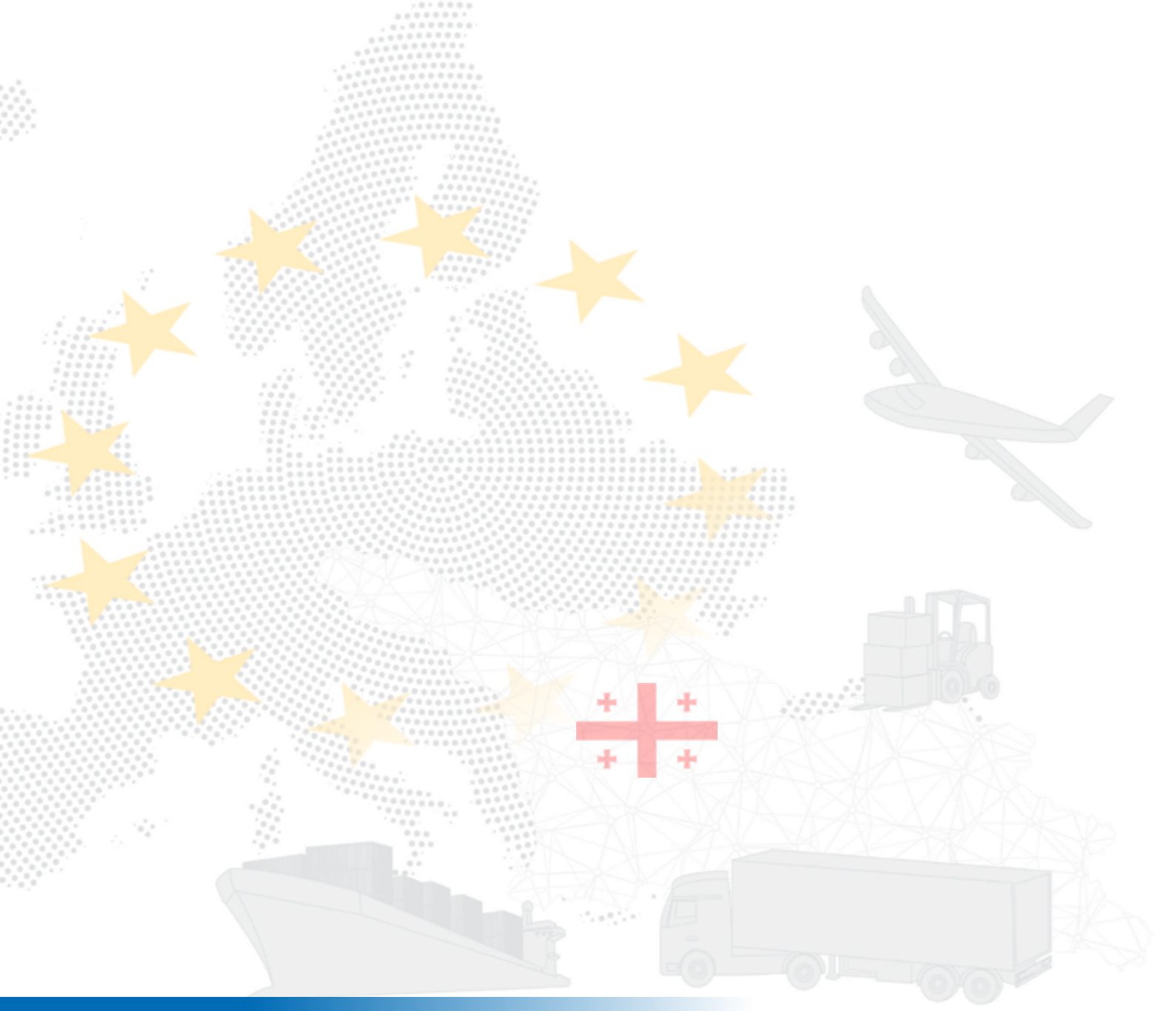
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RESEARCH ON THE TRANSPORTATION SYSTEM FOR EXPORTING GOODS FROM GEORGIA TO EU MARKETS



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LIST OF ACRONYMS

ASYCUDA	Automated System for Customs Data
BTK	Baku-Tbilisi-Kars Railway
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
EBA	European Business Association
EU	European Union
FTL	Full Truck Load
GeoStat	National Statistics Office of Georgia
IRU	International Road Transport Union
LCL	Less than Container Load
LPI	Logistics Performance Index
LTL	Less than Truck Load
MoESD	Ministry of Economy and Sustainable Development of Georgia
OECD	Organisation for Economic Co-operation and Development
PMCG	Policy and Management Consulting Group
PPP	Public-Private Partnership
SME	Small and Medium-sized Enterprise
TRACECA	Transport Corridor Europe-Caucasus-Asia
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

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EXECUTIVE SUMMARY

Georgia sits at the crossroads of Europe and Asia on the Trans-Caspian International Transport Route, or "Middle Corridor", where freight volumes have grown rapidly as regional trade routes have shifted. The European Union (EU) is Georgia's largest trading partner, accounting for around 22% of its total trade in 2024, and since 2014 the Deep and Comprehensive Free Trade Area (DCFTA) has given Georgian goods duty-free access to the EU market for nearly all products. Small and medium-sized enterprises (SMEs) are the backbone of the Georgian economy: they make up nearly all active firms and account for around 60% of business-sector employment and more than half of business-sector output. They also produce many of the goods with the strongest potential in EU markets, from wine, nuts, berries and fresh herbs to processed food and textiles. Whether these firms can move their goods to European buyers reliably and at a competitive cost is therefore central to turning preferential access into actual trade. It is equally central to Georgia's ambition to move from being a transit country to a regional logistics hub, with the Middle Corridor developing into an economic corridor that strengthens the competitiveness of Georgian producers rather than a route that goods simply pass through. This is the main question this study addresses.

Yet Georgia's SMEs face significant logistics challenges in reaching EU markets and they experience the export transport system very differently from large companies. Although Georgia has a strategic position on the Middle Corridor, this geographic advantage has not yet translated into efficient, inclusive transport services for local businesses. Georgia's transport network has largely been built around goods passing through the country: an estimated 68% of road freight and 89% of rail freight is transit cargo. The result is a two-tier system. Large exporters ship full trucks and containers at bulk rates, often operate their own warehousing, fleets and cold storage, and employ dedicated logistics and compliance staff, so they can absorb high transport costs and border delays and continue to trade. SMEs typically ship partial loads, for which they pay 20–40% more per ton than large firms; many have no access to cold-chain services or must rent storage abroad; and a single staff member often handles paperwork, bookings and compliance. For many smaller firms, particularly in the regions and in perishable products, these barriers make EU markets too costly or too risky to serve at all.

Export flows to the EU also remain heavily dependent on a single mode, maritime shipping, which accounts for about 75% of Georgia's EU-bound exports. Road transport is the second-most-used mode, accounting for approximately 19%, while air transport accounts for about 5% and rail accounts for less than 1%. This heavy reliance on Black Sea ferries and long overland trucking routes through Türkiye creates vulnerabilities. Road and air alternatives are often too costly or insufficiently developed to meet SME needs. At the same time, the EU's weight in Georgia's exports has fallen. In value terms, exports to the EU have fluctuated within a relatively narrow range since 2018, peaking in 2022, while exports to other destinations, partic-

ularly CIS markets, have grown much faster. As a result, the EU's share of Georgia's total exports fell from 21% in 2020 to 9% in 2024, while the CIS share rose from 45% to 69%. This shift has several causes beyond logistics, but the transport constraints described in this study are among the key factors that make EU markets harder for Georgian SMEs to reach than neighbouring markets.

This study presents an integrated analysis of Georgia's export transport system and provides a diagnostic summary of the logistics challenges faced by SMEs, an overview of the policy and institutional landscape, and a set of targeted recommendations. Through a combination of a literature review and in-depth interviews with Georgian SME exporters, transport and logistics providers, and other stakeholders, the study identified a complex set of cost, capacity, and coordination challenges that undermine Georgia's export logistics performance.

Key challenges identified include:

- Disproportionately high transport costs for SMEs (20-40% higher per ton than for large firms due to small shipment sizes)
- An ageing truck fleet that does not meet EU standards
- Indirect and time-consuming overland routes and ferry links
- Limited regional access to air cargo services
- Border bottlenecks and customs delays, especially at the Türkiye border
- Shortages in cold-chain infrastructure
- Fragmented shipment volumes and weak consolidation mechanisms
- Skills and knowledge gaps in logistics management
- Additional infrastructure shortfalls, including irregular ferry services, poor rural roads, and limited equipment leasing options.

These interrelated constraints create a two-tier system in which larger exporters can cope due to scale and resources, while SMEs struggle to compete in EU markets. Georgia's export challenge is increasingly a connectivity challenge. Much of the cost and delay exporters face lies not in distance but in soft connectivity: customs and border procedures, documentation, digital systems, regulatory alignment and logistics services. This is also where the fastest returns lie: unlike new roads, rail and ports, procedures and digital systems can be improved within a few years and at a fraction of the cost.

The recommendations the study puts forward are divided into short-term ***quick wins*** (actions achievable in the next 0-12 months) and medium-term measures (systemic reforms achievable in 12-36 months). They are addressed primarily to private logistics operators, business associations and development partners, which the study identifies as lead or supporting actors for individual measures, but could also be of interest to public stakeholders.

SHORT-TERM INITIATIVES:

- Launch a digital freight-matching platform to aggregate SME cargo and reduce per-unit transport costs
- Establish regional consolidation hubs for shared trucking and container loads
- Introduce seasonal charter cargo flights from regional airports
- Expedite customs “green lane” procedures for SME shipments
- Deploy mobile cold-storage units in major production regions
- Subsidise SME access to quality warehouses
- Form an SME logistics association to pool resources and advocate for common interests

MEDIUM-TERM RECOMMENDED ACTIONS:

- Modernise the truck fleet through leasing and subsidy programs
- Develop intermodal rail-port services on the Baku-Tbilisi-Kars corridor
- Create public-private partnership frameworks to invest in regional warehousing and cold-chain facilities
- Improve regulations (e.g., more flexible bonded-warehousing rules) to improve SME logistics flexibility

In addition, two cross-cutting considerations can shape how much these measures achieve. Sustainable transport is fast becoming an export requirement: under the European Green Deal, European buyers increasingly ask about the carbon footprint of their supply chains, which turns the ageing truck fleet, empty return trips and under-used rail into a market-access issue rather than only an environmental one. At the same time, systems and skills must advance together, for example digital tools such as e-CMR deliver results only when brokers and forwarders have capacity to use them.

By addressing these constraints and taking advantage of the ongoing surge in regional transit flows, Georgia can realise the ambition to move from being a transit country to a regional hub, a fully integrated logistics and production platform bridging Asia and Europe, with the Middle Corridor developing into an economic corridor that boosts the competitiveness of Georgian businesses and greater economic integration with the EU. The recommended interventions will help build a more efficient, resilient, and inclusive export transport system, ensuring that SMEs across Georgia can reliably access European markets and contribute to the country’s long-term economic growth.

