How Georgia is Building a Network of 'Growth Hubs' to Support Rural Businesses

A Case Study from RSMEDP

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About Enterprise Georgia

Established in 2014 under the Ministry of Economy and Sustainable Development, Enterprise Georgia is the main state agency promoting entrepreneurship. The agency supports business creation and growth by developing a nationwide network of regional Growth Hubs that provide entrepreneurs with accessible, high-quality advisory and support services. By partnering with financial institutions and consulting firms, Enterprise Georgia builds a stronger business services market and connects small and medium enterprises (SMEs) to the resources they need. As the leading state agency mandated to support SMEs, Enterprise Georgia plays a pivotal role in shaping a more dynamic and inclusive business support system across Georgia.

About Rural SME Development Project

Swiss Agency for Development Cooperation (SDC) financed Rural SMEs Development Project (RSMEDP), expands income and employment opportunities in rural Georgia. Phase I (2021–2024) supported more than 3,500 SMEs with business services and finance access, enabling 1,428 enterprises to strengthen profitability and creating improved employment for 4,020 individuals. Phase II (2025–2028) builds on these results by diversifying business services, strengthening producer–buyer relationships, improving finance access, and piloting sustainable commercial financing. Through its collaboration with Enterprise Georgia's Growth Hubs, RSMEDP demonstrates how public institutions can catalyse market transformation, enhance service quality, and foster inclusive development across Georgia's rural regions.

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ACRONYMS AND ABBREVIATIONS

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ASP	Accounting Service Providers
GITA	Georgia Information Technology Agency
GDP	Gross Domestic Product
RSMEDP	Rural Small and Medium Enterprise Development Project
SDC	Swiss Agency for Development Cooperation
SME	Small and Medium Enterprise

EXECUTIVE SUMMARY

Georgia's post-pandemic economic rebound has been strong, but its benefits remain unevenly distributed. Growth has concentrated in major cities, while rural areas continue to face limited job creation, slow business growth, and persistent out-migration, particularly among young people and women. SMEs, which should form the backbone of rural economies, struggle to survive beyond their first few years. The problem is not a lack of entrepreneurial effort, but weak access to finance, fragmented business services, and low trust between entrepreneurs, service providers, and public institutions.

In response, Enterprise Georgia, the country's lead public agency for enterprise development, has built a nationwide network of Growth Hubs designed to close these gaps. Rather than relying on one-off grants or generic training, the Growth Hub model combines diagnostics, tailored advisory services, and access to subsidised loans under one institutional umbrella. The objective is not just to support individual firms, but to strengthen the market systems and public capabilities that underpin sustainable enterprise growth.

The Growth Hubs emerged from lessons learned during earlier grant programmes. While grants helped some businesses invest, they proved too costly to run permanently, difficult to monitor, and insufficient to move firms toward commercial finance. Growth Hubs were conceived as a more scalable and durable alternative, anchored in diagnostics that reveal firms' real constraints, linked services delivered through professional service providers rather than government staff, and finance through commercial institutions.

The Swiss Agency for Development Cooperation (SDC) financed Rural SMEs Development Project (RSMEDP), has played a catalytic role in this transition. Building on an existing partnership with Enterprise Georgia, RSMEDP provided technical expertise, supported the design of diagnostic tools, strengthened service provider markets, and helped the agency adapt its operating model as the network expanded. Crucially, Enterprise Georgia retained ownership throughout; RSMEDP's role was to facilitate learning, improve quality, and enable scale without substituting for public leadership.

By early 2026, the Growth Hub network had expanded from a single pilot to six operational hubs, with national coverage in sight. Early results point to improved business performance, growing uptake of advisory services, and increased access to finance for rural enterprises previously excluded from formal lending. Equally important are the institutional gains: stronger internal systems, a learning oriented organisational culture, and durable government commitment beyond donor financing.

Georgia's experience offers a rare example of a public agency delivering personalised, multi-service SME support at national scale. The lesson is not to replicate the model wholesale, but to recognise that sustainable enterprise support systems require long-term investment in institutions, patient partnerships, and disciplined focus on building capability, not just disbursing funds.

THE CONTEXT

Each year, tens of thousands of Georgians, like Davit Shamatava, leave their country in search of economic opportunity. Davit left for Israel, chasing work that his hometown in rural Georgia couldn't provide, while his father worked as a cook in Russia. Yet, unlike most Georgians who leave the country, Davit and his father returned.

What changed Davit's trajectory was the support he found upon returning. Through Enterprise Georgia's Growth Hub in Zugdidi, Davit received advice and secured a small loan which is transforming his small food business. His simple eatery grew into a vibrant sports bar, with a full commercial kitchen. Within a year, revenues doubled, and the business now sustains not only Davit, his wife, and his father, but also three additional employees, with plans to expand further.

