UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

SUSTAINABLE DEVELOPMENT GOALS

STANDARDS COMPLIANCE ANALYTICS REPORT

BORDER REJECTIONS IN MAJOR GLOBAL MARKETS
GEORGIA

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September 2024

INTRODUCTION

Technical regulations and standards in the area of international trade of food and non-food (industrial) products become increasingly prevalent and are continuously evolving. Moreover, the available evidence indicates that many developing countries face challenges in terms of complying with the safety and quality requirements these regulations and standards lay down. Since 2008, UNIDO has regularly collected evidence about trade-related challenges and their evolution over time, particularly in the area of compliance with the requirements set by international markets (involving quality, certification, labelling, etc.).

The challenge for national governments and donors, as they undertake efforts to improve compliance, is to allocate wisely the scarce financial and technical resources amongst a plethora of capacity-building needs. This would require pinpointing the areas where the most acute compliance problems lie. In the context of trade, this implies identifying the products and markets with the highest non-compliance rates based on reported rejections. From this viewpoint, the Standards Compliance Analytics (SCA) proves to be a convenient tool, facilitating the use of rejection data. It helps identify the key compliance challenges confronted by exporting countries and, thereby, contributes to an improved targeting of investments aimed at building up relevant compliance capacities (more details about the SCA tool can be found in the Annex).

The present report employs the SCA tool to analyse the trends and patterns of the Georgian agri-food import rejections at the border of five major international markets, namely Australia, China, the European Union (EU), Japan and the United States (US). Its objective is to gain an insight into the challenges faced by Georgia at complying with product quality and safety standards & regulations in the agri-food trade both in the context of regional and global markets.

The report was developed under the Global Quality and Standards Programme (GQSP), funded by Switzerland through its State Secretariat for Economic Affairs (SECO).

The UNIDO Knowledge Hub offers abundant information, online trainings, and digital tools about Quality Infrastructure, including the SCA tool. Any feedback and comments on this report are welcome and can be addressed to knowledgehub@unido.org.

CONTEXT

A. COUNTRY PROFILE

Country	**Georgia**
Continent	**Eastern Europe / South Western Asia**
Population	**3.76 million** (2023)
GDP	**30.54 billion USD** (2023)
GDP per capita	**8,120 USD** (2023)
Value added by Agriculture, Forestry and Fishing	**6%** of GDP (2023)
Food Safety Index	**40** (2020)
Logistics Performance Index (overall)	**2.7** (2023)
Gross Food Production Value in constant	**1,300** (2014 – 2016; thsd in $)

According to the World Bank, Georgia is classified as an **upper-middle income**[1] country, with a Human Development Index (HDI) value of **0.814**[2]. This places Georgia in the **Very High** human development category, ranking at 60 out of 193 countries and territories in 2022. Unlike the majority of countries, Georgia experienced a slight increase in its HDI score during the COVID-19 pandemic, from 0.809 in 2021 to 0.814 in 2022[3].

Georgia has a small transitional market economy that benefits from its strategic location at the crossroads between Europe and Asia. This strategic location makes it a natural logistics and transit hub along the "New Silk Road," which connects Asia and Europe through the Caucasus. Over the past decade, Georgia has successfully increased its Gross National Income (GNI) per capita from $3,048 in 2010 to $4,608 in 2021 (measured in constant 2015 US dollars). With this improvement, the country's GNI per capita has converged toward European Union levels, owing to sound macroeconomic management. Concurrently, the measure of poverty based on the national poverty line decreased by over half during the same period. However, despite this consistent growth, the Georgian economy remains vulnerable to external shocks due to its reliance on tourism and trade openness. The country has been adversely affected by international sanctions related to the Russia-Ukraine conflict, as well as disruptions caused by the COVID-19 pandemic. Furthermore, structural challenges persist, particularly in terms of a low productivity and inadequate generation of high-quality employment opportunities. More than one-third of the workforce is engaged in a low-productivity agriculture. Insufficient skills and poor learning outcomes further impede the expansion of the private sector. In December 2023, Georgia was granted candidate status by the EU. Joining the EU would offer opportunities to the nation to boost reforms and achieve prosperity[4].

As a key component of a country's exports business, the Logistics Performance Index (LPI) measures the efficiency of trade-related logistics activities in a country, including international shipment, logistics quality, customs clearance, infrastructure, and tracking and tracing. Thus, a higher LPI score points to a better logistics performance of a country and its greater competitiveness in the global market. In 2023, Georgia's overall LPI score was **2.7**, placing it at the **79th** rank out of 139 countries included in the study (**Table 1**[5]). Remarkably, within a span of merely five years, Georgia has achieved the incredible feat of gaining 40 places in rank, having previously held the 119th position in 2018[6].

[1] World Bank. World Bank Country and Lending Groups. https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups
[2] United Nations Development Program. 2020. Human Development Report. The Next Frontier: Human Development and the Anthropocene. UNDP. https://hdr.undp.org/data-center/country-insights#/ranks
[3] United Nations Development Program. 2022. Human Development Reports. Georgia. UNDP. https://hdr.undp.org/data-center/specific-country-data#/countries/GEO
[4] The World Bank (2022, April 6). Georgia - Country Context. WB. https://www.worldbank.org/en/country/georgia/overview
[5] World Bank. International LPI - Georgia. 2023. https://lpi.worldbank.org/international/global
[6] World Bank. International LPI – Global Ranking 2018. https://lpi.worldbank.org/2018

TABLE 1: INTERNATIONAL LPI IN 2023 - GEORGIA

DATA TABLE

(Toggle Rank and Score for Subindicators)

Country	Year	LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Georgia	2023	2.7	2.6	2.3	2.7	2.6	2.8	3.1

The Global Competitiveness Index (GCI) comprises up to 103 indicators derived from a combination of data sources from international organizations and the World Economic Forum's survey. It encompasses various factors, including institutions, infrastructure, Information and Communications Technologies (ICT) adoption, macroeconomic stability, health, skills, product market, labour market, financial system, market size, business dynamism, and innovation capability, among others. The GCI provides a score ranging between 1 to 100. In 2019, Georgia obtained a score of **60.6**, ranking **74th** out of 141 countries[7]. This represented a decline of eight places as it was ranked **66th** out of 140 countries in 2018. Among the 12 pillars or economic drivers, Georgia's labour market achieved the highest ranking at 37 with a score of 65, while its market size received the lowest ranking at 104 with a score of 42. This category assesses each country in terms of its domestic credit to the private sector, financing of SMEs, venture capital availability, and insurance premiums[8]. Areas for improvement include fostering the growth of innovative companies, which is measured by the willingness of companies to embrace disruptive ideas. However, Georgia demonstrates excellent performance in terms of the ease and low cost of starting a business.

The agriculture sector, including the forestry and fisheries sub-sectors, contributed to **6%**[9] of Georgia's gross domestic product (GDP) and employed **40%**[10] of the workforce in 2022, according to the World Bank. The industrial sector accounted for **19%**[11] of the country's GDP and employed **14%**[12] of the active population in 2022. This sector is focused on aerospace products, synthetic materials and fibres, mineral extraction, electric railway locomotives, heavy vehicles, earth-moving equipment, tea-gathering machines, and anti-hail devices used in plantations[13]. Its two main subsectors are mining and manufacturing. The latter, which refers to a segment of the economy in which raw material is converted into tangible output 'products' through value addition, contributed to nearly **8%**[14] of the country's GDP in 2022. Over the last decade, the services sector continued to rise in importance in terms of contribution to Georgia's economy. Indeed, it accounted for **61.7%**[15] of the GDP and employed almost half of the workforce in 2022[16]. The service sector has now far surpassed the agriculture and industry sectors in terms of contribution to the GDP.

In 2022, the prevailing economic trends in Georgia, as well as globally, were shaped by the conflict in Ukraine. The available data reveals that Georgia has experienced a heightened economic dependence on Russia, resulting in substantial risks to the country's long-term security and resilience. Besides, the significant surge in prices, driven by the influx of immigrants from Russia and their subsequent increase in demand, has adversely impacted a specific portion of Georgia's middle class. This situation has further hindered the country's economic stability and impeded its growth[17].

B. AGRICULTURE SECTOR

Georgia has a valuable agriculture and food heritage that can serve as a foundation for growth. With concerted efforts, the country can cultivate a thriving agricultural sector capable of contributing to economic development. This can be achieved by capitalizing on opportunities within markets that prioritize high-quality agricultural and food products produced in

[7] Schwab, K. World Economic Forum. 2019. The Global Competitiveness Report 2019. https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

[8] World Economic Forum. Georgia: Innovation Capability. https://intelligence.weforum.org/topics/a1Go X000006NwV5UAK

[9] World Bank (2023). *Agriculture, forestry, and fishing, value added (% of GDP) - Georgia*. The World Bank Data. https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=GE

[10] World Bank (2022). *Employment in agriculture (% of total employment) (modeled ILO estimate) - Georgia*. The World Bank Data. https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=GE

[11] World Bank (2023). *Industry (including construction), value added (% of GDP) - Georgia*. The World Bank Data. https://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=GE

[12] World Bank (2022). Employment in industry (% of total employment) (modeled ILO estimate) - Georgia. The World Bank Data. https://data.worldbank.org/indicator/SL.IND.EMPL.ZS?locations=GE

[13] Britannica. Industry of Georgia. https://www.britannica.com/place/Georgia/People

[14] World Bank (2023). Manufacturing, value added (% of GDP) – Georgia. The World Bank Data. https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=GE

[15] World Bank (2023). Services, value added (% of the GDP) – Georgia. The World Bank Data. https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS?locations=GE&skipRedirection=true

[16] World Bank (2022). Employment in services (% of total employment) (modeled ILO estimate) - Georgia. The World Bank Data. https://data.worldbank.org/indicator/SL.SRV.EMPL.ZS?locations=GE&skipRedirection=true

[17] Economic Policy Research Center. Economy of Georgia – Impact of the War. EPRC. https://eprc.ge/en/news/the-economy-of-georgia-effects-of-war-2/

an environmentally sustainable manner. Despite some successes, challenges persist as a considerable portion of Georgia's population remain engaged in low-productivity agricultural activities, leading to elevated levels of poverty and inequality, particularly in rural areas. Overall, farms demonstrate limited productivity and lack of connectivity to markets, resulting in concentrated export products and limited destinations. A recent assessment from the World Bank has highlighted a crucial opportunity to enhance effectiveness and targeting of support for the agricultural sector, particularly for smallholder farmers. This can be accomplished by addressing jointly the underlying obstacles across two key areas: water and land. Furthermore, implementing an integrated policy approach encompassing the agricultural, water, and land sectors can further improve prospects for this industry[18].