BACKGROUND

Inclusive Access to Markets is a EUR 5,162,000 initiative funded by the European Union (EU) and implemented by UNDP in partnership with the Estonian International Development Centre (ESTDEV). It aims to empower small and medium-sized enterprises (SMEs) in Georgia and foster their capabilities to enhance value chains and secure access to the EU and European markets.

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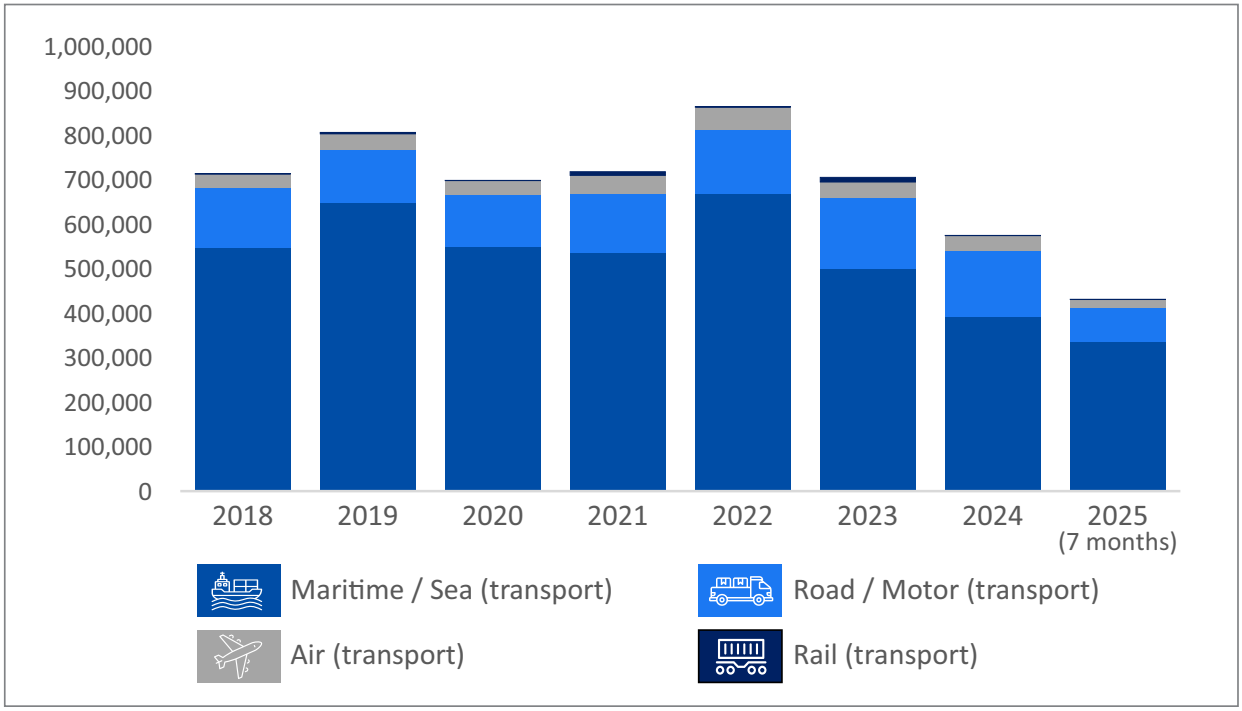
INTRODUCTION AND BACKGROUND

This report systematically examines how Georgian SMEs organize and manage the transport of goods to EU markets, with a particular focus on the operational, infrastructural, and regulatory constraints that influence their logistics practices. It provides a comparative analysis of Georgia's main export transport modes (road, rail, sea, and air) assessing each in terms of cost efficiency, reliability, transit times, and accessibility for enterprises of varying sizes and sectors. In addition to mapping current transport practices, the report identifies critical gaps in Georgia's logistics services and transport corridors that hinder SME export competitiveness. Based on these insights, it presents targeted, evidence-based recommendations that include both short-term actionable steps and medium-term policy or institutional reforms. The methodological approach and analytical framework presented in the following sections are designed to address these issues comprehensively and with practical relevance.

Georgia's strategic position on the Middle Corridor, the overland route connecting Central Asia to Europe, makes it a vital transit country. However, this transit-oriented role has not automatically translated into efficient logistics for local businesses (CAREC, 2023). According to GeoStat's ***Structure of Gross Output*** (2023-2024), Georgia's transport and storage sector contributes about 6.6% to the country's GDP, and has been growing modestly (PMCG, 2024; GeoStat National Accounts, 2025). However, surging transit flows have stretched infrastructure and services,leaving SMEs struggling with high costs, delays, and capacity limitations on routes to Europe.

While Georgia's overall export volumes grew between 2020 and 2024, the share of exports directed to EU member states declined steadily—from around 21% in 2020 to just 9% in 2024. Over the same period, exports to CIS countries rose sharply, increasing from 45% to 69%. In nominal terms, Georgia's exports to the EU ranged between USD 570 million and USD 860 million annually from 2018 to 2024, with 2022 representing the peak year. By the first seven months of 2025, exports had reached USD 430.3 million. The distribution across transport modes reveals a highly uneven structure, with maritime transport consistently dominating flows. On average over the past seven years, maritime transport has accounted for approximately 75% of total exports to the EU. Road transport represented the second-largest share at approximately 19%, followed by air transport at 5%, while rail remained negligible at just 0.4% (GeoStat External Trade Portal, 2025).

Figure 1: Georgia's Exports to the EU by Transport Mode (USD thousands)



Source: GeoStat, External Trade Portal

This concentration reflects the central role of seaborne trade routes in linking Georgian producers to European markets. Road and air transport serve as secondary, yet important channels, while rail contributes only marginally. However, the heavy reliance on maritime transport underscores a structural vulnerability: since 2023, export volumes have declined, revealing the risks of over-reliance on a single dominant mode. These trends highlight the need for more diversified and resilient logistics channels to ensure stable access to European markets.

Beyond external and geopolitical shocks in the region (most notably, Russia's invasion of Ukraine), numerous domestic transportation and logistical constraints have hindered Georgia's ability to expand exports to European markets, particularly for SMEs.

The following section outlines key transportation and logistics issues identified in recent studies:

TRANSIT RELIANCE VS. LOCAL INFRASTRUCTURE

Georgia's transport network is predominantly used for transit trade rather than domestic freight. An estimated 68% of road freight volume and 89% of rail freight in Georgia consists of transit cargo (mostly oil, bulk goods, and containers from other countries) (EPRC, 2020). This indicates that infrastructure is geared toward moving goods through Georgia, while domestic logistics services, including warehousing, distribution centers, and cold storage, remain underdeveloped. In 2017, Georgia had approximately 2.3 million m^2 of warehouse/logistics space, yet only about 32% met modern standards and was leasable, with acute shortages of modern facilities like cold storage (EPRC, 2020). Such gaps in logistics infrastructure make it harder for Georgian SMEs to efficiently consolidate, store, and handle goods for export, adding friction and cost to the supply chain.

HIGH TRANSPORT COSTS AND LONG ROUTES

Shipping goods from Georgia to Europe is expensive, especially for smaller shipments. Due to limited economies of scale and route inefficiencies, transport costs in Georgia's corridors rank among the highest in the region. For example, moving a standard 20-ton truckload 500 km through Georgia's corridor cost USD 1,371 in 2023, an extremely high figure by regional standards (CAREC, 2023). Several factors contribute to these high expenses, including fuel and maintenance prices, road tolls and transit fees, as well as inefficiencies like uncoordinated modal links and empty return loads. For SME exporters with thinner margins, these transport costs directly erode competitiveness by inflating the delivered price of goods.

A Georgian parliamentary inquiry in 2020 found that transporting goods to the EU is both difficult and costly for SMEs (OECD, 2020). Companies report that freight shipping problems and related expenses are especially significant, noting that organizing transport to EU markets is complex and costly. One major constraint is geography: Georgia lacks a direct land border with the EU, placing it at a disadvantage compared to Ukraine or Moldova. As a result, Georgian exporters must rely on longer routes, for example via Türkiye or the Black Sea, which increases transit time and cost (Committee on European Integration of the Parliament of Georgia, 2020).

A 2025 PMCG and ISET Policy Institute analysis also noted that high transport costs sharply limit the price-competitiveness of Georgian exports in Europe. In the packaging industry case study, reliance on imported inputs combined with expensive logistics was shown to erode the price advantage of Georgian products. Similarly, in apparel manufacturing, SMEs identified costly logistics as a key obstacle that must be addressed to expand sales in EU markets (PMCG and ISET Policy Institute, 2025).

The European Business Association's 2023 climate report also found that transportation difficulties were the most-cited business obstacle (48% of surveyed companies) – a striking finding given Georgia's aspirations as a transit hub. High fuel prices, small shipment volumes, and backhaul imbalances all contribute to elevated freight rates for Georgian SME exporters (European Business Association 2023).

BORDER DELAYS AND PROCEDURAL INEFFICIENCIES

Border delays represent a critical challenge along Georgia's trade corridors. Processing at key border checkpoints can be slow, causing long wait times for export shipments. The average border clearance time for cargo leaving Georgia grew from about 18 hours in 2022 to nearly 35 hours in 2023 (CAREC, 2023). In 2023, outbound trucks faced the most severe delays, averaging over 45 hours to clear customs, whereas inbound (import) clearance remained comparably low at around 1.5 hours. These delays have resulted not only in lost time, but also higher costs, with border clearance fees and informal payments increasing by roughly 45% year-on-year to an average of USD 121 per shipment in 2023 (CAREC 2023).

Georgia's lack of an EU border not only raises costs but also necessitates multiple border crossings, each introducing potential delays. Georgian exporters must typically clear Turkish customs to reach EU markets. Local studies note that this reliance on third-country crossings places Georgia in an unfavorable position for timely exports. In practice, even when goods are EU bound, border processing outside Georgia can bottleneck the supply chain for SMEs (Committee on European Integration of the Parliament of Georgia, 2020).

The UNECE trade needs assessment (UNECE 2018) highlighted chronic bottlenecks at Georgia's land fron-

tiers, and many of these challenges remain today. At the key Türkiye-Georgia checkpoints of Sarpi and Vale, freight traffic continues to experience long waiting times, driven largely by procedural inefficiencies on the Turkish side. These delays make transit times highly unpredictable for SMEs, raising costs through additional fuel consumption, storage fees, and risks of spoilage for perishable goods.

Since 2018, some progress has been made toward addressing these issues. Georgia and Türkiye have engaged in pilot initiatives under the eTIR system, enabling the electronic exchange of customs data to streamline procedures (UNECE 2023a). Georgia has also advanced its trade facilitation agenda through regional readiness assessments for cross-border paperless trade, which highlights the country's progress in digitalization and the harmonization of customs processes, though challenges remain (UNESCAP 2022). As part of the digitalization process, Georgia has implemented the Maritime Single Window (MSW) system, which enables declarants to submit information on ships, crew, passengers, and cargo electronically through a single-entry point, replacing multiple paper-based procedures. The MSW is integrated with the Automated System for Customs Data (ASYCUDA), the Ministry of Finance's customs system, enabling direct data transfer and automated risk assessment. As a result, administrative procedures have been streamlined. The system is fully compliant with EU Regulation 2019/1239, ensuring compatibility with the future European Maritime Single Window environment (EMSWe). In addition, the opening of the Kartsakhi/Aktaş crossing has created an alternative route for trade flows (Government of Georgia, 2015), though infrastructure capacity there remains limited compared with the main Sarpi border.

