey, as many as 26% of households reported that their income had declined since 2006. Numerous groups in Georgia still lack prospects for employment and opportunities to escape the cycle of poverty. The economic downturn that has followed the August 2008 war with Russia also impacts the government’s ability to provide social assistance: an October 2008 Post-Conflict Survey conducted by CRRC found, that 48% of Georgian families rely on state support (pensions, social aid, vouchers, or other support). However, many Georgian organisations, both non-profit and for-profit, are working independently and in cooperation with the government to provide social protection services. They are largely dependent on donor funding and, while they sometimes have a strong volunteer base, they lack significant financial resources” (Eurasia Partnership Foundation, 2014).

Based on the researcher’s work experience at the EPF I can set the hypothesis that projects are developing smoothly when companies work under the management of donor organisations and start failing to do so after their disengagement.

The objectives of the paper include classification of success stories and lessons learnt; identification of factors ensuring success and causing failure; and providing recommended actions to Georgian government, international organisations, and local companies.

1.4 Approach to the Dissertation

In order to achieve the above objectives the researcher intends to visit companies operating locally on projects funded by donors as well as donor organisations.

Thorough study of political, economic, social and technological background created in Georgia and analysis conducted by international organisations will help this study to identify the ways of achieving the research goal.
1.5 Organisation of the Dissertation

Introduction part of this research provides brief information about current political, economic and social background of the country, based on which future potential capacity of the projects is studied; problem is stated; intentions to contribute to stronger long-term sustainability of the projects are stated; aim, objectives and hypothesis are formulated; two sub-areas of the study are defined; scope and limitations of the research are discussed; and recommendations are proposed as a major contribution of the study.

Literature Review as a second part of the thesis gives broader understanding about the term and concept of sustainability.

Current academic research in this area is developed into three directions: 1) concept of sustainability; planning for sustainability; potential challenges to sustainability; 2) SMEs, social enterprises and their organisation; criticality of the way of organisation to program success; and 3) assessment and evaluation tools of program sustainability.

When discussing problems of sustainability, the reader rather expects concerns about ecological and environmental issues, than possible roadblocks on the way of project life cycle and potential methods for preventing the failures. Arguments for and importance of balance between economic sustainability, social sustainability and environmental sustainability are discussed.

Planning for capacity building and assessment of sustainability evaluation tools are considered critical for the success of the projects. Six sets for sustainment planning are reviewed. Summary table for the literature on the pillars, domains and definitions of the program sustainability helped in development of interview questions to find out about strong and weak points of the organisations working on different projects.

Farther, part on “Monitoring of Program Sustainability” notes about little or no distinction between ‘program sustainability assessment and evaluation tools’ on the one hand, and ‘monitoring of the program sustainability’, on the other hand. But in any case related to project, it is required to assess and monitor projects starting from their early life cycle phase aiming at future long-term sustainability.

Next part of the second chapter covers literature review on the organisation of Small and Medium Enterprises (SMEs) as another important factor for program success. Based on the European Commission’s definition of SME, Bos-Brouwers provides SME characteristics; detailed advantages and disadvantages are provided. The sample table is referenced and
attached for evaluating different SMEs on their stance in terms of sustainability and sustainment.

Final part of Chapter 2 provides in-depth analysis of literature related with the role of Program Management Office (PMO) in achieving sustainment.

Political, economic, social, technological, environmental and legal aspects as preconditions for potential success or failure are reviewed in depth.

Chapter 3 will introduce research methodology. The researcher intends to follow the principles of positivism and respect validity of information.

Chapter 4 outlines findings of the research, thus addressing research question 1 and conducts qualitative data analysis.

Chapter 5 concludes all points that were studied from the three perspectives: government perspective, donor perspective, SEs perspective.

Chapter 6 addresses research question 2 and provides recommendations to the three actors of the sustainability capacity building. It suggests sample of Division of Responsibilities table with all areas of sustainment and responsibilities of all sustainment actors.

Finally, chapter 7 provides self-reflection on learning and performance of the author. It consists of reflection on learning process, reflection on writing process, reflection on use of sources, skills acquired and developed, and concludes with future intentions on how the researcher intends to use the acquired experience and knowledge.

The final part of this paper provides the list of references and the set of appendices including sample interview question for both donors and beneficiary organizations and the full transcriptions of the interviews with each of them.

1.6 Scope and Limitations of the Research

Scope of the research is defined by the projects funded by European organisations. Project development and future success will be researched according to the below factors:

- Participation and ownership
- Training
- Government policies
- Budget Stability and Transparency
- Management and organisation
I consider reluctance of project managers and other employees – especially finance related staff - of organisations to provide information as potential limitations to the research.

1.7 Major Contributions of the Study

In this research, SMEs in Georgia were selected, a study of the number of companies funded under European organisations were conducted and major strong and weak points on their path to sustainable development were revealed.
Chapter 2: Literature Review

Introduction

Analysis of the relevant contemporary literature supported to create background for development of suggestions on program capacity building in recipient country and its organisations.

In order to research topic of future sustainability of donor-funded programs in SMEs and elaborate recommendations for donor organisations, it is intended to study and analyse literature in the three main literature themes directions:

1) Concept of sustainability; sustainability as a field of program management and main precondition of the program success; importance of its planning from the early phases of program development;

2) SMEs, their organisation; criticality of the way of organisation to program success; potential challenges to sustainability;

3) Assessment and evaluation tools of program sustainability.

2.2 Concept of Sustainability

The OECD defines sustainability as “the continuation of benefits from a development intervention after major development assistance has been completed. The resilience to risk of the net benefit flows over time” (OECD, 2002, p.36). The end-state goal of sustainable development of the project is “producing benefits in the long term, continuing after the project is completed” (Klakegg, 2010, p.38). Authors discuss definition trying to adjust it to different areas of our life. ‘Classic’ definition of sustainability (known as Brundtland definition) “is .. meeting the needs of the present without compromising the ability of future generations to meet their own needs” (McKenzie, 2004, p.1-8).

World Bank refers to the same definition as to the “landmark one” (the Brundtland report, 1987).

Interestingly enough, leading guide to program management, “A Guide to the Project Management Body of Knowledge” mentions about sustainability only in two places: one is related to the example: “(e.g., if an organisation has adopted policies in support of sustainability practices and the project involves construction of a new office building, the project manager should be aware of sustainability requirements related to building
construction.); (PMBOK, 2013, p.1) and second time it refers to the term when it discusses enterprise environmental factors. It names “Organisational structure, culture, management practices, and sustainability” among “the enterprise environmental factors that can influence the Develop Project Management Plan process (PMBOK, 2012, p.4). Although PMBOK discusses success of the program intensively and provides directions for achieving its goals, it lacks insights on the potential ways of continuous maintenance of that success.

Program sustainability capacity may be defined as “the ability to maintain programming and its benefits over time” (Program Sustainability Assessment Tool, 2013).

Sustainability concept has its roots in the environmental protection and ecological studies and projects. Most of the definitions today are related to the projects related to that field. “For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders, while protecting, sustaining and enhancing the human and natural resources that will be needed in the future” (IISD, 2013).

Lately, the need for planning the sustainability capacity was admitted as an important outcome of the project completion and closeout given the balance between economic sustainability, social sustainability and environmental sustainability. “Sustainability is about integrating economical, environmental and social aspects; and considering short-term and long-term aspects” (Office of the Auditor General of Canada, 2010).

Sustainability implementation is defined by the following principles: economic, social, ecologic, short-, mid-, long-term orientation; local, regional, global orientation; value orientation.

2.3 Planning for Capacity Building and Assessment; Evaluation Tools of Program Sustainability

In this paper, it will be assumed that sustainability refers to the end-state goal of maintaining and improving the positive outcomes of the project to achieve another yet higher-level goal – sustainment of the project. Sustainability can be defined as a process or a method contributing to sustainment, while sustainment itself is an outcome of this enabling process and factors inherent in sustainability (Schröter, 2006).

Based on the experience of participating in different programs, it may be stated that in countries with emerging democracies where rule of law and transparency are still fragile and vulnerable, sustainment capacity building is the issue of critical importance. It needs accurate
and thoughtful planning because “programs at all levels and settings struggle with their sustainability capacity” (‘Program Sustainability Assessment Tool’, 2013).

2.3.1 Planning for Capacity Building

The step to sustainment as a goal is the planning for sustainability. Ideas and findings on sustainability planning, provided by researchers are not of a big variety. Below table depicts the process:

Table 1. The Program Sustainability Planning Progress (Source: The Author)

<table>
<thead>
<tr>
<th>A. Prepare and Assess Your Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Define the participants assessing the program</td>
</tr>
<tr>
<td>2. Complete the Program Sustainability Assessment Tool</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Develop an Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assemble the planning team</td>
</tr>
<tr>
<td>2. Review program’s mission and purpose</td>
</tr>
<tr>
<td>3. Review program sustainability assessment tool results</td>
</tr>
<tr>
<td>4. Determine which program elements need to be maintained, eliminated, and/or adapted</td>
</tr>
<tr>
<td>5. Prioritize the areas of sustainability capacity</td>
</tr>
<tr>
<td>6. Write an Action Plan with specific action steps to strengthen and build your program’s sustainability capacity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Take Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Implement the Action Plan</td>
</tr>
<tr>
<td>2. Reassess sustainability capacity annually</td>
</tr>
</tbody>
</table>

The sustainment plan consisting of six points may appear decisive in success (Calhoun et al., 2014):
1. **Assemble the planning team.** People in the leadership positions with certain authority should be selected in order to have their commitment for sustainability planning.
2. **Review program’s mission and purpose.** It is important to specify short-term and long-term goals and prioritize them. “Having a clear vision of your program’s purpose will
help you unite program staff, organisational leadership, and other stakeholders.” This point is well covered in the research papers.

3. **Review program sustainability assessment tool results.** Summary sustainability reports shall be developed on each important level and stage and discussed on the team meetings.

4. **Determine which program elements need to be maintained, eliminated, and/or adapted.** Considering program goals and assessment scores, “determine which elements of your program should be sustained and which could or should be dropped. Do not assume that all program components should be continued exactly as is into the foreseeable future. It is considered very important that “programs must be able to respond to changes in the environment as well as population needs. Research suggests that, regardless of a program’s ability to support continued implementation of an activity, it is unlikely to be sustained if it does not meet the needs of the intended audience.

5. **Prioritize the areas of sustainability capacity.** Once future direction and scope of the program are clarified, now sustainability domains and indicators may be prioritized. Team should review areas of weaknesses within the sustainability results and decide which are most urgent.

6. **Write an Action Plan.** List of priorities open the window to drafting an action plan/roadmap with considerable more or less details in it. This serves to building the capacity and provides organisation’s memory about actions that have been determined and executed.

**Sustainability Action Plan addresses the below questions:**

1. What agencies, organisations, or individuals need to be involved?
2. What resources will be needed and how program could obtain these resources?
3. How will you track progress and know you have succeeded?

**Summary of the literature on the pillars, domains and definitions of program sustainability may be drawn in the table below:**

**Table 2. Program Sustainability Framework Domains and Definitions (Source: The Author)**

<table>
<thead>
<tr>
<th>Domain</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Support (now called Environmental Support)</td>
<td>Having a supportive internal and external climate for your program</td>
</tr>
<tr>
<td>Domain</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Funding Stability</td>
<td>Establishing a consistent financial base for your program</td>
</tr>
<tr>
<td>Partnerships</td>
<td>Cultivating connections between your program and its stakeholders</td>
</tr>
<tr>
<td>Organisational Capacity</td>
<td>Having the internal support and resources needed to effectively manage your program</td>
</tr>
<tr>
<td>Program Evaluation</td>
<td>Assessing your program to inform planning and document results</td>
</tr>
<tr>
<td>Program Adaptation</td>
<td>Taking actions that adapt your program to ensure its ongoing effectiveness</td>
</tr>
<tr>
<td>Communications</td>
<td>Strategic communication with stakeholders and the public about your program</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>Using processes that guide your program’s directions, goals, and strategies</td>
</tr>
</tbody>
</table>

In the future research it is intended to describe processes in the projects following the above domains.

2.3.2 Monitoring of Program Sustainability

Evaluation tools serve for monitoring the sustainability. It is evident from the Program Sustainability Framework Domains table in the previous sub-section that there are varieties of factors that can affect sustainability. The risk(s) may especially become realistic when country has still fragile system of political, economic and financial institutions.

In fact, understandably there is a little or no distinction in literature between ‘program sustainability assessment and evaluation tools’ on the one hand, and ‘monitoring of the program sustainability’, on the other hand.

Project Life Cycle Management is a comprehensive sustainability evaluation framework. Therefore, it is required to assess and monitor projects starting from their early life cycle phases in terms of sustainability (Tufunio et al., 2013).

2.4 Organisation of SMEs – Criticality to Program Success and Sustainability

The aim at study of SMEs as enablers of project start-up, implementation, capacity building and continuous sustainability leads to the need of understanding the nature of SME itself. A
commonly used indicator considers 250 employees, measured in full-time equivalent (European Commission, 2005 (cited in Bos-Brouwers (2010)).

Bos-Brouwers (2010) provides SME characteristics, as follows:
- Dominant role of the entrepreneur/owner
- Resource poverty (capital, time, knowledge and skilled personnel)
- Flexible organisational capacities
- Focus on short term
- Strong local/regional focus and customer needs orientation
- Low degree of formalization.

Actually, planning for sustainability shall be considered as the ability of organisation to develop innovative approach to capacity building for continuous success. Below table suggests list of advantageous and disadvantageous sides of SMEs’ responsiveness to potential opportunities for strong capacity building:

Table 3. Innovation Capacities for SMEs (Source: The Author)

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Flexibility of organisation:</strong></td>
<td></td>
</tr>
<tr>
<td>– Less bureaucratic</td>
<td>Owner/manager:</td>
</tr>
<tr>
<td>– Responsiveness to changing circumstances (technology and market)</td>
<td>– Poor managerial skills (planning, inadequate delegation, lack of</td>
</tr>
<tr>
<td>– Internal communications faster and more efficient</td>
<td>Function:</td>
</tr>
<tr>
<td><strong>Owner/manager:</strong></td>
<td>– Dependency on persons for survival al expertise or support)</td>
</tr>
<tr>
<td>– Dynamic, entrepreneurial</td>
<td>– Lack of formalized planning</td>
</tr>
<tr>
<td>– Horizontal leadership style</td>
<td><strong>Financial:</strong></td>
</tr>
<tr>
<td>– Direct role in innovation as ideas generator</td>
<td>– Difficulties attracting venture capital and bank investments</td>
</tr>
<tr>
<td></td>
<td>– Failure of innovation projects may be financially disastrous</td>
</tr>
<tr>
<td></td>
<td>– High fixed costs for technological investments and start-up</td>
</tr>
<tr>
<td></td>
<td><strong>Labor:</strong></td>
</tr>
<tr>
<td></td>
<td>– Difficulties attracting skilled personnel</td>
</tr>
<tr>
<td></td>
<td>– Harder to update technological knowledge</td>
</tr>
</tbody>
</table>

Rapid changes in business environment cause changes in sustainability dimensions. Change itself is always a challenge for business. SMEs face even greater threats in adapting
According to Hind et al. (2013) the sustainability challenge for businesses is trifold:
1. To understand the sustainability risks inherent in the current global situation
2. To mitigate those risks
3. To stay in the business, providing products and services in a sustainable and competitive way.

2.4.1 Characteristics of Social Enterprises (SEs)
Social Enterprise Alliance provides good description of SEs as “businesses whose primary purpose is the common good. They use the methods and disciplines of business and the power of the marketplace to advance their social, environmental and human justice agendas”.

Three characteristics distinguish SE from other types of businesses, nonprofits and government agencies:
- It directly addresses an intractable social need and serves the common good, either through its products and services or through the number of disadvantaged people it employs.
- Its commercial activity is a strong revenue driver, whether a significant earned income stream within a nonprofit’s mixed revenue portfolio, or a for profit enterprise.
- The common good is its primary purpose, literally “baked into” the organisation’s DNA, and trumping all others.

In its early days, the social enterprise movement was identified mainly with nonprofits that used business models and earned income strategies to pursue their mission. Today, it also encompasses for-profits whose driving purpose is social. Mission is primary and fundamental; organisational form is a strategic question of what will best advance the social mission (Social Enterprise Alliance, 2014).

Further, Social Enterprise Alliance discusses fields that SEs operate. Top five mission orientations of SEs are: workforce development, housing, community and economic development, education, and health.

“Social enterprise business models are equally diverse, including: retail, service and manufacturing businesses; contracted providers of social and human services; fee-based consulting and research services; community development and financing operations; food service and catering operations; arts organisations; and even technology enterprises” (Social Enterprise Alliance, 2014).
2.5 Role of Program Management Office in Achieving Sustainment

Earlier in this paper limited role of PMBOK in guiding programs to efficient outcomes was discussed, which in fact is measured by program’s ability to maintain achieved results in the considerably longer period of time. On the other hand, PMBOK provides an extensive guide on PMO’s role to the success of the projects. Once program is run and completed successfully, it is much easier to plan for its continuous sustainability. Therefore, further research will embrace sections on PMO’s role.

According to Kerzner (2009), a project is successful, when it is:
- within the allocated time period;
- within the budget cost;
- at the proper performance or specification level;
- with acceptance by the customer/user;
- with minimum or mutually agreed-upon scope changes;
- without disturbing the main work flow of the organisation; and
- without changing the corporate culture.

Further, Kerzner (2009) pays attention to the importance of project management in successful accomplishment of the of project goals. Studies of project success suggest four points to summarize the literature review and empirical findings of project success indicators. Each criterion alone is insufficient to measure success (Jugdev & Muller, 2005):

1. Success criteria should be agreed on with the stakeholders before the start of the project and repeatedly revisited throughout the project.
2. A collaborative working relationship should exist between the project owner (or sponsor) and the project manager, and both should view the project as a partnership.
3. The project manager should be empowered with the flexibility to deal with unforeseen circumstances as he/she sees fit, and the owner should provide guidance as to how the project can be best completed.
4. The owner should take an interest in the success of the project.

These success criteria will be used as guidance for this research in development of interview questions and discussions with managers of both: donors and beneficiary organizations.
2.5.1 Project Risks, Uncertainties, Situations and Opportunities

There are clear theoretical statements in the PMBOK about the approach to risks, threats, uncertainties, and opportunities related to different phases of the project life cycle. PMBOK (2013, p.311) admits direct relationship between efficient risk management and project success: “To be successful, an organisation should be committed to address risk management proactively and consistently throughout the project. A conscious choice should be made at all levels of the organisation to actively identify and pursue effective risk management during the life of the project. Project risk could exist at the moment a project is initiated. Moving forward on a project without a proactive focus on risk management is likely to lead to more problems arising from unmanaged threats”.

Risks include threats and opportunities that can affect project success. PMBOK (2013) suggests the flow diagram of the plan risk responses:

Diagram 1. Plan Risk Responses: Inputs, Tools & Techniques, and Outputs (PMBOK, 2013)

Scholars attempt to find the relationship between project risks, opportunities and uncertainties. There always is a connection between revealed opportunity and uncertainty; but uncertainty not always appears from the situational opportunities. Project may face both challenge and opportunity because of uncertainty unveiled during the progress of the project. Any project is unique in its start, development and completion and challenges and opportunities shall be viewed in the light of their business context and environment. Proper utilization of opportunities, overcoming uncertainties and handling the risks appropriately make projects successful and maximizes their value.

Lechler et al. (2012) conducted a study of 20 projects to help project managers with understanding of challenges and opportunities resulted by uncertainties during the project implementation. They argue for the lack of coverage of differences between risks and
uncertainties in the classic project management. Everybody agrees that every project is unique and therefore uncertainties are inevitable, no matter how much information is gathered before project was initiated. It is a generally accepted idea in the economy, that uncertainties are precondition for opportunities. Risks in most cases are associated with potential negative consequences, while uncertainties in entrepreneurship are associated with opportunities for improvement.

Lechler et al. (2012, pp.60) refer to Siebert (2005) as well as Thiry (2004) and prove that in contrast to available concepts and tools suggested by PMO for identifying risks, it does not provide conceptual basis for understanding the relationship between uncertainty and opportunity, “nor does it offer specific practices to manage uncertainties”. On the other hand, we think that there may not be any ready recommendations for treating the uncertainty; rather, it shall be taken as something challenging but interesting, provided to the business for creative and critical thinking and coming up with the clear ways of their effective and efficient utilization. In fact, PMBOK does not provide any substantial differentiation between risk and uncertainty. It states that “PMO manages the methodologies, standards, overall risks/opportunities, metrics, and interdependencies among projects at the enterprise level” (PMBOK, 2013, p.12), thus putting opportunities as the opposite to risks. “Project risk is an uncertain event or condition that, if it occurs, has a positive or negative effect on one or more project objectives such as scope, schedule, cost, and quality” (PMBOK, 2013, p.310). Risks as “known-unknown” are different from uncertainties considered as “unknown-knowns”.

Efficient management shall be able to turn uncertainties into opportunities. If project managers are committed to the project outcomes, they will understand that “when applied at the project level, the concept of opportunity represents a potential to create value for a project’s stakeholders beyond the initial requirements or the predefined baseline” (Lechler et al., 2012, p.61). In case if project managers are not motivated to think ‘out of the box’, they are concentrated only on the given constraints and act for optimization within this constraints, rather than maximization of the results, i.e., real success of the project.