Even though agriculture may only contribute to a modest 6% of the GDP in 2023, it is still an essential sector as it provides a vital safety net for the country's rural population, which amounts to 40% of the overall population. In addition, agri-food products represented 28% of the country's total exports in 2020. As of 2021, public entities owned and maintained 64% of all registered agricultural land. A vast majority of households owned smaller than 2 hectare land plots while a mere 4.8% owned two to five hectares of plots, and 1.5% had more than five hectares. This type of ownership arrangement has kept commercial farming in its infancy and the share of commercial farms in agricultural production has remained relatively low[19].

Agriculture production:

Over the past decade, there was a significant rise in the value of food production in Georgia. This period has witnessed a successful development of value chains by export-focused producers and agri-business enterprises, particularly those involved in wine, hazelnut, and edible fruit production. Their achievements have demonstrated the feasibility of sustainable growth within the sector. Additionally, it is worth noting that the agri-business industry in Georgia has shown a greater resilience to the impact of the COVID-19 pandemic compared to other sectors of economy. Numerous high-value agricultural goods, such as **grapes**, **berries**, **nuts** (hazelnuts, almonds, walnuts, and chestnuts), **citrus fruits**, **apples**, **peaches** and **apricots** are produced in Georgia thanks to its excellent soil and pleasant climate. However, the rough and hilly terrain puts limitations on the overall amount of arable land that can be used, particularly for field crops.

[18] World Bank (2022). Agriculture, water, and land policies to scale up sustainable agri-food systems in Georgia. Synthesis Report and way forward. https://openknowledge.worldbank.org/server/api/core/bitstreams/b8f63c85-23d5-55c6-bc80-98a3419e7194/content

[19] International Trade Administration (2022, August 7). Georgia -Agricultural Sector. Country Commercial Guide. ITA. https://www.trade.gov/country-commercial-guides/georgia-agricultural-sector

Agriculture exports:

Previously, the majority of Georgia's exports went to Russia. However, since signing the Deep and Comprehensive Free Trade Area (DCFTA) agreement with the EU in 2014, Georgia shifted its focus towards expanding its exports to European markets. Additionally, Georgia has increased its production of crops, such as **grain** and **vegetables**, for domestic consumption. The country relies on imports of wheat, animal products, and powdered milk.

In terms of overall exports, Georgia reported a total of **$6.82B** in 2022, positioning it as the 118th largest exporter worldwide. Over the past five years, Georgian exports have risen by $3.53B from $3.29B in 2017 to $6.82B in 2022. The recent export composition consists of copper ore ($1.03B), cars ($886M), nitrogenous fertilizers ($728M), ferroalloys ($471M), and wine ($253M), shipped mostly to China ($759M), Azerbaijan ($668M), Russia ($642M), Armenia ($571M), and Bulgaria ($502M)[20]. Georgia exported **$271M** worth vegetable and fruit products including nuts, pitted fruits, citrus, spices, apples, and pears in 2022. The primary export destinations for these products were Russia ($90M), Armenia ($37.2M), Italy ($30.4M), Germany ($30.1M), and China ($12.8M) [21]. In 2022, the fastest growing export market for vegetable and fruit products was China, followed by Türkiye and Armenia.

With respect to foodstuffs, in 2022, Georgia's exports amounted to **$829M,** ranking it as the 77th largest exporter globally. Key export markets for foodstuffs included Russia ($318M), Kazakhstan ($85.9M), Azerbaijan ($80.2M), Armenia ($53.4M), and Ukraine ($49M)[22]. It's worth noting that the export of agricultural food and feed products to the EU as shown in **Figure 1**[23] increased by 12.6% from 2020 to 2023.

[20] Observatory of Economic Complexity. Georgia. OEC. https://oec.world/en/profile/country/geo

[21] Observatory of Economic Complexity. Vegetable products in Georgia. OEC.https://oec.world/en/profile/bilateral-product/vegetable-products/reporter/geo

[22] Observatory of Economic Complexity. Foodstuffs in Georgia. OEC. https://oec.world/en/profile/bilateral-product/foodstuffs/reporter/geo

[23] EU Commission Directorate-General for Agriculture and Rural Development (2023, April 18). AGRI-FOOD TRADE STATISTICAL FACTSHEET European Union - Georgia. EU Commission. https://agriculture.ec.europa.eu/system/files/2023-05/agrifood-georgia_en.pdf

FIGURE 1: STRUCTURE OF EU AGRI-FOOD TRADE WITH GEORGIA, 2013 – 2023

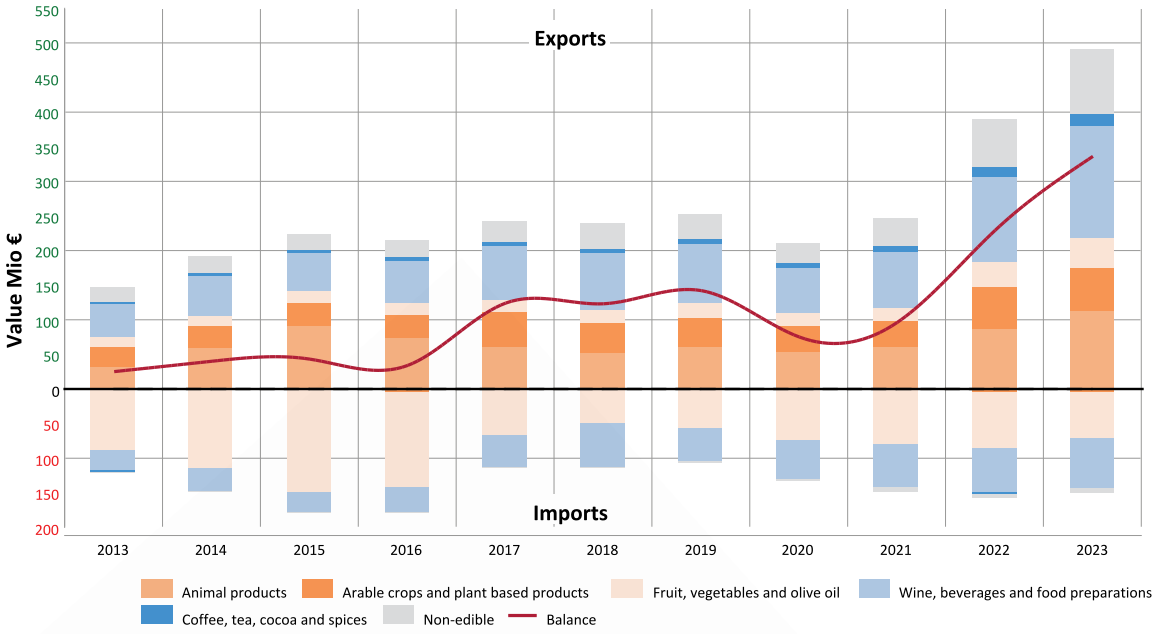
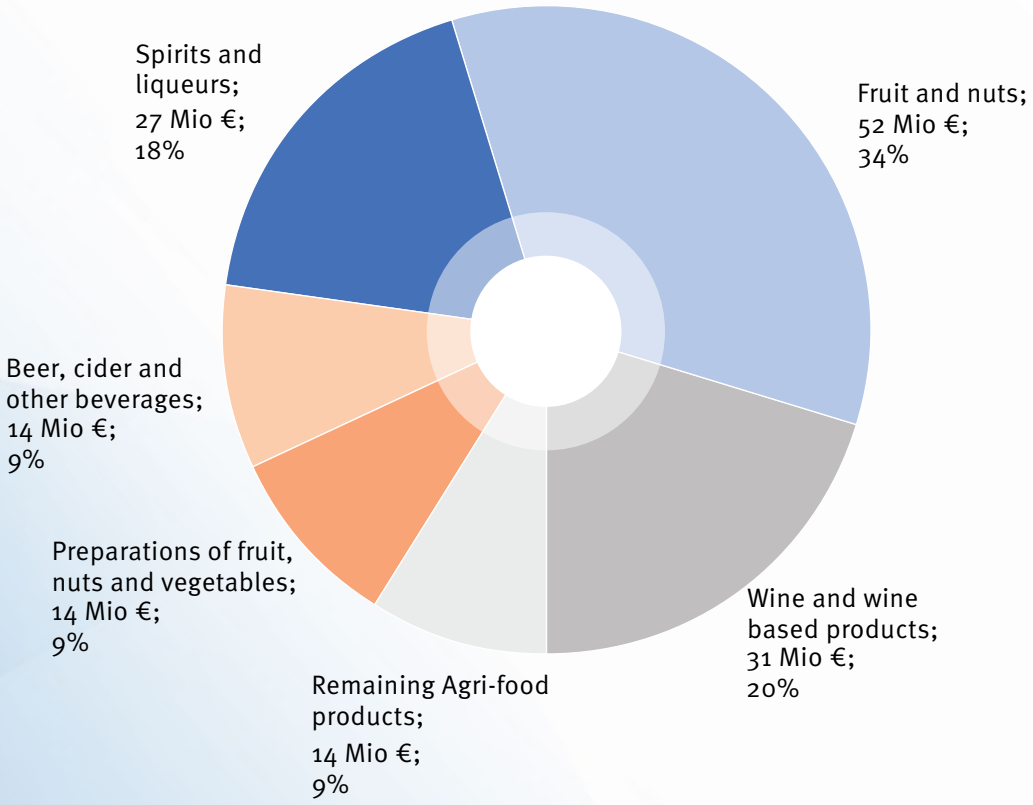


FIGURE 2: TOP EU AGRI-FOOD IMPORTS FROM GEORGIA IN 2023



C. INTERNATIONAL TRADE

In June 2014, the EU and Georgia signed an association agreement, which came into effect in July 2016. An essential element of this agreement is the Deep and Comprehensive Free Trade Area (DCFTA), which reduces the tariffs that European and Georgian businesses must pay when exporting to/importing from Georgia/EU. It also streamlines customs procedures, gradually aligning Georgian legislation, norms, procedures and standards with those of the EU, thereby facilitating trade and commerce[24].