However, underlying problems persist, as full-scale alignment of procedures across the Türkiye-Georgia frontier has yet to be achieved. Customs processes often remain duplicative or manual in practice, resulting in queues that can stretch for many hours or even days. Infrastructure constraints at Sarpi, such as insufficient space for truck parking and inspections, compound these challenges. While digital tools are available, their effectiveness is undermined by inconsistent implementation and uneven coordination between neighboring authorities (IRU 2023).

In this context, SMEs are disproportionately affected, as they lack the buffer capacity of larger enterprises to absorb delays and cost overruns. Without deeper regional coordination — particularly in harmonizing risk management, streamlining inspections, and investing in border infrastructure — cross-border trade will remain vulnerable to delays that undermine Georgia's competitiveness as a transit country in Eurasian supply chains. In the absence of this coordination, SMEs endure delays that disrupt delivery schedules, raise costs through additional fuel and fees, and increase spoilage risk for perishables.

In late 2024, Turkish media reported that a new Georgian customs IT system rollout led to days-long truck queues at the Sarp/Sarpi border crossing. During the transition, trucks waited 3-5 days on the Turkish side, overflowing parking areas and lining the highway. This incident underscores how inadequate cross-border coordination or system changes can trigger massive delays. In mid-2023, an influx of cargo traffic caused backups at secondary Türkiye-Georgia checkpoints, which Turkish officials attributed to issues on the Georgian side. Such events highlight persistent border management inefficiencies that particularly hurt small exporters lacking the clout to expedite shipments.

POOR INFRASTRUCTURE AND CONNECTIVITY LIMITATIONS

Infrastructure gaps present a fundamental hurdle for Georgian SMEs. The study notes that maintaining a continuous supply chain is one of the chief challenges in exporting to the EU. Entrepreneurs pointed to logistics and transport-route limitations, such as insufficient transport links or warehousing, as key barriers. Many small exporters also lack adequate facilities to consolidate or store goods, making it difficult to ship efficiently. Limited production scale and in-country capacity further compound these issues, as infrastructure (like logistics centers or warehouses) has not kept pace with SME needs. All of this can deter SMEs from pursuing EU markets (Committee on European Integration of the Parliament of Georgia, 2020).

The International Logistics Performance Index (LPI) evaluates countries based on six dimensions: customs efficiency, quality of infrastructure, ease of arranging international shipments, logistics competence, tracking and tracing capabilities, and timeliness. These factors highlight areas relevant to policy and regulation, representing key inputs into supply chain functioning — especially customs processes, physical infrastructure, and logistics services. Performance outcomes in supply chains are assessed in terms of time, cost, and reliability, as reflected in the indicators of timeliness, international shipments, and tracking and tracing. The overall ranking is determined by a weighted average of scores across these dimensions, measured on a scale from 1 (lowest) to 5 (highest). While the ranking is comparative and influenced by the performance of other countries, the score itself reflects the intrinsic quality of a country's logistics environment independent of external benchmarks.

Georgia's transit infrastructure, while improving, still has notable weaknesses. The country's LPI ranking (79th out of 139 in 2023, with a score of 2.7) reflects these shortcomings (an improvement from 2018, yet still middling). Crucially, the infrastructure component of Georgia's LPI remains low, indicating continued deficiencies in roads, ports, and related facilities. For example, Georgia's main Black Sea ports have capacity and reliability issues. Poti port, the primary seaport for containerized exports, has suffered from weather-related closures and congestion. In 2016, Poti was closed for a total of 120 days due to rough seas, resulting in major cargo backlogs (UNECE 2018). Even as new projects like the Anaklia deep-sea port and East-West highway upgrades are underway, current infrastructure constraints, including shallow ports and limited rail capacity, continue to hinder efficient export logistics. The primary road artery (the East-West Highway, which is part of the E60/E70), carries over 60% of all transit freight (CAREC 2023) and remains congested, with sections still undergoing upgrades.

In addition, the Middle Corridor transit route (connecting Central Asia to Europe via Georgia) remains underutilized, partly because of infrastructure and service gaps, such as insufficient ferry connections across the Black and Caspian Seas and the absence of a unified coordination body. Georgia's railway links to Türkiye (Baku-Tbilisi-Kars or BTK line), offers an alternative to road transport, but it too is underutilized partly due to cargo imbalances (more traffic in one direction than the other) and technical constraints on the line (CAREC 2023). These limitations illustrate how Georgia's physical connectivity, especially for long-haul transport, still lags in efficiency and resiliency. For SMEs, that can mean fewer shipping options, longer transit times, and greater vulnerability to disruptions.

Cold-chain infrastructure represents one notable gap impacting certain exports. Georgian agrifood SMEs, especially in the regions, struggle with limited access to refrigerated transport and storage. In the past, Georgian Railway lacked proper refrigerator wagons for perishables, which prevented timely citrus exports and drove up costs. While refrigerated trucking has partly filled the gap, cold storage facilities near farms and at ports remain limited. Ad hoc solutions, like renting space in Türkiye or Ukraine, add expense. Thus,

for temperature-sensitive products, infrastructure shortfalls in cold-chain logistics continue to pose challenges, including increased spoilage risk and seasonal export constraints for SMEs targeting EU markets.

SERVICE QUALITY AND COORDINATION BARRIERS

Industry assessments highlight inefficiencies and skill gaps in Georgia's logistics sector, which undermine service quality. The EBA's Georgia Business Climate Report (2023) concludes that Georgia continues to face "inefficient supply chain management, outdated infrastructure and equipment, and a lack of workforce organization and qualified staff", resulting in low-quality logistics service (European Business Association 2023). This leads to disjointed trucking services, inconsistent freight forwarding, and limited value-added logistics (such as consolidation or tracking) for exporters. The logistics industry is dominated by many small players, and coordination among them is poor, leading to higher costs and unreliable service for SMEs, including missed pickups, delays in transit, and insufficient tracking. The lack of specialized expertise in cold-chain handling and customs brokerage can cause inefficiencies in transporting goods from the factory gate to EU customers. The net effect is that even when the proper infrastructure exists, service fragmentation and quality issues impede efficient logistics. As a result, SMEs often do not enjoy the benefits of streamlined, one-stop logistics solutions, and instead must navigate a patchwork of providers and procedures, which results in delays and errors. According to regional trade observers, Georgia's vision to become a logistics hub is hampered by these service issues. The Caucasus corridor requires the close integration of rail, road, and port services, yet no unified coordination mechanism or platform exists across the countries (OECD 2023).

This macro-level fragmentation trickles down to SMEs. For example, inconsistent freight schedules and irregular container services across the Black Sea create uncertainty for Georgian businesses regarding shipping frequency and transit times. Instability in scheduled block trains and an absence of container tracking systems on regional routes are additional pain points (European Business Association 2023). As such, there is need for stronger coordination and greater professionalization in the logistics sector to better support smaller exporters.

Recognizing these issues, the Government of Georgia and its partners have initiated reforms to improve transport logistics. In 2023, Georgia adopted a new National Transport and Logistics Strategy that envisions the country as a regional transport hub. As a result, action plans are now underway to enhance the sector's competitiveness and service quality (MoESD 2023).

Recent studies have identified these challenges. Diagnostics show that Georgian SMEs face multifaceted logistics challenges when exporting to the EU and wider European markets. These challenges range from high transportation costs and infrastructure bottlenecks to fragmented services and regulatory hurdles. Each of these problem areas introduces friction into the export process, underscoring the need for comprehensive improvements in infrastructure, policy, and industry practices to unlock Georgia's full trade potential with Europe.

This study aims to identify and prioritize "quick wins" that can help address the most binding constraints in the short term, providing SMEs with tangible, near-term relief, while laying the groundwork for longer-term systemic improvements. Importantly, this section focuses exclusively on the problem areas and diagnostic findings, without entering solution design.

3

METHODOLOGY

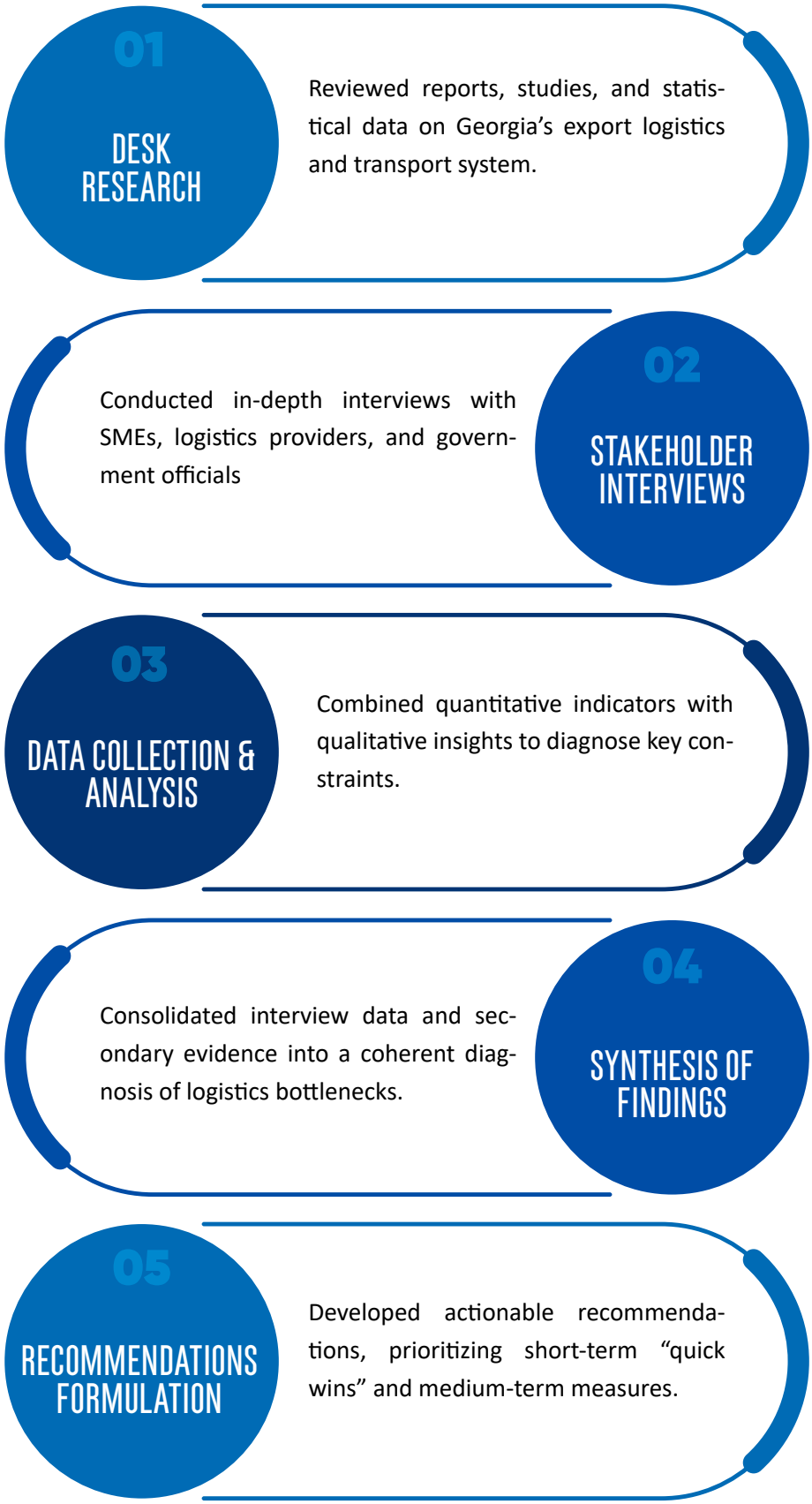
This research combined quantitative data analysis with qualitative insights from stakeholders to build a comprehensive profile of Georgia's export logistics system. An extensive literature review drew on recent studies, government reports, and industry data to identify known bottlenecks and context for Georgia's transport sector. The team conducted in-depth interviews with a broad range of stakeholders to ground-truth the data and uncover practical challenges and opportunities. In total, **27 SME exporters, 10 transport and logistics companies** (including both private firms and state-owned operators), and **representatives of government institutions** were interviewed. These semi-structured interviews followed a prepared guide (see Annex A), and ensured representation across different industries, regions, and roles in the export supply chain. A detailed list of all stakeholders interviewed, along with the dates of each interview, is provided in **Annex B**.