Demographic and Economic Headwinds

David's experience highlights Georgia's deep-seated demographic and economic challenges. Despite robust Gross Domestic Product (GDP) growth averaging above 9 percent since 2021[1], the rewards remain concentrated in large cities like Tbilisi and Batumi. While average poverty has declined, rural poverty is six points higher than urban rates.[2] This leaves rural residents with few viable opportunities other than leaving for greener pastures. By 2020, the cumulative exodus reached 861,000 people, making up a striking 23 percent of the population, and notably, over half were women.[3] The outlook among young Georgians is bleak: a 2023 survey found 73 percent of young Georgians would rather leave, seeking better living standards, education, and jobs.[4]

Access to quality jobs can be a foil against this out migration. However, despite overall economic growth, unemployment rates have remained stagnant at above 11.5 percent since 2019.[5] Expanding businesses, particularly in rural areas are essential for generating much-needed jobs across the country.

Underperforming Rural Businesses

SMEs in Georgia, which should anchor rural economies, face systemic failure. Only 30 percent reach their fifth year, with most closing within two to three years.[6] Rural SMEs lag urban ones, as geographic isolation limits access to markets, skilled labour, and reliable information. They face higher transaction costs and smaller economies of scale. Rural entrepreneurs manage day-to-day challenges with limited financial buffers, making them highly vulnerable to external shocks. Many plan only one or two years ahead, relying on word-of-mouth marketing and informal financial management practices that restrict their ability to grow, compete, and withstand volatility.

Rural entrepreneurs can improve their performance by utilizing business advisory services. However, both demand and supply side issues lead to low usage of business support services, and as a result a missed potential for rural businesses in Georgia.[7]

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[1] World Bank "GDP growth (annual %) - Georgia." 2024.
[2] National Statistics Office of Georgia. "Indicator of Poverty and Gini Coefficients." 2023.
[3] Geopolitics. "Looming Emigration from Georgia – Run, Forrest, Run!" 2025.
[4] Friedrich-Ebert-Stiftung. "Generation of Independent Georgia: In Between Hopes and Uncertainties." 2023
[5] World Bank. "Unemployment, total (% of total labor force) (modelled ILO estimate) – Georgia."
[6] World Bank. "Georgia Relief and Recovery for MSMEs: Project Information Document (PID)." 2020.
[7] RSMEDP publication "Technical Note: Business Support Services in Georgia" discusses this in detail.

On the demand side, there are gaps in entrepreneurial mindset and information flow. Many rural business owners have never been exposed to formal business advisory services or structured learning opportunities. As a result, trust in external expertise remains low, with some entrepreneurs believing they already possess the knowledge needed to run their business. Others hesitate to share internal information due to fears of taxation or scrutiny. This mistrust reinforces isolation and prevents businesses from seeking or benefiting from targeted advice, even when such support could unlock new opportunities. The result is a cycle in which rural businesses operate below their potential.

On the supply side, service providers are concentrated in urban centres where markets are deeper, and clients can more easily pay commercial rates without the need for subsidies. Many providers have limited experience tailoring services to rural SMEs, whose needs and expectations differ from those of urban firms. As a result, service models often remain generic or urban-oriented, and providers lack mechanisms to build long-term relationships with rural clients.

Taken together, information asymmetries persist. Providers lack reliable insights into rural market needs, while entrepreneurs lack clarity on what advisory support could offer them. These mutual blind spots create a fragmented market where neither side recognises the value of engagement. The result is a cycle of decline: as rural businesses fail, talented individuals leave, draining communities of potential and opportunity.

Access to finance is another piece of the puzzle. Although grant and subsidy programmes exist in Georgia, many SMEs struggle to progress towards securing commercial financing. To genuinely support businesses and stimulate economic growth in villages and small towns, it is essential to combine financial assistance with tailored business advice.

The Role of State Agencies

Over the years in Georgia and beyond, development initiatives have helped people start and grow businesses by giving them access to funding, training, and by encouraging service providers (often with subsidies) to work with small and rural businesses. Such programmes boost uptake of business support services temporarily and may even create some individual business success stories, but they rarely address underlying structural challenges. One-off interventions are insufficient to strengthen information flows, build trust, and enhancing the overall quality and reach of support services, all changes that are needed to create long-term improvements. Behavioural changes, such as using business services do not last once subsidies end, and the businesses not directly supported see no improvement.

Improving enterprise performance, not for a few businesses but for an entire region or country needs a long-term approach, and most importantly, ownership by local organisations. State agencies in Georgia occupy this critical role, fulfilling several essential functions. They are responsible not only for creating enabling environments for entrepreneurship and innovation, but also for bridging information gaps, building trust, and facilitating access to finance and advisory services. A range of state agencies offer support to SMEs, each focusing on specific sectors or needs—from agricultural extension and export promotion to innovation and technology support. Among these, Enterprise Georgia stands out as the agency most clearly focused on helping entrepreneurs across regions and sectors.

GROWTH HUBS: IDEA, EXECUTION AND SCALING

World Bank MSME Recovery Fund

In 2021, in response to the economic shock of the COVID-19 pandemic, the World Bank approved the US$ 100 million Georgia Relief and Recovery for MSMEs Project. The Fund's development objectives were, first, to offer financial relief and recovery to MSMEs; and second, to reinforce institutional systems that would ensure ongoing access to finance beyond the crisis. The financing was secured by the Ministry of Economy and Sustainable Development, with Enterprise Georgia administering the largest component. This component was designed to offer direct financial relief to MSMEs, including micro and small business grants, co-financing of interest payments, partial credit guarantees, and support for business digitisation.