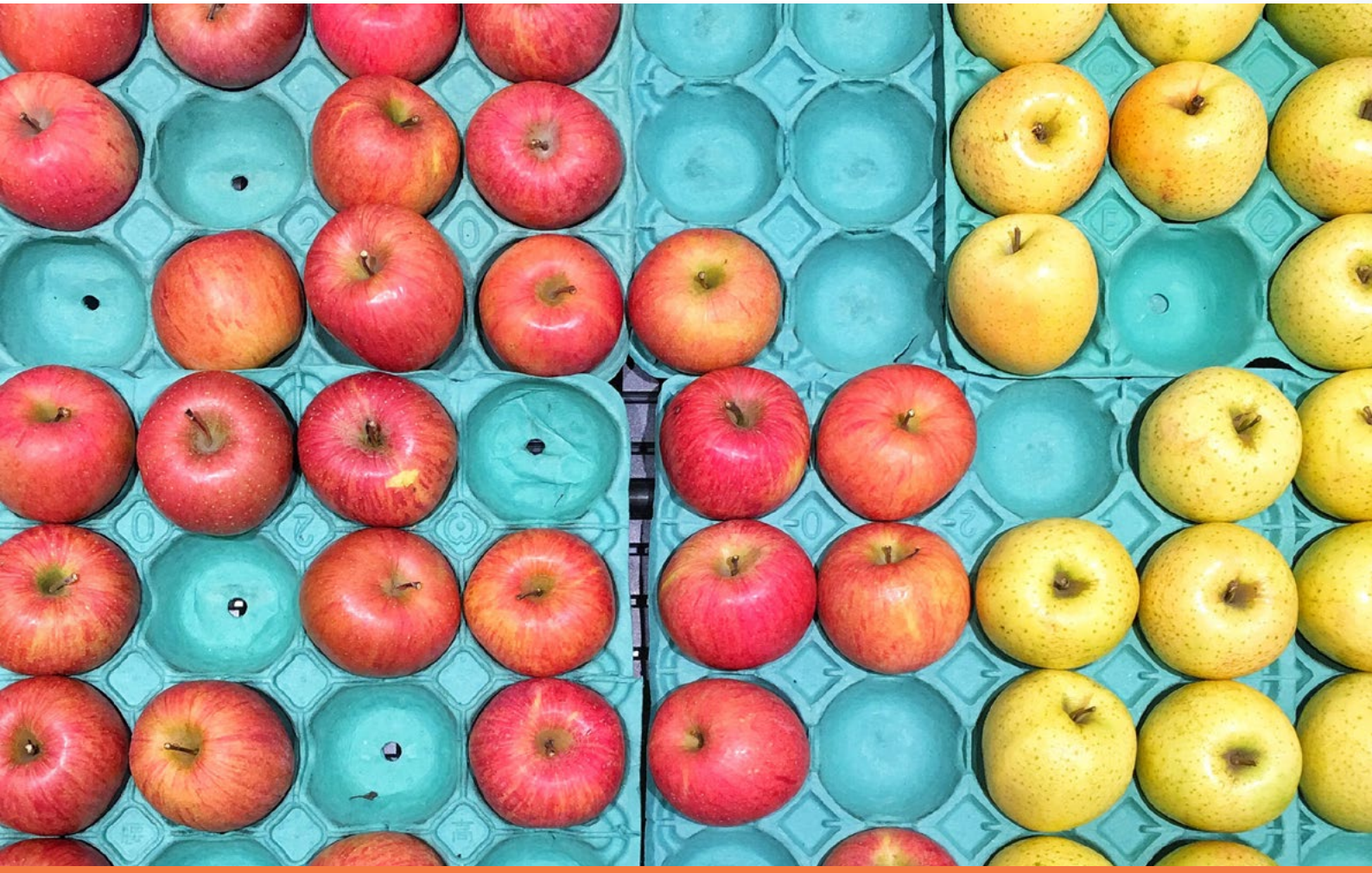
Georgia, as a member of the World Trade Organization (WTO), benefits from the Most Favoured Nation Treatment in trading with all WTO members. Besides, the country enjoys tariff reductions for a variety of goods under the Generalized System of Preferences (GSP) with Switzerland, Norway, Canada, and Japan. In 2017 and 2018, Georgia entered into free trade agreements (FTAs) with China and Hong Kong, respectively. In addition, is has FTAs with Türkiye and the Commonwealth of Independent States (CIS), comprising Armenia, Azerbaijan, Belarus, Kazakhstan, Moldova, Russia, Kyrgyzstan, Tajikistan, and Uzbekistan. In September 2022, amendments to the existing FTA between Georgia and Türkiye were introduced. These latter relate to the liberalization of tariffs for agricultural products and inclusion of the service sector. Once implemented, specific commodities, such as live cattle, beef, green tea, dried fruits, kiwi, lemon, canned tomatoes, and food ingredients will be allowed to Türkiye under zero tariffs within allocated quotas[25]. Furthermore, the US and Georgia concluded a Bilateral Investment Treaty in 1994, which grants Georgia eligibility to export numerous products duty-free to the US under the GSP program. In 2020, negotiations for an FTA took place between Georgia and India. Besides, the joint feasibility study conducted in 2022 confirmed that a potential FTA between Georgia and South Korea would yield positive economic benefits for both nations[26].

[24] European Commission. EU – Georgia Deep and Comprehensive Free Trade Area. EU. https://trade.ec.europa.eu/access-to-markets/en/content/eu-georgia-deep-and-comprehensive-free-trade-area#:~:text=The%20EU%20and%20Georgia%20signed,the%20efficiency%20of%20customs%20procedures.

A. COMPLIANCE

[25] Ministry to Economy and Sustainable Development of Georgia (2022, September 9). *Levan Davitashvili and Mehmet Muş Signed Amendments to Free Trade Agreement between Georgia and Turkey.* https://www.economy.ge/?page=news&nw=2011&s=levan-davitashvilma-da-mehmet-mushma-xeli-moaweres-cvlilebebs-tavisufali-vachrobis-shetanxmebashi-saqartvelosa-da-turqets-shoris&lang=en

[26] Georgia, South Korea open economic partnership in Tbilisi. https://agenda.ge/en/news/2024/606#gsc.tab=0



STANDARDS COMPLIANCE ANALYSIS

WITH REGULATIONS IN AGRI-FOOD TRADE

Georgia has adopted a system of "voluntary" standards and certification, whereby importers may choose to conform their products either to Georgian standards or to the standards of any EU or OECD member country. If importers opt for foreign standards, they should register these standards with the Georgian National Agency for Standards and Metrology (GEOSTM). Standards for food products are administered by the Ministry of Environmental Protection and Agriculture (MEPA), although sometimes the Revenue Service of the Ministry of Finance, Tax and Customs Administration, applies differing sanitary and phytosanitary standards and regulatory interpretations upon arrival of the commodity.

The main quality infrastructure (QI) organization in the country, responsible for metrology and standardization, is the National Agency of Standards and Metrology of Georgia (GEOSTM). This is a Legal Entity of Public Law (LEPL) operating under the Ministry of Economy and Sustainable Development of Georgia. GEOSTM's partners are ISO, ASTM, IEC, CEN, CENELEC, BIPM, COOMET, and IRSA. The Georgian Accreditation Centre (GAC) is the main institution responsible for accreditation, operating as the national accreditation body.

In recent years, significant resources have been invested into the improvement of Georgia's national laboratory infrastructure, including the field of agro-testing. In fact, laboratories in that field are capable of performing a wide range of tests, such as disease diagnostics, plant disease diagnostics, genetically modified organisms (GMOs), water microbiology and chemical tests, food/feed testing, soil testing, etc. Almost all testing laboratories are accredited and certified in accordance with ISO/IEC 17025: 2017[27].

Quality Infrastructure for Sustainable Development Index:

The Quality Infrastructure for Sustainable Development (QI4SD) Index, developed by UNIDO, provides a framework of indicators for assessing the overall state of development of a country's and/or region's Quality Infrastructure (QI) and its readiness to support the Sustainable Development Goals (SDGs). Countries are broken down into GDP groups, and within these groups, they are ranked based on their QI readiness to implement SDGs. It is to be noted that most of the ranking information relates to the ranks within the abovesaid groups, and even within the same GDP group, countries may vary considerably in terms of size and other growth indicators. The data from the INetQI organizations were collected from February to June 2021. However, the data year might differ from the year of collection as these organizations have different timeframes for updating their own information.

QI is a multidimensional concept, decomposed into the following five dimensions that are captured using 36 indicators from combined data sources: Metrology, Standardization, Conformity Assessment, Accreditation, and Policy. Georgia has achieved a QI4SD Index score of **30.8** placing it in the **75th** position out of the 137 countries assessed. As per the five dimensions, Georgia has scored at 18.0 for Metrology, 30.7 for Standardization, 4.2 for Conformity assessment, 1.0 for Accreditation, and 100.0 for Policy.

Georgia has done well in the following areas:

Strengths	Dimension	Rank	Value	Unit
Number of recognized certificates (ISO)	Conformity	36	6,970	Number
Adopted ISO standards	Standards	37	13	Number
Breadth of CMCs	Metrology	49	11	Number of types

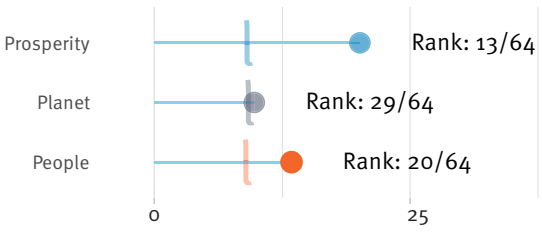
The report has identified the following weaknesses which Georgia should focus on:

Weaknesses	Dimension	Rank	Value	Unit
Membership of ITU	Standards	68	2	Composite score
Number of recognized certificates (IQNet)	Conformity	75	114	Number
Participation in ISO technical committees	Standards	127	7	Number

Within its GDP group, Georgia ranked on the three pillars of sustainable development (people, prosperity, and planet) as follows:

More details about the QI4SD Index can be found at https://hub.unido.org/qi4sd/.