The interviews yielded rich qualitative information on day-to-day logistics obstacles, costs, service availability, and institutional issues encountered by SMEs. Common themes from the interviews were synthesized to identify the most binding constraints affecting SME export performance. The analysis focused particularly on areas where targeted **"quick win" solutions** could be developed. The goal was to prioritize feasible interventions that deliver tangible improvements in the short term (within 1-2 years), while laying the foundation for longer-term strategic reforms. The preliminary findings from the interviews (Deliverable 2) were validated against secondary data and integrated with additional analyses of transport mode performance and infrastructure gaps for this final report. Regular consultations with government counterparts and experts were held throughout the process to ensure the relevance and practicality of the recommendations.

Methodologically, the study is diagnostic and action oriented. It does not attempt to cover every aspect of Georgia's transport sector but rather zeroes in on the export logistics interface for Georgian SMEs. Quantitative indicators, including average transport costs, transit times, and usage of modes, were compiled from official statistics and prior surveys to provide benchmarks. Qualitative evidence from stakeholders was used to explain ***why*** those metrics look as they do and to identify ***how*** they might be improved.

By triangulating data, interviews, and literature, the study formulated interventions grounded in operational realities and backed by stakeholder consensus. These methods ensured that the recommendations put forward are not only analytically sound but also practically implementable in Georgia's context. The integrated diagnostics in this study draw on both primary and secondary evidence and are outlined in the methodology flowchart below:

Figure 1: *Step-by-step Methodology Flowchart*



4

OVERVIEW OF GEORGIA'S EXPORT TRANSPORT SYSTEM

Georgia's export logistics network is shaped by its geography and the legacy of its infrastructure development. The country's transport topology is dominated by a single East-West corridor that runs from the Azerbaijan border through Tbilisi and westward to the Black Sea ports. This corridor, part of the broader CAREC and TRACECA routes, encompasses the East-West Highway (E60/E70) from Tbilisi through Kutaisi to Poti/Batumi, as well as the parallel railway (including the Baku-Tbilisi-Kars line) and pipelines. It serves as the backbone of both transit and export traffic, linking landlocked Caucasus and Central Asian trade to the Black Sea. While this configuration efficiently channels goods along a high-volume route, it also concentrates infrastructure and services in a narrow band of the country. Regions located away from the main corridor often have limited access to high-quality logistics, leading to internal disparities in export capabilities.

The primary routes utilized for exports to the EU include:

- **The East-West Highway (E60/E70):** Georgia's main east-west corridor that runs from Tbilisi through Zestaponi and Kutaisi to the ports of Poti and Batumi. This highway carries the bulk of inland freight to the ports and also connects to western Georgia's production areas. Significant improvements have been achieved, with over 70% of the route upgraded to international standards. However, the remaining two-lane sections through Rikoti Pass continue to cause congestion and safety issues, while bottlenecks near Zestaponi and along city bypasses remain.
- **Overland Road Route via Türkiye:** Many exports travel by truck from Tbilisi westward to the Sarpi border crossing with Türkiye, then onward through Türkiye to EU destinations. This is the primary road link to the EU. Challenges along this route include lengthy customs procedures at the Sarpi border (lasting from several hours to sometimes days), difficult mountainous terrain, and restrictions on Georgian truck fleets in Türkiye/EU due to unmet emission standards. The journey from Tbilisi to EU markets via Türkiye typically takes 8-17 days.
- **Black Sea Ferry Routes:** Two main Ro-Ro ferry routes link Georgia to the EU across the Black Sea from Poti or Batumi to Constanța, Romania and to Varna, Burgas, Bulgaria. These maritime links are crucial for containerized cargo and trucks headed to the EU without traversing Türkiye. In recent years, peak season congestion and irregular schedules have undermined the reliability of the route. In addition to ferry services connecting Poti with Constanța and Burgas, the primary direct sea access from Poti to major EU destinations is provided via transshipment at Ambarli Port in Istanbul. This route is mostly used for full container load shipments by large exporters/companies.
- **Air Corridors:** Air freight exports are handled primarily via Tbilisi International Airport, the only airport in Georgia with a dedicated cargo terminal. Seasonal or ad-hoc cargo flights operate from Ku-

taisi (and occasionally from Batumi), but neither airport has permanent cargo facilities. High-value and perishable exports like blueberries, herbs, and flowers are shipped by truck to Tbilisi and then flown to EU hubs — often via Istanbul or direct charters when available. Air shipment provides the fastest transit (1-2 days to the EU) but at a very high cost (USD 3.5-5 per kg). The absence of regional air cargo infrastructure forces SMEs in western Georgia incurs additional time and costs when using air freight, restricting this option to only the most time-sensitive goods.

Georgia's export transport system is heavily dependent on road and sea, with rail underutilized and air freight still in its early stages of development. The next section provides a detailed assessment of the performance of each transport mode, underscoring the costs and constraints that impact SME exporters.

5

ASSESSMENT OF TRANSPORT MODES

This section examines the four main transport modes (road, maritime, rail, and air) in terms of their use for exports to the EU, their cost and time characteristics, and the specific challenges they pose for SMEs. Table 1 below summarizes the relative share of export value moved by each mode, along with typical trends. Table 2 compares their cost, transit time, and reliability profiles.

Table 1. Georgia's Exports to the EU by Transport Mode (Average 2018-2025)

Transport Mode	Share of EU Export Value (%)	Typical Commodities	Trend (2018-2025)	SME Accessibility
Maritime	75%	Wine, nuts, metals, bulk commodities	Slight increase since 2023 (ferry congestion)	**Medium:** requires freight forwarder assistance
Road	19%	Processed food, textiles, machinery	Stable share	**High:** direct access but high cost
Air	5%	Fresh herbs, berries, high-value goods	Stable (capacity-limited)	**Low:** costly and centralized in Tbilisi
Rail	<1%	Bulk cargo, fertilizers	Underutilized (minimal growth)	**Low:** no SME-friendly intermodal options

***Source**: GeoStat External Trade Portal (2025); interview findings from Deliverable 2.*

Table 2. Indicative Cost and Transit Time Comparison of Main Transport Modes

Mode	Average Cost (USD)	Transit Time (door-to-door)	Reliability Score	SME Suitability	Key Advantages	Main Constraints
Road	$1,300-$1,600 per 20-ton truck to EU	8-17 days	Medium reliability	High (widely available)	Flexible, door-to-door service	High fuel costs; border delays; many empty return trips; aging fleet (most trucks below Euro 3)
Maritime	$1,000-$1,200 per 20' container	25-40 days	Medium-Low reliability	Medium (via forwarders)	Lowest unit cost per ton; high volume capacity	port congestion; weather delays
Rail (BTK)	$60-$70 per ton to Turkiye border	10-14 days (to EU)	High (for bulk cargo)	Low (few intermodal links)	Energy efficient; good for bulk freight	Limited schedules; requires large volumes; no last-mile access for SMEs
Air	$3.5-$5 per kg (air freight)	1-2 days	High reliability (fast)	Low (very expensive)	Fastest mode; minimal damage risk	Extremely high cost; limited cargo facilities outside Tbilisi

***Source**: Data based on qualitative interviews conducted by the study team with stakeholder SMEs, shipping lines, transport and logistics firms, and seaport representatives*

Road Transport Analysis (Trucking): Road haulage remains Georgia's primary mode for both domestic distribution and international freight, because of its flexibility and door-to-door reach. For SME exporters, road shipping is often the first (or only) option considered for shipments to the EU. However, interviews and data indicate that SMEs face significantly higher road freight costs per unit than larger shippers. On major corridors like Tbilisi-Istanbul, SMEs typically pay between 20-40% more per ton because they ship in partial loads (LTL) rather than full truckloads. The average cost for a 20-ton truck from Georgia to the EU is around USD 1,300-1,600, depending on the destination. Key cost drivers include high fuel prices, road tolls, and especially border crossing delays, which increase time and lower asset utilization. On approximately 35% of trips, trucks return empty to Georgia (no backhaul cargo), effectively doubling the cost burden of those journeys.

An additional major challenge is Georgia's aging truck fleet. Most Georgia-registered trucks are outdated and fall below modern emission standards (typically below Euro 3), while direct access to EU countries now generally requires Euro 5 or 6 vehicles. As a result, many Georgian trucking companies are unable to operate internationally, forcing SMEs to rely on foreign (often Turkish) carriers for EU deliveries. Turkish logistics firms dominate the region with newer, larger fleets, and competitive pricing, capturing business

that Georgian truckers might otherwise handle. This dynamic not only increases costs for SMEs but also reduces their control and visibility over shipments once these are handed off to foreign carriers. In interviews, SMEs highlighted reliability concerns and perceived preferential treatment given by EU clients to trucks operated by established EU or Turkish companies. Road transit times to Western Europe from Georgia vary widely (8-17 days), largely depending on border conditions at Sarpi (Georgia-Türkiye) and customs clearance on the Türkiye-EU border. SMEs without dedicated customs brokers often experience unpredictable clearance times, adding uncertainty to delivery schedules. Despite these constraints, road transport remains indispensable for most high-value or time-sensitive SME exports, offering unmatched geographic coverage and greater flexibility in handling smaller shipment sizes compared to rail or sea. The main challenge is how to make road transport more efficient and affordable for SMEs through better consolidation, fleet upgrades, and streamlined border processes.