PMBOK (2013) discusses project success in relation to different areas of project management. Special attention is paid to the stakeholder management: “involving the sponsors, customers, and other stakeholders during initiation creates a shared understanding of success criteria, reduces the overhead of involvement, and generally improves deliverable acceptance, customer, and other stakeholder satisfaction (PMBOK, 2013, p.424).
Researchers studied the results of outsourcing operations in PMOs. “Outsourcing is the act of transferring recurrent internal processes and the relevant decision-making power to a provider or external supplier” (Martins and Martins, 2012, p.72). There are common reasons why outsourcing can be beneficial. It can be used to address resource limitations, provide expert talent, distribute risks among suppliers, and confer the capacity for rapid business transactions. Further questions on the reasonability of outsourcing PMO functions for success of the program include: How to investigate the sources of expertise able to provide outsourcing services for operation of the PMO? What would be the profile of organisations whose core competency is operating services for PMOs? (Martins and Martins, 2012, p.86).

2.5.2 Practical Findings on PMO Efficiency and Project Success

Out of 20 projects studied by Lechler, et al. (2012, pp.62-64) only 12 projects identified and exploited opportunities. Study provides the sources of project uncertainties as well as opportunities.

Authors differentiate opportunities and classify them in the way described below:

1) Technical innovation;
2) Opportunities in implementation process. Sometimes constrained resources lead to the development of a common build process that will save time, money and decrease post-deployment issues;
3) Business opportunity;
4) Future project business opportunity.

As a next step, the above paper suggests sources of uncertainties, which may influence project process. These sources are grouped as follows:

1) Contextual turbulences, such as external legal issues, dynamic markets, and regulatory uncertainties;
2) Stakeholders as a source of uncertainties;
3) Technological uncertainties;
4) Organisational uncertainties;
5) Ambiguous environment for project teams created by project uncertainty;
6) Malpractice caused by the absence or lack of adherence to project management standards.
“The PMOSIG Program Management Office Handbook: Strategic and Tactical Insights for Improving Results” devotes one special chapter to program success.

Author of the chapter outlines real-life PMO challenges encountered in large-scale programs. He uses Enterprise Resource Planning (ERP) system program for his analysis and starts with providing clear and detailed PMO tasks:

- Program governance;
- Human-resource related aspects;
- Strong focus on program monitoring, controlling, and reporting;
- Communication – definition and development of a communication plan and maintaining communication flow;
- Ownership for all program tools;
- Development of program tools for time tracking, planning, document management, risk management, and change management processes;
- Removing obstacles and supporting the program director and individual project managers.

Chapter provides detailed analysis of when project may encounter challenges. Only efficient ways of overcoming these risks and challenges may bring the project closer to success.

Further, PMOSIG (2011) highlights the role of PMO and its support as invaluable in minimizing negative impacts of the above potential challenges. Guideline provides the set of PMO roles described below in Figure 2:

Figure 1. The PMO as an Enabler of Program Success (PMOSIG, 2011)
This study will investigate whether PMO exists in SME environment in Georgia, or it is on its early stage of development. In case if this Office exists, the paper will study all implications and applications of the PMO roles to success of the programs, and also how it ensures program success and serve to program sustainability.

Understanding the importance of the concept of sustainability and its difference from the concept of program success is underdeveloped.

Based on the studies on sustainability and project management the following insights summarize the application of the concept: Sustainability is about integrating economical, environmental and social aspects in the management and delivery of projects. It stretches the system boundaries of the project management (Tufinio et al., 2013). Sustainability capacity building makes sure that the project will contribute to the business in the future.

Project and company sustainability is an upcoming feature in the business. It is aimed at improving the economic, environmental and social performance of companies. Many scholars have researched sustainable strategy; planning; reporting; stakeholder engagement; thus demonstrating increasing importance of this feature.

The original nature of SME’s allows related studies to research their processes, finds out gaps and weak points and provides them with clear recommendations for improvements in the sustainability area.

Both project management researchers and practitioners agree that PMO must be perceived as offering high value. Tasks and roles of PMO must be clear, understandable and acceptable. Trainings provided by PMO can ensure that all parties in the program understand PMO’s management and support functions throughout the program. This means that promoting its services and delivering awareness about its importance may increase PMO efficiency in the success of the program.

Differentiation between program risks and uncertainties on the one hand, and opportunities on the other hand, also their further skilled analysis may allow PMO to turn risks into business opportunities.

Outsourcing operations in PMO is considered as an option. External sources may add value to program success. Investigation of use of outsourcing PMO functions during the steps of implementation by organisations to sectors with more acculturated outsourcing need to be conducted (Martins and Martins, 2012, p.85).

Criteria and indicators of program success must be agreed and implemented as a set of measures for each phase of program lifecycle.
Role of PMO in the program success is defined and there are almost no disagreements about its importance. PMO can act as a supervisor by actively communicating using different tools. PMO must interact with program-related services and stakeholders in a clearly defined ways to fulfill its role of governance. “Clearly communicating and regularly monitoring governance, which is aligned to the program strategy, ensures better program results” (PMOSIG, 2011, p.44).

2.6 PESTEL Analysis for Georgia as the Background for SME Sustainability Study

The review of literature and information on political, economic, social, technological, environmental and legal aspects influencing the doing of business in Georgia is considered important for this study. Those factors create wider general background for making decisions on the longevity of projects and enables managers to plan for stable and sustaining businesses.

“A PEST analysis is merely a framework that categorizes environmental influences as political, economic, social and technological forces. Sometimes two additional factors, environmental and legal, will be added to make a PESTEL analysis, but these themes can easily be subsumed in the others” (Thompson and Martin, 2010, p.86). These factors significantly impact Georgia’s current performance as the country struggles to ensure human security, stable state institutions and the promotion of a more prosperous economy.

2.6.1 Key Indicators

Key Indicators for Georgia are derived from the World Bank data. These data is for the year 2013.

Area, 69 700 km²
Population Growth¹, % p.a. 0.9
Life Expectancy at birth, total (years) 74 (2012)
Urban Population, % 52.9
GDP (Current US$) $16.13 bln.
Poverty² headcount ratio at national poverty line (% of population): 14.8% (2012)

Footnotes: (1) Average annual growth rate. (2) Percentage of population living on less than $2 a day.
2.6.2 Political Analysis

Georgia is a country with an unstable democracy and undergoes many political, economic, social, technological, and legal challenges. Peaceful revolution in 2003 did not bring the country to smooth and democratic development. Most politicians, experts and scholars observed the signs of façade democracy and elite corruption during the nine years of ruling the country by United National Movement (UNM). Ownership rights were violated in line with other facts of abuse of power. Georgia was undergoing two contradictory waves: a) speedy and efficient reforms in all areas of political, economic, social and regulatory developments, aiming at defeating corruption at the lower levels of bureaucracy; and b) abuse of power in controlling and, sometimes, forceful transition of businesses to close allies of government officials, thus setting and applying the “rules” for elite corruption. Ease of starting new business was accompanied by the fear to lose wealth overnight.

Below, sources, which are important for analyzing opportunities and risks for sustainable development of business in Georgia are reviewed and discussed.

Government Stability. 2012 elections have ended the era of unilateral power of former ruling party. It became the well-structured, but yet destructive opposition. The new ruling coalition inherited extremely weak economy with weak business.

In June 2014 Georgia dealt with the elections of local municipalities. More freedom of political and economic decisions is granted to local authorities based on the editions in the Law.

The government has announced a broad reform programme, including ambitious plans on employment, healthcare, social protection, and agriculture.

In external relations, the government confirmed that Georgia’s pro-EU; pro-NATO orientation remains intact, which anchors its domestic reform agenda. Relations with Russia have improved in terms of re-establishing economic links but remain short of diplomatic ties (EBRD, 2013, p.8). Georgia signed the Association Agreement and Deep and Comprehensive Free Trade Agreement with the European Union in June 27, 2014.

Bureaucracy and Corruption Level. Antitrust Law. Competition Regulation. New government strives to root out the system of elite corruption by processing the court cases against former and acting government officials. Western political authorities call Georgian government to avoid political reasoning in those processes, instead – concentrate and apply the rule of law principles. New government works on the revitalizing and re-enacting of the
Rule of Law. Therefore, legal base for fair competition will be developed.

*Tax Policy: Rates and Incentives.* According to the ‘Doing Business in Georgia’ (The World Bank, 2013) globally, Georgia stands at 29 in the ranking of 189 economies on the ease of paying taxes. Georgia has best performance regionally or globally on the number of payments or the time required preparing and filing taxes.

Table 4. Tax Rates and Administrative Burden in Georgia (The World Bank, 2013)

<table>
<thead>
<tr>
<th>Payments (number per year)</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time (hours per year)</td>
<td>280</td>
</tr>
<tr>
<td>Profit tax (%)</td>
<td>14.3</td>
</tr>
<tr>
<td>Labor tax and contributions (%)</td>
<td>0.0</td>
</tr>
<tr>
<td>Other taxes (%)</td>
<td>2.2</td>
</tr>
<tr>
<td>Total tax rate (% profit)</td>
<td>16.4</td>
</tr>
</tbody>
</table>

*Trade Control.* Georgia is a member of World Trade Organisation (WTO) and is pursuing a liberal trade policy. Import taxes are imposed only on selected products such as construction materials and agriculture products. Tariff rates are the second lowest worldwide. There are no quantitative restrictions. Excise tax and Value Added Tax (VAT) of 18% apply equally to both imported and local goods and services.

Georgia reduced the time to export and import by creating customs clearance zones (one-window system). Details on the procedures related to import and export of products are described in the Table below.

Table 5. Procedures and Documents for Trading Across Borders in Georgia

<table>
<thead>
<tr>
<th>Documents to export (number)</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to export (days)</td>
<td>9</td>
</tr>
<tr>
<td>Cost to export (USD per container)</td>
<td>1,355</td>
</tr>
<tr>
<td>Documents to import (number)</td>
<td>4</td>
</tr>
<tr>
<td>Time to import (days)</td>
<td>10</td>
</tr>
<tr>
<td>Cost to import (USD per container)</td>
<td>1,595</td>
</tr>
</tbody>
</table>

Comparatively low income taxes and liberal legislation are viewed as important instruments to attract foreign investment. The country ranked 12th in 2010 (18th in 2007) and showed remarkably good figures in indicators like “Dealing with Construction Permits” (rank 7), “Registering Property” (2) and “Getting Credit” (15), whereas it continues to rank poorly on the important aspects of “Enforcing Contracts” (41) and “Paying Taxes” (61). Another
survey conducted by the World Bank shows to have one of the highest shares of shadow over formal economy (72%) among the 151 countries taken into consideration (BTI, 2012, p. 20).


*Government Involvement in Trade Unions and Agreements - Employment Law.* Ministry of Justice introduced a new Labor Code of Georgia where substantial amendments are made. New amendments promote protection of employees’ rights and prevent them from illegal dismissals from work. In two months after arriving a new authority in office, Ministry of Justice of Georgia started working on a new draft Labor Code. The elaboration of a new draft was undergoing with involvement and active participation of civil society. Georgia needs to undertake further steps for harmonization of national labor law with the EU standards.

*Environmental Law.* Georgia established a comprehensive legal framework for environmental protection in the 1990s. In this period wide-range corruption created problems with the enforcement of the legal norms. Later, liberalization of economic development initiated by the authorities since the Rose Revolution has led to some fatal consequences. Forests are poorly protected from environmental degradation. As a result of persistent elite corruption, almost 60% of the annual forest harvest (40% of Georgian territory is covered with forest) goes unrecorded. Official leasing contracts are, as a rule, short-term and do not provide any incentives for a sustainable use of resources (BTI, 2012, p.25). New government has attempts to amend the Law according to the state interests.

*Education Law.* Freeing up education from corruption (standard informal rates were applied for admission in the higher educational institutions) is the main achievement of Rose Revolution. However education and science still suffer with inadequate attention from the side of the government and there is no clear strategy for preserving the achievements of research and science institutions. Budgetary expenditure on education remained fairly stable at 3% of GDP and is very low even in comparison to other post-Soviet states. Georgia lacks clear strategy for utilizing human resources in the best efficient manner. This
creates no incentives to the part of young generation to go back to Georgia after graduation of prestigious high-ranking world educational institutions.

**Protection of Intellectual Property.** In 2011, within the framework of the EPF’s European Integration Program, a report: Implementation of European Neighborhood Policy Action Plan (ENP AP) for 2011 in Georgia: Assessment of Civil Society Representatives was prepared. Economic Policy Research Center has assessed the issue of Intellectual Property Rights in Georgia. Government formally fulfilled the main requirements of ENP AP 2011, taking steps toward the improvement of the legislation of intellectual property rights, the development of a copyright association, and raising public awareness.

**Health and Safety.** According to European Journal of Medical Research (EPMA) (Rukhadze, 2012). Launching the law on Public Health implicates the delegation of competences on different ministries and local governances within the public health and coordination of public health policy. Implementation role is assigned to the Ministry of Labor, Healthcare and Social Affairs.

The most important directions in the way of health care improvement were represented:

- Access to quality medical care
- Informing the Georgian population and medical society about the reforms
- Equal access to health care - especially to those living below the poverty line, residents of occupied territories, and people with disabilities, the rural population and prison inmates.

**Consumer Protection.** Food safety remains a problem in Georgia. Consumer rights are violated. The Centre for Strategic Studies and the Development of Georgia (CSRDG), runs a website where people can outline problems with goods they have bought. The site administrators check out the complaint and, in the case of foodstuffs get them checked at a laboratory, and then publish the results. Theoretically, consumers can take grievances to court, but the cost of doing so generally exceeds the price of the item purchased (Jvania, 2013).

### 2.6.3 Economic Analysis

“Economic conditions are influenced by politics and government policy; equally, they are a major influence affecting government decisions.” … “While economic conditions and government policy are closely related, they both influence a number of other environmental forces that can affect organisations” (Thompson, Martin, 2010, p.86).
Income inequality is one of the characteristics of Georgia’s economic and social life. Economy grows on the quite stable basis but large parts of the population remain uninvolved in the system of distribution of benefits from economic growth. As a consequence of the war and the international financial crisis, GDP decreased in 2009, but not as much as many observers had feared. In 2010, GDP growth was at 6.2% (see dynamic in the Table below).


<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP real growth, %</td>
<td>2.3</td>
<td>-3.8</td>
<td>6.3</td>
<td>7.2</td>
<td>6.2</td>
</tr>
<tr>
<td>GDP per capita, USD</td>
<td>2921.1</td>
<td>2455.2</td>
<td>2623.0</td>
<td>3230.7</td>
<td>3523.4</td>
</tr>
</tbody>
</table>

Despite economic growth, unemployment rates have been increasing since 2004. Harsh policy of getting rid of generations educated and employed before the Rose Revolution resulted in increase of unemployment from 11.5% in 2004 to 16.9% in 2009 (see dynamic in the Table below).

Table 7. Unemployment Rate in Georgia (Source: National Statistics Office of Georgia, 2013)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment rate, %</td>
<td>13.8</td>
<td>13.6</td>
<td>13.3</td>
<td>16.5</td>
<td>16.9</td>
<td>16.3</td>
<td>15.1</td>
<td>15.0</td>
</tr>
</tbody>
</table>

These dynamics of major macroeconomic indicators combined with high inflationary pressure on consumer prices and especially on food prices (13.4% by March 2011), resulted in negative public opinion about the relevance and effectiveness of economic reforms. Inflation rates are given in the Table below.

Table 8. CPI (Inflation) in Georgia (Source: National Statistics Office of Georgia, 2013)

<table>
<thead>
<tr>
<th>Annual Average to the Annual Average</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>109.2</td>
<td>109.2</td>
<td>110.0</td>
<td>101.7</td>
<td>107.1</td>
<td>108.5</td>
<td>99.1</td>
</tr>
</tbody>
</table>

Interest Rates. New government focuses on the administrative measures to encourage agriculture development. But banks or micro-finance institutions cannot be a realistic option for farmers because interest rates are high. Banks do not provide long-term loans. They offer higher interest rates (in comparison with the most developing markets) and this makes sufficient capital injections to SMEs unfeasible. Farmers as well as many Georgians living in rural areas are relying increasingly on store credits or small loans in order to buy daily life...
goods and food (BTI, 2012, p.18). The government has recently launched an $87.7 million dollar program to modernize Georgian agriculture.

Exchange Rates. The Georgian Lari is the currency of Georgia. Currency rankings show that the most popular Georgian Lari exchange rate is the TRY (Turkish Lira) to GEL rate. The currency code for Lari is GEL and it is quite stable throughout years (except FY 2008, in which Russia invaded Georgia). Trends of GEL to US Dollar and Euro are shown in the table below:


<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/GEL</td>
<td>1.6707</td>
<td>1.4902</td>
<td>1.6705</td>
<td>1.7826</td>
<td>1.6860</td>
<td>1.6513</td>
</tr>
<tr>
<td>EUR/GEL</td>
<td>2.2859</td>
<td>2.1886</td>
<td>2.3307</td>
<td>2.3644</td>
<td>2.3473</td>
<td>2.1232</td>
</tr>
</tbody>
</table>

Labor Costs. Companies in Georgia pay all labor taxes and contributions together with corporate income tax and turnover tax. At this stage there are no labor tax and contributions enacted.

Credit Availability. Access to credit is often still quite limited. Whereas credit is mainly concentrated in the retail trade and construction sector, agriculture remains underfunded.

Trade Flows and Patterns. Political aspects of trade are described in the Political part of this analysis above. In this part we provide numerical data for external trade of Georgia.

Table 10. External Trade (Source: National Statistics Office of Georgia, 2013)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External Trade Turnover</td>
<td>6444</td>
<td>7797</td>
<td>5634</td>
<td>6935</td>
<td>9247</td>
<td>10220</td>
<td>9681</td>
</tr>
<tr>
<td>Export (FOB)</td>
<td>1232</td>
<td>1495</td>
<td>1134</td>
<td>1677</td>
<td>2189</td>
<td>2377</td>
<td>2618</td>
</tr>
<tr>
<td>Import (CIF)</td>
<td>5212</td>
<td>6302</td>
<td>4500</td>
<td>5257</td>
<td>7058</td>
<td>7842</td>
<td>7064</td>
</tr>
<tr>
<td>Balance</td>
<td>-3980</td>
<td>-4806</td>
<td>-3367</td>
<td>-3580</td>
<td>-4869</td>
<td>-5465</td>
<td>-4446</td>
</tr>
</tbody>
</table>
Shares of the top trading partners in the exports and imports are given below in the graph:

Graph 1. Shares of the Top Trading Partners in the Exports and Imports (Source: National Statistics Office of Georgia, 2013)

Disposable Income. Disposable income averages to 84.8 percent of the gross income. This means that Georgians may save some about 10 percent of their income. The National Bank predicts growth of local consumption associated with the restoration of consumer confidence and reduced uncertainty (Kirtskhalia, 2013).

Trends of Disposable Income are shown in the below table:

Table 11. Gross Income, Consumption and Disposable Income (Euromonitor International, 2014)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Expenditure (US$ million)</td>
<td>9,110.4</td>
<td>11,193.3</td>
<td>11,990.7</td>
<td>12,398.9</td>
<td>13,113.8</td>
</tr>
<tr>
<td>Annual Gross Income (US$ million)</td>
<td>10,717.6</td>
<td>13,123.4</td>
<td>14,029.9</td>
<td>14,396.2</td>
<td>15,165.7</td>
</tr>
<tr>
<td>Annual Disposable Income (US$ million)</td>
<td>9,095.6</td>
<td>11,138.6</td>
<td>11,909.3</td>
<td>12,254.2</td>
<td>12,934.7</td>
</tr>
</tbody>
</table>

Monetary Policy. The monetary policy regime of the National Bank of Georgia is inflation targeting (National Bank of Georgia, 2014). This regime implies the announcement of an inflation target in advance. In the long run the desirable rate of inflation in Georgia is 3%. The main monetary policy instrument of the National Bank of Georgia (NBG) is the one-week refinancing loans that are disbursed to commercial banks on an auction basis. The NBG
actively uses other instruments as well, such as minimum reserve requirements; open market operations with certificates of deposit and treasury securities; standing facilities of overnight loans and overnight deposits; and guaranteed refinancing loans.

**Fiscal Policy.** Georgia has greatly improved fiscal management over the years. It has achieved success in increasing the revenue base. Expenditures were rationalized by using the medium term expenditure planning framework (MTEF) tools. The Small Business Administration (SBA) with the IMF projects brought additional fiscal consolidation in 2011 and beyond based on further improvement in tax policy and administration (Black Sea Trade and Development Bank, 2011, p.3).

**Price Fluctuations.** Changes in the exchange rate and nominal wages in Georgia along with seasonal price fluctuations are the major determinants of inflation in the country. Due to stable domestic currency, the price dynamics in Georgia during the last five years (2002-2007) has been determined mostly by the disturbances in the labor market (changes in nominal wages) and seasonal price fluctuations (Barbakadze, 2008).

**Stock Market.** Georgian Stock Exchange (GSE) - is the only organized securities market in Georgia.

**Weather and Climate.** Georgia has a warm, temperate climate. The Likhi mountain range divides the country into western and eastern halves, shielding the eastern part of the country from the influence of the Black Sea, and creating a continental climate. One should not expect any negative effects of weather and climate on business.