P-Scores



[27] UNIDO. (2020). Global Quality and Standards Programme Georgia: Strengthening conformity assessment for the fruits and vegetables value chain. Product Document.

B. REJECTION ANALYSIS

Sanitary and phytosanitary (SPS) measures are aimed at protecting the safety and health of consumers, hence, the requirement to comply with these measures applies equally both to domestic and exported products. When food and feed products get rejected at the border, the consequences may be extremely dire and costly. The total costs associated with border rejections include the loss of the exported products (as they are usually destroyed by the importing country), together with the transportation, freight & insurance and other related expenses. On top of the loss of earnings, rejections tend to damage the exporting country's reputation, weakening its export competitiveness in the long term, as the importing country may lose trust toward the quality and safety of products originating from that country. Exporters may have to sell rejected products at a discounted price to account for the risk. Besides, they may well be put on the list of producers to be subject to reinforced checks (as in case of exports to the EU)[28]. The referred dataset for border rejections covers the period of 2010 to 2022, with the exception of the 2021 to 2022 data for Chinese market that are currently unavailable.

Aggregate Rejection Rate

Aggregate Rejection Rate (ARR) is a simple sum of the annual number of rejections. An increase in the number of rejections may be indicative both of an enhancement in the overall volume of exports from the country concerned, and a risen rate of non-compliance with the quality and safety standards & regulations for exported products. Although ARR, in this study, is used to compare how well Georgian food exports are performing in various markets, it is to be noted that importing countries do not always apply similar approaches to inspection. For instance, US rejection information contains no data on meat, poultry, or their products. Additionally, not all importing countries include data on such elements as volume, size, and value of the consignments in their rejection datasets. Consequently, a more in-depth sub-analysis would be necessary in order to gain a thorough insight into the correlation between the total number of rejections of the exported food & feed products and the overall volume of exports going to a particular market. Additionally, not all importing countries included in the data set track the volume, size, and value of the consignments in their rejection data. Consequently, a more in-depth sub-analysis is necessary to facilitate the comparison of the number of rejections of a specific country's food and feed exports with the volume of food and feed products exported by that country to a particular market.

Although analyzing border rejection data proves quite instrumental in determining some of the causes of non-compliance to food safety standards, it is important to use caution and keep in mind that this is not the sole indicator of non-compliance. For instance, if a certain food or feed product is not exported to a certain market for the mere reason of a prior knowledge that, prospectively, it will be rejected at the border for non-compliance, naturally, this product will not feature in the collected rejection data (as no exports means no rejections). Accordingly, such an analysis should be used hand-in-hand with other sets of data and indicators in order to get a broader picture of the short-term and long-term challenges plaguing the quality infrastructure landscape of a specific country.

[28] Kareem, F. O., Brümmer, T. L., & Martinez-Zarzoso, I. (2015). Food safety standards, compliance and European Union's rejection of African exports: The role of domestic factors. *GlobalFood Discussion Papers, 74*. https://www.econstor.eu/bitstream/10419/121845/1/837623928.pdf

TABLE 2: AGGREGATE NUMBER OF REJECTIONS OF HS 1-23 FOOD AND FEED GEORGIAN EXPORTS DURING 2010 – 2020

Markets	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	%
Australia	0	0	0	1	2	0	0	2	0	0	0	**5**	**3%**
China	0	0	2	2	0	2	17	25	1	0	0	**49**	**34%**
EU-28	5	9	3	1	0	5	13	8	10	1	4	**59**	**41%**
Japan	0	0	0	0	0	1	0	0	0	0	0	**1**	**1%**
USA	4	3	2	4	0	2	8	0	3	0	3	**29**	**20%**
Total	9	12	7	8	2	10	38	35	14	1	7	**143**	**100%**

Table 2 and **Figure 3** indicate that during the period of 2010 – 2020, almost half of the total number of rejections

(41%) accounted for the EU-28 market while China was responsible for a third (34%) of all rejections. As the share of the country's exports of agri-food products to the EU is significant, this high rate of 41% makes sense. American market accounts for the remaining share of rejections (20%). Notably, the aggregate number of rejections for the Georgian food and feed exports to these three markets remained fairly stable throughout the period of 2010 – 2020, except for some increase in 2016 and 2017. This is a remarkable accomplishment to be acknowledged and commended, given the fact that the total amount of exports from Georgia increased during that decade.

Figures 3 and **4,** demonstrate that the number of rejections for the European and Chinese markets were fairly stable, except major peaks in 2016 and 2017. Thankfully, by 2019, Georgia was able to bring down the number of rejections from these two markets. The number of rejections for the American market has been

FIGURE 3: EVOLUTION OF ARR BY MARKET, 2010 - 2020

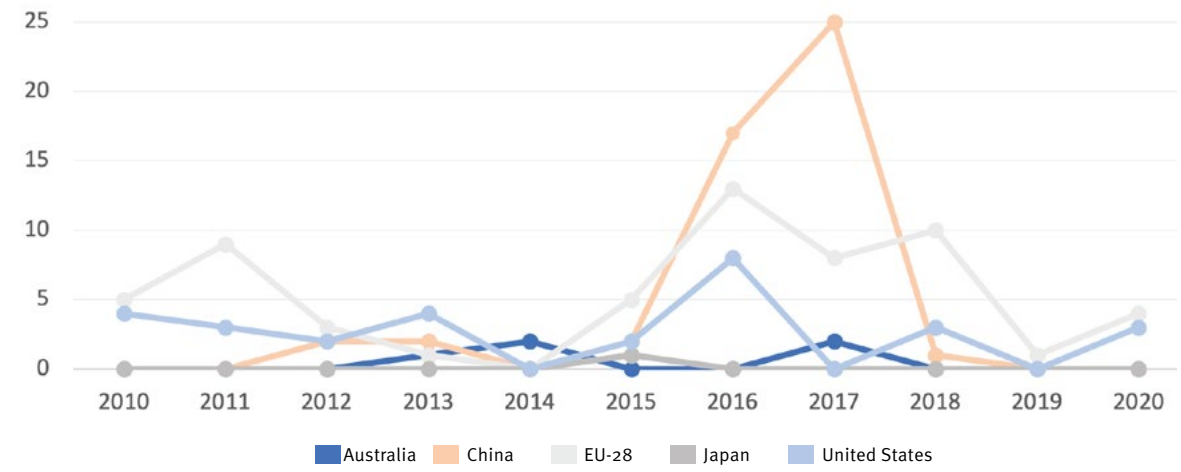


FIGURE 4: GLOBAL NUMBER OF REJECTIONS FOR ALL MARKETS, 2010 - 2020

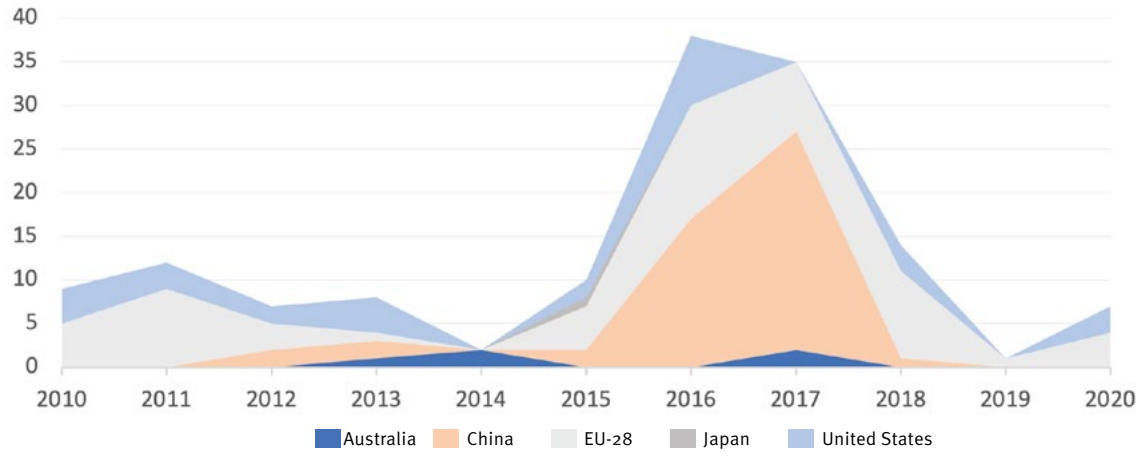


FIGURE 5: SHARE OF REJECTIONS FOR GEORGIAN FOOD AND FEED EXPORTS BY MARKET, 2010 - 2020

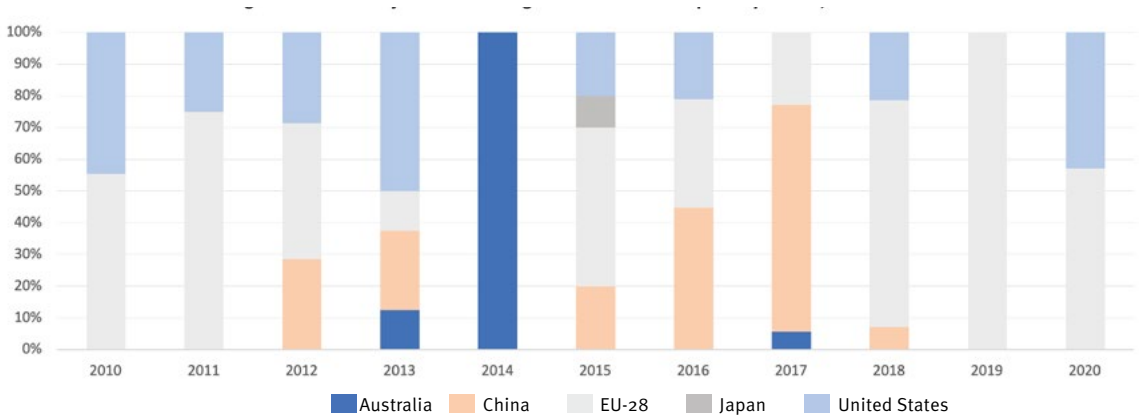


TABLE 3: AGGREGATE NUMBER OF REJECTIONS HS 1-23 OF GEORGIAN FOOD AND FEED EXPORTS DURING 2010 – 2022

Markets	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Australia	0	0	0	1	2	0	0	2	0	0	0	0	0	**5**
China	0	0	2	2	0	2	17	25	1	0	0	N/A	N/A	**49**
EU	5	9	3	1	0	5	13	8	10	17	14	38	9	**132**
Japan	0	0	0	0	0	1	0	0	0	0	0	0	0	**1**
USA	4	3	2	4	0	2	8	0	3	0	3	1	0	**30**
Total	9	12	7	8	2	10	38	35	14	17	17	39	9	**217**

low and stable.