Maritime Transport Analysis (Sea Freight): In terms of volume, maritime transport is the backbone of Georgia's trade with the EU. Virtually all large or bulk exports (e.g. metals, minerals, fertilizers, wines in bulk, and hazelnuts) rely on the Black Sea ports of Poti and Batumi. These ports connect via feeder vessels and ferry lines to European ports (notably Constanța in Romania and Burgas in Bulgaria) as well as to hubs like Istanbul. Sea freight offers the lowest unit cost among transport modes, averaging USD 40-50 per ton. This equates to approximately USD 1,000-1,200 for a 20-foot container, which is significantly cheaper than trucking the same load overland. However, sea freight comes with longer transit times (often 25-40 days to an EU destination) and schedule inflexibility. Ferry routes may operate only 1-2 sailings per week, and bad weather can result in cancellations that lead to queues. SMEs reported that the limited roll-on/roll-off (Ro-Ro) capacity for trucks and trailers on ferries is a major bottleneck, with space often fully booked by larger forwarders or foreign carriers. Similarly, container handling capacity at Poti Port is constrained; the port's shallow draft limits larger vessels, requiring more frequent small shipments that can clog the port during peak season. During certain periods (e.g. autumn hazelnut export season or fertilizer shipments), port congestion causes multi-day delays for cargo loading.

Regulatory restrictions on ferry cargo also affect SMEs. For example, interviewees noted that ferry lines have restrictions or special requirements for hazardous materials and some categories of perishables like meat and plants. As a result, ferries cannot be used for some SME products and must be trucked overland instead. Despite these challenges, maritime routes remain critical for non-perishable, large-volume goods such as bottled and bulk wine, nuts, scrap metals, and mineral exports, where cost efficiency takes priority over time sensitivity. The heavy reliance on this mode, however, creates vulnerability. Since 2023, ferry disruptions — partly due to the increased transit of goods rerouted from Russia/Ukraine conflict areas — have caused backlogs and forced some exporters to explore overland alternatives at higher cost. In the medium term, expanding port capacity through planned development of a new deep-sea port in Anaklia, alongside increasing ferry frequency, would directly enhance Georgia's export capacity. For SMEs specifically, improving access to reliable scheduling and space on existing ferries through guaranteed slots or priority booking during peak seasons, could mitigate some of the unpredictability they currently face.

Rail Transport Analysis: Georgia's rail network, operated by Georgian Railway, plays a significant role in East-West transit — especially for bulk oil and cargo going between Azerbaijan and Armenia and Black Sea ports — but plays a minor role for Georgia's own exports to the EU.

Rail can be competitive for certain goods: when SMEs export bulk commodities or large containerized volumes, it provides energy-efficient and potentially cheaper haulage — approximately USD 60-70 per

ton to the Türkiye border. Transit times are around 10-14 days to reach central Europe, on par with or slightly faster than sea transit. Reliability is high for bulk shipments, as trains are less affected by weather disruptions than ships. However, for most SME products, such as light manufacturing, processed foods, and perishables, the absence of "last mile" service (no delivery to the final destination) and the reliance on freight forwarder intervention, make rail a complicated choice. As one logistics provider remarked in an interview, rail could become attractive if "someone builds an intermodal terminal where a small exporter can drop one pallet and know it will get to Europe." Until such infrastructure exists, however, the threshold for SMEs to use rail is too high. The latent potential of the BTK corridor remains. In the future, shared intermodal facilities or SME cooperatives for rail could unlock broader usage. For now, however, rail is essentially a niche or fallback mode for Georgian SME exports.

Air Cargo Analysis: Air freight is the preferred mode for SMEs when speed and reliability are critical, and the high cost is justified by the value density of the cargo. For Georgian exports to the EU, this typically applies to niche agricultural or craft products like fresh blueberries, cherries, herbs, live plants, or urgent shipments of light manufactured goods. As of 2025, only Tbilisi International Airport has the infrastructure in place to handle dedicated cargo flights. The airport offers cold storage, warehousing, and regular freight connections, as well as belly cargo on passenger flights. Kutaisi and Batumi, Georgia's other smaller international airports, function primarily as passenger hubs and lack permanent freight handling facilities. SMEs located in western Georgia must therefore truck their goods to Tbilisi (several hours drive) to meet outgoing flights. For perishable goods, this consumes precious time and reduces shelf-life. As one fresh herbs exporter remarked, "By the time we bring our goods to Tbilisi, we have already lost part of the freshness advantage that our buyers expect." This highlights how internal logistics can negate the time savings of air freight.

Air shipping rates from Georgia to EU range between USD 3.5 to USD 5 per kilogram. Rates rise during peak seasons, making air freight viable only for high-margin products. Transit times are approximately 1-2 days. This includes handling, which is a huge advantage for products like berries or cuts of meat that need to arrive fresh. However, capacity is limited. During peak export seasons — such as summer for berries and holiday season for fresh produce — cargo space on flights can often become a challenge. SMEs reported instances of being unable to secure space on scheduled flights, causing them to miss delivery windows. Seasonal charter flights have been arranged from Kutaisi directly to EU cities with the support of donors or as pilot programs. These charters, though costly, demonstrated clear demand. For example, chartering a cargo plane during the berry harvest reduced delivery time to 24 hours and preserved product quality. Still, such charters are not the norm and require subsidies or guaranteed cargo to be viable. Another constraint is the absence of cold-chain handling at secondary airports: even if flights are available, the absence of proper refrigeration and phytosanitary control at Kutaisi and Batumi airports prevents certain products from originating there. As a result, all perishable exports by air are funneled through a single node (Tbilisi), creating a single point of potential failure.

In summary, air freight offers Georgian SMEs a strategic opportunity, but remains underdeveloped at present. Improving this would involve both boosting regional airport capabilities and creating programs (possibly subsidies or co-loading schemes) to make air shipping more accessible for small volumes. Given EU markets' demand for off-season fresh produce, which is a niche service Georgia can supply, enhancing air logistics could open new high-value export avenues for SMEs.

6 INFRASTRUCTURE AND INSTITUTIONAL GAPS

Efficient export logistics depend not only on the transport modes themselves but also on the supporting infrastructure and institutional frameworks that are in place. Georgia has made progress in upgrading core infrastructure, especially along the East-West corridor. Yet significant gaps remain in physical infrastructure, logistics services, and institutional capacity that disproportionately affect SME exporters. The following section outlines the key infrastructure gaps by mode, as well as the service and institutional gaps impacting the export supply chain.

6.1 ROAD INFRASTRUCTURE

Georgia's road network has seen major improvements over the last decade, particularly on the East-West Highway (E60/E70), which serves as the main artery for freight. More than 80% of the highway has been reconstructed to meet the modern four-lane standard, reducing travel times, and improving safety. However, some critical segments still require upgrading. Notably, the Rikoti Pass, which tunnels through the Likhi Range dividing east and west Georgia. In addition, the approaches to the port city of Batumi are limited to two-lanes and frequently suffer from congestion and slowdowns. During peak hours or seasons, bottlenecks in these areas can add hours to transit times. Feeder roads are also an issue: many secondary roads connecting rural production areas to the main highways are in poor condition. SMEs in regions like Imereti, Samegrelo, and Guria reported that first-mile transport from farms or factories to consolidation points often takes as long and costs as much as the line-haul to Tbilisi or the port, due to bad road conditions locally. The lack of adequate roadside infrastructure is also a challenge, as there are few secure parking areas or rest stops available for trucks. This creates compliance issues for drivers, including the absence of mandated rest facilities required for EU-bound trips and heightens security risks for cargo. Addressing these road infrastructure gaps, completing the last sections of the East-West Highway in particular, and improving regional roads, would directly lower transportation times and costs for SMEs.

6.2 PORT INFRASTRUCTURE

Poti Port and Batumi Port handle virtually all of Georgia's seaborne exports. Poti Port is the primary container gateway. It currently operates near its capacity limits. At peak periods, the port struggles to efficiently handle the volume of containers, leading to vessel wait times averaging up to and over 36 hours for turnaround. Poti's maximum berth depth is limited (around 8-11 meters), preventing larger Panamax ships from calling. This means Georgian exports are often feedered to hub ports in Istanbul or Piraeus, adding an extra transshipment. The development of the Anaklia Deep Sea Port

is progressing, with the government having allocated financial resources for the construction of its marine infrastructure. Since August 2024, the Government of Georgia has contracted the dredging company Jan De Nul to carry out this work. If plans for Anaklia go ahead, it could alleviate this constraint by allowing direct calls by larger vessels. Batumi Port, on the other hand, has a depth of <12 meters and is more focused on oil, bulk liquids, and some dry bulk, with limited container facilities. It has spare capacity but is less used for general cargo. One major infrastructure gap is the absence of a dedicated Ro-Ro terminal with sufficient capacity. Ferry operations in Batumi and Poti share space with other port activities, and their expansion is constrained. SMEs shipping vehicles, equipment, or using trailer ferries would benefit from improved Ro-Ro infrastructure. Critically, neither port currently offers extensive cold-chain warehousing or on-site stuffing facilities. For perishables that require refrigerated containers, the limited availability of plug-in points and cold storage near the ports is a challenge, as produce often must be brought at the last minute to avoid spoilage.

6.3 AIR INFRASTRUCTURE

Tbilisi International Airport is the only airport with significant cargo infrastructure. It features a modern cargo terminal with refrigerated storage and x-ray security scanners, sufficient for current volumes. Kutaisi Airport, despite being positioned in an important region for agriculture, lacks any dedicated cargo handling facilities. It was designed as a low-cost passenger airport and has only basic warehousing. Batumi Airport serves primarily passengers and does not have cargo infrastructure. The absence of local airfreight options forces SMEs in western Georgia to ship through Tbilisi, which is approximately 350 km away. This gap becomes stark compared to peer countries. For example, Türkiye has multiple regional cargo airports located in critical production zones. Conversely, there are no phytosanitary control or inspection labs at Kutaisi or Batumi airports. Even if an exporter wanted to charter a plane from those airports, they couldn't easily obtain the required plant/animal health clearances on-site, as these services are only provided in Tbilisi. The absence of cold-chain facilities at airports outside Tbilisi is also a major gap, preventing products like fresh fish or flowers originating in western Georgia from being exported directly by air without losing freshness during transit to Tbilisi.

6.4 INSTITUTIONAL AND LOGISTICS SERVICE DELIVERY GAPS

The assessment also identified several service delivery gaps and institutional weaknesses that impact SME export logistics::

- **Cold-Chain Services:** Outside of Tbilisi and to some extent Poti, temperature-controlled storage and transport services are scarce. Agriculture SMEs reported difficulty finding affordable refrigerated trucks or storage in the regions. To mitigate this challenge, many SMEs are forced to rent cold storage facilities in foreign markets, which increases costs.
- **Consolidation and LTL/LCL Services:** Services are available for consolidating less-than-truckload (LTL) or less-than-container loads (LCL), but often on irregular schedules and with unpredictable pricing. SMEs can use freight forwarders to combine cargo, but they have little control over when a full load will materialize. This unpredictability in consolidation leads to delays and higher costs per unit.