This fund was utilized by Enterprise Georgia to first offer a micro-grant programme to SMEs, and later, to design and operationalize the Growth Hub concept.

The Growth Hub Concept

Enterprise Georgia had been exploring the Growth Hub concept since 2016, inspired by similar initiatives in the United Kingdom and other countries.[8] The model would establish regional business support centres where SMEs could receive diagnostics, training, and access to both financing and professional business services. This idea responds directly to the identified challenges for SMEs, namely low usage of business services compounded by limited access to finance for rural SMEs. Nationwide coverage was envisioned ensuring that SMEs in both urban and rural areas could access support. This was especially vital for rural enterprises, which often lack readily available services and information.

Over time, and through collaboration with RSMEDP, the idea developed to establish a network of Growth Hubs across the country with the following functions:

- **Business Diagnostics:** Growth Hubs would conduct thorough diagnostics to identify the unique needs of each enterprise, ensuring support is tailored and relevant.
- **Professional Advisory Services:** Businesses will be linked with service providers covering six key areas: finance and accounting, taxation, legal issues, digitalisation, marketing and sales, and strategic planning. To encourage uptake of advisory services, Growth Hubs would partially cover the cost of advisory services.
- **Training and Mentoring:** Growth Hub staff would deliver targeted training programmes and mentor SMEs to improve skills and business competencies.
- **Access to Finance:** Growth Hubs would facilitate connections to financial institution, helping SMEs move beyond grant dependency and towards sustainable commercial funding. Loans of up to GEL 50,000 would be available to entrepreneurs. The interest rate would be subsidized by the Growth Hubs for enterprises meeting certain criteria.[9]

[8] Several organizations were part of the early ideation phase of the Growth Hubs in Georgia, including SDC, UNDP and the consulting firm Savvy.

[9] Currently, women entrepreneurs can obtain interest free loans. In certain regions through partnerships with government agencies, tourism businesses and businesses operated by internally displaced people can access subsidies on the interest rates.

By acting as a one-stop shop, Growth Hubs would bridge gaps in information and services, particularly supporting rural and underserved communities to foster entrepreneurship and improve business performance.

The decision to establish Growth Hubs, in part stemmed from recognizing the limitations of the preceding micro-grants programme administered by Enterprise Georgia through World Bank's MSME recovery financing. This programme offered SMEs grant financing of up to GEL 30,000, about US$ 11,000 to invest in their businesses. However, the scale of micro-grants programme was constrained as grants consumed significant financing while supporting relatively few businesses. Follow-up and monitoring proved difficult. Many grant recipients closed their businesses within two years, as money alone was insufficient in addressing their problems. One of the World Bank's key requirements for financing was to demonstrate that, after receiving grant support, SMEs were progressing towards commercial financing for ensuring better sustainability of the results. However, this goal was difficult to achieve while grants remained available, as businesses tended to rely on them rather than seek out loans. Enterprise Georgia needed a model that could provide businesses with advice, services and finance, so that businesses could grow, create new jobs and help achieve the objectives of the programme.

The RSMEDP – Enterprise Georgia Collaboration

With the World Bank's MSME Recovery Fund providing resources, Enterprise Georgia had the funding to build Growth Hubs but needed technical expertise to design and implement it effectively. Enterprise Georgia and RSMEDP had already been collaborating on the micro-grants programme (see overleaf, *Leave No One Behind,* for details on this collaboration) and had developed a good working relationship. Given the alignment between RSMEDP's mandate and Enterprise Georgia's vision for the Growth Hubs, in 2022, the two organizations entered a new phase of their partnership to develop and execute the Growth Hub concept.

Start-up support: Technical expertise was the backbone of RSMEDP's support to Enterprise Georgia for the Growth Hubs. RSMEDP connected Enterprise Georgia with international best practice and expertise by engaging a consultant with deep experience developing enterprise support partnerships in the UK. This relationship enabled the strategic development of the Growth Hubs and has resulted in numerous improvements and adjustments to their design and operations.

RSMEDP supported Enterprise Georgia to define Growth Hub services and develop SME training content aligned with enterprise needs. The project designed a structured diagnostic process covering both advisory services and loans. Enterprise Georgia's original thinking was to integrate the diagnostic tool in the Growth Hub website. However, RSMEDP suggested a client-facing approach to build trust and improve service quality. Ultimately, the diagnostic is successfully being implemented through face-to-face "chemistry meetings" and is a crucial tool for ensuring entrepreneurs receive appropriate support rather than generic interventions.

For business advisory services, Enterprise Georgia had envisioned direct service provision by government staff. RSMEDP's market assessment showed that government services were often perceived as low quality. There was a risk of crowding out the private sector as providing free services where commercial providers existed would distort markets. Through consultations, Enterprise Georgia agreed to work through contracted service providers instead, creating a roster of companies that could deliver business support across the six areas: finance and accounting, taxation, legal issues, digitalisation, marketing and sales, and strategic planning.[10]

The project supported establishing satellite diagnostic centres to extend Growth Hub coverage nationwide, ensuring that entrepreneurs in remote areas could access support even before physical hubs reached their regions. This interim coverage was critical: without it, Enterprise Georgia would have been unable to launch the micro-loan programme due to uneven regional access and the risk of tensions among excluded beneficiaries. This support allowed SMEs to benefit from micro-loans much earlier. The first Growth Hub opened in Zugdidi in early January 2024, followed rapidly by hubs in Ajara and other regions.