As shown in **Figure 4**, with respect to the Chinese market, there was a peak in rejections in 2016 and 2017, accounting for 45% and 71% of all rejections, respectively. This may be due to the fact that the Georgian food and feed exports to China nearly doubled from 2015 to 2016. Below, we will analyse these fluctuations in greater detail to find out if the high number of rejections was brought out by an increase in exports or, perhaps, there were other reasons responsible the rise in the non-compliance to food quality and safety standards.

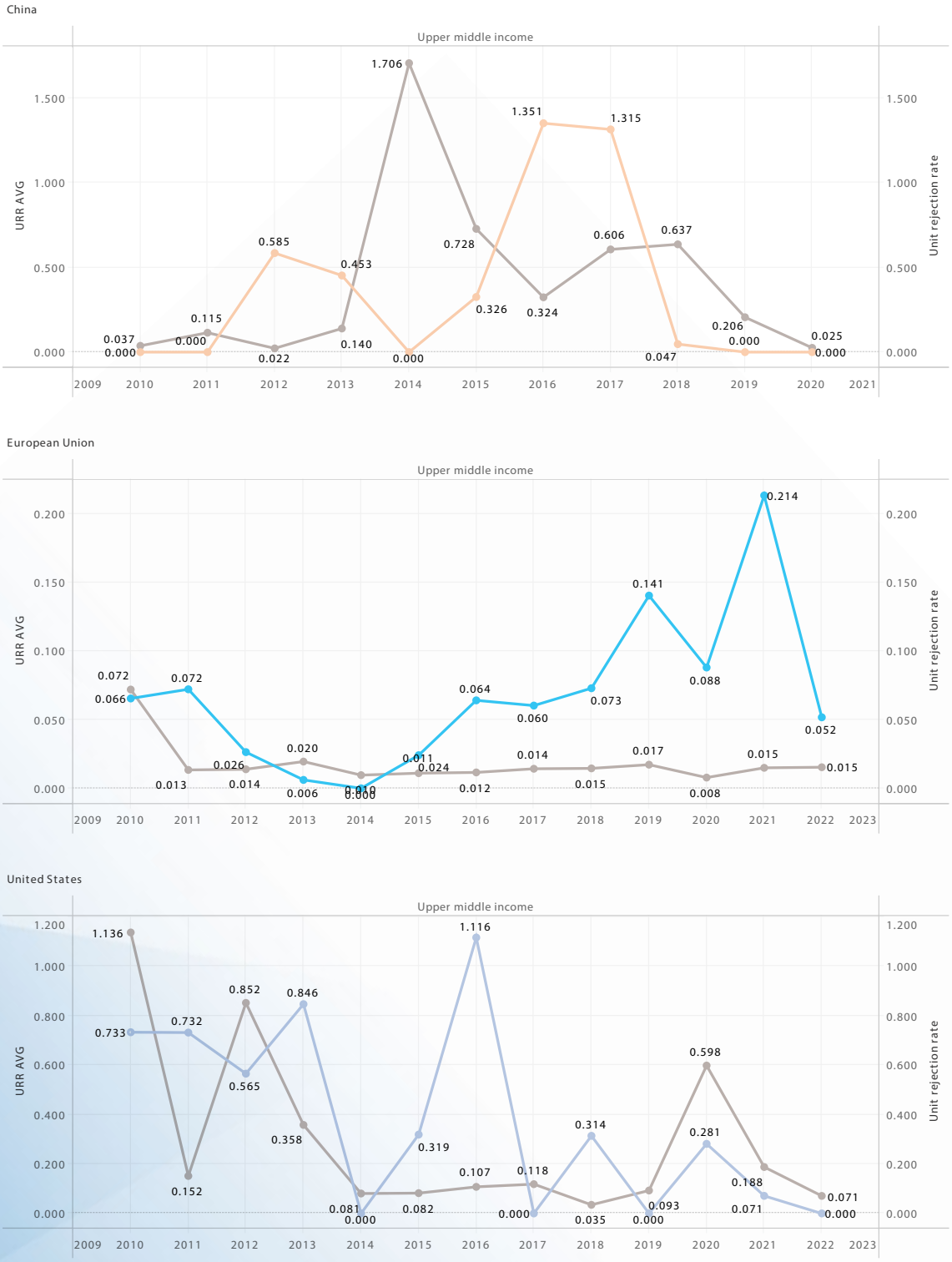
Table 3 shows rejection data for 2021 and 2022 for all the markets, except the Chinese market.

Table 3 shows a rise in rejections at the EU border in 2021 compared to the previous year. However, in 2022, even though the export of Georgian agriculture food and feed products to the EU went up by 5%, the ARR value decreased from 38 in 2021 to 9 in 2022 (by 76%). As for the American market, a slight decrease can also be noted. Considering the fact there were very few rejections of Georgian food and feed exports recorded for the Australian and Japanese markets over the period of 2010 to 2022, these two markets will not be discussed any further, and our analysis will solely focus on the European, American, and Chinese markets.

Unit rejection rate:

The Unit Rejection Rate (URR) is defined as the number of rejections per US$ 1 million imports. The coloured charts represent the URR for Georgian food and feed (HS 1-23) products for a specific market during the period of 2010 to 2022. Georgia's URR (the coloured line) is being compared with the average URR for the World Bank income bracket Georgia belongs to, which is the upper-middle income level in 2022 (the grey line). The URR indicator takes into account the changes in volumes of export thus providing a direct measure of the non-compliance rate. A higher URR points to a higher rate of non-compliance with food safety and quality regulations.

FIGURE 6: URR FOR HS 1-23 GEORGIAN FOOD AND FEED EXPORTS TO THE THREE MARKETS DURING 2010 – 2022



According to **Figure 6**, Georgia's URR for food and feed products for the European market fluctuated between 0 and 0.214 during the period of 2010 – 2022 with an average of 0.0682, which means that for every US$ 100 million of imports from Georgia to the EU, there were about seven rejections. This figure is higher than the average URR of all upper-middle income countries as classified by the World Bank, which suggests that Georgia still needs to intesify efforts to improve its compliance with the European food safety and quality regulations. For the American market, Georgia's URR is slightly higher than the average URR for all upper-middle income countries during the period of 2013 to 2018 but has improved starting from 2019 onwards. For the Chinese market, Georgia's URR is overall low. However, there were several small peaks in 2012, 2016, and 2017, which merits further research.

Relative Rejection Rate Indicator

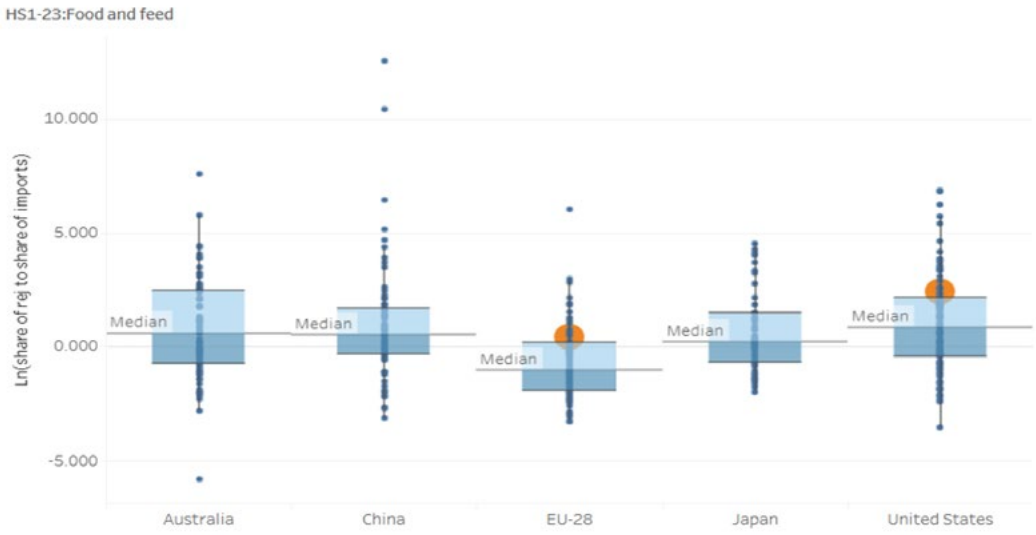
The bar charts in **Figure 7** display the distribution of the Relative Rejection Rate (log ratio) across different markets for the Georgian food and feed (HS 1-23) exports in 2020. The shown Relative Rejection Rate (RRR) is the natural logarithm of the ratio of the country's share in total rejections to the share of its total imports into particular markets. The indicator provides a convenient measure of the performance of countries relative to one another during a year or over a specific period of time. A higher RRR (log ratio) for a particular market indicates to Georgia's poorer performance in terms of compliance with this market's food safety and quality standards, relative to other markets.

TABLE 4: RRR FOR HS 1-23 FOOD AND FEED GEORGIAN EXPORTS IN 2020

China		EU-28		United States	
Median	Georgia	Median	Georgia	Median	Georgia
0.541	**N/A**	- 1.031	**0.430**	0.858	**2.425**

As shown in **Figure 6** and **Table 4**, Georgia's RRR for the EU and American markets is higher than in other markets, which points to the country's poorer performance in terms of compliance with the food safety and quality standards of the American (Median = 0.858 and Georgia's RRR = 2.425) and European (Median = -1.031 and Georgia's RRR = 0.430) markets, compared to other markets. The RRR value for the European market worsened further in 2022 and reached the value of 0.949, with the median value equalling -0.275. Therefore, Georgia would require further efforts to improve its compliance with the EU food safety regulations.