- **Customs Digitalization:** Georgia has made progress in digital customs systems, but integration with neighboring countries (Türkiye) and EU systems is not fully complete. As a result, duplicate data entry and paper documents are still common at the border. For SMEs, who may not have dedicated customs staff, the manual processes are burdensome and slow. The lack of a seamless e-customs link means even if Georgia automates its side, they often wait on the partner country's clearance.
- **Finance and Leasing Mechanisms:** There are no targeted financial support schemes for SMEs to upgrade logistics equipment such as trucks, refrigerated containers, or other assets. Commercial leasing for trucks is available but can be expensive, as there are still no government-backed programs to encourage fleet modernization — for example, subsidized loans for Euro 6 trucks. Similarly, investment in cold-chain equipment has not been incentivized, leaving SMEs reliant on donors or their own limited capital.
- **SME Representation:** There is currently no dedicated logistics or exporters' association focusing on the needs of SME's in Georgia. While general business associations exist, no single entity specifically aggregates small exporters to coordinate shipments or advocate for logistics improvements. This leaves SMEs with a fragmented voice and little bargaining power with large service providers like shipping lines and trucking companies.
- **Skills and Training Gaps:** A **shortage of skilled logistics professionals** is a major underlying challenge. Vocational and professional training in freight forwarding, supply chain management, and cold-chain handling is limited in Georgia. SMEs frequently struggle to find employees with the required expertise and must train them in-house. This leads to issues like documentation errors and suboptimal contracting, (e.g., SMEs agreeing to unfavorable Incoterms due to lack of knowledge), and difficulty adopting new technologies. In addition, the education system has only recently started to incorporate logistics into curricula, and industry certification programs are at the early stages.

The combined effect of these service and institutional gaps is that many smaller exporters are excluded from higher value opportunities. For example, without cold-chain services, an SME producing gourmet cheese in a rural area cannot ship products to the EU, regardless of demand. Without consolidation services, an artisan producer might not be able to afford to send their products due to less-than-load costs. Without strong representation or knowledge, SMEs struggle to influence policies or benefit from trade facilitation initiatives. Addressing these gaps requires coordinated efforts in policy reform, capacity building, and industry organization, as detailed in the forthcoming recommendations.

Notably, Georgia's logistics institutions are fragmented across multiple agencies. The Ministry of Economy and Sustainable Development (MoESD) leads transport policy; the Ministry of Infrastructure handles road and port investments; and the Revenue Service under the Ministry of Finance handles customs, among others. While inter-agency coordination platforms like working groups and councils exist, officials acknowledge the need for a more coherent approach — particularly more efficient information exchange and clearer mandates. In the absence of a unified logistics authority or platform for public-private dialogue, systemic challenges often fall through the cracks, and private sector feedback — particularly from SMEs — is not consistently incorporated. These institutional challenges are discussed further in the next section, which looks at the government's policy framework and organizational landscape for logistics.

7

INTERVIEW-BASED DIAGNOSTIC SUMMARY

A central component of this study was directly engaging with stakeholders to diagnose on-the-ground challenges in exporting goods from Georgia to the EU. Through interviews with SMEs, logistics providers, and government representatives, we identified the key pain points that Georgian exporters — especially smaller ones — face in their transport and logistics operations. This section summarizes those findings, grouping them into ten major challenge areas that were repeatedly highlighted across interviews. Each challenge is described below, along with its impact on SME export performance:

1 **High Transport Costs and Limited Economies of Scale**: A dominant theme in stakeholder interviews was the disproportionate cost burden SMEs face due to their relatively small shipment volumes. Unlike large exporters who can fill in entire truckloads or containers and negotiate bulk rates, SMEs often must ship partial loads (LTL or LCL), incurring much higher per-unit costs. Interviewees reported SMEs paying 20-40% premiums per ton compared to large firms. Hidden charges like terminal handling fees, warehousing surcharges, and fuel adjustments further exacerbate costs. With limited bargaining power, SMEs are usually price-takers when dealing with freight forwarders or carriers. Government officials confirmed that these high logistics costs directly reduce the competitiveness of Georgian products abroad, in some cases, making up one-third of the final cost for low-margin goods. This scale disadvantage places Georgian SMEs at a structural competitive gap compared to peers in countries like Türkiye or EU member states that benefit from lower unit transport costs.

2 **Aged Truck Fleet and Competitive Disadvantages**: The weakness of the trucking sector emerged as a critical issue. Many Georgian trucking companies operate old vehicles (Euro 2 or 3 standard), whereas direct access to EU markets now requires modern Euro 5/6 trucks. As a result, Georgian trucks are often barred or limited in EU countries, forcing exporters to rely on foreign trucking firms (primarily Turkish) for onward delivery. SMEs and logistics providers observed that Turkish carriers have newer fleets, larger networks, and can offer more competitive rates. As a result, they have captured a large share of the freight on Georgian routes. This puts Georgian trucking at a major disadvantage along its own corridor. Moreover, no financial incentives or leasing programs exist to help local carriers upgrade their fleet. Given the high cost of Euro 6 vehicles, few SMEs or small transport firms can afford upgrades, so the cycle of an aging fleet persists. This challenge contributes to higher costs (older trucks are less efficient), lost business for Georgian firms, and even environmental and safety issues.

3 **Indirect and Lengthy Routes**: Georgia's geography and regional political dynamics limit direct transport routes to much of the EU. Exports must either travel overland through Türkiye or cross the Black Sea, both of which create indirect routes. In interviews, SMEs underscored that the lack of direct ferry connections or rail routes to Western Europe forces them into long transit times. For example, trucking routes through Türkiye can take over a week, and maritime shipments can exceed 40 days when ferry schedules are disrupted. The 1,500 km overland route through Türkiye faces its own bottlenecks; despite Türkiye's well-developed infrastructure, border crossings and differing transit regulations introduce delays and additional costs. Meanwhile, Black Sea ferry services are infrequent and are not always in synch with demand. During interviews, agribusiness SMEs noted that these lengthy routes lead to missed market windows, especially for seasonal goods. For example, Georgia-sourced blueberries and early vegetables have a timing advantage (early harvest season), but if transport to EU buyers takes too long, that advantage is lost. The indirect routes undercut one of Georgia's natural strengths in some sectors.

4 **Air Cargo Limitations:** The lack of air freight infrastructure outside of Tbilisi was highlighted as a "hard cap" on certain high-value exports. Western Georgia producers of fresh herbs, berries, and flowers find it logistically difficult to use air freight because everything must be routed through Tbilisi. Transporting delicate produce hundreds of kilometers by road to Tbilisi eats into its shelf life. Kutaisi and Batumi airports are essentially off-limits for cargo due to their lack of facilities. Even in Tbilisi, capacity is limited, as there are only so many cargo flights, and SMEs often cannot secure space during peak periods. One SME cited the loss of its freshness advantage by having to truck goods to Tbilisi first. Without better regional air options or subsidies for charter flights, the export of many perishables simply cannot be undertaken. This challenge keeps Georgia out of certain niche EU markets (like delivering fresh produce or seafood rapidly), which other countries capitalize on.

5 **Border Bottlenecks and Customs Delays**: Nearly all exporters and truckers pointed to border crossing delays as a major source of unpredictability and cost — particularly at the Sarpi crossing into Türkiye. SMEs recounted waiting times at the Sarpi border ranging from a few hours to, in extreme cases, a couple of days, which can ruin delivery schedules. Customs procedures, while improved in recent years, still involve paperwork and occasionally, manual processing. Both slow things down. Many SMEs do not use the electronic pre-declaration system fully or make mistakes in their paperwork, leading to additional delays or fines. Specific pain points include obtaining certificates of origin and other export documentation, which, if not perfectly in order, causes hold-ups. Government interviewees acknowledged that customs digitalization with Türkiye and other neighbors is not yet seamless: data is not automatically shared, resulting in duplicate inspections or entries. For SMEs shipping small or perishable loads, even short delays at the border can be costly — through spoilage, missed handover to the next transport leg, and other disruptions. This unpredictability makes it hard to assure EU customers of delivery dates, affecting trust.

6 **Cold-Chain and Warehousing Gaps**: Perhaps the most frequently cited structural hurdle reported by SMEs was the lack of adequate cold storage and warehousing. Modern warehouses with climate control are mostly found around Tbilisi and Poti and are often expensive or in full use by larger companies. For SMEs in Georgia's rural regions, storing products before export or consolidating shipments in proper facilities is challenging. With regard to perishable goods, the cold-chain gap means many SMEs simply cannot export at scale, as they lack the means to keep produce at required temperatures throughout the logistics chain. Several SME food exporters said they either export very small volumes — such as samples or niche orders — or avoid exporting to the EU altogether because they cannot ensure cold-chain integrity throughout the journey. Some have tried to set up mini storage facilities in the EU, but that is a costly workaround suitable only for small quantities. Government officials have been made aware and have acknowledged that cold-chain development is a priority, but progress is slow and public-private partnership models or incentives to involve private investors have lagged. Until these facilities are in place, whole categories of goods, ranging from dairy, meat, and fruits, are effectively locked out of longer-distance exports.

7 **Fragmentation of Shipments and Weak Coordination**: Because SMEs export in small quantities, their logistics are often fragmented and uncoordinated. Multiple interviews highlighted that Georgia lacks any mechanism for SMEs to pool shipments consistently. Less-than-load consolidations happen ad hoc. This leads to LTL trucks going half-empty, or containers only partly filled, which is inherently inefficient and results in high costs. SMEs also described a lack of transparency when using freight forwarders, as they often don't know when their cargo will depart, as it waits to be consolidated with others. Another aspect of coordination is collective action: SMEs often feel they are "on their own" in dealing with transport issues. The absence of an SME logistics association or cooperative results in limited — or even nonexistent — shared warehousing, no collective bargaining for better shipping rates, and no unified advocacy for their needs. Many felt that if they could somehow band together, they could run, for example, a weekly consolidated truck to an EU hub, but there is no institution facilitating that. This fragmentation is a classic collective action problem leaving SMEs individually too weak to change the status quo.

8 **Skills and Knowledge Deficits:** Interviewees underscored a shortage of logistics know-how among many exporting SMEs. Unlike large firms that have logistics departments, an SME often has one person managing export paperwork, transport booking, and compliance issues, often learning by doing. Common mistakes reported include using suboptimal Incoterms (e.g., selling ex-works when CIF might be preferrable or vice versa); not fully understanding insurance needs (some SMEs were unaware that carrier liability is limited and therefore didn't purchase cargo insurance); or mismanaging temperature control due to lack of knowledge of cold-chain standards. Also cited were errors in customs documentation or labeling, which can lead to shipment rejections at EU ports of entry. On the supply side, Georgia's educational institutions offer very little in logistics or supply chain training. As a result, even logistics companies struggle to hire competent staff. Instead, they provide on-the-job training, which varies in quality. Both private and public sector respondents agreed that investing in logistics training and certification would pay off by professionalizing the industry and reducing avoidable mistakes.