Adaptation and growth: As the Growth Hubs became operational and evolved, there was opportunity for learning and adaption. For staff training, new team members came to Tbilisi for hands-on onboarding,

Leave No One Behind

From 2021 to 2023, RSMEDP partnered with Enterprise Georgia to make the Enterprise Georgia's micro-grant programme more inclusive and effective for ethnic minorities and socially vulnerable entrepreneurs. The collaboration focused on reducing access barriers and improving applicant quality through multilingual outreach, simplified procedures, and tailored coaching delivered via NGOs and public agencies. Internal reforms introduced translation requirements, clearer application processes, and more inclusive evaluation criteria. To support sustainability beyond grants, the partnership strengthened accounting service providers to deliver financial management advisory services, enabling entrepreneurs to graduate towards commercial finance. Over two years, these efforts significantly increased participation from underserved groups and contributed to more than 200 grants awarded, while building a strong, trust based institutional partnership.

For more details on this collaboration, see:

Peta and Shah, "Leave No One Behind: Access to Finance for Linguistically and Economically Excluded SMEs – Lessons from the Rural Small and Medium Enterprises Development Project (RSMEDP) in Georgia." 2024.

[10] Some of these roster companies had RSMEDP support to improve their offer and technical capacity.

including role-playing diagnostic tests. When new hubs opened, teams could observe operations at existing locations, creating peer learning networks.

The diagnostic process itself evolved through practice. Initially taking four hours to complete, the business support services diagnostic was streamlined to two hours through refinements and by conducting face-to-face ‘chemistry’ meetings with beneficiaries. The micro-loan diagnostic, covering business plans, expenses, profit margins, market analysis, and financial projections, took approximately an hour and a half. Critically, five out of ten SMEs discovered through diagnostics that they needed entirely different services than they initially assumed.

Enterprise Georgia expanded from the initial pilot to six operational Growth Hubs, with plans for nine total across the country. Over 40 consulting companies were inducted into the service provider roster, with constant quality control on services rendered. By the programme's first anniversary in January 2026, 1,114 micro-loans had been disbursed at subsidised interest rates, 503 of these attributed to RSMEDP’s support.

Yet this rapid growth created significant pressure. Processing large volumes of data efficiently while maintaining service quality became a challenge. The Growth Hubs were overseeing a large volume of consulting services delivered monthly, requiring substantial monitoring and quality control resources from both regional staff and central office teams. Data processing and administration requirements became overwhelming, leaving insufficient time for analysis and strategic response.

Responding to new challenges: RSMEDP's support evolved to match these consolidation needs. Since the start of the partnership, the project has played a key role in strengthening Enterprise Georgia’s institutional capacity and strategic planning, drawing on the expertise of the international consultant. This support became the foundation of a continuous process of reflection and learning that enabled Enterprise Georgia to be agile and adaptive while expanding rapidly. The project supported, bi-annual workshops bringing together all Enterprise Georgia central staff and Growth Hub regional personnel for reflection and review, creating space and culture for organizational learning. In June 2025, RSMEDP organised a technical study visit to UK Growth Hubs in Yorkshire and Leeds, where the 15-year-old model offered insights on stakeholder integration, municipal engagement, and university partnerships.

To address low awareness in remote regions, RSMEDP supported a marketing campaign including ten success story videos of beneficiaries and process explanation videos showing the SME journey through Growth Hubs. The impact was measurable: three to four out of every ten clients at some hubs arrived after seeing these videos on social media, and featured beneficiaries gained exposure that increased demand for their own products and services.

While Enterprise Georgia has always been the driving force behind the Growth Hub concept and its implementation, RSMEDP has consistently provided valuable and targeted support throughout each stage of the initiative's development. The table overleaf illustrates how this partnership has evolved, from the initial micro-loan collaboration to the current expansion and consolidation of the Growth Hub network, demonstrating that RSMEDP's involvement has delivered genuine additionality at every phase.

Looking Ahead: Enterprise Georgia plans on a total of nine Growth Hubs providing comprehensive geographic coverage across all regions. Along with expansion, the agency is simultaneously focused on deepening quality, strengthening systems, and building the institutional capacity to maintain excellence.

With greater scale, the agency is moving towards devolving responsibility and decentralising decision-making. Hub managers now have authority to screen applicants and determine whether to proceed with full diagnostics, preventing wasted time when SMEs don't meet eligibility criteria. As the network expands to nine hubs, clarifying roles between central office and regional teams becomes critical. Central teams will focus on strategic direction, quality assurance, and system development, while regional hubs will adapt approaches to local contexts and build relationships with local stakeholders.

The planned partnership with credit information organizations will be another enhancement. Enterprise Georgia are negotiating to provide Growth Hub staff access to credit scores[11], enabling pre-screening of loan applicants before investing hours in diagnostic applications.