### 2.6.4 Socio-Cultural Analysis

**Health Consciousness.** Georgia’s National Center for Decease Control (NCDC) is providing rational amount of information and keeps the society’s healthcare awareness on the desirable level. However, quite significant number of population suffers from drug addiction; majority of both men and women are smokers. Propaganda of healthy life style works and more and more Georgians attend health centers.

**Education Level.** According to CIA, literacy level in Georgia is 100 percent. However, there are challenges in achieving the quality of education. They are discussed in the Political part of this report.

**Attitudes toward imported goods and services; product quality and customer service.**

**Buying Habits.** Georgians still prefer imported goods and services to domestic ones. This is due to two circumstances: 1) foreign products were hardly attainable during the Soviet
Union, and 2) domestic production is still underdeveloped and they are not of a satisfactory quality. However, trend of buying and consuming locally produced goods is increasing. Customer service becomes more refined.

*Population Growth Rate.* Population in Georgia has a decreasing trend over the past decade. Data in the table below apply.

Table 12. Population Growth Rate (CIA, The World Factbook, 2013)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>-0.59</td>
<td>-0.55</td>
<td>-0.52</td>
<td>-0.36</td>
<td>-0.35</td>
<td>-0.34</td>
<td>-0.33</td>
<td>-0.33</td>
<td>-0.33</td>
<td>-0.33</td>
<td>-0.33</td>
<td>-0.33</td>
</tr>
</tbody>
</table>

*Life Expectancy rates.* Life expectancy at birth has increased over the years in Georgia.

Table 13. Life Expectancy in Georgia (CIA, The World Factbook, 2013)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>64.57</td>
<td>64.67</td>
<td>64.76</td>
<td>75.62</td>
<td>75.88</td>
<td>76.09</td>
<td>76.3</td>
<td>76.51</td>
<td>76.72</td>
<td>76.93</td>
<td>77.12</td>
<td>77.32</td>
</tr>
</tbody>
</table>

2.6.5 Technological Analysis

Main achievement and progress in the technological development of Georgia is represented by the system of e-governance. This will significantly help both foreign and local businesses to stay connected with the advancements in state regulations and public administration.

The EU officially launched a new e-governance strengthening project in Georgia in December 2012. The project, a EUR 1.2 million endeavor, aims to develop and adopt information and communication technologies in the public services sector. Over the next two years, the Data Exchange Agency will be charged with helping Georgian public administration to improve its services, and “to facilitate an efficient, speedy and transparent dissemination of information to other public agencies and the public” (Warren, 2012).

Conducted research makes it obvious that Georgia is in urgent need for improvements in public sector policy and administration. Below summary of opportunities and threats under PESTEL analysis provide potential framework for further research on the opportunities of sustainable development of donor funded projects.
Table 14. Opportunities & Threats under PEST Analysis; Directions to Improvements
(Source: The Author)

<table>
<thead>
<tr>
<th><strong>Political</strong></th>
<th><strong>Economic</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Elections of local municipalities was carried out in a peaceful environment</td>
<td>1. Several Governmental economic programs are launched (especially in agriculture)</td>
</tr>
<tr>
<td>2. Directions on implementation programme for employment, healthcare, social protection, and agriculture are underdeveloped</td>
<td>2. Income inequality remains the problem</td>
</tr>
<tr>
<td>3. Targets for accomplishing tasks under EU membership requirements should be achieved</td>
<td>3. Unemployment level is high</td>
</tr>
<tr>
<td>4. Existing comprehensive legal framework on environmental protection shall be enforced efficiently</td>
<td>4. Interest rates are not attainable for farmers and small businesses</td>
</tr>
<tr>
<td>5. Efficient food safety regulations shall be developed and enacted</td>
<td>5. Trade balance is negative</td>
</tr>
<tr>
<td>6. Existing tax policy and trade control shall be fostered</td>
<td>6. Disposable income level may decrease</td>
</tr>
<tr>
<td>7. Freedom of media shall be supported further</td>
<td>7. MTEF tools need to be implemented</td>
</tr>
<tr>
<td>8. Amendments to Employment Law will be enacted</td>
<td>8. Stock market may remain underdeveloped</td>
</tr>
<tr>
<td>9. Amendments to Employment Law will be enacted</td>
<td>9. Rates of economic growth should remain stable</td>
</tr>
<tr>
<td>10. Inflation level is moderate</td>
<td>10. Inflation level is moderate</td>
</tr>
<tr>
<td>11. Business bears no costs for labor</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Social-Cultural</strong></th>
<th><strong>Technological</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ministry of Health to increase public awareness of risk-factors to the health</td>
<td>1. Economic agents to be involved in new system of e-governance</td>
</tr>
<tr>
<td>2. Quality of education to be addressed</td>
<td></td>
</tr>
<tr>
<td>3. Positive attitude toward domestic products to be developed</td>
<td></td>
</tr>
<tr>
<td>4. Healthy life-style to be promoted</td>
<td></td>
</tr>
<tr>
<td>5. Trust in bank services to be improved in order to increase savings as a source for investments</td>
<td></td>
</tr>
<tr>
<td>6. National attitudes to be considered in propaganda of LGBT</td>
<td></td>
</tr>
<tr>
<td>7. Demographic challenges to be addressed</td>
<td></td>
</tr>
<tr>
<td>8. Tolerance to religious minorities to be maintained</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 3: Research Methodology and Methods

3.1 Methodology Introduction
Methodology for this study will serve to the main objective of the research: capacity building and future long-run sustainability of SMEs operating under the support of European donor organisations. Research methodology will consist of well-approved research methods.

Research methodology is a systemic way to solve a problem. It is about describing, explaining and predicting particular set of phenomena. It is also defined as the study of methods by which knowledge is gained. Its aim is to give the work plan to research.

Research methods are the various procedures, schemes and algorithms used in research. Methods are planned, scientific and value-neutral. They include theoretical procedures, experimental studies, numerical schemes, statistical approaches, etc. Research methods help to collect samples, data and find a solution to a problem. Methods serve to the principle to accept only those explanations, which can be verified by experiments (Rajasekar et al., 2013).

As it was mentioned before, two research questions have been defined:

Research Question 1: Is there appropriate environment created around the SMEs and their projects funded by donor organisations in order to build local capacity and sustain businesses in the long run?

Research Question 2: What are the most appropriate actions/measures that shall be conducted by different actors to support sustainable development of businesses?

The below methodology and methods will address a) revealing of problems and 2) elaboration of recommendations for different stakeholders.

3.2 Research Design
3.2.1 Research Philosophy
In this paper, researcher will follow positivism by respecting the values of reason, truth and validity of information. Attention will be focused on facts, gathered through experience on the number of SMEs; the researcher plans to interpret information and data, which is framed, based on work experience; qualitative research methods will be used to avoid bias.
Qualitative research methods focus on discovering and understanding the experiences, perspectives, and thoughts of participants—that is, qualitative research explores meaning, purpose, or reality (Hiatt, 1986 cited in Harwell, 2011, p.148).

Creswell (2009, p.21) discusses qualitative approach as based on: “participatory knowledge claims, narrative design, and open-ended interviewing”. According to Creswell (2009, p.9), “qualitative researchers seek to understand the context or setting of the participants through visiting this context and gathering information personally. They also make an interpretation of what they find, an interpretation shaped by the researchers' own experiences and backgrounds”.

Principles of realism will strictly be followed, i.e., research will be conducted from different angles to understand the different perspectives that exist. Information will be gathered from all major stakeholders: managers and employees of SMEs; project managers/coordinators in the donor organisations; and government officials. Open qualitative interviews will be tape recorded; transcription will be drafted and attached to the research paper. Later, responses from various different organisational actors at all organisational levels will be interpreted and used to prepare recommendations.

“User-Friendly Handbook for Mixed Method Evaluations” developed by the Directorate for Education and Human Resources, Division of Research, Evaluation and Communication of the National Science Foundation (Frechtling et al. 1997) was successfully used. Part II provides an overview of qualitative methods and Analytic Techniques. Out of the three common qualitative methods – Observations, Interviews, and Focus Groups, interviewing was applied to collect qualitative data.

3.2.2 Research Approach

Research will be based on the study of literature on sustainable development; official/formal document studies; individual interviews with internal and external stakeholders; theoretical analysis; and data analysis.

“The process of qualitative research is largely inductive, with the inquirer generating meaning from the data collected in the field” (Creswell, 2009, p.9). This study is inductive, rather than deductive, i.e., is based on the author’s past experience, knowing the facts, specific instances and patterns of project developments, which are hindering sustainable development of projects. They will be generalized the statements about why many programs fail after donor disengagement will be drawn. This means that new theory will be built, rather
than testing existing theory, since there are no significant papers researching capacity building for sustainment in projects related to small businesses in Georgia.

3.2.3 Research Strategy

Strategy of direct approaching to and communication with program managers of donor and beneficiary organizations will be chosen; goals will be discussed; assistance in data collecting will be asked; and they will be ensured that the research will develop recommendations for their future activities in Georgia that will enable better efficiency and continuous sustainability of their programs.

Below assumptions will be made for research questions when approaching the donor institutions:

Assumption for research question 1: The existing regulations and economic circumstances create over-dependence on donor funds. Insufficient level of education and practical experience of local employees prolong dependence on the management skill-set of project coordinators from donor organisations. This has to be considered as main challenge by both parties.

Assumption for research question 2: Recipient organisations should be trained for and participate in the project management from the early stage of project life-cycle in order to be able to hold ownership, efficiently take-over, and maintain sustainability of achieved goals and benefits.

In fact, the researcher plans to follow Creswell (2009), who described six phases rooted in each research design that, cover all possible aspects of a study: (1) philosophical or theoretical perspectives; (2) introduction to a study, which includes the purpose and research questions; (3) data collection; (4) data analysis; (5) report writing; and (6) standards of quality and verification.

3.2.4 Selecting Respondents

There will be samples from two sides participating in the research: 1) donors’ side, and 2) recipients’ sides.

1) On the donors side there will be conducted comparative analysis of project funding and management policies of the major European donors in Georgia. EPF is the intermediary organisation for these donors in Georgia.
Coordinators of programs and projects related to small SEs will be approached and interviewed in order to get clear big picture.

2) On the recipients’ side there will be selected sample organisations funded by abovementioned donor agencies. Two types of samples are expected from the: a) enterprises where business activity was initiated and/or increased after assistance, and b) those, which ended up without tangible results. This will allow analyze the relevance of assistance and level of sustainability.

The organisation where researcher was working before her MBA – EPF – will provide all necessary support in obtaining information on the challenges during the project initiation, execution, disengagement, as well as post phasing-out period.

3.2.5 Research Ethics

According to Ricker (no date), “when concerned with the ethics of a research study, we are evaluating whether it would be right or wrong to perform the study. The evaluation is based on the costs (i.e., negative effects) and benefits (i.e., positive effects) experienced by all involved: research participants, researchers, and society (the ethical guidelines for psychologists are described in American Psychological Association, 2010).

Apparently, research almost always involves a conflict and dilemma between two sets of issues:

1. Ethical concerns. Research may cause people to experience distress, embarrassment, and other psychological harms;

Approach to this aspect of research will consider main principles of PMI® code of ethics and professional conduct (p.40, 67, 95, 96). The fact that the project manager understands ethical and moral values and acts accordingly will be respected.

Interpretation and analysis of all obtained data and information will be unbiased. The names of individuals will be mentioned in the study only with their permission.

3.3 Data Collection Instruments

Results of interviews with different stakeholders in donor organisations and beneficiaries will serve for the root-cause analysis. Interview questions will cover areas, which are critical for sustainability. Reports of donor organisations will be used as the source for secondary data.
If required, it is planned to ask for the letters from Dublin Business School to access organisations.

Face-to-face meetings will be used extensively as well as telephone conversations to acquire responses on the interview questions.

Voice recorder could be of a good help during the interviews. Important parts of transcriptions will be attached to the paper.

3.4 Data Analysis Procedures

“User-Friendly Handbook for Mixed Method Evaluations” provides instructions of qualitative analysis. Qualitative modes of data analysis represent ways of discerning, examining, comparing and contrasting, and interpreting meaningful patterns or themes. Meaningfulness is determined by the particular goals and objectives of the project at hand: the same data can be analyzed and synthesized from multiple angles depending on the particular research or evaluation questions being addressed. The varieties of approaches - including ethnography, narrative analysis, discourse analysis, and textual analysis - correspond to different types of data, disciplinary traditions, objectives, and philosophical orientations. However, all share several common characteristics that distinguish them from quantitative analytic approaches.

In quantitative analysis, numbers and what they stand for are the material of analysis. By contrast, qualitative analysis deals in words and is guided by fewer universal rules and standardized procedures than statistical analysis (Frechtling et al., 1997).

It is planned to research all potential reasons and consequences of the project failure after donor disengagement. Successful projects and less successful/failed projects will be identified; reasons will be studied and grouped/classified according to the areas of project management activities.

As discussed above, the findings will be based on open-ended questions, interview data, observation data, document data, and audiovisual data. This is almost full range of possibilities for data collection (Creswell, 2009, p.17). Therefore, analysis of all these data will allow revealing projects with lack of management and cases of mismanagement that resulted in negative outcomes.

Optimal level of interactions of foreign and local project-participants will be defined to avoid under- as well as over-estimation of the role of collaboration during the life cycle of the project.
End-goal of the data analysis is to develop recommendations for the major stakeholders of the projects and suggests Sustainability Division of Responsibilities among all sustainment actors ensuring all potential steps taken and actions performed for future sustainable development.

3.5 Limitations of Methodology

Program coordinators in donor organisations and managers of recipient organisations may hesitate to meet and discuss some topics, such as getting information on financial standing and/or SWOT analysis, strategic planning, etc. may be of serious challenge.

All efforts will be put to convince both parties that this research will serve to the goal of development of draft/sample Sustainability Division of Responsibilities for transitioning project benefits from donor to beneficiary organizations. It will contain the set of measures for outcomes (e.g., continuous operability of organisations; qualification of personnel; qualification of managers; quality of support activities (timely cost budgeting; procurement and deliveries; maintenance, etc.)). This metrics will help them to keep their hands-on the pulse of the program and continue successful activities after donor disengagement.
Chapter 4: Data Analysis and Findings

4. Research Findings

Introduction

This chapter draws links between research questions and findings. It also describes implications that these findings have for stakeholders of small businesses, particularly – social enterprises.

Potential actions for capacity building for sustainment, which may be developed by donors on the one hand, and beneficiaries, on another hand were researched.

Research of sustainability of businesses funded by EU countries was narrowed down to major SEs operating on Georgian market.

During the preparatory process research process was considering planning to apply Program Sustainability Assessment Tool (Appendix 1), but as far as sustainability as a concept is not understood appropriately, and sustainment as a set of activities is just at its early roots, using the abovementioned tool in current research unfortunately appeared unreasonable. This excellent tool and hope of much better performance of donor-funded organisations in terms of sustainable development provoke interest for further investigation of the given subject matter for the future study.

4.1 Environment Around the SEs Funded by Donor Organisations

Review of literature on PESTEL analysis done in the previous chapter helps understanding of general environment around the business in Georgia.

Intention in this part is to draw the big picture, which is created by particular stakeholders of SEs. Description of their activities is provided in the following part.

4.1.1 Major Donors and Other Stakeholders

Among the multilateral donors, the European Commission plays a special role given the importance of EU integration. Beyond extensive support in response to the crisis, regular development assistance is provided through the European Neighbourhood and Partnership Instrument at a level of EUR 20–30 million per year.
This part researched the areas relevant to first research question of the present dissertation. It inquires information about all parties involved in development of small social businesses in Georgia.

Core donors providing funds to Georgian SEs and intermediary organisations that administer donor funds are identified.

Many European donor organisations help Georgia in developments of several political, economic, and social areas thus supporting the country in establishing close ties with European values.

Of the many bilateral donors in Georgia, only a few countries provide more extensive development assistance. In the EU these are – besides Sweden – Germany and the Netherlands, both of whom, however, plan to end their bilateral development cooperation with Georgia in the coming years. Sweden will then probably be the only remaining major donor among the EU Member States. However, Germany does intend to continue its technical cooperation within the framework of its regional programme. Both the Baltic and other eastern European countries are active in Georgia, but they have limited resources. Besides the United States, the group of major donors outside the EU includes Japan and Switzerland (Government Offices of Sweden, 2013).

Based on the research, there were revealed parties that are interested in development of small SEs in Georgia. The scheme of stakeholders is provided below.

Scheme 1. Stakeholders of Social Enterprise Development in Georgia (Source: The Author)
Swedish International Cooperation Development Agency (SIDA)
SIDA is a core donor of the projects, which was studied. Sweden has developed strategy for cooperation with Georgia for 2010-2013 and it focuses on assisting Georgia to become a stable and democratic state with capable institutions for enabling further integration with the EU.

Eurasia Partnership Foundation (EPF)
EPF is one of the major players in administering grants from international donors. It aims to promote the development of SEs, as viable business model that operate primarily with social objectives as the ‘bottom line’ and which reinvests profits back into the social objectives of the business.

EPF believes that by harnessing for-profit strategies, mission-driven organisations serve as new engines of innovation, job creation and economic growth in the social sector.

“Bearing the scale of the problem in mind, EFP has launched a new program to introduce the concept of social enterprise among Georgian civil society and business organisations. After an extensive preparatory period, EPF will provide technical and grant assistance to support a small number of SE projects, which will serve well-defined target groups and create models for consideration and replication. EPF has partnered with the Prague-based Czech Fundraising Center in implementing SE activities” (EPF, 2014).

Together with British Council and the Center for Strategic Research and Development of Georgia, EPF organized the competition Students for Social Enterprise (additional information concerning the competition is available on the competition website: www.gosocialenterprise.ge). The goal of the competition is to promote SE concept among the youth and encourage involvement of students in SE development. Students will cooperate with NGOs that will support the development of a healthy civil society. The British Council and SIDA supported the project.

With the support from EPF eight SEs have been established in 2010 and continue to operate successfully. All of the enterprises offer high quality products and services at a reasonable price. More importantly, funds spent at these enterprises will help their beneficiaries, supporting job creation for and integration of the most vulnerable groups into the society.
Center for Strategic Research and Development of Georgia (CSRDG)

CSRDG also deals with administering grants provided to Georgia by different European and other international donor organisations.

CSRDG started new project on "Promotion of Social Entrepreneurship in Georgia" from September 2009 - Church Development Service funded it.

As well as similar projects on the EPF side, this project aims at introduction and promotion of SE concept in Georgia. It intends to support development of SEs; development of positive attitudes towards them; and generating supportive attitude among representatives of different sectors (Government, Civic, Business).

CSRDG intends to draw special attention to provision of qualified capacity building efforts (advanced trainings, tailored consultations) to the SEs.

CSRDG works with the governmental institutions in order to elaborate positive approach and evaluation of social entrepreneurship and take supportive role in their development. It also provides technical assistance and informational support to the enterprises.

CSRDG conducts study of social entrepreneurship experience in other countries, especially in countries, where governments support SEs; appreciates their ability to increase employment and opportunities; and offer innovations. The results of study and experience are shared to the Georgian stakeholders and other interested parties. CSRDG has clear idea about countries, where social entrepreneurship is supported by the state (e.g. UK, Canada, USA); and where picture is close to Georgian (Eastern Europe, former Soviet Baltic Countries).

CSRDG performed the baseline study to successfully advocate SEs. Study revealed third sector organisations, which already have successful experience of business. The agency organizes round table meetings with stakeholders; plans to develop the concept of state support to SE development; and intends to create and popularize positive cases of SEs. In terms of technical and financial support advanced trainings and tailored consultations are planned to be provided; and small amounts for development will be granted.

Georgian Government

According to the decision from February 13, 2014, Enterprise Development Agency was established in order to promote and support start-up, small- and medium-sized businesses and the export potential of the country. The Enterprise Development Agency will be integrated in the system of Ministry of Economy and Sustainable Development of Georgia as legal entity
of public law. Even this fact with its date indicates on how fresh the idea of support from the government to SMEs and SEs is in Georgia.

The Enterprise Development Agency is to promote enterprise and export development in terms of both financial and enterprise skills. It will offer consultation, educational and technical assistance to entrepreneurs both legal and physical persons, prepare industry and export related surveys, provide information to export oriented legal and physical persons and cooperate with international and donor organisations.

The Agency will prepare strategy for entering into the new markets, promote business and export development and ensure other functions for promotion export potential of the country.

The Enterprise Development Agency will start operating in the near future (Ministry of Economy and Sustainable Development of Georgia, 2014)

Tbilisi City Hall contributes to the development of SEs. Since 2011 within the framework of the joint initiative of EPF and Tbilisi City Hall social enterprises have a chance to obtain funding in the form of grants from the foundation and cheap credit from the Local Business Development Program (information is available at http://tbilisi.gov.ge).