9 **Regulatory Burdens**: A specific regulatory issue raised by exporters is the mandatory use of customs-bonded warehouses for consolidation. Current rules frequently require that goods destined for export, once cleared by customs, be kept in a bonded warehouse until final dispatch. While this is intended for control, SMEs say it adds cost and inflexibility. They must pay for space in these warehouses even if for short periods and arrange transport to and from them. For small shipments, these extra handling steps are proportionally expensive. The additional regulations also prevent last-minute additions to shipment because once goods are cleared by customs and stored, they can't be easily mixed with new items without new procedures. SMEs argue that this regulation makes it hard to experiment with combined shipments or pivot quickly with orders, as it "locks" the cargo unnecessarily. They would prefer the option to store goods in their own facility or a non-bonded facility after clearance, or even better, not require interim storage if the goods are scheduled to leave the country soon.

10 **Infrastructure and Equipment Shortages**: In addition to the big-ticket infrastructure gaps like roads and ports, interviews revealed some critical equipment shortages that hinder operations. One example is the limited number of available refrigerated container generators (GENSETs) in the country. Those that do exist are often owned by big players, so if an SME wants to run a refrigerated container on a truck for a long trip, it's hard to rent one. Similarly, specialized pallets and tracking devices are not readily available to SMEs. Another issue is rural infrastructure (poor feeder roads) which often double the time it takes for some farmers to transport their products to the main logistics hubs. Finally, the digital platforms for freight matching or tracking are not widely used by SMEs. This is either due to lack of awareness or trust. Many SMEs still find freight opportunities or track shipments in an informal, offline way, which reduces transparency and efficiency. Collectively, these "micro" infrastructure issues add friction to SME logistics processes.

Conclusion on Findings: The above challenges form an interlocking set of barriers that prevent Georgian SMEs from competing on equal footing in export logistics. Many of these challenges reinforce one another. For example, high costs (challenge 1) are partly a result of small scale and fragmentation (challenge 7), which in turn are exacerbated by lack of coordination mechanisms. The aged fleet (challenge 2) contributes to higher costs and the inability to access EU markets directly, feeding back into cost and time inefficiencies. The net effect is a logistics system that works relatively efficiently for large-volume exporters and for transit cargo but is misaligned with the needs of smaller exporters. Large firms can invest in private solutions, their own warehouses, dedicated fleet, and in-house expertise, while SMEs remain vulnerable to external constraints like ferry delays and border queues.

Representatives of government institutions who were interviewed have acknowledged many of these weaknesses, but noted that comprehensive solutions are still in development. The findings clearly indicate that a coordinated policy response is needed — one that tackles infrastructure gaps (roads, cold-chain), incentivizes modern equipment (fleet, gensets), streamlines regulations (customs procedures), and fosters collective solutions (associations, digital platforms). Without such intervention, Georgia risks entrenching a two-tier export sector where only large players thrive and SMEs are left behind.

The next sections focus on the current government policy landscape and then on specific recommendations — both immediate and medium-term — to address these diagnostic findings.

8

GOVERNMENT POLICY AND INSTITUTIONAL LANDSCAPE

Interviews with Government of Georgia officials and a review of policy documents reveal a clear strategic vision at the national level to develop a modern, multimodal transport and logistics system that supports export growth, including for SMEs. The Government of Georgia has articulated a plan to strengthen the country's role as a regional transport hub bridging Asia and Europe, while also boosting competitiveness and integration with European supply chains. This vision aligns with Georgia's aspirations under the EU Association Agreement and other international commitments.

In terms of policy and legislation, Georgia is currently in the process of harmonizing its transport and customs regulations with EU standards. Officials noted ongoing efforts to align vehicle emissions and safety standards (e.g., moving toward Euro 5/6 truck requirements domestically), to improve road safety laws, and adopt EU-aligned customs procedures. Several legislative updates are currently under consideration, such as amendments to the Law on Transport and Logistics to facilitate intermodal transport; modernization of customs rules to allow more flexibility (e.g., electronic documents, expedited clearance); and laws to enable digital documentation, such as e-CMR, and electronic waybills. Establishing simplified border procedures, like introducing electronic pre-declaration for exports and paperless trade systems to reduce clearance times, are priorities. One concrete step being pursued is digital integration with Türkiye's customs systems, enabling advanced data sharing and potentially a "green corridor" for trusted traders. The government is also exploring ways to encourage truck fleet modernization. Discussions include potential fiscal incentives or leasing schemes to help companies acquire Euro 6 trucks, as well as differential road taxes or fees to phase out very old trucks.

Policymakers are also aware of SMEs' logistics needs, recognizing regulatory gaps around cargo consolidation hubs and shared logistics services. Currently, no specific law or program addresses how multiple SME exporters might co-load shipments or share common warehouses. The Ministry of Economy and Sustainable Development is reportedly exploring digital freight platforms — potentially through public-private partnerships — and considering rules to legitimize electronic logistics documents (like e-bills of lading) with the aim of making it easier for small businesses to engage in shipping.

Environmental sustainability is another policy driver encouraging green transport solutions such as electric vehicles for last mile, but those are longer-term discussions. Moreover, new logistics infrastructure has been coming online, including the Tbilisi Dry Port, which opened in June 2025, and the expanded Gebrüder Weiss logistics center. Meanwhile, additional projects are underway, including the development of the Kutaisi International Logistics Center with a private investor, following the state's auction of the land plot with associated investment commitments. Efforts are also underway to improve the public-private partnership framework, with the hope of mobilizing private investment in warehousing, logistics centers, and cold-chain facilities.

Regarding institutional coordination, Georgia's government structure for transport/logistics involves multiple ministries; while generally cooperative, there remain areas to improve. The Ministry of Economy and Sustainable Development (MoESD) is the leading agency for transport policy and strategy. It works closely with the Ministry of Regional Development and Infrastructure on physical infrastructure projects such as roads and bridges, as well as with the Ministry of Finance (Revenue Service) on customs and border management issues.

The Ministry of Environmental Protection and Agriculture is responsible for environmental standards like vehicle emissions. Inter-agency working groups and committees like the Coordination Council on Trade Facilitation bring these bodies together. Officials view this multi-agency approach as both a strength (bringing together diverse expertise) and a challenge (risk of siloed efforts). However, they acknowledge that their mandates sometimes overlap, and that improving real-time information exchange would help link transport planning data with customs data to better predict and manage bottlenecks. The MoESD's forthcoming 2025-2030 Transport and Logistics Strategy aims to explicitly incorporate SME-focused measures and clarify roles for implementation.

Another important element of institutional coordination is public-private dialogue. Currently, the Government of Georgia engages with the private sector through bodies like chambers of commerce, business associations, and ad-hoc consultations on new regulations. However, there is no platform specifically dedicated to the logistics sector or SME exporters to regularly provide feedback on policy implementation. Government respondents recognized the need for a more structured dialogue platform where logistics service providers, exporters, and officials can routinely discuss and troubleshoot issues. The platform could help monitor the impact of reforms and adjust policies in an agile manner. The idea of an "Export Logistics Council" was floated as a possible solution to institutionalize communication between the government and industry beyond the occasional donor-driven roundtables.

Regarding regulatory enforcement and quality control, government officials stated that Georgia's frameworks are broadly in line with international norms — for example, laws on freight forwarding and road transport permits. The challenge lies in implementation consistency. Many processes remain dependent on manual steps; for example, not all customs checkpoints are equally digitized, and officers do not always interpret rules the same way. This creates inconsistencies and creates opportunities for delay or miscommunication. To address this, the government is considering rolling out tools like digital monitoring systems to track real-time border crossing times and performance dashboards for logistics services. Moving from a compliance-based oversight to a performance-based oversight — e.g., measuring customs clearance time and trucking turn-around — is a stated goal.

Setting service standards is another important issue. For example, there are currently no formal standards or certifications for warehouses or cold-chain services providers. The government has acknowledged value in developing standards and perhaps voluntary certification programs (potentially with donor help) to raise service quality and give SMEs confidence in local logistics providers. This ties into the skills development objective by setting standards that training can target, helping companies meet them and building greater customer trust (including foreign buyers) in Georgia's logistics offerings.

Finally, government officials have articulated a long-term strategic vision to transform Georgia from a purely transit country into a logistics and manufacturing hub that adds value. This includes developing integrated transport modes seamlessly connecting road, rail, sea, and air; digitizing trade facilitation; and ensuring

equitable access to logistics for businesses of all sizes and regions. A key underlying principle was maintaining regulatory predictability, as the government recognizes that consistent rules and transparency are critical for businesses to invest and plan. For example, if emissions standards for trucks change, they aim to give ample notice; if tariffs or fees are adjusted, they want them communicated clearly. The overall policy environment is moving towards EU norms, with an emphasis on facilitating trade, encouraging private sector solutions, and bridging the current gaps that leave SMEs at a disadvantage.

The next section leverages this policy context to propose specific recommendations — many of which align with or build upon the government's own strategic direction — focusing on actionable steps in the immediate and medium term.

9 RECOMMENDATIONS (SHORT AND MEDIUM-TERM)

Building on the diagnostic findings and the government's strategic direction, this report recommends a series of targeted interventions to improve the export transport system for Georgian SMEs. These recommendations are divided into two groups based on their implementation horizon: Short-term "quick wins" (0-12 months) are relatively low-cost actions that can yield fast, tangible benefits and, medium-term measures (12-36 months), which are larger reforms or investments that require more time but set the foundation for sustained improvements. Many of these recommendations were informed by direct stakeholder input and are designed to address the specific challenges identified in Section 7.

9.1 SHORT-TERM QUICK WINS (0-12 MONTHS)

- **Digital Freight-Matching Platform for SMEs**: Develop or enhance an online platform that enables SMEs to aggregate their cargo loads and identify matches with transport providers, facilitating shipment consolidation. Such a "marketplace" would improve rate transparency and enable SMEs to combine LTL shipments into FTL loads.

  Lead: Ministry of Economy and Sustainable Development (MoESD) in partnership with Enterprise Georgia. A development partner like UNDP could potentially spearhead this.

  Expected Impact: By better matching loads, SMEs could achieve a 10-15% reduction in transport cost per unit through higher vehicle utilization and group negotiation.

- **Regional Export Consolidation Hubs**: Establish shared logistics centers in key locations like Tbilisi, Kutaisi, and Poti that offer consolidation, warehousing, and dispatch services for SME shipments. These hubs would operate as "freight villages" where multiple SMEs deliver their goods, which are then co-loaded into full trucks or containers for export.

  Lead: Primarily private logistics operators —potentially supported through donor public-private partnership initiatives — can establish these hubs. The government can facilitate it by providing space or seed funding.

  Expected Impact: By achieving economies of scale in transport through fuller utilization of trucks and containers, SMEs can lower unit costs and secure more regular shipment schedules, such as weekly trucks to the EU instead of sporadic ones. This also shortens dispatch wait times, as SMEs no longer must hold cargo until they individually have a full load.