FIGURE 7: RRR FOR HS 1-23 GEORGIAN FOOD AND FEED EXPORTS IN 2020



REASONS FOR REJECTION

Frequency of Reasons for Rejection

The frequency of reasons for rejections represents the total counts of consignments rejected at the border of entry for a particular reason. Examples of possible reasons for rejection include labelling, hygienic condition, adulteration, missing document, additive, bacterial contamination, pesticide residues, veterinary drugs residues, mycotoxins, heavy metal, and packaging. It should be remembered that "the aggregate frequency of reasons of rejections" is not the same as "the aggregate number of rejections", as a single consignment may be rejected on multiple grounds.

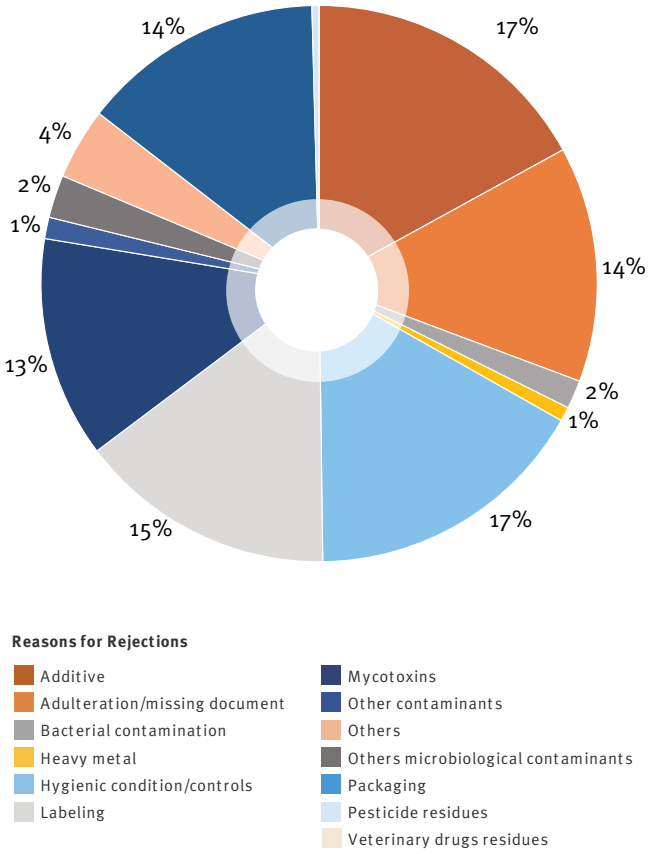
General Reasons for Rejection

TABLE 5: FREQUENCY OF REASONS FOR REJECTION (NUMBER & %) OF (HS 1-23) FOOD & FEED GEORGIAN EXPORTS TO THE 3 MARKETS DURING 2010 - 2020

GEORGIA	China		EU-28		US		Total	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Additive	11	23%	15	23%	15	12%	41	**17%**
Adulteration/missing document	1	2%	0	0%	32	25%	33	**14%**
Bacterial contamination	0	0%	2	3%	2	2%	4	**2%**
Heavy metal	1	2%	1	2%	0	0%	2	**1%**
Hygienic condition/controls	0	0%	1	2%	39	30%	40	**17%**
Labeling	0	0%	0	0%	36	28%	36	**15%**
Mycotoxin	0	0%	31	48%	0	0%	31	**13%**
Other contaminants	1	2%	2	3%	0	0%	3	**1%**
Other microbiological contaminants	0	0%	6	9%	0	0%	6	**2%**
Others	2	4%	5	8%	3	2%	10	4%
Packaging	33	67%	0	0%	1	1%	34	**14%**
Pesticide residues	0	0%	1	2%	0	0%	1	**0%**
Veterinary drugs residues	0	0%	0	0%	0	0%	0	**0%**
Total	**49**	100%	**64**	100%	**128**	100%	**241**	**100%**

Table 5 and **Figure 8** present the aggregate frequency of reasons for rejection of food and feed products exported from Georgia into the three markets during 2010 to 2020. The frequency of reasons for rejection denotes the total count of consignments rejected at the border of entry due to a specific reason. This indicator plays a

FIGURE 8: AGGREGATE FREQUENCY OF REASONS FOR REJECTION (%) FOR FOOD & FEED HS 1-23 GEORGIAN EXPORTS FOR THREE MARKETS DURING 2010 - 2020



crucial role in assisting exporting countries to identify areas for capacity building and, in particular, address the key reasons for rejections, with a view to achieving or enhancing compliance with the international trade standards. Causes of rejections for Georgia are diverse and include **additives** (17%), **hygienic condition/controls** (17%), **labelling** (15%), **packaging** (14%), **adulteration/ missing document** (14%), and **mycotoxins** (13%).

TABLE 6: FREQUENCY OF REASONS FOR REJECTION (NUMBER & %) OF HS 1-23 GEORGIAN FOOD & FEED EXPORTS TO TWO MARKETS DURING 2010 – 2022

GEORGIA	EU		US	
	Numbers	%	Numbers	%
Additive	18	13%	15	12%
Adulteration / missing document	1	1%	32	25%
Bacterial contamination	2	1%	2	1%
Heavy metal	1	1%	0	0%
Hygienic condition / controls	2	1%	39	30%
Labeling	0	0%	36	28%
Mycotoxin	100	72%	0	0%
Other contaminants	3	2%	1	1%
Other microbiological contaminants	6	4%	0	0%
Others	5	4%	3	2%
Packaging	0	0%	1	1%
Pesticide residues	1	1%	0	0%
Veterinary drugs residues	0	0%	0	0%
Total	**139**	100%	**129**	100%

Reasons for Rejection by Market

Figure 9 illustrates the frequency of reasons for rejection of Georgian food and feed products at the border of each of the two main markets.

FIGURE 9: FREQUENCY OF REASONS FOR REJECTION (%) FOR FOOD & FEED HS 1-23 GEORGIAN EXPORTS BY MARKET DURING 2020 – 2022

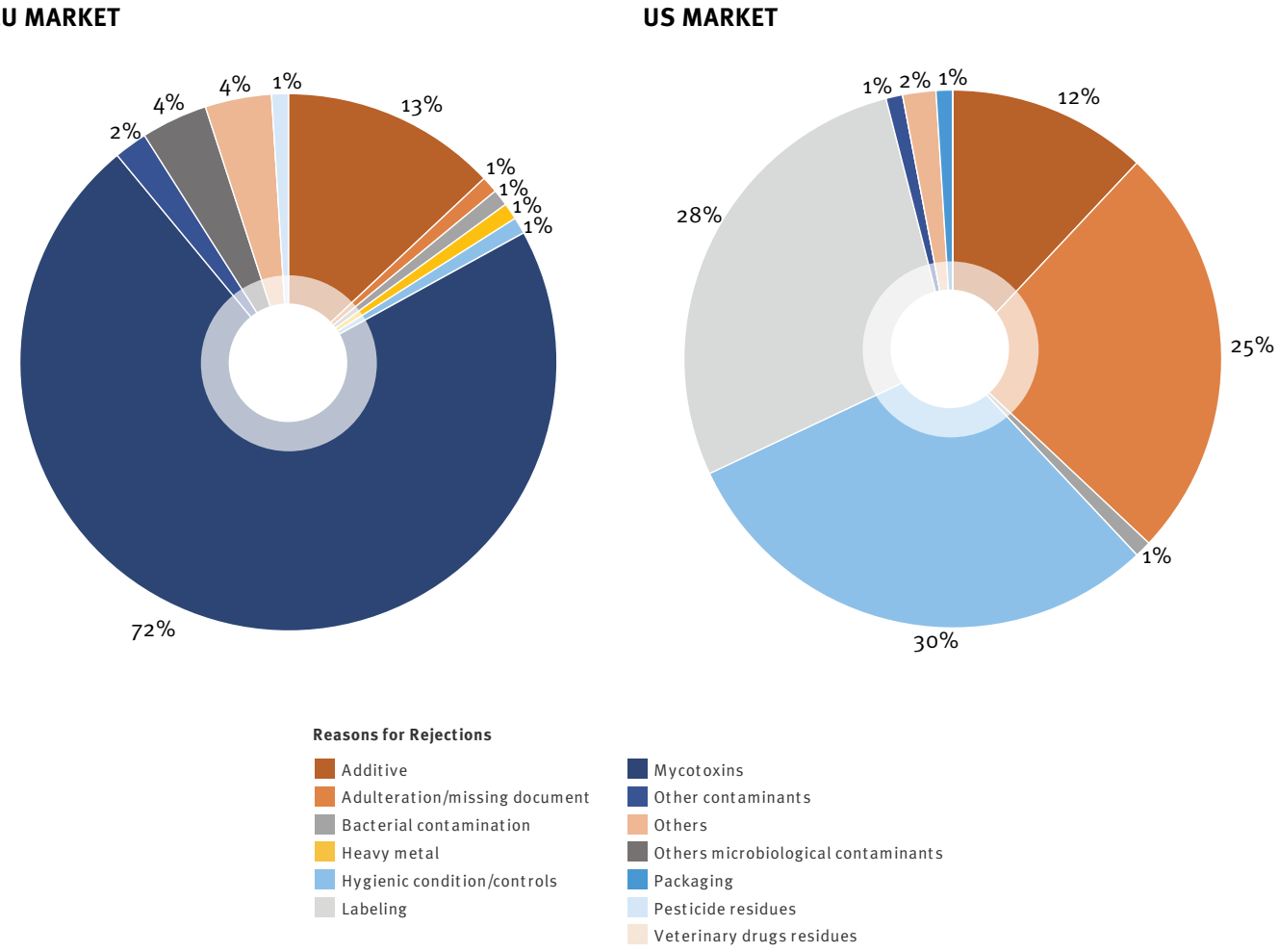


Table 6 and **Figure 9** demonstrate that for the American market, the most common reasons for the rejection of Georgian food and feed exports during the period of 2010 to 2022 were **hygienic condition/controls** (30%), **labelling** (28%), and **adulteration/missing document** (25%). The U.S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA) oversee the production of more than 80% of foodstuffs on the U.S. soil, including fish, seafood, produce, and dairy products. In 2019, the measures enforced by the USDA and FDA amounted to a total of $2 billion. This high price tag is justified by the excellent performance of the US inspection regime. Bearing this in mind, Georgia ought to take extra efforts in order to make sure its agricultural products are not rejected at the US border because of labelling or missing documents. As for the European market, the most common reasons for rejections were **mycotoxins** (72%) and **additives** (13%). These two reasons are responsible for more than three quarters of the total rejections at the border of the European market. Hence, in order to ensure a better quality and safety of its products, the country should put more emphasis on monitoring the process of ripening, spoilage and proliferation of pathogenic microorganisms.