**NGOs and Social Enterprises**

Georgia is striving to build a strong civil society. Non-Governmental Organisations (NGOs) play decisive role in this effort (World Intellectual Property Organisation, 2014). NGOs in Georgia do not have sustainable resource streams and are mostly reliant on foreign donors. They see grant funding as their only potential income source. NGOs lack the ability to build programming which in most cases is not relevant to their local communities. This is the result of quite vicious practice of looking for the upcoming grant opportunity without reasoning at the best utilization of their skill sets or expertise. The public, local government, local businesses, other stakeholders are not well informed about NGOs’ activities, and thus NGOs are ‘losing’ them as viable partners or funding resources. Smaller or start-up NGOs (even if they have good will to help in areas where the problems are more critical) often are not competitive when they apply to international donors, because usually they completely lack experience or have poor program design skills.

Many NGOs have insufficient information about funding opportunities. They are unable to develop holistic approach to strategies. They try to become self-sufficient by performing income-generating activities. Only in this case it could be possible to better
engage beneficiary populations. Lack of management skills, knowledge and expertise are resulted in the poor performance on self-sufficiency. The lack of project design is also an issue on the way of serving more beneficiaries.

Increasing number of NGOs in Georgia is interested in setting up SEs. This means that SEs do not have any separate legal status.

This current year EPF invited nongovernmental organisations that are located in Tbilisi and are interested in setting up social enterprises (SE) to take part in the competition Students for Social Enterprise, organized jointly by the British Council and CSRDG, to register for the competition and exhibit their interest/willingness for setting up social enterprises.

The competition provided a chance for NGOs to obtain funding from EPF additional optional funding from Tbilisi City Hall’s Local Business Development Program in the form of cheap credit.

SEs are incorporated in the organisational structure of NGOs. This makes it easier for SEs to get grants through NGOs, but on the other hand, there is confusion about the management. Future sustainability of SEs remains uncovered and appears outside of planning and management of NGO as well as SE itself.

As noted above, the legal form of a social enterprise is challenging. In most countries social enterprises are not formed as separate legal entities.

Georgian legislation does not have “social enterprise” and its definition and consequently, there are no special regulations in place. It is allowed for a non-profit organisation to run for-profit activities. Profit must be used for the development of organisation and achievement of its goals. Profit shall not be distributed to donors, founders, members, and management team.

Organisation chooses which legal form matches best to its business activity. In Georgia, SEs pay taxes as regular Ltds do, thus putting an organisation running an enterprise in a discriminative regime.

However, the new Tax Code (enacted on January 1st, 2011) changed this approach and now dividends paid to resident companies are not subject to withholding taxation and are not further included in taxable income.
Society and IDPs, PWDSs, Homeless Children

Society in Georgia is deeply polarized according to political beliefs. Even at current stage of democratic development people are expressing sympathy to each other mostly having into mind political “belonging”, i.e., if one knows that another individual has the same political taste, then he/she is more supportive and helpful to that person. This is also true about IDPs, PWDSs, and even homeless children.

Unemployment and all negative economic consequences create another set of problems to the big part of the society and there is almost no room for social solidarity.

These are challenging roadblocks to the efficient delivery of messages on the concept of SEs, development of successful businesses, and sustainable outcomes after donor disengagement.

4.2 Qualitative Data Analysis and Findings

Following the directions researched and agreed by academia, mass of data has to be organized and somehow meaningfully reduced or reconfigured (Miles and Huberman, 1994).

As Patton (1990) comments: Applying guidelines requires judgment and creativity. Because each qualitative study is unique, the analytical approach used will be unique.

As noted in the Methodology part of the dissertation, all steps of qualitative analysis – data collection, data reduction, and data display in cross-case exhibit were performed and are applied to the research.

4.2.1 Sustainability as Complex Subject Matter

Understanding of concept of sustainability and the ways of its applicability were found even more complex for interviewees than that it was assumed before the study. Two major players in project life cycle and its sustainability – funding organisations and recipients/beneficiaries, were selected as target groups. Of course, funding organisations are very well aware about the importance of future capacity building. As for the managers of SEs, it was needed first to suggest to them sharing of some preliminary knowledge about terms and concepts of ‘capacity building’ and ‘sustainability’, to then be able to ask specific questions under the steps of sustainment and get answers on them.

During the study, there was a potential challenge caused by different levels of understanding about the subject matter. “When in-depth interviews are being considered as a
data collection technique … There may be a large gap between the respondent’s knowledge and that of the interviewer” (Frechtling, 1997).

To sum up, small explanatory sessions helped bringing interviewees on the same page with the goal of study and then interviews went in a smooth and productive way. All managers expressed their gratitude for additional understanding of preconditions for efficient capacity building and future sustainability.

4.2.2 Interviewing for Qualitative Research of the SEs’ Current Stance on Sustainability

Interviews served for qualitative research of activities aimed at capacity building in SEs with the end-state goal of sustainability of their businesses. Two donor organisations and four SEs were interviewed and studied.

Donor organisations – EPF and CSRDG – eagerly agreed to the interview. Understandably, they are well aware that any kind of research activity may turn for them in valuable conclusions, solutions and recommendations. So, interview setting was business oriented, academic and productive without any disruption and other problems, which could lower the quality of received information.

On the other hand, there were different attitudes and approaches expressed from the side of SEs managers. Managers at donor organisations were intentionally interviewed first, because starting from receiving more comprehensive initial information was the intention; and second, the goal was to ensure getting more reliable information from SEs managers given the fact that donor organisations had already been interviewed. Although managers of SEs knew about the received interviews with their donors, only two out of four agreed to meet without any hesitation and delays. Manager of the third organisation kindly invited to take a tour of his business and then answered the interview questions. We met at the enterprise, but afterwards he could not find any other solution than talk in the street. Besides this fact, fortunately, audio-record is of very good quality and its full transcription was easily made (all transcriptions are attached). One other manager said that she was very busy with writing proposals for other grant competitions, asked for the interview questions; questions were sent by email but she never responded back. Though, she answered the phone, we set up time for telephone interview and her responses were well recorded.
4.2.3 Depth of Information Received from the Interviews

All interviews are recorded on tape from the permission of the participants. The goal of the in-depth interview is to elicit rich, detailed material that can be used in analysis (Lofland and Lofland, 1995).

Two sets of interview questions were developed and used: one for donor organisations, and another – for beneficiaries.

4.2.3.1 Interview Questions for Donor Organisations

Two core donor organisations providing grants to SEs were being interviewed. These are EPF and CSRDG. Brief description of their activities is provided in part 4.1.1 of this chapter.

Questions for donor organisations (Appendix 2) intended to check whether beneficiary businesses are always waiting for another upcoming announcement for grant competition to get some additional resources, or rather, they put all efforts to build self-sustainability.

As expected, interview procedure with donor organisations appeared much smoother.

Document consists of questions and covers several areas. Reduced data for qualitative analysis is provided in the below Exhibit.

Transcripts of interviews with donor organisations EPF (Appendix 3) and CSRDG (Appendix 4) are attached.

Exhibit 1. Matrix of Cross-Case Analysis Linking Donor Activities and Areas Relevant to SEs Sustainability Capacity Building (Source: The Author)

<table>
<thead>
<tr>
<th>Areas of Research</th>
<th>Eurasia Partnership Foundation (EPF)</th>
<th>Center for Strategic Research and Development of Georgia (CSRDG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core donors and co-funding organisations</td>
<td>EPF and CSRDG are grant administrators. SIDA is the major donor for EPF. There are total of eight programs currently operating under social enterprises. First three of them are funded solely by EPF; Humanitarian Center “Abkhazia” is partnering with EPF and co-financing grants for IDPs. As for the loans, only one grantor – studio “Hera” used this opportunity and received loan from the bank. One more company – “Svanuri Marili” (Svanetian</td>
<td>According to CSRDG requirements company should be social or community organisation. Organisations apply for the grants but understanding of sustainability is the issue here. CSRDG evaluates applications often realizing that there will be no value from funding the organisations, because at some point of development project will be seriously challenged. There are some directions of funding; especially this is an employment</td>
</tr>
</tbody>
</table>
Salt) – received TBC Bank (private bank) loan in partnership with Tbilisi Municipality in the scope of cheap credit. This was an initiative of Tbilisi City Hall on co-financing. 6% of interest rate was used for co-financing and this was the only case of using this instrument. 2,000 GEL (EUR 1 = GEL 2.31) was the upper limit for the loan.

In 2011 EPF has started cooperation with the local municipality. Many small business companies applied to use the so-called “cheap loans”. Amount of the loan was 100,000 GEL, plus GEL 15,000 free grant from EPF. On the one hand, from the legal point of view social enterprise was registered as an Ltd without any credit history because it was founded by NGO. Social enterprise itself is something new for the bank and it views SE as a start-up business and therefore – potentially failed one. Although there was an agreement between EPF and the bank that applications were to be analyzed by EPF and sent to the bank for further approval process, still procedures appeared unclear and not workable. On the other hand, there were some misunderstandings and not timely responses from the recipient of the grant, entire process has taken quite a long time but finally they received the loan.

Of course, it is better if the enterprise has co-financer, but in the most of the cases CSRDG is the only provider of grants to particular SEs. CSRDG encourages them to find some other donors; provide 10,000 grants and ask for 10% self co-financing. European Union provided 3year grant to International Arts Center “Istoriali” to support establishing small enterprises working on the folk arts. Two directions: shops and places where enterprises are

| Stakeholders          | Local municipality (government), bank, EPF, students (because project was developed together with students) were stakeholders. Many famous businesses like Magti (mobile provider) were involved. The jury also had NGOs on the panel, because proposals were viewed from both aspects – projects and businesses. This undertaking became now annual. It has started in 2012. Next year many more successful businesses as well as university students will be involved from the | Of course, it is better if the enterprise has co-financer, but in the most of the cases CSRDG is the only provider of grants to particular SEs. CSRDG encourages them to find some other donors; provide 10,000 grants and ask for 10% self co-financing. European Union provided 3year grant to International Arts Center “Istoriali” to support establishing small enterprises working on the folk arts. Two directions: shops and places where enterprises are |
starting phase. Big mobile provider companies like Magti and GeoCell will participate and contribute with sponsorships.

| Trainings for sustainability | All grantors were provided five-day intense training under cooperation scheme with Czech company. The grant competition was announced two times. In both cases two things were considered: a) SE is a new business entity, and b) managers have no experience of leading the business. All grant competitions were closed, i.e., managers were selected for training, and only after this grant competition was processed. Selected candidates were provided trainings. First component of the training cycle was “Social Enterprise As a Concept”, second component introduced “Business Planning and Marketing”. This was general approach, which was aiming at further support in business management and organisation. All project managers are provided with at least 1 training.

In addition, CSRDG has a consulting program on social enterprise and almost all grantors received either training or consultation. The problem: potential grantors are not really interested in acquiring knowledge. Rather, very often their only interest is getting the grants. This was the issue in CSRDG’s case too. Trainings and consulting service at CSRDG is free of charge. All managers shall use this advantage, because they cannot afford any other type of trainings. Unfortunately, attendees are not really reasoning at gaining of knowledge, rather – future possibility of applying and winning the grant competitions, i.e., CSRDG was giving priority to those who attended their training. If CSRDG found that social

| Organized for tourists workshops. Economic development and improvement is the main end-state goal. CSRDG’s donor for small social enterprises is German donor organisation Bread for the World. | CSRDG provides trainings. Day one: social entrepreneurship (quite hard for them); Day two: marketing, business plan. When announced grant competition, VSRDG tries to encourage those who already attended the trainings, but did not like any proposals. Other funding organisations working on the social enterprises also invite CSRDG to provide trainings for them. During the life cycle of the project, CSRDG monitors businesses; provides trainings two times a year and also provides free individual legal consulting services. |
| Support from the government | Enterprises experience difficulties in management of staff and/or other resources, they help them with training or consultation. | From EPF side this is a grant. It is against the law to grant funds for economic activities. But in this case, does not matter if it is Ltd or some other legal entity, because in fact amount granted by EPF is considered as funding under the contract and those beneficiary organisations are taxed on the regular basis. Because social enterprise as such does not exist in Georgian legislation, the process of regulation is as follows: beneficiary is an Ltd established by NGO, and then it is indicated in the charter that this is a social enterprise, i.e., concept of social enterprise is defined in the charter. Thus, this is a grant from SIDA, funding for NGO. EPF requires these organisations to have cash machines to manage their business. It is simpler in case of Ltd, because they are more independent in their economic and financial activities. In case of SEs there is some potential challenge of confusion of activities between NGOs one the one hand, and enterprises, which are created inside of their structure, on the other hand. | CSRDG lawyer prepared draft concept of the law, invited social entrepreneurs, had a two-day discussion, and adjusted draft according to their suggestions. This draft does not suggest cutting the tax. Rather, it defines social entrepreneurship. The only advantage in this draft is that social enterprises will have privileges to avoid some starting/initial costs of their business, like construction of entrances for disabled, etc. At this moment there is no chance to differentiate social enterprise from regular business and grant them special preferential duties or reduced taxes. |
| Participation and Ownership | This depends on the level of maturity of the organisation. There are enterprises, which just wait for EPF monitoring. On the other side, there are organisations, which are proactive and permanently seek for innovations. Society does know almost nothing about social enterprise. There is serious lack of awareness. | Organisations are not really enthusiastic at providing data for performance evaluation. Although they have all dates indicated in the agreement, CSRDG still needs to make a call and remind. At some point, one can understand them: they deal and are busy with several different projects at a time. There is a lack of ideas: café, folk arts, and greenhouse are the only businesses people want to run, revenues are low and it is hard to sustain the business in the long run. |
| Skills of resource management; Capacity Building | In general SEs lack skills because they do not have experience of | CSRDG provides grants for inventory and equipment. Grant is |
running the business. This is a big problem. They have neither theoretical nor practical background for simple marketing processes. This is a roadblock to success. They do not have enough financial resources to place order on TV ads, but they could do simple things for promotion of their products. SEs roots are in NGOs where they did not need likely things to think about and do. EPF thinks of one initiative. That is, to organize meetings of managers of enterprises with students of business department. Although students do not have any practical experience, it may work well for enterprises if EPF links their theoretical knowledge with experience of managers. EPF tries to cooperate with professors to add topics on the management of social enterprises in their curricula.

<p>| Business ties | “Will do”; “Will establish partnership” – these are SEs general phrases. | SEs lack proactiveness in looking for the ways of establishing long-lasting business relationships, e.g., becoming other businesses’ suppliers, etc. Is this because of scarcity of financial resources, or they think that they shall/should have customers and pretty good volume of sales just because they are social enterprises who employ socially vulnerable people? CSRDG tries to pursue the attitude among social entrepreneurs that they should promote their goods not based on who works there but rather according to the quality that they offer. Good example of such attitude is one café in the central area of Tbilisi employing mentally disabled individuals. Café has a very nice design; delicious food and foreigners often visit the place. That business is not highly profitable but it is self-sufficient and stable. CSRDG helped with writing the business plan and then they found private funding sources. |
| Plans for efficient input-output/ | N/A | CSRDG helps to evaluate risks; it... |</p>
<table>
<thead>
<tr>
<th>Resource-outcome management</th>
<th>Organization structure and management</th>
<th>Budget transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>resource - outcome management</td>
<td>Some of them do have org structure, others – do not. There is project manager, who actually performs functions of the manager of enterprise. Some functions exist separately and are clarified, such as marketing, distribution, accounting, etc. Still, organizational structure is very weak for two reasons: 1) enterprises are very small (8 to 10 employees) and people often perform interchangeable roles; and 2) they lack discipline inside the organisation.</td>
<td>Because they are accountable to EPF, this part is more or less organized. Though, there are some rare cases, when they just call or write and say that “we sold”, or “paid salaries”. Responsibility of being accountable to the government makes this field of SEs activity much more organized. The legal form (Ltd) itself makes them accurate in accounting. It is a ‘must’ situation and they need to have everything in a good order. EPF periodically asks questions to make sure everything is in compliance with procedures. EPF is interested in what and for how much they sold; what is the revenue; what they intend to do with it, etc. EPF asks these questions to encourage them to re-invest and make their business sustainable.</td>
</tr>
<tr>
<td>cannot help with overcoming all challenges. Sometimes it is hard to convince them. CSRDG expects other parties to get involved, i.e., experienced businesses; government bodies (Ministries), etc.</td>
<td></td>
<td>In fact, they are accountable to the two parties – donors and government. They keep accountability on the document level. CSRDG forms two-year contract, it includes monitoring as well as all kind of consultations. Contract terms oblige them and they are requested to submit summary account at the end of two years. CSRDG provides consultations.</td>
</tr>
</tbody>
</table>

4.2.3.2 Interviews with Beneficiary Organisations

Four SEs’ managers were interviewed. First part of interview questions for beneficiary organisations is general, consists of seven questions and aims at acquiring information about funding and co-funding agencies; support from the government and justifiability of taxation;
sufficiency of provided and desired set of trainings; organisational structure; supporting and challenging factors; stakeholders; and ideas about potential changes.

Summary responses are provided in the exhibit below.

Exhibit 2. Matrix of Cross-Case Analysis Linking General Preconditions of Sustainability and Achievements of the SEs (Source: The Author)

<table>
<thead>
<tr>
<th>General Preconditions for sustainability</th>
<th>Social Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tanadgoma (PWDSs)</strong></td>
<td><strong>Car Wash (Street Children)</strong></td>
</tr>
<tr>
<td>Funding and co-funding organisations</td>
<td>Core – EPF; International Women’s Association – Georgia (IWA-Georgia)</td>
</tr>
<tr>
<td>Government support; Taxation</td>
<td>Neither support, nor challenges from government; Rather than tax exemption, prefer to appear on the priority list of government and get orders</td>
</tr>
<tr>
<td>Training</td>
<td>Sufficient at the start-up; trainings in business and marketing are desired.</td>
</tr>
<tr>
<td>Management; Organisational structure</td>
<td>Operate under NGO; no formal org. structure;</td>
</tr>
</tbody>
</table>

Sometimes employees do not understand value of training and manager “forces” them to attend. Would wish to have them on the regular basis.
Second part is much more sustainment-specific, consisting of set of questions under the six steps to project sustainability. Steps follow below:

Step 1: Sustainment Vision Clarification
Step 2: Determining what needs to sustain
Step 3: Building Collaboration
Step 4: Choosing Sustainability Strategies and Methods
Step 5: Developing Action Plans
Step 6: Documenting and Communicating Success

Key data of these SEs and key findings on capacity building and potential future sustainability are provided below:
Name: Gori Small Bakery
Description: Bakery employs internally displaced persons (IDPs), mainly women affected by the 2008 August war. Everyone can find something they would like to try from the tasty menu offered at a reasonable price.
Project Manager: Phati Bukhrikidze
No. of Employees: 8-10
Grant Start Date: January 2010  End Date: March 2012

1. **Sustainment Vision Clarification.** Formal group with action plan is created. Organisation considers itself as a successful sustaining business, which is able to pay for all charges and have profit. Has written actions according to mission. Shares them with partners, supporters, and potential donors. Conducts SWOT analysis every 6 months. Benefits were clearer at the starting phase of the project. The first target group consisted internally displaced women and young persons, but then SE expanded and involved also other socially vulnerable segments.

2. **Determining what SE wants to sustain.** Organisation conducted market study and analysis and tries to follow these results to achieve the goal. Priority is to control strong and weak points and identify risks. Organisation focuses on market, market research, and marketing skills; gathers information and acts according to the trends. Other SEs often visit management to get information and knowledge, because organisation went through all steps, starting from forming as independent legal entity and ending with getting to some clear stage of sustainability. Major partners are aware of the goals and changes and their input is taken into consideration. Unfortunately, those who have resources to support this enterprise, lack appropriate approach to them, i.e., they consider it as well developed and often refrain from providing funds.

3. **Building collaboration.** Organisation has long-term partners, but looks for more stable partnership; uses all opportunities to establish and maintain contacts; sends messages about activities, distributes flyers to get parties interested. These are society, businesses and state officials. No real work is conducted on identification of roles and responsibilities of key partners.

4. **Choosing Sustainability Strategies and Methods.** Challenges are controlled. A resource generally is a hard issue. Organisation looks for sources and plans in order to get maximum benefit from them. Of course, government does not provide funds. International organisations often place orders.
5. Developing Action Plans. Detailed yearly budget is developed. Information on annual revenues, salary costs is submitted to EPF. Revenues cover organisational costs, office costs, etc. Social Enterprise was re-formed into Ltd and generated revenue is enough to self-sustain. Calculations on required resources are done and accordingly plan of activities is developed. Organisation actively participates in tenders announced by government and successfully wins. HR management plan draws ways to improvement of qualification and retraining of employees. Clear parameters for hiring personnel are in place. Information is distributed through social networks.

6. Documenting and Communicating Success. Plan is in place, which needs to be updated every six months. Special group of people do agree on the changes. Bank of ideas is created and they are used according to the relevant periods of time. SE has clear indicators of progress; follows regulatory changes; of course, has unexpected costs and try to be flexible in adjustments; know about indicators above which unexpected costs are not justified and lead to financial failure. Rare changes are made to the plan. Interested parties are always updated on the progress.

**Name: Crafts Workshop - Ikorta**

Description: Ikorta employs IDP women who produce various traditional Georgian crafts. Recently they extended their area of production and work on enamel, which is sold locally at the workshop as well as in Tbilisi shops.

Project Manager: Nana Chkareuli

No. of Employees: 8-10

Grant Start Date: February 2010  
End Date: June 2012

1. Sustainment Vision Clarification. No particular document but there is separate group of people in the NGO with whom we reviewed the strategy on enamel. Regular monthly meetings, discussions though no document on future activities. End-goal: sustainability and improvement of well-being. SWOT analysis conducted. Enamel line will be followed. No flow chart. Eight employed women are main stakeholders.