The agency and RSMEDP continue investing in capacity building across multiple levels: central staff who provide oversight and strategic guidance, regional hub managers who balance operations with stakeholder engagement, and the roster of 40 consulting companies who deliver services directly to SMEs. Hub managers are also piloting paid internships for university graduates, freeing their own capacity for strategic regional planning rather than administrative tasks. This approach serves multiple purposes: building future talent pipelines, strengthening university partnerships, and enabling hub managers to focus on the relationship-building that drives regional impact.

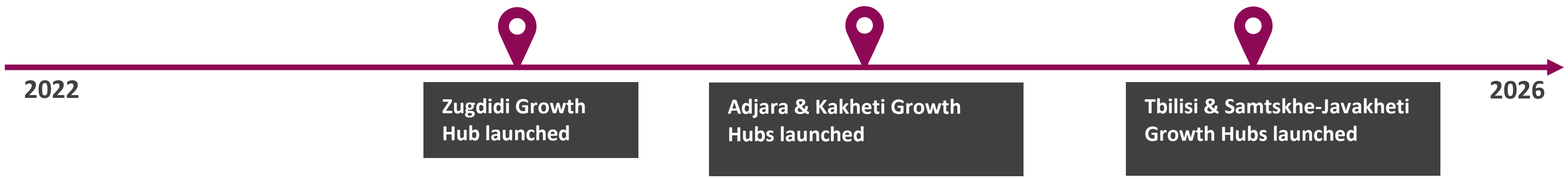
Beyond the core services, Enterprise Georgia is exploring additional offerings that address gaps identified through implementation. Certification support and mentoring programmes are under consideration. The agency is also examining how to better support businesses at different stages – from startups requiring foundational assistance to established SMEs ready for growth.

Encouragingly, Enterprise Georgia has secured strong support from the central government, including budgetary commitments in addition to the initial World Bank financing. This political and financial backing provides stability for long-term planning and signals government recognition of Growth Hubs' strategic importance.

[11] Currently credit scores are only available to lending institutions in Georgia.

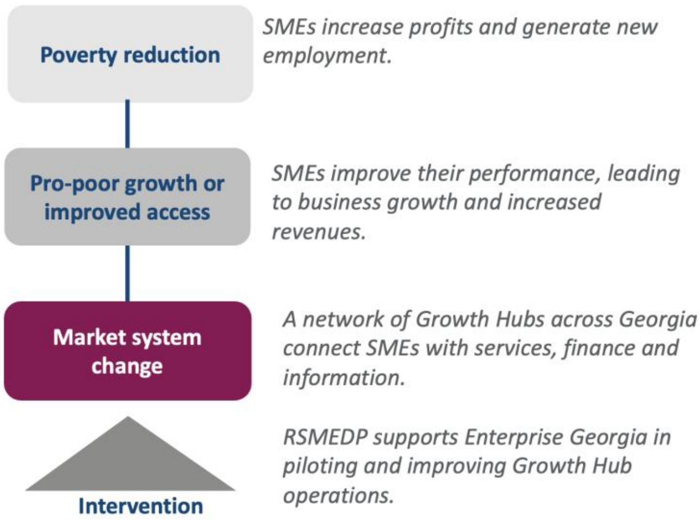
The Key Phases of the Enterprise Georgia and RSMEDP Collaboration

	Pre Growth Hub	Piloting Growth Hubs	Expanding Growth Hubs
Enterprise Georgia Initiatives	Enterprise Georgia administers the micro-grant scheme, providing entrepreneurs with up to GEL 30,000 (approximately US$ 11,000).	Enterprise Georgia launches Growth Hubs by recruiting and training staff, securing facilities, and setting up operations.	Enterprise Georgia expands the Growth Hub network and invests in institutional capacity, external engagement, monitoring and marketing.
RSMEDP Additionality	• RSMEDP improves the **targeting of ethnic minorities and socially vulnerable groups** in Enterprise Georgia's micro-grant programme, leading to more than 200 grants awards to previously underrepresented groups through project efforts. • RSMEDP helps Enterprise Georgia pilot and scale a **market-based "graduation" service** that enables former micro-grant recipients to strengthen financial management and access commercial finance, leading to the lifting of a World Bank performance-based condition under the MSME Recovery Fund. The model supports more than 100 micro-enterprises, and results in 16 loans with over US$ 500,000 mobilised, demonstrating a credible pathway from grants to commercial finance. • RSMEDP supports Enterprise Georgia in introducing a short, hands-on **digital skills programme** to help small business owners learn basic tools (such as email, online business profiles, simple marketing materials, and tracking expenses) that are essential for running a modern business.	• RSMEDP supports the establishment of **remote diagnostic testing centres**, allowing Enterprise Georgia to assess and approve SMEs for Growth Hub services without waiting for full physical hub infrastructure to be in place. • RSMEDP supports the Growth Hubs in developing and implementing a **diagnostic testing process** that serves two distinct functions: firstly, it assesses SME needs to recommend the most suitable co-financed business services. Secondly, the diagnostic is adapted and strengthened to assess SMEs' suitability for micro-loans, including questions to better evaluate creditworthiness. • RSMEDP supports Enterprise Georgia to develop the **core technical products** underpinning the Growth Hubs, including 22 consulting packages, detailed syllabi for 8 trainings and 17 workshops, covering seven key business fields. The project also establishes clear criteria for selecting local service providers.	• RSMEDP supports Growth Hubs in **organizational learning** through sponsoring bi-annual reflection and review workshops. • **Exposure visits** to UK Growth Hubs in Yorkshire and Leeds expose Georgian counterparts to mature models and generate practical insights on stakeholder integration, municipal engagement, and university partnerships. • RSMEDP supports a **marketing campaign** featuring ten beneficiary success-story videos and process-explanation videos illustrating the SME journey through Growth Hubs. These videos, shared through social media, drive awareness on the services among remote communities. .
		RSMEDP supports the **strategic development and institutional** strengthening of the Growth Hub network through advisory support led by international expert Jon Burns.	