RECOMMENDATIONS

In light of the global pandemic, the relevance of quality and standards has become increasingly evident, highlighting the need for adequate infrastructure and internationally recognized conformity assessment services. Considering that the EU stands as one of Georgia's primary trading partners and top destination for the export of its agricultural products, it is imperative for Georgia to further promote development of its quality infrastructure on the national level. This will contribute to the compliance of its products with the requirements of the European and international markets and enable Georgian producers to prove their products meet international standards & technical regulations throughout the entire value chain from production to packaging, conservation, transportation, export procedures, etc. Analysis of border rejection data for the Georgian food and feed exports, suggests several recommendations, including introduction of digitalization of systems and their connections with global markets, as presented below:

Strengthen the quality infrastructure system

» **Assessing the state of harmonization of standards:** using the SCA tool with a view to ascertaining the main groups of Georgian export products that have encountered a high rejection rate may prove beneficial. This analysis will help assess the degree of harmonization between the current national standards with the corresponding international standards for those product groups.

» **Traceability:** it seems expedient for Georgia to focus on implementing the traceability concept by ensuring transparency all along food chains, in order to strengthen detection of unsafe foods. This would also help identify the existing issues along the food supply chains, such as missing documents. In 2012, Georgia made a significant step forward by implementing the National Animal Identification and Traceability System with the support of the Food and Agricultural Organization (FAO). This system contains comprehensive information on the identity, ownership, geographical location, and movement of animals used in meat production. It was updated in 2022 to incorporate QR codes enabling consumers to access the product information about the animal source foods they purchase. The system currently holds data on over one million bovines, including details about their birth, origin, health condition, and other health-related elements, together with information on slaughterhouses, thus providing a complete production path documentation[29]. Introducing similar traceability systems for other value chains, particularly those involving regularly exported products, can prove advantageous.

» **Addressing regulatory changes and future standards:** apart from hygiene factors, a significant number of rejections are due to regulatory changes. These rejections attest not so much to

[29] (2022, July 13). *Second phase of animal identification system launches in Georgia*. Agenda.ge. https://agenda.ge/en/news/2022/2684

non-compliance as an issue but, rather, serve as evidence to the ever-evolving nature of trade relations. In order to equip exporting countries with relevant expertise to comply with newly introduced standards & regulations, or changes thereto, UNIDO could incorporate projections about forthcoming regulatory changes made by employing innovative digital solutions and tapping on insights gained from the mining of big data related to trade. As to Georgia, UNIDO could facilitate the implementation of GRP by supporting the country's government institutions often overwhelmed by ongoing changes to food safety regulations. Consequently, as these institutions are responsible for issuing regulations that agri-SMEs must comply with, this would help improve coordination between the central and local authorities in relation to food and safety regulations. Notably, the present analysis using the SCA tool does not cover voluntary standards, such as sustainability and traceability standards. However, it is essential to recognize that these standards - particularly those related to traceability and sustainability - have a high potential to evolve into regulations in future. To give an example, lawmakers in the European Parliament and the European Council reached an agreement on regulations supporting deforestation-free supply chains. The objective was to ensure that production of goods and commodities imported to or exported from EU markets no longer contributes to global deforestation and forest degradation. The European Union Deforestation-Free Regulation (EUDR) took effect on 29 June 2023, after its formal adoption by the EU Council, granting operators and traders an 18-month period to implement the new rules, with smaller enterprises receiving a longer implementation period.[30] The regulation sets out a mandatory requirement for all traders to conduct due diligence when exporting/importing such commodities, as palm oil, cattle, wood, coffee, cocoa, rubber, soy and certain derived products, like chocolate and specific palm oil based derivatives.[31] Additionally, on 31 July 2023, the European Commission adopted the European Sustainability Reporting Standards (ESRS) that apply to all companies covered by the Corporate Sustainability Reporting Directive (CSRD). In as much as ESRS, embracing a wide range of environmental, social, and governance (ESG) issues, set out mandatory provisions and principles for companies to comply with, together with the requirement to report on sustainability matters, it is vital that countries start aligning their processes with these sustainability regulations. Even though, currently, the ESRS primarily apply to large EU-based companies, this may well change in future and directly affect the agri-SMEs in Georgia seeking to export their products to the EU market.

[30] European Parliament. (2022). *Deal on new law to ensure products causing deforestation are not sold in the EU*. https://www.europarl.europa.eu/news/en/press-room/20221205IPR60607/deal-on-new-law-to-ensure-products-causing-deforestation-are-not-sold-in-the-eu

[31] European Council. (2023). Council adopts new rules to cut deforestation worldwide. https://www.consilium.europa.eu/en/press/press-releases/2023/05/16/council-adopts-new-rules-to-cut-deforestation-worldwide/

Enhance industry compliance, competitiveness and sustainability

» **Reasons for rejection:** as reasons for the rejection of Georgian food and feed exports are diverse, Georgia should first focus on eliminating the prevailing causes of rejection at the border of the European market over the period of 2010 to 2022, which were mycotoxins (72%) and additives (13%). Over the same period, the most common reasons for the rejections of Georgian food and feed exports in the American market, were hygienic condition/controls (30%), labelling (28%), and adulteration/missing document (25%). As to the Chinese market, rejections throughout the period of 2010 to 2020 were primarily attributed to packaging (67%), followed by additives (23%).

» **Education on pesticide use, storage and disposal:** given the fact that the majority of Georgian farms are fairly small (typically, around 1 ha) and fragmented, many farmers have not received sufficient vocational training in farming. Consequently, their knowledge may be outdated and overly specialized due to their prior experience of working within large collective farms. Since the responsible use of pesticides presupposes a proper understanding of crops, pests, pesticide application and safe disposal, providing support to promote vocational training for farmers in the field agriculture becomes critical. Such initiatives would contribute to raising awareness about alternatives to pesticides, thus expanding the range of options beyond the usage of chemical means. Moreover, such a training would effectively reduce the current unsafe practices of storage and disposal, which pose risks to human health and environment[32].

» **Compliance with labelling requirements:** labelling accounts for 15% of the causes of rejection of Georgian food and feed products exports in total, and amounts to almost one third (28%) of rejection reasons for the US market. To improve compliance and address these challenges, it is recommended to implement certain measures. Firstly, it is essential to ensure that labels provide accurate and comprehensive information about the product, including the list of ingredients, net quantity, country of origin, name of manufacturer/importer, expiry date, etc. Additionally, incorporating health and safety information such as handling instructions and storage conditions is highly recommended[33]. To enhance consumer understanding, it is advisable to adopt a nutritional labeling system with a colored logo that clearly indicates the nutritional value of the food. Aligning with European requirements in

[32] Lud, D., Schwemm, A., Kalandadze, B., Babaev, E., Simon, M. P., Weller, P., & Düring, R. A. (2022). Pesticide handling and waste management: A case study on DDT and HCHs from the Southern Caucasus. Springer Link, (SN Applied Sciences). https://doi.org/10.1007/s42452-022-04999-w

[33] United Nations Economic and Social Commission for Asia and the Pacific. Facilitating Compliance to Food Safety and Quality for Cross-Border Trade. https://www.unescap.org/sites/default/files/Facilitating%20Compliance%20to%20Food%20safety%20and%20quality%20for%20cross-border%20trade%20guide.pdf Accessed 26 November 2021.

this regard is crucial[34]. The European Action Plan for Food and Nutrition Policy suggests that countries develop and implement front-of-package labelling systems that are easy to comprehend and provide consumers with a complementary explanation of the nutritional information provided. Some labelling elements are directly related to food safety, hence, the food products that have incomplete or incorrect labels will be rejected at the border. Addressing ambiguities in labeling requirements within importing countries' legislation is also essential to prevent products without proper indication of expiration or best before dates from entering the market. Lastly, it is recognized that complying with differing labeling standards across national markets can increase costs and place competitive pressures on foreign producers. Efforts should be made to streamline and harmonize these standards to alleviate the burden on suppliers and foster fair competition in target markets. The government should support producers trying to enter new markets by ensuring that the information on the various labelling requirements is disseminated and shared widely.

» **Financial incentives for farmers:** it would seem advisable to offer better fiscal and financial incentives to farmers, enabling them to make essential investments into achieving compliance with international standards. This is particularly important as a significant number of farmers lack necessary financial resources to upgrade their equipment and revamp facilities to meet these standards. Furthermore, providing financial incentives and capacity-building support to SMEs in the processing industry will foster greater compliance with food safety regulations, promote sustainable agricultural practices, and offer more opportunities for the employment of vulnerable population, including women and other disadvantaged groups. Currently, Georgia does not subsidize exports or cover export-related transportation costs. In addition, apart from some co-financing opportunities for SMEs to participate in international fairs, there is no financial assistance provided to the processing industry in general. At the same time, Georgia has supported farmers by implementing the "preferential agricultural credit" program to address seasonal cash shortages, together with an agricultural insurance program that allows farmers to insure their perennial crops for up to three years[35].