2. Determining what SE wants to sustain. Retain at least two women. Enamel is a priority. International Culture Center and CSRD both announced the tender, plan to apply for one of them. All have same problems; EPF provides opportunity to share
experience. Try to communicate with stakeholders and take their ideas into consideration.

3. **Building collaboration.** No stable partners. Trying to establish contacts. International Arts Center may be considered as partner as well as CSRDG who provides consultations Partners with EPF. Expect society to support. Elected officials shall provide legislative support. Stand far from political parties. Purchased the space for Internet shop; have FB page.

4. **Choosing Sustainability Strategies and Methods.** Finances remain a challenge. Retention of skilled workers also is a potential risk. No developed strategies for evaluating and promoting project success and plans for achieving maximum visibility for sustaining project activities.

5. **Developing Action Plans.** No detailed idea about calculations and budget. Will register business as Ltd and have more accurate accountability. Unexpected changes are not considered a threat, because business is small. If the government changes legislation, create Social Enterprise as a separate legal entity, assign special status, and enact separate regulation with preferential duties, business would develop and sustain much easier. Evaluation system is implemented and conducted every six months. No planned communication with partners.

6. **Documenting and Communicating Success.** No written plan for sustainability. Employee evaluation system is developed and this can become one component for sustainability. Increase of sales and revenue and acquiring own niche is the future picture of “sustainability success”. Business is open to all stakeholders aiming at spreading the word and developing positive social attitudes. Consider international organisations operating in Georgia, experts and interested parties on IDP issues, society, political parties, students, etc. as audience for organisation.

**Name: Library and Cultural Center for Persons with Disabilities (PWDS) – Tanadgoma**

Description: Souvenir-Publishing Enterprise employs people with different disabilities. The enterprise not only offers souvenirs including felt toys and accessories, but also provides printing (business cards, documents, printing on tissue bags), copying, binding, and laminating services.

Project Manager: Inga Sharikadze

No. of Employees: 4-5
1. Sustainment Vision Clarification. No formal or informal group working on sustainability, nothing has been done on the vision development since proposal submission. Work only on business line – prints on T-shirts caps, cups, etc. Dependent on orders; No written document for getting desired results after the life of grant, just providing information to EPF. It usually contains approach on getting additional resources. No clear SWOT analysis; No flow-chart drafting relationships between resources, activities and outcomes; PWDSs are getting most benefits.

2. Determining what SE wants to sustain. Started with activities in several directions but then strong and weak points were identified. Strong directions were kept; Equipment for maintaining and sustaining strong points/priorities were purchased; Three options to share ideas and experience: 1) Meetings organized by EPF; 2) Different trainings where we meet each other; and 3) Private meetings and discussions. Visegrad countries’ experience is shared about the status: some of the first grantees formed Ltd; some of them – NGO, and others retained the same status as organisation does have so far. Personal point: when business starts as a non-profit organisation, it is better to start directly as an enterprise rather than using NGO principles. Getting input on priorities from beneficiaries is important.

3. Building collaboration. Some orders from the World Vision, Save the Children, and CSRDG helped, but cannot count on their continuous cooperation. Product itself does not allow planning for sales in advance. Expect support from society. Never planned for ties with other potential partners. Perform periodic promotional activities, thus keeping partners informed about progress.

4. Choosing Sustainability Strategies and Methods. No challenges identified to sustain business; International Women’s Association helped with purchasing materials and small equipment; no other potential resources identified so far; worked on the offer from EPF and CSRDG on sharing experience and resources by involvement of university students in businesses. But SE did not express enthusiasm, just submitted application. Never followed up. Pay insufficient attention to development; rather, is concentrated on actual performance. No strategies for evaluating and promoting project success; never thought of visibility for sustaining project activities.

5. Developing Action Plans. Calculations were done at the starting period, but they were not reasoning at working in the long run. The only hope on sustainability may be
based on the equipment that SE owns and some small stock of materials. Workers are valuable resource. Political and economic changes do not affect business because it is not a big player. Cannot plan for sustainability because no system is in place. No/weak system of communication with partners.

6. **Documenting and Communicating Success.** No written sustainability plan. No systems for collecting and analyzing data on sustainability. Manager thinks they know how to become successful and sustainable: could sustain if they were not depended on orders, but rather, had long-term partners for whom they can produce. Success was shared with stakeholders during the grant cycle; there are fewer opportunities now. Consider potential funding agencies or individuals as important audience.

**Name: Car Wash – Healthy Environment**

Description: Car Wash employs street children. The enterprise offers car wash and dry-cleaning services, and keeps children away from the streets.

Project Manager: Guga Iashvili

No. of Employees: 6-8

Grant Start Date: January 2010  End Date: March 2012

1. **Sustainment Vision Clarification.** No written vision, goals, results. No plans after the life of the grant. “Excuse” – small scale. Unexpected road construction close to the location is considered as an only threat. No flow chart. Street children are main beneficiaries, but cannot live under any strict schedule.

2. **Determining what SE wants to sustain.** Main activities as well as additional potential activities are identified; not prioritized; sharing lessons learnt with other SEs but never discussed sustainability; no substantial communications with partners (partners even not identified clearly).

3. **Building collaboration.** Retention of business partners is difficult. Now have 10 permanent customers against 22 until recently (change of location played negative role). Business is not important enough to involve parties such as community, public, elected officials, etc. When approaching potential partners, SE feels some aversion and mistrust because of the persons employed there. Sometimes they even hide that they are SE. Only EPF is updated.

4. **Choosing Sustainability Strategies and Methods.** No real challenges identified; Applied for grant to purchase small equipment, but didn’t get it; No real partners are
involved; EPF organized meeting with all grantees. All of them expressed almost the same concerns. No formal plan for improvement of management, staff, partner, and other stakeholders. Specific approach to management through patience, explanation of tasks and encouragement.

5. Developing Action Plans. No formalized budget; Revenue is considered as the only reliable source for funding; No hope on and consideration of government funds; No clear system of management of HR and other resources; FB with 1400 friends.

6. Documenting and Communicating Success. No written plan for communicating success; No system for collecting and analyzing data on sustainability; No clear set of ideas on sustainability capacity building; No updates provided on sustainability goals to staff, community, funders, etc. EPF-organized meetings are the only place for sharing lessons learned and success stories.

Interview questions for beneficiary organisations (Appendix 5) and full transcriptions (Appendices 6, 7, 8, 9) are attached to the thesis.
Chapter 5: Conclusion

This chapter addresses the results of study conducted around research question 1. It is stated in the Methodology chapter and sounds as follows: Is there appropriate environment created around the SMEs/SEs and are their projects funded by donor organisations able to build local capacity and sustain businesses in the long run?

Findings and data analysis chapter tested the assumption for research question 1, which is stated as follows: The existing regulations and economic circumstances create over-dependence on donor funds. Insufficient level of education and practical experience of local employees makes it difficult/impossible to maintain business after the end of grant and achieve long-term sustainment.

Results of findings and data analysis are translated into conclusions in this part. Study allows drafting conclusions in three dimensions: 1) government perspective, 2) donor perspective, and 3) recipient organisation (SE) perspective.

5.1 Government Perspective

Two ministries in Georgia – Ministry of Finance and Ministry of Economic and Sustainable Development – lead activities on covering the gaps and resolving the issues related to entrepreneurship, small business and related regulatory reform. So far, there are serious areas, where government needs to take proactive role. Such deficiencies in governing the small business are as follows:

- No single definition of SMEs which is used across all public institutions; The main definition used for statistical purposes, is stated in the Law on Georgian National Investment Agency;
- No particular institutional arrangements have been placed for SME, and especially and particularly, SE policy and guidance;
- Until now line ministries communicated with each other on an ad hoc basis and this seemed to be a functioning mechanism for coordination of activities within the framework of only joint public projects;
- No SME strategy. Though, State Strategy for Regional Development of Georgia for 2010-2017 states its support for the development of innovation, new technologies and entrepreneurship as one of its objectives (OECD et al., 2012)
Until 2012, nine years before the change of ruling party, Georgian economy was suffering from monopolies in all major areas. “Unfortunately, monopolistic economy has great inertness, our aim is to overcome the inertness in the short term and manage to create competitive environment. Since Cartel agreements exists and there is no competition agency, a group will be set up at the Ministry of Economy and Sustainable Development of Georgia” (Ministry of Economy and Sustainable Development of Georgia, 2012).

Just recently Georgian Government has started considering small business as an important and valuable component of the economy. State program Produce in Georgia was launched on 1st of June (Ministry of Economy and Sustainable Development of Georgia, 2012).

Based on these developments it may be assumed that small businesses and social enterprises will be devoted much more attention from the government of Georgia.

5.2 Donor Perspective

From the donors perspective, there are significant amount of efforts made for the development of social enterprises. Positive undertakings may be described as follows:

- SIDA helped Georgia with grants under The Swedish Cooperation Strategy for Georgia 2010-2013, which was focused on supporting Georgia’s path towards a stable and democratic state with functioning institutions that will allow further integration with the EU, and particularly, on one of the sectors – market development (Government Offices of Sweden, 2013).

- EPF and CSRDG administer grants provided by different European donor organisations to Georgia;

- EPF cooperates with co-funding organisations, state agencies and commercial banks to make the process of financing the SEs smoother and more productive, thus helping SEs in coordination with stakeholders;

- EPF and CSRDG provide trainings, funded site visits, meetings, seminars and workshops for SEs aiming at sharing and distributing knowledge and experience;

- EPF takes steps to contribute to the development of skill-set for resource management and capacity building among managers of SEs by involving students with their theoretical knowledge;
- Both EPF and CSRDG and their regulations keep SEs accountable on their activities. In addition, CSRDG provides consultations in financial operations in order to help them in proper accountability before the state institutions.

Although SEs managers are getting the substantial support, there still are some gap areas. These shortcomings on the side of funding organisations may be summarized as:

- The lack of initial attention to the ability of SE to sustain business after the end of project life-cycle under the grant, i.e., questions related to topics on “understanding of sustainability”, “value from funding the organisation” need to be addressed when organisation applies for the grant and decision has to be made;

- No direction and support is provided for development of written documents on long-term vision, mission and plan for sustainment;

- The lack of involvement of SEs in the meetings at all levels, where compliance to the state regulation; short- and long-term collaboration with stakeholders; ownership and participation; training; management; budget transparency and/or other important areas are discussed and decisions are made;

- Post-factum notification about the decisions may cause inability to follow, negative attitudes, and/or just unwillingness to comply with the directions of funding organisations;

- No service similar to Project Management Office (PMO) is established for tracking progress achieved in SEs. No evaluation tool for sustainment is in place.

In the meetings with project managers during the research period, they asked to share outcomes of the research.

5.3 Recipient Organisations (SE) Perspective

NGOs in Georgia have the potential to implement a social enterprise concept. Although Georgian legislation does not directly regulate social enterprises, there are relevant regulations about non-profit, for-profit organisations, and entrepreneurship.

SEs are enthusiastic to help different communities by employing people belonging to them. Though, they still need to add significant amount of knowledge and practices to their capacity in order to become self-sustainable.

At this stage of their development, SEs face several challenges, such as:
- Lack of information and skills to communicate with organisations planning to provide grants for SEs;
- Lack of continuous training, provided from donor organisations; and at some instances – unwillingness to attend trainings;
- Lack of business organisation skills: no organisational structure and clear division of tasks in place;
- No SE out of four which were researched has written mission, vision statements, action plans and any kind of document for self-sustainment in the considerably longer period of time;
- Heavy dependence on the orders with weak attempts to promote their products; weak/no marketing strategy;
- Inability to set priorities (naïve reliance on the society’s “understanding” that IDPs, PWDSs, and other vulnerable segments shall be supported);
- Weak approach to the challenges for sustainability, e.g., retention of skilled personnel;
- Considering their business as very small, and therefore not significant player on the market, managers do consider any changes and do not put any effort to become bigger and stronger. No developing action plans are in place.

All the above conclusions regarding activities of the three major stakeholders of the small community business in Georgia provides background understanding for developing recommendations for sustainment capacity building.
Chapter 6: Recommendations and Future Intentions

This chapter addresses research question 2 stated in Methodology part and is stated as following: What are the most appropriate actions/measures that shall be conducted by different parties (funding organisations and recipient organisations) to support sustainable development of businesses?

This part also tests the assumption for research question 2, formulated as follows: Recipient organisations should be trained for and participate in the project management from the early stage of project life-cycle in order to be able to hold ownership, efficiently takeover, and maintain sustainability of achieved goals and benefits.

Recommendations are based on identified actors, their responsibilities, and actions that they shall to perform. This part aims at providing clear sample of how responsibilities shall be divided to achieve the goal of self-sufficiency in the short run, and sustainability in the long run.

In the context of this research three major sustainment actors are identified. These are:

1. Georgian Government providing administrative support in terms of proper regulation and taxation system.
2. Donor organisations.
3. Social Enterprises – recipients of donor support take efforts for future sustainment of the projects by taking early organisational improvements and financial responsibilities.

Below activities by those three actors are recommended.

(1) Sustainment activities by government. In order to further develop, stimulate social entrepreneurship, strengthen their capabilities, and achieve long-term sustainability, it is recommended that special tax regulations for social enterprises be implemented. This will enable them to become eligible for certain tax exemptions and simplified accounting rules. Generally, it is Government’s responsibility to take care of and protect socially vulnerable part of its population. It would be logical, if the government takes actions to direct its focus to SEs who employ IDPs, PWDSs, street children, etc.

(2) Sustainment activities by donor organisations. There is a fallacy about successful recipient organisations: grant is thought and considered successful if beneficiary organisation
maintains project and keeps itself operational throughout the grant project life-cycle. Project managers at donor organisations are getting reports with detailed accounting data, organize meetings, site visits, seminars thus fulfilling their responsibilities. Rather, it is recommended that donor organisations set the end-state goals, benchmarks and timelines for step-by-step capacity building and development, and then check all activities against those parameters together with SE managers. Planning for and organisation of training is significant contributor to sustainment. Project managers at donor organisations need to discuss areas where beneficiary organisations lack knowledge and practical experience, discuss all details with SE managers, and plan for training.

Sustainment activities by social enterprises. Once almost all SEs are incorporated in to the NGOs’ structures, improved self-sufficiency and sustainability of social entrepreneurship is a precondition of successful business activities of NGOs in Georgia. Proper planning for capacity building and long-run sustainability of SEs will make NGOs less dependent on international donors and become more proactive to advance and serve the needs of their communities.

Sustainment activities on the SEs side should cover:

- Resource planning and management;
- Administration of enterprises;
- Organisational structure;
- HR management (appropriate staffing and retention);
- Financial management/budget planning;
- Communications;
- Sales management, maintenance management and procurement strategy

Fields of Activities by beneficiary/recipient organisations for capacity building is recommended as follows:

Step 1: Assess the total financial requirements of the small business projects under the grant:

- Staff salaries
- Administrative requirements
- Equipment maintenance
- Communication
- Materials procurement
- Sales management
Step 2: Assess the potential future after-the-end-of-grant resources including those generated from sales.

Step 3: Determine the gap between the two

Step 4: Develop a budget plan

Step 5: Provide information, training and clear capacity building directions to personnel and stakeholders.

Another option for set of sequence steps that may be followed for achieving sustainment is given in the below Tree Diagram. This diagram serves for developing the division of responsibilities among main sustainment stakeholders.
All detailed responsibilities that shall be performed by the three actors are provided in the below. It is recommended that they use this format to coordinate their sustainment activities.
Table 15. Sustainment Division of Responsibilities for Projects Funded by Donors in Georgian SMEs/SEs (Source: The Author)

<table>
<thead>
<tr>
<th>Sustainment Category</th>
<th>Description of Activities</th>
<th>Responsible</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainment Vision and Strategy Building</strong></td>
<td>Set up formal sustainability group across SEs</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Set goals and desired outcomes during and after the project life-cycle with clear timelines for achievement of sustainability as an end-state goal</td>
<td>Donor; SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Develop flow chart showing the relationship between resources, activities and desired outcomes.</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coordination with GoG on ongoing/ upcoming changes in political, legislative, and economic changes</td>
<td>Donor; SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify stakeholders who benefit the most from the project</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Priority areas for Sustainability</strong></td>
<td>Identify business priorities for achieving sustainability</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organisation of discussions on success stories and lessons learned</td>
<td>Donor; SEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communication with stakeholders on priorities</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Collaboration</strong></td>
<td>Start identifying all potential partners at early stage of project life-cycle</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify roles and responsibilities of key partners and their benefits for active involvement</td>
<td>Donor; SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Set up mechanism for keeping partners updated on capacity building</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategies and Methods for Sustainability</strong></td>
<td>Identify potential risks and challenges for sustainability that should be addressed</td>
<td>Donor; SE Management; GoG</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify potential contribution from partners and resources with what they may support</td>
<td>Donor; SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Develop strategies for evaluating and promoting project success</td>
<td>Donor; SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Developing Action Plans</strong></td>
<td>Develop detailed budget with all needs after grant ends</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify potential funding resources according to the budget</td>
<td>SE Management; SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Develop system of resource allocation according to the potential changes</td>
<td>Donor; SE Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Documenting and Communicating</strong></td>
<td>Develop formal document for sustainability plan</td>
<td>Donor; SE</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify channels to communicate with your audience</td>
<td>SE Management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Chapter 7: Self Reflection on Own Learning and Performance

Introduction
This chapter includes the discussion and self-reflection on my experience during the entire MBA course, particularly – the writing process of this dissertation.

This chapter will incorporate my personal experience during the process – reflection on learning, reflection on writing, and reflection on sources, as well as reflection on dissertation formulation. Later I will discuss my strengths and weaknesses, which I discovered throughout the process and skills acquired during this period of time. The chapter will be concluded by reflecting on future application of skills acquired and developed during the year of MBA.

7.1 Personal Experiences
7.1.2 Reflection on Learning Process
I used Honey and Mumford’s (1986) Learning Styles Questionnaire that is design to find out learner’s preferred learning style(s). This tool was provided in the Personal and Professional Development class during the MBA course.

Diagram 3. Learning Cycle (Source: Honey and Mumford (1986))

After completing the Questionnaire my high score was 16 for Reflector and second highest - 13 for Activist. Despite the fact that I had developed learning habits over the years, I
did not have clear idea about my stance. This questionnaire helped me identify my learning preferences, which in turn helped throughout the entire course.

According to the questionnaire results, below descriptions of reflectors and activists are provided:

Reflectors: “These people learn by observing and thinking about what happened. They may avoid leaping in and prefer to watch from the sidelines. Prefer to stand back and view experiences from a number of different perspectives, collecting data and taking the time to work towards an appropriate conclusion.”

Activists: “Activists are those people who learn by doing. Activists need to get their hands dirty, to dive in with both feet first. Have an open-minded approach to learning, involving themselves fully and without bias in new experiences.”

To reflect on the changes in my learning styles during the entire MBA course and especially during dissertation writing process I re-took the test and filled in the questionnaire. Surprisingly for me, this time I got the highest score for Activist, which means that I have changed significantly. Instead of reflecting and thinking about what happened I started acting.

7.1.3 Reflection on Writing Process

To reflect on the writing process of the dissertation, I would go back to the beginning of the course in September 2013. All the subjects taught and assignments given were designed in such a manner that led to the logical conclusion as form of dissertation.

In the first semester, for the assignment for Research Methods 1, I had to think about an interesting topic for me. I came up with a subject matter that I had already worked on in the past years. I had some information and experience in working with donor organization in Georgia. However, I had never looked deep at beneficiary organizations’ ability to achieve self-sufficiency during the grant project life-cycle and sustain the business after the end of grant. I realized that I wanted to go in such a depth into this subject matter. I thought it would be very interesting to look at this topic from the project management point of view. I contacted my former colleague, who is directly working on this program at Eurasia Partnership Foundation and asked him few questions to make sure that beneficiary organizations as well as donor organizations and government could benefit from my intention to research the long-run sustainability of SMEs, and particularly – Social Enterprises. This helped me in setting the future research questions.
7.1.4 Reflection on Use of Sources

The assumptions I made before starting to write about what information would be available, did not change much. For the primary data collection, I expected that I would get initial information from an interview with donor organization – EPF, and contact information about the funding of recipient organizations – from my colleagues at EPF. Some sources of information were unexpected, such as interview with a representative of another donor organization – CSRDG. On the other hand, I had gathered readings, articles, books, etc, which were up-to-date, most of them were published after 2010. However, in the writing process I discovered that it was not enough and I had to go beyond and find additional reading sources.

7.2 Strengths and Weaknesses

7.2.1 Skills Acquired and Developed

It is always hard for one to appraise him/herself. However, reevaluating, reconsidering and reassessing the values, beliefs, and skills is the matter of professional and personal maturity. The entire MBA course has given me enormous experience, knowledge and confidence for better future career as well as managing personal life.