THE IMPACT: EARLY SIGNS OF TRANSFORMATION

Theory of Change



Enterprise Georgia's Growth Hub network has moved decisively beyond proof of concept and is delivering tangible impact. The model is on track to achieve full regional coverage in Georgia, establishing systems that connect SMEs with advice, information, services and finance nationwide. As the theory of change illustrates, the approach is systemic, with Enterprise Georgia developing the infrastructure to sustain these functions into the future. Growth Hub activities are already demonstrating early signs of inclusive, pro-poor growth. To date, the hubs have supported 570 clients with consulting services, and 1,114 micro-loans have been disbursed. This is particularly impressive considering the first Growth Hub has been in service for only two years at the time of data reporting. Some of the earliest grantees are showing evidence of business expansion, increased profits, and job creation.

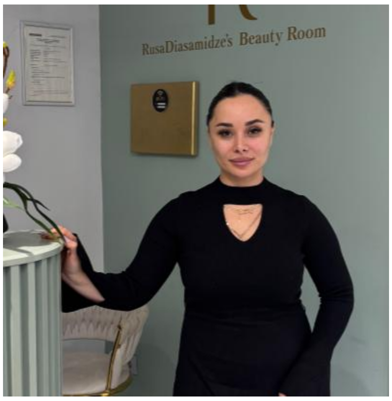
Key Metrics of Growth Hub Performance[12]	Results as of January 2026
Operational Growth Hubs	6
Diagnostics Conducted for Services	888
Consulting Services Availed	570
Diagnostics Conducted for Loans	2039
Loans Disbursed	1114

Yet numbers alone don't capture the model's innovation. What distinguished the Growth Hubs is how they are changing the relationship between rural entrepreneurs, service providers, and public support, and in doing so, laying groundwork for more resilient regional economies.

[12] RSMEDP attributes a portion of these numbers to their support as follows: 196 of 888 Diagnostics Conducted for Services; 891 of 2039 Diagnostics Conducted for Loans; and 503 of 1114 Loans Disbursed.

Tangible Business Outcomes

What happens when rural SMEs can easily access information, training, and co-financed consulting services and micro-loans? The most immediate impact is what SMEs learn about themselves through the diagnostic process. The two-hour business support services diagnostic consistently reveals gaps that entrepreneurs hadn't recognised. The diagnostic process itself becomes a form of business education, helping entrepreneurs understand their own operations with new clarity. The early evidence of business impact, while still emerging, is compelling.



Malvina Diasamidze, from Samtredia, used a micro-loan to purchase laser ablation equipment she couldn't otherwise afford. The results exceeded her expectations. She had projected three clients daily for laser services; six months later, she was averaging seven. Her turnover had doubled, enabling her to hire two new certified employees and fund their additional training in Tbilisi. The investment positioned her as the only provider of high-quality laser services in the area, giving her the confidence to make further investment plans.

Tamar Berishvili's 30-employee hotel and restaurant business in Zugdidi was struggling with weekly power cuts, making it difficult for her to attract visitors. The GEL 50,000 micro-loan financed a generator and laundry equipment. Combined with marketing consultancy that helped implement a customer loyalty programme, the restaurant was now full almost every day, with 30-50 customers enrolled in the loyalty scheme visiting more frequently and bringing friends. Monthly revenues increased by approximately 30 percent and the business maintained its 30-person workforce with improved job security.

Maturing Business Services Market

Beyond individual business outcomes, the Growth Hub model is changing market dynamics for business support services. Service providers are improving quality as they develop new service lines and gain experience and credibility through being on Enterprise Georgia's roster. Critically, SMEs aren't just contracting services, they are implementing recommendations. Monitoring revealed that services were leading to resource savings, process improvements, and efficiency gains. Making quality business support accessible when and where rural SMEs need it is improving trust among SMEs, and the rural-urban gap in quality of services is narrowing.

Access to Finance at Scale

The micro-loan programme represents a fundamental shift in how rural SMEs access finance. Microfinance banks serving Growth Hub clients report on-time payments, noting that the diagnostic process gives them confidence in application quality. The interest rate subsidy makes financing accessible to entrepreneurs previously cut off from formal finance who had exhausted other investment options.