» **Support to laboratory infrastructure:** Supporting the development of Georgia's laboratory infrastructure is vital to enhance conformity assessment services and ensure the quality of Georgian food and agricultural products. The QI4SD Index reflects a low score (4.2/100) for Georgia's conformity assessment based on data collected from February to June 2021, indicating the need for strategic improvement. In this regard, the GQSP[36] project, "Strengthening conformity assessment for the fruits and vegetables value chain," implemented by UNIDO, has produced a roadmap to guide the development of the laboratory infrastructure in Georgia. This roadmap serves as a valuable resource for multiple stakeholders, facilitating optimal planning, coordination of investments, and promoting activities aimed at strengthening laboratory infrastructure[37]. Recognizing the importance of this initiative, MEPA has established a dedicated working group, supported by the Czech Development Agency within the framework of ENPARD IV[38], to develop a "Concept for the Development of Food/Agricultural Laboratories in Georgia." This concept is seen as a crucial prerequisite for drafting a comprehensive national strategy that will ensure the long-term sustainability and continuous advancement of Georgia's food-testing and agri-laboratory infrastructure. By implementing these recommendations, Georgia can significantly enhance its laboratory infrastructure, fostering trust in the quality of its products and facilitating trade and market access.

» **Support with addressing causes of rejection:** in order to reduce the likelihood of future rejections of exported products, it seems expedient to support those farmers, producers and SMEs that have encountered rejections in the past, by organizing inspection visits to see how they have improved relevant procedures, tests, etc.. This support could also incorporate sharing expertise, undertaking the root-cause analysis of rejections and conducting capacity building trainings, as well as providing funds for purchasing equipment and upgrading facilities, etc.

» **Agritourism marketing:** with a view to strengthening prospects for the agricultural sector to enter international markets, it would seem advisable to intensify links between the various actors involved in the production, processing and distribution of agricultural products, on the one hand, and actors operating in related sectors, on the other, mainly the food industry and tourism. Obviously, the most common manner of marketing of agricultural products used by individual farmers and farmer partnerships is roadside sales, selling to wholesalers, processors, retailers or, in some cases, direct sales at markets. However, transforming farms into agritourism sites, will make it possible for them to sell agricultural products straight from the farm, as well as serve meals cooked from the food that they produce at the facility's restaurants and accommodation units, or sell fresh products

[34] World Health Organization. (2017). La France est l'un des premiers pays de la Region a recommender l'utilisation d'un systeme d'étiquetage nutritionnel dote d'un logo en couleur. https://who-sandbox.squiz.cloud/en/health-topics/noncommunicable-diseases/obesity/news/news/2017/03/france-becomes-one-of-the-first-countries-in-region-to-recommend-colour-coded-front-of-pack-nutrition-labelling-system Accessed 21 November 2021.

[35] Food and Agricultural Organization of the United Nation. (2021). Review of Agricultural Trade Policy of Georgia in 2019-2020. https://www.fao.org/3/cb5796en/cb5796en.pdf

[36] United Nations Industrial Organization. (2022). https://open.unido.org/projects/GE/projects/190283

[37] United Nations Industrial Development Organization. (2022). Strategic Roadmap for Sustainable Laboratory Infrastructure Development in Georgia. https://hub.unido.org/news/strategic-roadmap-sustainable-laboratory-infrastructure-development-georgia

[38] https://nfa.gov.ge/Ge/Files/ViewFile/5443

directly to visitors, etc. In addition, supporting e-commerce platforms such as Soplidan.ge, which connects approximately 400 farmers with 10,000 registered customers, can play a key role in promoting and exporting local Georgian agricultural products[39].

» **Setting up agri-based clusters:** it seems both practical and cost-effective to address the challenges that smallholders encounter, due to their economic circumstances, as they try to meet food safety standards or apply good agricultural practices. This task can be facilitated by adopting a cluster approach to promote collaboration between small farmers. The key challenge here lies in giving effective training to a large number of farmers on good agricultural practices, together with offering them adequate incentives (financial and otherwise) to pursue certification, and educating them on the judicious use of chemicals. Besides, emphasizing importance of education placing a preference on risk management approaches over crisis management approaches is critical. Such a comprehensive training program requires an effective coordination and clear delineation of responsibilities among relevant ministries and stakeholders, including NGOs and UN Agencies. Furthermore, fostering stronger connections and cooperative efforts among all actors involved in the agricultural production, packaging, and distribution would be essential to scaling up the competitiveness of the agricultural sector as a whole. Among other activities, this would require identifying prospective clusters, developing tools to optimize commercial operations, facilitating joint verification and transport processes, launching coordinated domestic and international marketing campaigns, and prioritizing the branding of Georgian products.

Promote conducive policy environment and culture for quality

Promotion of local agricultural products: Georgia could benefit from the diversification of rural income in particular areas, such as rural tourism or short value chains. This can be achieved through conducting tailor-made training programs and networking workshops to teach farmers how to promote authentic products, specifically, those produced by rural women and smallholders. This type of programs could be instrumental to some smallholders and family farms, helping them improve their knowledge of EU food safety standards, good agricultural and good hygiene practices, and the Hazard Analysis and Critical Control Point (HACCP) methodology.

Quality awareness campaigns: it is of critical importance to address the low awareness among the majority of fruit and vegetable producers on the importance of quality and food safety. This can be achieved by organizing awareness and information campaigns in connection with standards and the national quality infrastructure. Such awareness campaigns should target both general public and the government authorities. Indeed, along with other actors, government institutions ought to realize fully the benefits of fostering the culture of quality in the country, together with supporting the national quality infrastructure in order to achieve a higher competitiveness of Georgian food and feed products.

Information sessions for consumers and food service institutions: as local consumers are becoming increasingly demanding in terms of quality of food products, one way to convince farmers to comply with global standards is to require that the agricultural products they sell at local markets meet global standards, similar to those that are intended for export. In addition, it would be helpful to organize information sessions and promotional activities both for consumers and those institutions that provide food in different settings, such as catering companies, kindergartens,

[39] (2022, October 11). *EBRD and EU support e-commerce platform Soplidan.Ge in Georgia.* European Bank for Reconstruction and Development. https://www.ebrd.com/news/2022/ebrd-and-eu-support-ecommerce-platform-soplidange-in-georgia.html#

ANNEX:
Contextualizing trade-related standards

schools, nursing homes, etc.

Technical regulations and standards in the area of international trade of food and non-food (industrial) products become increasingly prevalent and are continuously evolving. Moreover, the available evidence indicates that many developing countries face challenges in terms of complying with the safety and quality requirements these regulations and standards lay down. Since 2008, UNIDO has regularly collected evidence about trade-related challenges and their evolution over time, particularly in the area of compliance with the requirements set by international markets (involving quality, certification, labelling, etc.).

The challenge for national governments and donors, as they undertake efforts to improve compliance, is to allocate wisely the scarce financial and technical resources amongst a plethora of capacity-building needs. This would require pinpointing the areas where the most acute compliance problems lie. In the context of trade, this implies identifying the products and markets with the highest non-compliance rates based on reported rejections. From this viewpoint, the Standards Compliance Analytics (SCA) proves to be a convenient tool facilitating the use of rejection data. It helps identify the key compliance challenges confronted by exporting countries and, thereby, contributes to an improved targeting of investments aimed at building up relevant compliance capacities (more details about the SCA tool can be found in the Annex). Furthermore, alongside with additional key indicators related to the development, production and trade, the SCA tool supports assessment of the overall impact of rejection on the export performance of individual countries and helps estimate their compliance capacity by analysing rejection trends. Lastly, the SCA tool allows to compare trade compliance performance of exporting countries by different markets, or by specific product groups.

Finally, information on rejection is a useful resource for policymaking and planning technical assistance as it helps navigate and target efforts aimed at addressing compliance issues in a more effective and focused manner. A deeper insight into trade-related compliance challenges will contribute to a better preparedness of exporting countries to meet requirements of importing markets and will eventually lead to fewer rejections in the long term. As a result, countries will not sustain as much economic losses or suffer a reputational damage due to large scale rejections.

The SCA tool compiles data from several data sources covering five major markets including:

» **China**: Chinese rejection data records for agri-food products are published by the General Administration of Customs (GAC). The data include records of rejected consignments under HS codes 1 to 24.

» **United States:** The US food and feed border rejection data have been obtained from the US Food and Drug Administration's (USFDA) Operational and Administrative System for Import Support (OASIS), an automated system for processing shipments and making admissibility determinations on the imported products that come under the jurisdiction of the USFDA. Besides, the USFDA's website provides details on some variables related to rejection data (Import Refusal Report). Overall, this system comprises both food & feed and non-food rejection data. However, the present report takes no account of non-food rejections, as it only focuses on the analysis of food and feed exports.

» **Australia:** Australian food and feed border rejection data have been obtained from the Australian Department of Agriculture, Water and the Environment. Alongside with other causes of rejection, these data contain rejections due to labels and failed visual inspections. Imported food is inspected using a special program known as the Imported Food Inspection Scheme (IFIS). The scheme examines imported food for its compliance with Australia's public health and safety requirements and food standards. Regulation of imported food is based on the risk-based approach. More specifically, when a consignment of imported food gets referred for inspection, it will undergo visual and label checks, as well as sampling for analytical tests, as required. IFIS categorizes food either as 'risk food' or 'surveillance food'. According to Food Standards Australia New Zealand (FSANZ), 'risk food' is the food posing medium to high risk to the public health, thereby requiring stricter border controls, whereas 'surveillance food' is associated with a low risk to human health and safety.

» **Japan:** the Japanese food and feed border rejection data are obtained from Japan's Ministry of Health, Labour and Welfare (MHLW). The MHLW tracks and controls import consignments that violate the Food Sanitation Law, in order to secure the "safety of diet" of Japanese people.

» **European Union:** food and feed border rejection data have been obtained directly from the officials responsible for running the EU's Rapid Alert System for Food and Feed (RASFF). RASFF provides a platform for the exchange of information between EU Member States on measures effected in response to food and feed products that pose an immediate risk to human health, both in the EU internal market and with respect to imports from Third Countries. Overall, these data contain both food & feed and non-food (food contact material) rejections. However, the present report takes no account of non-food rejections, as it focuses only on the analysis of food and feed rejections. It is important to note that after 2020, the United Kingdom's rejections are no longer incorporated into the EU's rejection data set.

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This work was supported by Switzerland through the State Secretariat for Economic Affairs (SECO) under the Global Quality and Standards Programme (GQSP).