I acquired skills, which I thought would take ages. I have developed the following skills. I would start with communication skills. All professors, especially Project Management professors, were drawing the attention and stressing on the importance of communication for successful completion of a project. I improved time and self-management skills, which I always lacked during my BBA as well as in my everyday life. I noticed significant improvement in interviewing skills. I had no such experience, I started out poorly, but at the final stage I was able to get as much information as possible out of the interviewees. I collected enormous amount of data, selected relevant part of it, and later analyzed for the conclusion and recommendation parts of the dissertation. As for writing skills: I thought I had them, but it turned out that I needed developing more of academic writing skills. I became capable to apply the tools, which were taught during the MBA course into practice. All of these skills are required in today’s fast-pacing world as well as for “surviving” in this environment.
7.3 Conclusion

Throughout the reflection section, I have made a case for how the experience has stimulated my personal growth. As I mentioned above, I have gained the self-confidence about being able to do much more. In the future, I plan to use as much as I can from what I learned from this experience. First, I plan to study hard and register for PMP Certification. I also looked at the job opportunities from a different angle after this research. For instance, when I worked at Eurasia Partnership Foundation (the donor organization), I never looked at the sustainability issues before. After this completing this thesis, I looked at the big picture and I got the idea of how the system works, where are shortcomings, and how they shall be addressed. At this stage of my career, I would like to explore more opportunities at different organizations in order to play my part in better development of this sector.

This is my strong belief that knowledge and experience that I gained, will serve as a path forward to my future more interesting job, personal relationships and other aspects of my life.
Bibliography


Sustainability of Projects in Small Business Development after Donor Disengagement (Case of Georgia)


Appendices

Appendix 1 (Program Sustainability Assessment Tool)

For each statement, circle the number that best indicates the extent to which your program has or does the following things ('Program Sustainability Assessment Tool', 2013).

<table>
<thead>
<tr>
<th>Environmental Support: Having a supportive internal and external climate for your program</th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Champions exist who strongly support the program.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The program has strong champions with the ability to garner resources.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The program has leadership support from within the larger organization.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The program has leadership support from outside of the organization.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The program has strong public support.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding Stability: Establishing a consistent financial base for your program</th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The program exists in a supportive state economic climate.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The program implements policies to help ensure sustained funding.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The program is funded through a variety of sources.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The program has a combination of stable and flexible funding.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The program has sustained funding.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Partnerships: Cultivating connections between your program and its stakeholders</th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Diverse community organizations are invested in the success of the program.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The program communicates with community leaders.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Community leaders are involved with the program.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Community members are passionately committed to the program.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The community is engaged in the development of program goals.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Organizational Capacity:** Having the internal support and resources needed to effectively manage your program and its activities

<table>
<thead>
<tr>
<th></th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The program is well integrated into the operations of the organization.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Organizational systems are in place to support the various program needs.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Leadership effectively articulates the vision of the program to external partners.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Leadership efficiently manages staff and other resources.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The program has adequate staff to complete the program’s goals.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Program Evaluation:** Assessing your program to inform planning and document results

<table>
<thead>
<tr>
<th></th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The program has the capacity for quality program evaluation.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The program reports short term and intermediate outcomes.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Evaluation results inform program planning and implementation.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Program evaluation results are used to demonstrate successes to funders and other key stakeholders.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The program provides strong evidence to the public that the program works.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Program Adaptation:** Taking actions that adapt your program to ensure its ongoing effectiveness

<table>
<thead>
<tr>
<th></th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The program periodically reviews the evidence base.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The program adapts strategies as needed.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The program adapts to new science.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The program proactively adapts to changes in the environment.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The program makes decisions about which components are ineffective and should not continue.</td>
<td>1 2 3 4 5 6 7 NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Communications: Strategic communication with stakeholders and the public about your program

<table>
<thead>
<tr>
<th></th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The program has communication strategies to secure and maintain public support.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>2. Program staff communicate the need for the program to the public.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>3. The program is marketed in a way that generates interest.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>4. The program increases community awareness of the issue.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>5. The program demonstrates its value to the public.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
</tbody>
</table>

Strategic Planning: Using processes that guide your program’s direction, goals, and strategies

<table>
<thead>
<tr>
<th></th>
<th>To little or no extent</th>
<th>To a very great extent</th>
<th>Not able to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The program plans for future resource needs.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>2. The program has a long-term financial plan.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>3. The program has a sustainability plan.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>4. The program’s goals are understood by all stakeholders.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
<tr>
<td>5. The program clearly outlines roles and responsibilities for all stakeholders.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td>NA</td>
</tr>
</tbody>
</table>

Program Sustainability Assessment Tool v2

Rating Instructions
Once you have completed the Program Sustainability Assessment Tool, transfer your responses to this rating sheet to calculate your average scores. Please record the score for each item (1-7), or write “NA” if you were not able to answer.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Environment Support</th>
<th>Funding Stability</th>
<th>Partnerships</th>
<th>Organizational Capacity</th>
<th>Program Evaluation</th>
<th>Program Adaptation</th>
<th>Communications</th>
<th>Strategic Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Appendix 2 (Interview Questions for Donor Organizations)

1. Is it only EPF/CSRDG that is funding the Social Enterprises? If not, who are other donors?
2. Are these grants from only EPF/CSRDG or there are any cases of co-financing?
3. Who are stakeholders?
4. Who was providing trainings to project managers? If no trainings were provided, then how sustainment will be achieved?
5. Are there any problems and/or hindering factors in regulation of social enterprises? Do you think that legislation supports long-term sustainability of the projects? Are there any other roadblocks?
6. Government is a serious stakeholder. At what extent it supports social enterprises? Are there any preferential duties for such enterprises?
7. Do managers feel themselves the owners, i.e., do they look for the ways of development and success, or do they just wait for the control from your side and this is why they follow accurate accountability?
8. Do they have skills and capabilities for managing resources and people? Do you provide any help in this?
9. Do enterprises collaborate with stakeholders? Do they have suppliers? Do they have any companies to whom they supply their goods?
10. Do they have any considerably long-term plans to adjust available resources to their goals? Do you provide support?
11. Do they have organizational structure? Are roles and responsibilities formalized and assigned even at the simple level?
12. Budget transparency – is the control from the side of donors the only way to keep them accountable?

Appendix 3 (Interview – EPF)

Q. Is it only EPF that is funding the Social Enterprises? If not, who are other donors?
A. The program of Social Enterprise development is dealt by EPF and CSRDG (Center of Strategic Research and Development of Georgia). SIDA (Swedish International Development and Cooperation Agency) is the major donor for EPF. I will provide my responses on the latter.

There also are some donors who intend to finance a few minor short-run programs.

EPF has not conducted any program evaluation so far.

Q. Are these grants from only EPF or there are any cases of co-financing?
A. There are total of eight projects funded under social enterprises program. First three of them are funded solely by EPF; Humanitarian Center “Abkhazia” is partnering with us and co-financing grants for IDPs. As for the loans, only one grantor – studio “Hera” used this opportunity and received loan from the bank. One more company – Svanuri Marili (Svanetian Salt) – received TBC Bank (private bank) loan in partnership with Tbilisi Municipality. This was an initiative of Tbilisi City Hall on co-financing. Six percent of interest rate was used for co-financing and this was the only case of using this instrument. Two thousand GEL (EUR 1= GEL 2.31) was the upper limit for the loan.

In 2011 EPF has started cooperation with the local municipality. Many small business companies applied to use the so-called cheap loans. Amount of the loan was 100,000 GEL, plus GEL 15,000 free grant from EPF.

Because this project had to be managed by municipality, it was quite a big scale endeavor and big number of applicants expressed their willingness to be involved. Unfortunately, information was not delivered properly, i.e., primary information was not provided through municipality and all the burden fell on EPF. Finally, only “Svanuri Marili” – proposal prepared together with students was funded.
Another problem emerged because this was a precedent and all parties experienced confusion. EPF had the agreement with the Tbilisi City Hall and all banks were involved. Applicants had not had to explain all the details to the banks. In case of the student competition, the agreement between bank and municipality was considering this amount as a public fund, but the bank was making the decision to allocate the money and therefore it was not clear how active rules and regulations of lending money could be generalize and work for social enterprises. On the one hand, from the legal point of view social enterprise was registered as an Ltd without any credit history because it was founded by NGO. Social enterprise itself is something new for the bank and it views social enterprise as a start-up business and therefore – the failed one. Process became very complicated on the bank’s side, besides the fact that the project manager has quite extensive business and personal history. Finally, SE received the loan of GEL 10,000. There was lack of communication between bank, municipal service and the EPF. Although there was an agreement between EPF and the bank that applications were to be analyzed by EPF and sent to the bank for further approval process, still procedures appeared unclear and not workable. On the other hand, there were some misunderstandings and not timely responses from the recipient of the grant, entire process had taken quite a long time but finally they received the loan.

Loans for the social enterprises are small. They do not have business experience, loan history and therefore, no one of them will get standard amount of loan.

Q. Who are stakeholders?
A. In this particular case (Svanuri Marili) local municipality (government), bank, EPF, students (because project was developed together with students) were stakeholders. Many famous businesses like Magti (mobile provider) were involved. The jury also had NGOs on the panel, because these proposals were viewed from both aspects – projects and businesses.

This undertaking became now annual. It has started in 2012. Next year many successful businesses as well as university students will be involved from the starting phase. Big mobile provider companies like Magti and GeoCell will participate and contribute with sponsorships.

Q. Who was providing trainings to project managers? If no trainings were provided, then how sustainment will be achieved?
A. All our grantors were provided five-day intense training under our cooperation scheme with Czech company. The grant competition was announced two times and in both cases we were following the below scheme: having into mind two things a) SE is a new business entity, and b) managers have no experience of leading the business, all grant competitions were closed, i.e., managers were selected for training, and only after this grant competition was processed. We were decreasing the risk of winning such proposals where managers already were well aware of the details.

Selected candidates were provided trainings. First component of the training cycle was “Social Enterprise As a Concept”, second component introduced “Business Planning, Marketing, etc.”. These were general approaches, which were aimed at further support in business management and organization. All project managers are provided with at least one training.

In addition, CSRDG has a consulting program on social enterprise and almost all grantors have received either training or consultation. The problem in such undertakings is that potential grantors are not really interested in acquiring knowledge. Rather, very often their only interest is related with getting the grants. This was the issue
in CSRDG case too. Trainings and consulting service at CSRDG is free of charge and in my opinion all managers shall use this advantage, because they cannot afford any other type of trainings.

Unfortunately, potential grantors attended trainings not really reasoning at gaining of knowledge, but future possibility of applying and winning the grant competition. Point here is that CSRDG was giving priority to those who attended their training.

Also, CSRDG provides consulting service in the scope of grants. If they observe that social enterprises experience difficulties in management of staff and/or other resources, they help them with training or consultation.

**Q. Are there any problems and/or hindering factors in regulation of social enterprises? Do you think that legislation supports long-term sustainability of the projects? Are there any other roadblocks?**

**A.** From our side (EPF) this is a grant. If we go into details, according to Georgian legislation, it is against the law to grand funds for economic activities, but in this case does not matter if it is Ltd or some other legal entity, because in fact amount granted by EPF is considered as funding under the contract and those beneficiary organizations are taxed on the regular basis. Therefore, because grantors (Ltd and/or NGO) conduct economic activities, they are subjects to taxation under Georgian regulations.

Because social enterprise as such does not exist in Georgian legislation, the process of formation of such legal entity is as follows: beneficiary is an Ltd established by NGO, and then it is indicated in the charter that this is a social enterprise, i.e., concept of social enterprise is defined in the charter. Thus, this is a grant for SIDA, financing for NGO, and we follow this process.

EPF requires these organizations to have cash machines to manage their business. It is simpler in case of Ltd, because they are more independent in their economic and financial activities. In case of social enterprises there is some potential challenge of confusion of activities between NGOs one the one hand, and enterprises, which are created inside their structure, on the other hand.

**Q. Government is a serious stakeholder. At what extent it supports social enterprises? Are there any preferential duties for such enterprises?**

**A.** EPF never conducted advocacy of these activities. Only at the end of 2013 we created working group involving Ministries working on these aspects of small businesses as well as NGOs having social enterprises inside of their structures. We are in much more active phase in this direction of advocacy during this current year. We mean concept promotion under advocacy. Last meeting was organized at the end of June 2014. After long discussions and debates we came to the conclusion that although there are some countries where social enterprises perform their activities based on the agreements, Georgia cannot be the one of them. It would be much better to have some formal document. Therefore, we submitted draft project of the concept of social enterprises. This is critical because we work in this direction last five years and many interested parties expressed their interest, such as NGOs, donors, government, etc. Having clear concept definition is very important because so far understanding about social enterprise is completely different at different levels and with different players.

**Q. Do managers feel themselves the owners, i.e., do they look for the ways of development and success, or do they just wait for the control from your side and this is why they follow accurate accountability?**

**A.** This depends on the level of maturity of the organization. There are enterprises, which just wait for EPF monitoring. At the same time we have organizations, which are proactive and permanently seek for innovations.
Sometimes these ideas are close to absurd. E.g., we had one proposal asking for funding one space where all goods created by social enterprises will be sold. This cannot be profitable simply because society does know almost nothing about social enterprise.

Q. Do they have skills and capabilities for managing resources and people? Do you provide any help in this?

A. In general they lack skills because they do not have experience of running the business. This is a big problem. They have neither theoretical nor practical background for simple marketing processes. This is a hindering factor to success. It is understandable that they do not have enough financial resources to make TV ads, but they could do simple things for promotion of their products. EPF does not provide trainings, but whenever I try to talk with them on very obvious (from general point of view) things, I guess that they are far from its understanding. This is the result of the fact that their background comes from NGOs where they did not need likely things to think about and do. Only one person – George Akhmetely, who suddenly appeared in the wheelchair, previously had business experience, established social enterprise and runs it with considerable success. We think of one initiative. That is, to organize meetings of managers of enterprises with students of business department. Besides the fact that students do not have any practical experience, it may work well for enterprises if we link their theoretical knowledge with experience of managers. We try to cooperate with professors to add topics on the management of social enterprises in their curricula.

Q. Do enterprises collaborate with stakeholders? Do they have suppliers? Do they have any companies to whom they supply their goods?

We have organizations, which manage well and those who are not capable to do this. For example, some of them can cooperate and become suppliers to each other. But so far we fail to create the system of collaboration.

Q. Do they have any considerably long-term plans to adjust available resources to their goals? Do you provide support?

As mentioned above, we organized meeting with social enterprises. The goal of the meeting was to encourage them to share their experience and lessons learned. How they came to date and how they are planning to move forward was one more topic for discussion on the agenda. Unfortunately, it is evident that they do not have any formal plans. Only one organization has expanded its activities from audio CDs to multi-books (illustrates books by animations). I cannot tell you that they performed 100% according to the project plan, but based on the actual facts, they adjusted their activities to the needs of customers and have plans for the future. If I generalize, I would say that for the majority (if not all) of managers ongoing period, as well as post closeout period of the projects made clear where opportunities are and which directions they may choose in the future. It is also an optional consideration, that some of them may come up with decision that this business is not interesting for them and simply cannot continue with it.

The EPF start-up resource was considered as enough for the beginning of any kind of business. We were aiming at change(s) in the mentality. Only few of them appeared able to adjust to such new approach.

I can bring up the example of positive change: CSRDG announced the grant competition for the amount GEL 2,000-2,500 (EUR 1 = GEL 2.31) for the social enterprises. Here, instead of applying for the grant to purchase stationary, they applied for the amount to purchase additional equipment for further development and sustainability of their business.
The Association of Young Economists has involved in this activity and they were planning to fund start-ups with 2,000 GEL. We discussed and explained to them that this amount is not enough to start the business and rather, it would be much better to finance already existing enterprises for clear economic and business activities (as it was actually done by CSRDG), they liked the idea and agreed to proceed in this direction.

**Q. Do they have organizational structure? Are roles and responsibilities formalized and assigned even at the simple level?**

Some of them do, others – do not. There is project manager, who actually performs functions of the manager of enterprise. Some functions exist separately and are clarified, such as marketing, distribution, accounting, etc. Still, organizational structure is very week for two reasons: 1) enterprises are very small (8 to 10 employees) and people often perform interchangeable roles; and 2) they lack discipline inside the organization.

**Q. Budget transparency – is the control from the side of donors the only way to keep them accountable?**

Because they are accountable to us, this part is more or less organized. Though, there are some rare cases, when they just call or write and say that “we sold”, or “paid salaries”. But responsibility of being accountable to the government makes this field of their activity much more organized. The legal form (Ltd) itself makes them accurate in checks and balances. It is a ‘must’ situation and they are to have everything in a good order. We periodically ask questions from the point of view of our procedures, like what and for how much they sold; what is the revenue; what did you do with it, etc. We ask these questions to encourage them to re-invest and make their business sustainable.

**Appendix 4 (Interview – CSRDG)**

**Q. What is the process of funding small businesses/social enterprises by CSRDG? What problems do you face?**

A. According to our requirements company should be social or community organization. Just recently we announced an open competition. It is a quite difficult process to encourage applicants. What I mean is that of course organizations apply for the grants but understanding of sustainability is the issue here. We here, two economists evaluate applications from this point of view. Often we realize that there will be no value from funding the organizations because at some point of development project will be stuck. We have some directions of funding; especially this is an employment of disabled persons. We refer to such enterprises and ask them to write a project and apply. They experience difficulties to follow the deadlines and we decided to keep this competition open throughout the year and whenever any organization comes up with a good idea we would review and consider it. This is the way to looking for and finding the good project proposals. NGOs and/or social enterprises are the only eligible organizations to apply for the grants. We provide grants mostly to the experienced organizations, while Children and Youth Foundation provides grants to the start-ups. They started in 2013 and already funded seven projects.

Steps: We accept applications; select them; ask questions; form contract and provide them with grant/funding. E.g., Person wanted to organize greenhouse and employ IDPs. Enterprise uses IDP families during the sow and harvesting. This is quite good example for sustainability. Project aims at getting revenue from sales of their goods and managing to build mini greenhouses on pieces of land of IDPs and achieve final goal – improvement of their living conditions.

**Q. Who else contributes with funds?**
A. Of course it is better for our organization if the enterprise has co-finder, but in the most of the cases we are the only providers of grants to particular ones. We never had such cases. We encourage them to find some other donors. We provide 10,000 grants and ask for 10% self co-financing. European Union granted 3year grant to International Arts Center “Istoriali” to support establishing small enterprises working on the folk arts. Two directions: shops and places where enterprises are organized for tourist viewing. Economic development and improvement is the main end-state goal. Our donor for small social enterprises is German donor organization Bread for the World.

Q. Who was providing trainings to project managers? If no trainings were provided, then how sustainment will be achieved?
A. We provide trainings: Day one: social entrepreneurship (quite hard for them); Day two: marketing, business plan. When we announced grant competition we tried to encourage those who already attended the trainings, though we did not like any proposals. Other funding organizations working on the social enterprises also invite us to provide trainings for them. During the life cycle of the project, we monitor businesses. We provide trainings two times a year and we also provide free individual legal consulting services. Just recently we received grant applications from two enterprises and consider them for funding. One of them intends to start his own small business, and another has one and wants to improve marketing. Our lawyer prepared draft concept of the law, invited social entrepreneurs and had a two-day discussion, and adjusted draft according to their suggestions. This draft does not suggest cutting the tax. Rather, it defines social entrepreneurship. The only advantage in this draft is that social enterprises will have privileges to avoid some starting costs of their business, like construction of entrances for disabled, etc. At this moment there is no chance to differentiate social enterprise from regular business and grant them special preferential duties or reduced taxes.

Q. Are there any problems and/or hindering factors in regulation of social enterprises? Do you think that legislation supports long-term sustainability of the projects? Are there any other roadblocks?
A. Social enterprises do not consider taxes as a problematic factor for their development. I would say that they lack proactiveness in looking for the ways of establishing long-lasting business relationships, e.g., becoming other businesses’ suppliers, etc. I cannot tell which factor is more important that appears as a roadblock. Is this because of lack of finances, or they think that they shall/should have customers and pretty good volume of sales just because they are social enterprises who employ socially vulnerable people. We try to pursue the attitude among social entrepreneurs that they should promote their goods not based on who works there but rather according to the quality that they offer. Good example of such attitude is one café in the central area of Tbilisi employing mentally disabled individuals. Café has a very nice design; delicious food and foreigners often visit the place. That business is not highly profitable but it is self-sufficient and stable. We helped with writing the business plan and then found private funding sources.

Q. Do managers feel themselves the owners, i.e., do they look for the ways of development and success, or do they just wait for the control from your side and this is why they follow accurate accountability?
A. They are not really enthusiastic at providing data for performance evaluation. Although they have all dates indicated in the agreement, I still need to make a call and remind. At some point, I can understand them: sometimes they deal and are busy with several different projects at a time. Social enterprise: café at Iashvili hospital for parents of children with Leukemia. There is a lack of ideas: café, folk arts, greenhouse, etc. revenues are low and it is hard to sustain the business in the long run.
Q. Do they have skills and capabilities for managing resources and people? Do you provide any help in this?
A. Inventory, capital. Grant is small; it may be enough for only salaries…

Q. Do they have a plan for capacity building? How can you provide support in this?
N/A

Q. Do they have any considerably long-term plans to adjust available resources to their goals? Do you provide support?
A. We help to evaluate risks. We cannot help in everything. Sometimes it is hard to convince them. We expect other parties to get involved, i.e., experienced businesses; government bodies (Ministries), etc.
When funding is over, do they have any plans for getting additional financial resources? If not, what will they do in order to maintain and sustain their business? Can you provide any support?