The partnership is commercially viable for banks. New clients offer opportunities for additional banking services, positioning them as potential long-term customers. Some bank representatives even proactively identify micro-loan candidates and redirect them to Growth Hubs to benefit from interest rate subsidies and services. The diagnostic process helps entrepreneurs develop robust business plans and financial projections. Working with Growth Hub consultants to refine applications gives SMEs practice articulating their business model and understanding their numbers.

Building Economic Foundations

Over time, this infrastructure of business support will continue nurturing rural enterprises, leading to business growth, employment generation, and gradually addressing Georgia's deep-seated macroeconomic challenges. The vision isn't simply more businesses, but growing businesses creating jobs all over Georgia.

Growth Hubs are becoming embedded in Georgia's entrepreneurial ecosystem—places where rural business owners know they can access quality advice, financing, and connections. As awareness spreads and success stories multiply, the network's impact will compound. Businesses that received support will mentor others, consultants will deepen their expertise, and regional stakeholders will increasingly coordinate around shared economic development goals.

SUCCESS FACTORS: WHY GEORGIA'S GROWTH HUBS SUCCEED WHERE OTHERS FAIL

Georgia's Growth Hub network represents something rare in low- and middle-income countries: a public agency delivering individualised, multifaceted support to small businesses at nationwide scale and achieving tangible results. This is a developmental unicorn. Most business support programs offer either generic training or subsidized financing alone. Few combine personalised diagnostics, tailored services across multiple business functions, and genuine follow-through. And almost none do this across an entire country, reaching rural enterprises far from capital cities. Donor-financed initiatives typically fizzle out once funding runs out.

Understanding why Georgia succeeds where so many others fail requires examining the convergence of organizational factors, partnership dynamics, and deliberate design choices that created conditions for sustainable impact.

Enterprise Georgia: Organizational Excellence

The Growth Hub model works because Enterprise Georgia possesses, and actively cultivates, the organizational capacity and motivation to implement it. This cannot be externally imposed or simply copied. The agency's receptiveness to change, coupled with internal capability, creates the foundation for genuine transformation.

Leadership and Long-Term Vision: Enterprise Georgia's leadership demonstrates openness to external input while maintaining strategic direction. Willingness to reconsider fundamental assumptions, even when it meant abandoning plans already in development is critical. Shifting from micro-loans to the current structure exemplified this strategic clarity.

Investing in People and Culture: Enterprise Georgia has an organizational culture focused on service rather than compliance. Growth Hub staff are proactive and passionate about serving businesses, going beyond standard job descriptions. This culture emerged from deliberate practices:

- **Rigorous hiring:** The recruitment process prioritises cultural fit alongside technical skills. They sometimes re-open vacancies multiple times to find the right candidates, rather than compromise on quality. Finding people who are based in regions, understand local contexts, have strong networks, and are trusted by local SMEs takes time, but the investment pays dividends in service quality.

- **Comprehensive onboarding:** When the first Growth Hub opened in Zugdidi, new team members from subsequent hubs came to observe operations firsthand, including role-playing diagnostic tests. This hands-on learning ensured consistency whilst allowing regional adaptation.

The result is staff who build genuine connection with SMEs, who share sensitive business information indicating high trust levels. This trust doesn't emerge from systems alone; it requires people who can speak at eye-level with entrepreneurs rather than as authority figures while possessing technical knowledge across multiple business functions.

Balancing Central Quality Control with Regional Autonomy: As the network expanded from one hub to six, Enterprise Georgia developed systems balancing consistency with local innovation. Central teams maintain quality through standardised diagnostic tools (80 percent of which remain as originally designed by RSMEDP), three-stage independent evaluation of diagnostics, and rigorous monitoring of service providers. Regular coordination meetings, bi-annual workshops bringing together all hub staff, and project managers who travel to hubs for extended periods ensure alignment. Different regions are developing different specializations based on local economic strengths—wine in Kakheti, tourism in Ajara, diverse manufacturing elsewhere.

Being a Learning Organization: Enterprise Georgia demonstrates systematic learning from implementation experience. Growth Hubs track where they receive more and less business, adjusting outreach accordingly. The bi-annual workshops create space for reflection beyond daily operations. Teams share innovations, troubleshoot challenges, and maintain alignment on standards. Study visits expose team to international best practice, spurring innovation and improvements. These gatherings become increasingly essential as the network expands, preventing fragmentation while enabling local problem-solving.

Amplifying through Partnerships: Enterprise Georgia actively collaborates with other organizations to increase impact, both centrally and regionally. Georgia Information Technology Agency (GITA) co-location arrangements leverage existing infrastructure. The Ministry of Internally Displaced Persons provides additional support channels for displaced entrepreneurs, including a 25 percent cash-back programme on successfully utilised loans. Tourism associations enable specialised support for a critical rural sector.

At regional level, each Growth Hub maps local stakeholders and builds relationships with municipalities, universities, and sector associations. These partnerships aren't simply about expanding reach; they integrate Growth Hubs into Georgia's broader business support fabric, ensuring entrepreneurs encounter consistent quality support regardless of entry point.

RSMEDP: Facilitating, not Imposing

RSMEDP's approach demonstrates genuine partnership built on patience, trust, and co-creation rather than imposed agendas.