Q. Do enterprises have communication with stakeholders? Do you help in this?
A. Consumers are considered stakeholders. Our beneficiaries still lack understanding about the quality, therefore communication with customer

Q. Do enterprises collaborate with stakeholders? Do they have suppliers? Do they have any companies to whom they supply their goods?
A. They have distributors as well as suppliers of seeds, etc.

Q. Government is a big stakeholder. Does it support their business? Is taxation system supporting to their business?
Q. Do they have organizational structure? Are roles and responsibilities formalized and assigned even at the simple level?
A. We just advice, they regulate.

Q. Budget transparency – is the control from the side of donors the only way to keep them accountable?
A. In fact, they are accountable to the two parties – donors and government. They keep accountability on the document level. When grant is over.
We have two-year contract, it includes monitoring as well as all kind of consultations. We ask for summary account at the end of two years. Provide consultations. Contract terms oblige them

Appendix 5 (Interview Questions for Managers of Small Business/Social Enterprises)

General Questions:
1. Who is the funding agency? Who else contribute with funds?
2. Do you have support from the government? What would you change in terms of taxation of your business?
3. Do you consider provided training sufficient? What additional training would you wish to have?
4. Do you have any clear organizational structure with roles and responsibilities and management structure?
5. What do you consider as a support factor(s)? Hindering factors?
6. Who are interested parties? Do you have any support from their side?
7. What would you change?

Specific Questions on Sustainability
Step 1: Sustainment Vision Clarification
1. Do you have a formal or informal sustainability group?
2. Do you have written vision, goals for and results of the project?
3. Do you have written out the results the project is trying to achieve after the life of the grant?
4. Do you have identified which activities will lead to the desired results after the life of the grant?
5. Do you have conducted a SWOT analysis in order to help you in identifying resources/inputs for your sustainability plan?
6. Do you have a flow chart that shows the relationship between your resources, activities and desires outcomes?
7. Do you have identified the benefits of the project and the stakeholders who benefit the most from it?

**Step 2: Determining what you want to sustain**

1. Have you determined which activities can and should be continued (based on your knowledge of your needs and desired outcomes)?
2. Have you prioritized the activities you wish you sustain (based on your goals and the effectiveness of different activities)?
3. Do you have taken the advantages of the lessons learned by others? Have you talked to current and former grantees about how they decided what was desirable and feasible to sustain, and how they found or negotiated the resources they needed to meet their sustainability goals?
4. Have you made sure to consult with partners to get their input on priorities?

**Step 3: Building Collaboration**

1. Do you have identified your key partners in sustaining your project, especially those you want to collaborate with long term?
2. Do you have identified others from whom you would like buy-in for successful implementation of your sustainability plan? Have you identified potential partners within your community or state, such as the general public, community leaders, or elected officials?
3. Do you have identified roles and responsibilities for each of your key partners in sustaining the project? Have you identified the benefits of participation for each partner?
4. Do you have identified mechanisms for keeping your partners informed of progress and sustainability activities?

**Step 4: Choosing Sustainability Strategies and Methods**

1. Do you have identified resources challenges that need to be addressed in order to achieve your sustainability goals?
2. Do you have identified the resources that your partners bring to the table – what have they contributed in the past? what might they be encouraged to offer in the future?
3. Do you have collaborated with partners to share ideas, expertise, and resources?
4. Have you decided how to adapt to changes in the needs and preferences of management, staff, partner, and other stakeholders?

**Step 5: Developing Action Plans**

1. Do you have developed a detailed budget for your project after your grant ends based on your current experience with the activities you want to sustain? Have you considered how costs and resource needs may change due to changes in scale, activities, economic climate, etc.?
2. Do you have identified potential funding resources for sustaining your project? Do you update this list regularly as unexpected events can happen at any time? Do you consider state, and local sources, including government and foundations?

3. Do you have developed business management systems (e.g., human resources, management information systems, etc.) that enable effective implementation of your plan?

4. Do you have implemented systems for ongoing communication with partners and other target audiences about progress and results?

**Step 6: Documenting and Communicating Success**

1. Do you have prepared a written sustainability plan and do you document any changes to your plan as appropriate?

2. Do you have developed systems for collecting and analyzing data on sustainability, if necessary?

3. Do you have defined what “sustainability success” will look like, and do you have established benchmarks against which measure progress?

4. Do you have updated your sustainability plan to reflect changes in preferences of staff, community, funders, and other stakeholders? Do you have updated your plan as you learn new things about the effectiveness of your project?

5. Do you have shared your successes with stakeholders, others in your profession and/or industry, and the outside world?

6. Do you know your audience when communicating your sustainability successes?

**Appendix 6 (SE – Tanadgoma (Employing PWDSs))**

**General Questions:**

**Q. Who is the funding agency? Who else contribute with funds?**

A. Our organization “Library and Cultural Center for Persons with Disabilities (PWDS) – Tanadgoma was established in 1999 and registered in 2000. It was dependent on international grants. In 2010 EPF provided funding of about USD 5,000 in the scope of small social enterprise development and we started this business. We did not have co-funding organization at that time.

In 2012 we referred to the Women’s International Association and they granted about 3,000 GEL for purchasing some additional equipment.

**Q. Do you have support from the government? What would you change in terms of taxation of your business?**

A. At this stage of our development we neither have support, nor experience any hindering factors from the side of the government. I also cannot say that exemption will help us significantly. We actually, did not have any roadblocks so far and fortunately were able to reinvest in the business. Although, we would like to have much support from the government in terms of appearing on its list of priorities and getting more orders. If they consider some privileges for us when announcing state tenders it will help us much and we would be grateful for this.

**Q. Do you consider provided training sufficient? What additional training would you wish to have?**
A. For the start-up they are quite sufficient. I personally would like to have training in business and its development, but in fact, training depends on two things: first, it is its quality, and second, people who are to be trained should have some basic understanding of business.

Q. Do you have any clear organizational structure with roles and responsibilities and management structure?
A. We started social entrepreneurship without any new structure. We remained the status of non-profit legal entity. Although we run this business for quite a long time, we should admit that we do not have any formal structure. Besides, this is a small organization (until now we were fire employees, now we are four). When project requires we just hire additional workers.

Q. What do you consider as a support factor(s)? Hindering factors?
A. The reputation of NGO under which we operate is a serious supporting factor. Customers have positive attitude toward us and we have some small clients.

Q. Who are interested parties? Do you have any support from their side?
A. The most important interested party is our donor, who monitors our activities. Another interested party are our beneficiaries – PWDSs. Small NGOs also help us much with their regular orders. They want to contribute in development of social enterprises. The World Vision as one of the biggest organizations in the world also places the order aiming at support of our development.

Step 1: Sustainment Vision Clarification

Q. Do you have a formal or informal sustainability group?
A. We do not have any particular document

Q. Do you have written out the results the project is trying to achieve after the life of the grant?
A. We had clearly defined vision and goal when we were operating under the grant. After it has ended, we did not change anything and follow our activities. We make prints on T-shirts, caps, cups, etc. We wanted to work on two business-lines: first, getting orders for prints, and second, produce and sell on the market. But it appeared that this latter would not work because we may not compete with others in terms of new product as well as according to the price. We did not have any new product. This is why we are oriented on the orders.

Q. Do you have identified which activities will lead to the desired results after the life of the grant?
A. We do not have any written document, but we always provide information on our plans in our reports to EPF. It usually contains our approaches on getting additional resources, but currently there is a quite difficult situation in Georgia in this direction.

Q. Do you have conducted a SWOT analysis in order to help you in identifying resources/inputs for your sustainability plan?
A. We have conducted SWAT analysis when we were planning for this program. I cannot say that anything has changed significantly – all remains almost the same. We are really concerned about sustainment.

Q. Do you have a flow chart that shows the relationship between your resources, activities and desires outcomes?
A. Of course we did because main reason of creation of social enterprise inside all NGOs was letting/allowing someone (IDPs, PWDSs, etc) to get benefit. In our case interested party is PWDS. We had had much wider scope in the original draft project, and then we narrowed down our activities. We employed six persons at the beginning, now we have three persons and only in the situations when we get orders. From each order PWDSs
are quite highly paid. E.g., if we have an order of print on 200 T-shirts, we pay to them 1 GEL per one print. No businessman will understand the reason of why we do so. We have two reasons: First, we wanted these people to be paid well; and second, we were not receiving enough revenue to think about some expanded programs. This is why we decided to pay to them well from time to time.

Q. Do you have identified the benefits of the project and the stakeholders who benefit the most from it?
A. PWDSs are getting the most benefit.

Step 2: Determining what you want to sustain

Q. Have you determined which activities can and should be continued (based on your knowledge of your needs and desired outcomes)?
A. We started activities in several directions but later we understood our strong points and areas where we could not compete. We now follow and develop our strong points.

Q. Have you prioritized the activities you wish you sustain (based on your goals and the effectiveness of different activities)?
A. We have prioritized our activities and based on this we purchased better press, better materials and this improved the quality of our product.

Q. Do you have taken the advantages of the lessons learned by others? Have you talked to current and former grantees about how they decided what was desirable and feasible to sustain, and how they found or negotiated the resources they needed to meet their sustainability goals?
A. We have three options to share ideas and experience: 1) Meetings organized by EPF; 2) Different trainings where we meet each other; and 3) Private meetings and discussions. First point of our discussion is our legal status, i.e., it is better to stay within the NGO, or have separate status in the future. Some of the first grantees formed Ltd; some of them – NGO, and others retained the same status as we do have so far. We visited Visegrad Fund in Czech Republic; observed social enterprises; and discovered that they went through all similar stages of development. They cannot advice any particular legal status. They say that any case requires individual approach and specific business shall select appropriate form. My personal point of view is that when business starts as a non-profit organization, it is better to start directly as an enterprise rather than using NGO principles.

Q. Have you made sure to consult with partners to get their input on priorities?
A. If we consider our major donor as a partner, then we had freedom of activities from their side, i.e., they had no influence on our priorities and decisions. If we think of our beneficiaries, then of course we were considering their ideas and abilities when planning the scale of our activities. Unfortunately, we do not have any other important partners; say those whose suppliers we could be. This is the worst thing in our business.

Step 3: Building Collaboration

Q. Do you have identified your key partners in sustaining your project, especially those you want to collaborate with long term?
A. At the planning stage of this project we were considering having NGOs and international organizations as our partners. In fact, we received some orders from the World Vision, Save the Children, CSRDG, they satisfied our expectations, but we cannot count on their continuous cooperation with us. Product itself does not allow us to plan in advance for its sales. We were not successful to supply our product to outside network – shops and arts saloons – on some regular basis.
Q. Do you have identified others from whom you would like buy-in for successful implementation of your sustainability plan? Have you identified potential partners within your community or state, such as the general public, community leaders, or elected officials?
A. We expected society to support us. Regarding others, unfortunately we never planned for such ties. We will think of this and take proactive steps in the nearest future. Thank you for the idea.

Q. Do you have identified roles and responsibilities for each of your key partners in sustaining the project? Have you identified the benefits of participation for each partner?
A. As I mentioned above, we were hoping on the society; we were participating in exhibitions and considering them as our supporters and partners. This is why we have never thought of others as partners.

Q. Do you have identified mechanisms for keeping your partners informed of progress and sustainability activities?
A. We perform some periodic promotional activities, but this does not happen under any kind of developed mechanism. We distribute brochures from time to time and spread the word whenever possible and appropriate.

Step 4: Choosing Sustainability Strategies and Methods

Q. Do you have identified challenges that need to be addressed in order to achieve your sustainability goals?
A. We have no formal or documented version. But in general, we know that we need to expand our business in case if we have some additional resources.

Q. Do you have identified the resources that your partners bring to the table – what have they contributed in the past? What might they be encouraged to offer in the future?
A. We used to have support from the Women’s International Association. They helped particularly with purchasing materials and small equipment. They may also help with placing the order, or again with another type of equipment, but of course financial support is the best in our case.

Q. Do you have collaborated with partners to share ideas, expertise, and resources?
A. Again, if we consider EPF as our partner, during the operation period of grant we shared everything about all our activities in the reports; We form contracts with customers; We were working on the offer from EPF and CSRDG on sharing experience and resources by involvement of university students in our businesses. But we did not express enthusiasm, just submitted application. We never followed up.

Q. Have you decided how to adapt to changes in the needs and preferences of management, staff, partner, and other stakeholders?
A. Since EPF grant has ended, we did not submit any formalized plan to them. This is our weak point. We pay insufficient attention on development; rather, we are concentrated on actual performance.

Q. Do you have developed strategies for evaluating and promoting project success?
A. Unfortunately, not.

Q. Do you have considered how to achieve maximum visibility for sustaining project activities?
A. We never thought of this.

Step 5: Developing Action Plans

Q. Do you have developed a detailed budget for your project after your grant ends based on your current experience with the activities you want to sustain? Have you considered how costs and resource needs may change due to changes in scale, activities, economic climate, etc.?
A. Project has ended. Particular calculations were done at the starting period, but they were not for the long-run. The only hope on sustainability may be relied on the equipment that we own and some small stock of materials. We have trained beneficiaries. They consider this knowledge as very important. These abovementioned are our valuable resources. This means that in case if we get orders we are able to perform our work effectively. On the other hand, it is excluded to run this business with profit at the end.

Political and economic changes do not affect our business because we are not that big players.

Q. Do you have identified potential funding resources for sustaining your project? Do you update this list regularly as unexpected events can happen at any time? Do you consider state, and local sources, including government and foundations?
A. We rely on our revenues as the main source of potential funding. We try to get state funding. As for sustainability, we cannot plan for it because we do not have any system understanding and therefore approach to it.

Q. Do you have developed business management systems (e.g., human resources, management information systems, etc.) that enable effective implementation of your plan?
A. We have quality human resources and good suppliers.

Q. Do you have implemented systems for ongoing communication with partners and other target audiences about progress and results?
A. No, we do not have such system.

Step 6: Documenting and Communicating Success

Q. Do you have prepared a written sustainability plan and do you document any changes to your plan as appropriate?
A. No, we did not think about this.

Q. Do you have developed systems for collecting and analyzing data on sustainability, if necessary?
A. We do not have any system, we just analyze our financial results and it shows which direction we go.

Q. Do you have defined what “sustainability success” will look like, and do you have established benchmarks against which measure progress?
A. We definitely know how to get successful and sustainable. We could sustain if we would not depend on orders but rather had long-term partners for whom we would perform our work.

Q. Do you have updated your sustainability plan to reflect changes in preferences of staff, community, funders, and other stakeholders? Do you have updated your plan as you learn new things about the effectiveness of your project?
A. N/A

Q. Do you have shared your successes with stakeholders, others in your profession and/or industry, and the outside world?
A. Yes, we did share. We had better chances to do this during life-cycle of the grant when we were presented on almost all gatherings and meetings, exhibitions. We have less opportunity now but still people are well aware about our activities.

Q. Do you know your audience when communicating your sustainability successes?
A. Because attraction of additional resources is our major goal, I would consider potential funding agencies or individuals as our important audience.
Appendix 7 (SE – Car Wash (Employing Street Children))

General Questions:
Q. Who is the funding agency? Who else contribute with funds?
A. Three years ago EPF has funded us. In 2010 we won the competition. We started operating in February 2011. Then CSRDG followed and granted financial aid in the beginning of 2012. We used first grant to open-up the business and then purchased necessary equipment using the second one. There were no other parties (e.g., municipality and/or central government) supporting in finances.

Q. Do you have support from the government? What would you change in terms of taxation of your business?
A. We are registered as Ltd and therefore, no social enterprise has any special support from the government in terms of taxation of our business. This is a heavy burden, especially at the start-up stage.

Q. Do you consider provided training sufficient? What additional training would you wish to have?
A. We had training from EPF at the start-up stage and then we had opportunity to receive consultations from CSRDG.

Q. Do you have any clear organizational structure with roles and responsibilities and management structure?
A. I manage the business. It was difficult, especially when you deal with children. We opened the business and selected young persons as a support staff. They worked with us from 6 to 9 months. They come and go, it is hard to deal with them. I manage and one person does accounting. He also can replace me whenever I am away.

Q. What do you consider as a support factor(s)? Hindering factors?
A. Having customers is our support. People who live nearby, organizations with which we formed agreements at the beginning of our business activities. Some infrastructure (road-construction) and technical problems slowed down our business for some period of time. Entire decreased revenue went to cover rent and other costs.

Q. Who are interested parties? Do you have any support from their side?
A. N/A

Q. What would you change?
A. N/A

Step 1: Sustainment Vision Clarification

Q. Do you have a formal or informal sustainability group?
A. No

Q. Do you have written vision, goals for and results of the project?
A. Period of grant has finished. Our goal was getting profit and paying salaries. NGO is a founder and we were transferring the part of our profit amount to their account. Written vision, goals and results of the project were drafted in the proposal. In fact, we achieved the goal - employment of vulnerable part of the society; and managed to sustain results during the next two years.

Q. Do you have written out the results the project is trying to achieve after the life of the grant? Do you have identified which activities will lead to the desired results after the life of the grant?
A. Business is too small to have and I don’t think it requires this big scale of planning. Before we received CSRDG grant, all details were considered, including costs, revenue and profit; resources; involved parties, etc.
As mentioned above, we purchased the equipment to change the oil, i.e., offer additional service to the customers, but still we cannot start this business operation due to the lack of financial resources. First, we need to cover all debts (rent, etc.) incurred during that slow-down period, then collect some amount on our account and spend it for starting new operations. But we added car wash, install the desk for selling the oil, etc., meaning that we expanded our business after the end of the project funded by donors.

Q. Do you have conducted a SWOT analysis in order to help you in identifying resources/inputs for your sustainability plan?
A. We never could imagine that this road could fall under construction.

Q. Do you have a flow chart that shows the relationship between your resources, activities and desired outcomes?
A. N/A

Q. Do you have identified the benefits of the project and the stakeholders who benefit the most from it?
A. Children use the opportunity to earn some money. World Vision, Caritas send children under the contract, but they cannot survive under any kind of more or less strict schedule. As I mentioned before, they come and go and we cannot force them. If we come up with any clear scheme to keep them here, they could be the stakeholders who would benefit the most from our business.

Step 2: Determining what you want to sustain

Q. Have you determined which activities can and should be continued (based on your knowledge of your needs and desired outcomes)?
A. Main activity is car wash - outside and inside wash, also chemical wash. Additional – sand wash, carpet wash.

Q. Have you prioritized the activities you wish you sustain (based on your goals and the effectiveness of different activities)?
A. Priority is the above mentioned.

Q. Do you have taken the advantages of the lessons learned by others? Have you talked to current and former grantees about how they decided what was desirable and feasible to sustain, and how they found or negotiated the resources they needed to meet their sustainability goals?
A. Yes, we were communicating. Even recently we met and discussed but we never discuss sustainability exactly.

Q. Have you made sure to consult with partners to get their input on priorities?
A. Partners – we do not have. EPF may be considered as a partner, we finished first year with good profit. CSRDG also helped with consultations. I wanted to take some piece of land from Ministry of Economic Development, but without any success.

Step 3: Building Collaboration

Q. Do you have identified your key partners in sustaining your project, especially those you want to collaborate with long term?
A. We try to provide quality services to retain partnering companies. We used to collaborate with one company who promised to pay our rent, but unfortunately we lost it because our employees failed to serve appropriately. We need to keep good ties with current ten customers (DHL among them). We had 22 customers until May,
2014. But when we changed the location, many of them decided to left this partnership. We work on re-establishment of these ties.

Q. Do you have identified others from whom you would like buy-in for successful implementation of your sustainability plan? Have you identified potential partners within your community or state, such as the general public, community leaders, or elected officials? Business is not important enough to involve such parties.

Do you have identified roles and responsibilities for each of your key partners in sustaining the project? Have you identified the benefits of participation for each partner?

A. Yes, it could be considered that if officials support social enterprises we would perform better. But, e.g., when I approach them and describe our business as one which employs homeless children, we do not feel any support from their side, moreover I see some aversion and mistrust in their eyes. In some instances, company cars are almost always full of either documents or goods for distribution, or both and it is understandable that drivers are afraid of theft. Sometimes I even hide the fact that we are social enterprise.

Do you have identified mechanisms for keeping your partners informed of progress and sustainability activities? I finished the grant period, but still inform EPF about our progress. They call and ask questions and are getting updates. Just recently they contacted and asked for photographs for their bulletin.

Step 4: Choosing Sustainability Strategies and Methods

Q. Do you have identified resources challenges that need to be addressed in order to achieve your sustainability goals?

A. I overcame many difficulties and challenges; we survived, pay salaries; contribute to payments for utilities by NGO.

Q. Do you have identified the resources that your partners bring to the table – what have they contributed in the past? What might they be encouraged to offer in the future?

A. When we purchased this equipment EPF announced about the small grant competition. We were planning to purchase compressor and applied for it but were not successful in receiving.

Q. Do you have collaborated with partners to share ideas, expertise, and resources? A. EPF organized meeting with all grantees. All of them expressed almost the same concerns.

Q. Have you decided how to adapt to changes in the needs and preferences of management, staff, partner, and other stakeholders?