Building Iteratively: RSMEDP resisted the temptation to arrive with fully formed plans. Instead, the partnership evolved organically. Crucially, across all initiatives, Enterprise Georgia remained the lead and the face of the work. RSMEDP's role was to enable, improve, and facilitate specific aspects while long-term ownership always stayed with Enterprise Georgia. This approach builds trust and maintains accountability. As each piece of work is achieved, both parties demonstrate they will deliver on their commitments and understand each other's constraints and culture. This establishes a foundation for collaboratively designing future improvements and adaptations.

Diagnostic-Led Approach: Enterprise Georgia and RSMEDP prioritise understanding the underlying causes of challenges before designing interventions. This approach entails thorough analysis to identify root issues, enabling tailored solutions that address specific needs and barriers. By adopting diagnostics as a starting point, the programme ensures targeted support and measurable improvements for entrepreneurs across Georgia. The RSMEDP team has systematically analysed the underlying causes of performance gaps among rural SMEs, linking these challenges to issues of access to finance and services. Building on this diagnosis, they have subsequently designed interventions that reinforce one another to address such gaps. Consequently, their collaboration with Growth Hubs is integrated within a broader, cohesive portfolio of support, rather than being a standalone initiative. For example, efforts to strengthen the capacity of accounting service providers (ASPs) are yielding results, with these ASPs now featuring as roster companies delivering Growth Hub services.

Strategic Clarity with Tactical Flexibility: RSMEDP remained laser focused on strategy while staying flexible on tactics. The strategic goal of building sustainable business support infrastructure serving rural enterprises stayed constant. Specific interventions adapted as needs emerged: satellite diagnostics when immediate scaling was not feasible, marketing campaigns when awareness gaps surfaced, bi-annual workshops when peer exchange became necessary, UK study visits when strategic direction needed clarity.

This flexibility extended to funding decisions. Rather than rigid budget lines, RSMEDP deploys resources where they would generate the greatest impact. They covered workshop logistics to enable the first gatherings of regional and central staff, supported marketing campaigns that produced success story videos, and organized international learning exchanges that catalysed strategic decisions.

Design for Sustainability from the Start

RSMEDP deliberately avoids subsidising long-term operational functions. This strategic discipline reflects a clear division of responsibility: Enterprise Georgia owns and executes the Growth Hub model over the long term, while RSMEDP provides temporary, catalytic support during the development phase.

Additional Enabling Factors

Financing Architecture: The World Bank's MSME Recovery Fund financing to Enterprise Georgia provides foundation for scaling. But equally important is government's willingness to maintain funding through central budget allocations, signalling political commitment beyond donor and multilateral financing. This multi-year, multi-source funding enabled long-term planning and genuine institutionalization rather than project-based thinking.

Donor Flexibility: SDC's flexible approach allowed RSMEDP to respond to emerging needs rather than executing predetermined plans, thus creating space for genuine partnership with Enterprise Georgia and adaptive programming responsive to implementation learning.

Consistent Leadership During Political Turbulence: Georgia experienced significant political challenges during the Growth Hub development period. Enterprise Georgia's ability to maintain consistent leadership and strategic direction despite this volatility is essential for sustained implementation.

Economic Context: Post-COVID growth in Georgia created favourable conditions for entrepreneurship. Economic growth has been steady, spurred by strong recovery in sectors like tourism, creating demand and downstream business activity.

CONCLUSION

No single factor explains the success of the Growth Hub model. Rather, several elements combine to create organizational capacity and culture for sustained, adaptive, quality delivery. The Growth Hub model thrives because Enterprise Georgia itself is strong, resilient, and adaptive, and this is not by chance. Critical to this resilience has been the commitment of Enterprise Georgia's leadership, who invested not just in infrastructure or programmes but in the deeper work of building genuine institutional capability. This internal investment has been amplified by the approach of partners such as RSMEDP, who have chosen to support and empower, rather than replace or dictate, Enterprise Georgia's role. It is this combination of internal commitment and external partnership that has allowed the organisation to weather political turbulence, respond to shifting economic landscapes, and respond to the opportunities arising from post-COVID recovery.

For development practitioners and policymakers, the lesson is not to simply replicate Georgia's specific model elsewhere. The contexts, institutional realities and political commitments differ too greatly. Rather, the insight is that sustainable business support systems are not built overnight, nor do they result from good design or plans alone. They require a patient, long-term investment in developing organisational capability, a process that depends as much on nurturing skilled, motivated teams and thoughtful leadership as on the right financial and technical architecture. Equally important is the cultivation of genuine partnerships between public agencies and development programmes, underpinned by donor flexibility and mutual respect, allowing local ownership and adaptation to flourish. Flexibility but within tight strategic focus, combined with a deliberate, ongoing commitment to long-term sustainability from the very outset, is essential for time bound development programs collaborating with public agencies.

The principles of patient investment, partnership, adaptability, and sustainability offer a framework for countries seeking to develop business support systems that reach beyond urban centres and established enterprises. These principles, adapted to local context can offer a brighter future to rural entrepreneurs who, like Davit Shamatava, seek to build viable futures in their own communities rather than leaving in search of opportunities elsewhere.