A. We do not have any formal plan. Everything is well managed in terms of human resources. I have chosen another management approach to our teenagers. They never felt warmth and cordial attitudes, therefore I know the way to their minds and heart – it goes through patience, explanation, clarification of tasks and encouragement. We clearly have closed-up the project; therefore have good grant history with both EPF and CSRDG.

Step 5: Developing Action Plans

Q. Do you have developed a detailed budget for your project after your grant ends based on your current experience with the activities you want to sustain? Have you considered how costs and resource needs may change due to changes in scale, activities, economic climate, etc.?

A. Yes, we do have budget but this is again not formalized. I know all numbers related to costs for rent, utilities, materials, etc. Accountant manages financial statement and accountability to the government.
Q. Do you have identified potential funding resources for sustaining your project? Do you update this list regularly as unexpected events can happen at any time? Do you consider state, and local sources, including government and foundations?

A. Water is very expensive. If it increases further, we will be forced to increase price, will have more unsatisfied customers. Even now we did not understand why we lost some customers. So, yes, we understand potential threats of losing customers if unexpected political, economic or social events will take place. We want to rely on the revenue as the major source for further development of our business. High quality of service, which we provide, is the key. We have good equipment, which will last for some considerably reasonable time.

Q. Do you have developed business management systems (e.g., human resources, management information systems, etc.) that enable effective implementation of your plan?

A. We think of additional services to increase revenue and sustain the business.

Q. Do you have implemented systems for ongoing communication with partners and other target audiences about progress and results?

A. We have FB page with 1400 friends. We upload news and photos. We had two cases when companies contacted us for cooperation.

Step 6: Documenting and Communicating Success

Q. Do you have prepared a written sustainability plan and do you document any changes to your plan as appropriate?

A. No, we do not have such plan.

Q. Do you have developed systems for collecting and analyzing data on sustainability, if necessary?

A. We do not have such system either.

Q. Do you have defined what “sustainability success” will look like, and do you have established benchmarks against which measure progress?

A. I think that business is currently successful and hope that will sustain it based on attraction of more customers.

Q. Do you have updated your sustainability plan to reflect changes in preferences of staff, community, funders, and other stakeholders? Do you have updated your plan as you learn new things about the effectiveness of your project?

A. Yes, we struggled financially but we managed to come out from negative performance and now we are doing well in our business.

Q. Do you have shared your successes with stakeholders, others in your profession and/or industry, and the outside world?

A. Yes, we share our success. We have meetings with other social enterprises and we discuss our successes. I also have contact with Mr. Viktor Baramia.

Q. Do you know your audience when communicating your sustainability successes?

A. Our partners, founders, customers,

Appendix 8 (SE – Bakery (Employing IDP Women))

General Questions:

Q. Who is the funding agency? Who else contribute with funds?
A. Eurasia Partnership Foundation was our major donor; Chech Fundraising Center and we also had anonimous funding organization from Czech Republic.

Q. Do you have support from the government? What would you change in terms of taxation of your business?
A. We don’t have any support from the government, we have equal opportunities – we take part in auctions, tenders and we don’t have any advantage over others.

Q. Do you consider provided training sufficient? What additional training would you wish to have?
A. Provided training never is enough. We would like to have more training and additional consultations together with experience-sharing seminars. We visited successful social enterprises and got understanding how they are managed: how they develop strategies; what is the core reason; what principles and values they use; how they position on the market; rebranding, etc. This was very interesting and helpful for us.

Q. Do you have any clear organizational structure with roles and responsibilities and management structure?
A. Yes, we do. Business is regulated by charter in compliance with laws and regulations.

Q. What do you consider as a support factor(s)? Hindering factors?
A. Supportive idea is that we have clear social goal and have motivation to be successful. Hindering factors: social entrepreneurship is not popularized, social understanding is not matured, there is almost no or very low social solidarity (among them – in non-government sector).

Q. Who are interested parties? Do you have any support from their side?
A. Yes, we have interested parties who support us.

Q. What would you change?
A. N/A

Step 1: Sustainment Vision Clarification

Q. Do you have a formal or informal sustainability group?
A. Yes we have such group, it is quite motivated. They have clear action plan and work according to it.

Q. Do you have written out the results the project is trying to achieve after the life of the grant?
A. Grant period is ended. We had such plan and we are the first sustainable organization with clear results. We have profit and are reinvesting resources in our social programs. After the end of our grant project we quite soon and smoothly moved to sustainable development, pay for all charges and have profit.

Q. Do you have identified which activities will lead to the desired results after the life of the grant?
A. We had written actions, which are drafted, according to our mission. We shared them with our partners, supporters, and potential donors. We understand that without doing so we will not be able to achieve desired results.

Q. Do you have conducted a SWOT analysis in order to help you in identifying resources/inputs for your sustainability plan?
A. We conduct SWOT analysis every 6 months. We evaluate whether our opportunities have progressed. We compare the results of SWOT analysis with previous results. We evaluate our opportunities, threats and what are environmental factors. From this we see our opportunities, risks, and progress.

Q. Do you have identified the benefits of the project and the stakeholders who benefit the most from it?
A. Benefits were clearer at the starting phase of the project. Our first target group consisted of internally displaced women and young persons, but then we expanded and included also other socially vulnerable segment.

**Step 2: Determining what you want to sustain**

Q. Have you determined which activities can and should be continued (based on your knowledge of your needs and desired outcomes)?

A. Yes, we do. We conduct market study and analysis and try to follow these results to achieve the goal.

Q. Have you prioritized the activities you wish you sustain (based on your goals and the effectiveness of different activities)?

A. Yes, we prioritized our activities. We analyze them and follow the most efficient steps. Our priority is to control our strong and weak points and identify risks. We also stress on market, market research, and marketing skills. We gather information and act according to the trends.

Q. Do you have taken the advantages of the lessons learned by others? Have you talked to current and former grantees about how they decided what was desirable and feasible to sustain, and how they found or negotiated the resources they needed to meet their sustainability goals?

A. Honestly, others often come to us to get information and knowledge from us, because we went through all steps, starting from forming as independent legal entity and ending with getting to some clear stage of sustainability. We of course share our experience on how legalize business, perform accounting, structure related papers, etc. Of course it is important for me to know about experience of US and European organisations. We have contacts with Bangladeshi, Israeli, and African countries’ SEs.

Q. Have you made sure to consult with partners to get their input on priorities?

A. Initial partners (SE partners) are aware and we get their input. Unfortunately, those who have resources to support SEs, they have not appropriate approach to us, i.e., they consider us as well developed and often refrain to provide funds.

**Step 3: Building Collaboration**

Q. Do you have identified your key partners in sustaining your project, especially those you want to collaborate with long term?

A. Yes, we identified. We have long-term partners, but we look for stable partners.

Q. Do you have identified others from whom you would like buy-in for successful implementation of your sustainability plan? Have you identified potential partners within your community or state, such as the general public, community leaders, or elected officials?

A. We use all opportunities to establish and maintain contacts. We send messages about our activities; send flyers to get them interested with our business. These are society, businesses and state officials.

Q. Do you have identified roles and responsibilities for each of your key partners in sustaining the project? Have you identified the benefits of participation for each partner?

A. We work in this direction. We realize that this requires everyday work.

Q. Do you have identified mechanisms for keeping your partners informed of progress and sustainability activities?

A. We are proactive in these directions.

**Step 4: Choosing Sustainability Strategies and Methods**
Q. Do you have identified challenges that need to be addressed in order to achieve your sustainability goals?
A. Challenges are controlled and as we identify them, we start to work for their aversion.

Q. Do you have identified the resources that your partners bring to the table – what have they contributed in the past? What might they be encouraged to offer in the future?
A. Resources generally is a hard issue. We look for their sources and plan in order to get maximum benefit from them. We cannot ask for them from the government. In the past we used government’s initiative to place orders with us. Especially, we mean international organisations. E.g., when Czech prime minister visited Georgia, we provided service to the Czech embassy in Georgia. Whenever UN was involved in hosting several visits, they were placing orders for lunches, etc. These are mostly international organisations.

Q. Do you have collaborated with partners to share ideas, expertise, and resources?
A. Partly yes, partly – not. It is impossible to form all kind of agreements.

Q. Have you decided how to adapt to changes in the needs and preferences of management, staff, partner, and other stakeholders?
A. We are far ahead from these steps. We received grant in 2010 but it ended very soon. Grant period lasted for one year, but monitoring and information sharing continues even recently, i.e. financial data are provided to donors.

Step 5: Developing Action Plans

Q. Do you have developed a detailed budget for your project after your grant ends based on your current experience with the activities you want to sustain? Have you considered how costs and resource needs may change due to changes in scale, activities, economic climate, etc.?
A. Detailed yearly budget is developed and we work according to that.
Information on annual revenues, salary costs is submitted to EPF. Revenues cover org costs, office costs, etc. Social Enterprise was reformed into Ltd and we have enough revenue to self-sustain, plus grants for social projects.

2. Q. Do you have identified potential funding resources for sustaining your project? Do you update this list regularly as unexpected events can happen at any time? Do you consider state, and local sources, including government and foundations?
A. We have calculations on required resources and accordingly plan our activities. We actively participate in tenders announced by government and successfully win.

Q. Do you have developed business management systems (e.g., human resources, management information systems, etc.) that enable effective implementation of your plan?
A. We have HR management plan, improvement of qualification and retraining of employees is one of our strategic goal. We also have clear parameters for hiring personnel.

Q. Do you have implemented systems for ongoing communication with partners and other target audiences about progress and results?
A. We do have such system, distribute information to our partners. We have integrated social web, but will have separate page soon.

Step 6: Documenting and Communicating Success
Q. Do you have prepared a written sustainability plan and do you document any changes to your plan as appropriate?
A. We have a plan, which we need to update every six months. Special group of people do agree on the changes.

Q. Do you have developed systems for collecting and analyzing data on sustainability, if necessary?
A. Every six months we review the plan, we have bank of ideas and use them according to the relevant periods of time. This is how we gather information and then – analyze.

Q. Do you have defined what “sustainability success” will look like, and do you have established benchmarks against which measure progress?
A. We have clear indicators of progress. We follow regulatory changes; we have unexpected costs and we try to be flexible in adjustments. We know about indicators above which unexpected costs are not justified and lead to financial failure. We hope that taxes will remain at the reasonable level and we will be able to continue our progress. When fiscal year is over we carefully analyze results.

Q. Do you have updated your sustainability plan to reflect changes in preferences of staff, community, funders, and other stakeholders? Do you have updated your plan as you learn new things about the effectiveness of your project?
A. N/A

Q. Do you have shared your successes with stakeholders, others in your profession and/or industry, and the outside world?
A. Interested parties are always updated on our progress.

Q. Do you know your audience when communicating your sustainability successes?
A. Our audience, first of all, is the community for whom our enterprise is created. They are permanently updated. Our donors also shall be updated, because we still lack of technologies and other resources and we try to convince them that their donor support will be used in the best efficient ways.

Appendix 9 (SE – Ikorta (Employing IDP Women))

General Questions

Q. Who is the funding agency? Who else contribute with funds?
A. EPF is our donor. We also found some sources and added them to our activities. Mainly, we purchased equipment. Betel, organization at Baptist Church was dealing with grants for small business in Tserovani.

Q. Do you have support from the government? What would you change in terms of taxation of your business?
A. We are involved on working group on taxes. Actually it is difficult for the government to define between regular business and social enterprises. Actually speaking, if we are good in seeking and having access to funds, then paying taxes will not be the problem. We visited Visegrad country and saw how government supports business like ours. As time goes we expect better system approach to social enterprises from the side of the government.

Q. Do you consider provided training sufficient? What additional training would you wish to have?
A. We would like to have as many training as it is possible. Sometimes our employees do not really understand the value of training and at some instance I “force” them to attend. We already attended management and
finance-related trainings. It was good to attend trainings at the start-up stage of our business but I would wish to have them at the regular basis.

Q. Do you have any clear organizational structure with roles and responsibilities and management structure?
A. In our case there is an NGO and we are social enterprise inside it. NGO itself has a clearly defined organizational structure but our enterprise itself does not have any with clearly defined job descriptions and functional areas.

Q. What do you consider as a support factor(s)? Hindering factors?
A. If we link this question to the previous one, it needs to be mentioned that this enterprise is not stабile and sustainable so far and if I task someone to perform any particular duty or function it will not be fair, because they are not paid salaries. I am a volunteer, I like what I do but those who work here, they do not have these feelings so far and I cannot put any responsibilities on them. Although I am sure that it is critical to have assigned roles and responsibilities in the organization in order to develop smoothly, I prefer to keep existing flow of business processes without them at this moment.

Q. Who are interested parties? Do you have any support from their side?
A. According to current attitudes of our society nobody buys our goods only because the fact that they are created in the social enterprise. Customer needs to be offered good price and quality and we understand this. So, there is no such solidarity and support from the side of the society. Though there is one central shop of folk handmade pieces of art on Rustaveli Avenue (main avenue in Tbilisi) where, once they have heard that staff is made by IDPs eagerly accepted our works to sell them. Yes, we have their support but understandably, they cannot help us with the volume of sales. Of course, we have nothing to express but gratitude, but market generally is a problem. We try to participate in exhibitions; people are coming and see them. We are thankful to one of the social enterprises that recently hosted big delegation from Germany; they took some samples, only one was sold but we are thankful to them.

Q. What would you change?
A. We need additional funds, education and training to become and perform as a real business with qualified staff and business relationships.

Step 1: Sustainment Vision Clarification

Q. Do you have a formal or informal sustainability group?
A. We do not have any particular document but there is separate group of people in the NGO with whom we reviewed the strategy on enamel, plan to invite group of foreigners, exhibit our work, i.e., create sample, and they will pay for this. This is somehow part of the strategy. So, there is no such particular paper but we take steps to make our good popular. We have regular monthly meetings and discuss the better ways of implementation of innovations.

Do you have written vision, goals for and results of the project?

Q. Do you have written out the results the project is trying to achieve after the life of the grant?
A. We have a clearly defined goal – professional retraining of IDP women and improvement of their economic/financial conditions, and popularization of traditional art. This is quite clearly defined end goal. As for the outcome, eight and their families shall be better off. Grant has ended and we cannot say that we achieved all desired outcomes.
Q. Do you have identified which activities will lead to the desired results after the life of the grant?  
A. We do not have any document, but we meet and agree on the ways to sustainability.

Q. Do you have conducted a SWOT analysis in order to help you in identifying resources/inputs for your sustainability plan? 
A. We have done SWAT analysis. I would divide this into two: things go better on the side of enamel, but as for folk samples, it is a seasonal business: we create lovely Santa, which are sold successfully during the winter season. We do know what we need to succeed. It is very costly to make woven pieces of folk art and we abandoned this direction and have just samples, we do not count on them in terms of doing our business. We want to replace this direction with something with considerably low costs.

Q. Do you have a flow chart that shows the relationship between your resources, activities and desires outcomes? 
No, we do not have a flow chart.

Q. Do you have identified the benefits of the project and the stakeholders who benefit the most from it? 
A. These eight employed women are the main stakeholders.

Step 2: Determining what you want to sustain

Q. Have you determined which activities can and should be continued (based on your knowledge of your needs and desired outcomes)? 
A. Minimum is to maintain four women who will have permanent income. On the side of folk arts, we want to add something what will be less dependent on the seasons.

Q. Have you prioritized the activities you wish you sustain (based on your goals and the effectiveness of different activities)?
A. Enamel is a priority. International Culture Center and CSRD have both announced the tender and we face the dilemma to write the project for one of them. We plan to apply for the development of enamel, because we think to investment will be more efficient.

Q. Have you taken the advantages of the lessons learned by others? Have you talked to current and former grantees about how they decided what was desirable and feasible to sustain, and how they found or negotiated the resources they needed to meet their sustainability goals? 
A. We all have almost the same problems. We do exchange the information. There are periodical meetings in the scope of cooperation with EPF and this is the excellent opportunity to share the lessons learned.

Q. Have you made sure to consult with partners to get their input on priorities? 
A. We try to communicate with stakeholders and take their ideas into consideration.

Step 3: Building Collaboration

Q. Do you have identified your key partners in sustaining your project, especially those you want to collaborate with long term? 
A. We do not have any partners with whom we permanently cooperate. Although, we try establish these contacts. We can International Arts Center as our partner. It provides consultations. CSRDG selected us to provide consultations as well. We partner with EPF.

Q. Do you have identified others from whom you would like buy-in for successful implementation of your sustainability plan? Have you identified potential partners within your community or state, such as the general public, community leaders, or elected officials?
A. We expect society to support us. Elected officials shall provide legislative support. We stand far from political parties considering this as not very justified for our business.

Q. Do you have identified roles and responsibilities for each of your key partners in sustaining the project? Have you identified the benefits of participation for each partner?
A. If the society and political parties provide support to our long-term sustainability, they as well as we can benefit. But only our initiatives are not enough. We expect international and donor organizations to help “reaching” the voice about the importance of their involvement.

Do you have identified mechanisms for keeping your partners informed of progress and sustainability activities?
I don’t know how this may be counted as a mechanism, but we have Facebook page were we permanently upload news about our activities. Every other day we provide news. We have separate FB pages for enamel and folk arts and now plan to create webpage. We purchased the space for Internet shop. We liked the idea, but it appeared that it requires significant resources: two persons should be seated permanently and monitor and control prices. So, currently we do not use that space. We are working on the free website right now and consider this as the way to communicate with partners.

Step 4: Choosing Sustainability Strategies and Methods

Q. Do you have identified resources challenges that need to be addressed in order to achieve your sustainability goals?
A. We expect many hindering factors. These are mostly financial problems. We will have retention problem as well. E.g., the best of our enamel professional and also other employees are experiencing quite a tense “temptation” to move to another enterprise – they offer better conditions. So far, she stands firm, but I as a manager consider this as a risk for our business. I never thought of this potential risk, but I realized now that this may seriously harm us. These employees acquired management skills and it will be destructive for our business if we lose them now.

Q. Do you have identified the resources that your partners bring to the table – what have they contributed in the past? What might they be encouraged to offer in the future?
A. We are receiving consulting services as we discuss above and expect to receive financial support in the future. We hope on the positive results of upcoming grant competition.

Q. Do you have collaborated with partners to share ideas, expertise, and resources? A. We have no documented version of our collaboration. But we share ideas and experience with our donor as well as similar enterprises.

Q. Have you decided how to adapt to changes in the needs and preferences of management, staff, partner, and other stakeholders?
A. When grant is over, we try to retain business based on retention of employees. I forgot to mention above, that “Women Foundation” also helped us with funding.

Do you have developed strategies for evaluating and promoting project success?
Do you have considered how to achieve maximum visibility for sustaining project activities?

Step 5: Developing Action Plans

Q. Do you have developed a detailed budget for your project after your grant ends based on your current experience with the activities you want to sustain? Have you considered how costs and resource needs may change due to changes in scale, activities, economic climate, etc.?
A. We do not have any detailed idea about calculations because our accountant is seated in Tbilisi and we see her once in a month. This month we plan to register our enterprise as an Ltd in order to have separate and more accurate accountability to the state budget. Both enamel and folk arts enterprises will be registered together as Ltd Ikorta.

Q. Do you have identified potential funding resources for sustaining your project? Do you update this list regularly as unexpected events can happen at any time? Do you consider state, and local sources, including government and foundations?
A. We do not consider our business as big and important that could be affected by unexpected events. If the government changes legislation, create Social Enterprise, assign special status, and enact separate regulation with preferential duties, we would develop and sustain much easier. In Tbilisi (capital of Georgia) municipality has some enterprises with this status, but there is no such for in the rural areas.

Q. Do you have developed business management systems (e.g., human resources, management information systems, etc.) that enable effective implementation of your plan?
A. We implemented evaluation system and conduct evaluation every six months. I am very satisfied. We did it two times so far and plan to use it permanently. Monthly meetings with other enterprises also serve to monitor the development. We have one student of social enterprise school interning from the US Peace Corps and she kindly shares her knowledge with us. She provided the idea of workshop, brings six persons, helps with evaluation. She teaches me to organized communication: providing timely feedback and following up on performed job.

Q. Do you have implemented systems for ongoing communication with partners and other target audiences about progress and results?
A. No, we do not have and I think that your questions provoke my ideas of how to perform better in different directions of our activities in order to achieve long-term sustainability.

Step 6: Documenting and Communicating Success

Q. Do you have prepared a written sustainability plan and do you document any changes to your plan as appropriate?
A. We do not have such plan.

Q. Do you have developed systems for collecting and analyzing data on sustainability, if necessary?
A. We have developed employee evaluation system and I think this can be one component for sustainability.

Q. Do you have defined what “sustainability success” will look like, and do you have established benchmarks against which measure progress?
A. For us it’s our vision. We are oriented on the increase of sales and revenue, to have our own space; and be able to pay those women employed by us and in general this is our vision. Currently we are not planning on employing any new staff, since as I mentioned already our goal is for these IDP women to have their own income.

Q. Do you have shared your successes with stakeholders, others in your profession and/or industry, and the outside world?
A. Yes we do share our success and we can see that since a lot of people are coming over at our enterprise who are interested in what we do, how we do it. We try to be entirely open to these people, since we consider this as an opportunity for our recognition by the society.
Q. Do you know your audience when communicating your sustainability successes?

A. We are aware of who our audience is. We consider international organizations operating in Georgia, experts and interested parties on IDP issues, society, political parties, students, etc.