- **Seasonal Charter Flights from Kutaisi**: Pilot a program of seasonal air cargo charters from Kutaisi Airport dedicated to high-value agricultural exports such as fresh berries, herbs, and live plants during peak harvest seasons. These could be subsidized through a public-private partnership model or with donor support to ensure viability.

  Lead: MoESD (or MEPA) in collaboration with airlines and donors.

  Expected Impact: Direct 24-hour access to EU markets for western Georgia's perishable exporters, cutting delivery time dramatically — for example, from 72 hours by road to 24 hours by direct flight. This would help SMEs retain product freshness and meet tight market windows, potentially increasing export volumes in these niche sectors.

- **e-Customs "Green Lane" for Perishables:** Implement a fast-track customs clearance lane (Green Lane) at key border points like Sarpi, specifically for SME exporters carrying perishable or time-sensitive goods. To qualify, SMEs would need to pre-register and meet certain compliance criteria or use electronic pre-declarations. This would be accompanied by expanded customs support services like a hotline or on-site assistance for SME documentation issues.

  Lead: The Revenue Service (Customs Department) would take the lead with support from the Ministry of Finance.

  Expected Impact: A significant reduction in border crossing times for approved SME shipments. The goal would be up to a 50% faster clearance time at the Sarpi border for those enrolled in the program. This improves reliability and reduces spoilage or delay costs for exporters.

- **Mobile Cold Storage Units**: Deploy modular refrigerated containers or trailers in major producing regions (e.g., Imereti for fruits/vegetables, Samegrelo for nuts, etc.) to serve as temporary cold storage and collection points. This can be done through private-public partnerships. For example, a private leasing company would provide the units with partial donor funding or guarantees.

  Lead: The Ministry of Environmental Protection and Agriculture in coordination with private leasing firms and potentially municipal authorities.

  Expected Impact: These units would reduce spoilage by enabling SMEs to quickly chill and store their produce near the farm until sufficient volume is ready for shipment. This could reduce post-harvest losses by 20% in targeted value chains and effectively extends the cold chain to the "first mile" in rural areas.

- **Warehouse Voucher Scheme for SMEs:** Introduce a government or donor-backed voucher subsidy program that helps SMEs afford storage in existing A-class warehouses. Under this scheme, an SME would receive a voucher covering approximately 30-50% of the cost for a defined volume of warehousing or refrigerated storage in a certified facility, for a limited time.

  Lead: Enterprise Georgia (SME support agency) potentially with donor funding.

  Expected Impact: Lower entry barrier for SMEs to use high-quality logistics facilities, ensuring their goods are properly stored and consolidated before export. This would encourage new exporters by removing cost hurdles and improve product quality maintenance. It would also indirectly support warehouse utilization rates, making the business case for more facilities in the future.

- **SME Export Logistics Association:** Facilitate the formation of an association or cooperative specifically for SME exporters and logistics service providers. This organization could start informally with support from the Chamber of Commerce or donor projects before evolving into a formal body. Its role would include aggregating member shipments, negotiating group contracts with transport companies, sharing market information, and representing SME interests in policy dialogues.

  Lead: The private sector (interested SMEs, possibly champion companies) with initial support from the national Chamber of Commerce or business associations.

  Expected Impact: By pooling volumes and speaking with one voice, SMEs can secure better rates through stronger bargaining power and achieve more consistent service. For example, an association could guarantee a weekly truck by combining loads. In addition, it creates a structured channel for government consultations with SMEs, improving feedback loops and strengthening policy implementation.

- **Improve Black Sea Ferry Access:** Work through diplomatic and commercial channels to increase the reliability and accessibility of Black Sea ferry routes for Georgian exports. Specifically, negotiate priority space or scheduled slots for Georgian SME cargo on ferries to Constanța and Burgas during peak export seasons. This could involve agreements with ferry operators to allocate a certain percentage of capacity to Georgian exports — possibly through a guarantee or subsidy scheme if needed. Additionally, bilateral talks with Romania and Bulgaria could be pursued to increase ferry trip frequency and to relax any restrictive cargo category rules on these routes.

  Lead: The MoESD and Ministry of Foreign Affairs would engage ferry companies and government counterparts in destination countries.

  Expected Impact: More frequent and reliable ferry departures would shorten transit times for SMEs and reduce backups. Guaranteeing space for SMEs would enable even small shipments to move on a ferry immediately rather than waiting. Over time, better ferry service would remove a large chunk of overland transit (and potentially save cost) for suitable goods, and provide a second option if overland routes face disruption.

These short-term initiatives are largely about optimization and organization, utilizing existing infrastructure more efficiently, leveraging digital solutions, and organizing SMEs collectively. They generally avoid large capital investments, focusing instead on coordination, policy tweaks, or modest equipment deployments that can be accomplished within a year. Each address one or more specific challenges identified such as cost, cold-chain, border delays, and fragmentation. Implementing all of them in concert would create a significantly more enabling environment for SME exports in the near term, while paving the way for the deeper changes described next.

9.2 MEDIUM-TERM MEASURES (12-36 MONTHS)

- **Fleet Modernization Facility:** Establish a dedicated financing facility to help replace or upgrade the trucking fleet to Euro 5/6 standards. This would involve a combination of leasing programs and targeted subsidies or loan guarantees. For example, the government, in partnership with international financial institutions like the EBRD or EIB, could create a low-interest lease-to-own program for SMEs or small carriers to obtain modern trucks.

  Lead: MoESD and potentially Ministry of Finance would design the program, leveraging international financial institutions for funding.

  Key Benefit: Over the next few years, increase the number of EU-compliant trucks operated by Georgian companies, enabling them to directly carry goods into the EU, reducing reliance on foreign carriers and improving efficiency, as newer trucks lower fuel and maintenance costs. It would also have environmental benefits and prepare Georgia for stricter emission norms in the future.

- **Integrated Rail-Port Intermodal Service**: Pilot an intermodal freight service linking Poti Port with the Baku-Tbilisi-Kars (BTK) railway for westbound exports. This would involve setting up a small intermodal terminal or using existing infrastructure at Poti/Batumi where containers can be shifted between ships and trains. The idea is to enable a block train service that moves Georgian export containers from the port (or a consolidation hub in Tbilisi) through BTK to the EU, in coordination with shipping schedules.

  Lead: Georgian Railway would take the lead in partnership with port operators (possibly under the oversight of MoESD).

  Key Benefit: This would lower costs for bulk SME shipments, as consolidated rail transport can be cheaper than trucking on certain routes. It also provides an alternative route, enhancing resilience against ferry or road disruptions. This measure would help utilize underused rail capacity for exports, even if its share is modest at first.

- **Public-Private Partnership Framework for Regional Warehousing and Cold Chain:** Develop and launch a public-private partnership initiative to build new logistics centers, including warehouses and cold storage, in regions that lack them. Rather than building them outright, the government's role would be to establish standardized PPP contracts, offer co-investment or viability gap funding, and potentially provide land or tax incentives to private investors who would then build and operate the facilities.

  Lead: MoESD in coordination with the Ministry of Finance, to develop the framework and solicit proposals. Potential investors could include local or international logistics firms.

  Key Benefit: Mobilizes private capital to fill infrastructure gaps that are not financially attractive on purely private terms. For example, a cold warehouse near Kutaisi might not be built by the market alone, but with partial risk-sharing or the injection of capital by government and donors, it could happen. The increased access to modern storage and consolidation facilities closer to production zones would improve product quality and reduce transport costs for SMEs.

- **Flexible Bonded Warehouse Regulations**: Reform customs regulations to allow for greater flexibility in the use of bonded warehouses for exports. Specifically, introduce provisions whereby SME exporters can perform partial customs clearance or remove goods from bond in smaller batches, rather than an all-or-nothing approach. Waiving the bonded warehouse requirement for certain low-risk goods or trusted SMEs should also be considered, as this enables SMEs to store goods post-clearance at their own facilities for short durations.

  Lead: Revenue Service (Customs) with legislative approval by Parliament for changes.

  Key Benefit: Faster export turnaround and greater flexibility. SMEs would no longer be forced into extra moves or storage costs when consolidating shipments. They could clear goods and directly load for export or clear in stages as consolidation occurs. This reduces cost and complexity, effectively streamlining the logistics chain.

- **National Logistics Training and Certification Program:** Launch a program to bolster logistics and supply chain skills through vocational training and industry certification. This could take the form of collaboration between educational institutions, industry associations, and possibly international experts. Develop short courses or modules on topics like export documentation, cold-chain management, freight forwarding, and customs compliance, targeted at SME staff and local logistics providers. Offer certifications that are recognized by the logistics industry.

  Lead: Ministry of Education and Science together with MoESD with support from development partners (who often fund skills programs).

  Key Benefit: Improves service quality and professionalism in the logistics sector. Over time, SMEs will have access to a pool of trained specialists. As a result, they will reduce the errors and inefficiencies noted earlier. It also raises awareness among SMEs of best practices, such as proper Incoterm usage, insurance, and digital tools, making them savvier and more resilient in managing exports.

- **SME Equipment Leasing and Rural Roads Integration:** Create schemes for leasing and sharing critical equipment for SME logistics. For example, a government-initiated program or a guarantee fund could enable leasing companies to offer refrigerated trucks, generators (GENSETs), pallet pools, and tracking devices to SMEs at affordable rates. This can be tied into the fleet facility or separate. Additionally, coordinate with infrastructure programs to prioritize upgrades of feeder roads that connect key SME production clusters with main corridors. This includes last-mile road improvements in agriculture or regional development projects.

  Lead: MoESD and Ministry of Infrastructure (for roads) in cooperation with leasing firms (for equipment).

  Key Benefit: This would help address micro-infrastructure gaps directly: SMEs would gain access to modern equipment without huge upfront costs, which helps maintain cold-chain (via leased gensets, etc.) and shipment monitoring. Better rural roads reduce first-mile transport time and cost, which for some remote SMEs can significantly improve their ability to aggregate goods and get them export ready.

The medium-term measures seek to build capacity and resilience into the system. They require more plan-

ning and resources, such as setting up a financing facility, changing regulations or building infrastructure. However, they are crucial for sustaining and scaling the improvements. Modernizing Georgia's trucking fleet and infrastructure ensures its logistics backbone can handle growth and stricter requirements in the future. By reforming regulations and training people, it creates a more SME-friendly, knowledge-driven logistics environment. Many of these initiatives align with government priorities (e.g., fleet modernization, PPPs in infrastructure, digital customs) and thus have momentum behind them.

Each recommendation above includes the main responsible parties and expected benefits. The recommendations are designed to be mutually reinforced. For example, if consolidation hubs (short-term) are set up now, by the time regional warehouses (medium-term) come online, those hubs can plug into them, making an even stronger network. Likewise, combining a digital freight platform with an SME association amplifies the impact — one provides the tool, the other provides the social structure to use it best. The implementation of these recommendations will need monitoring and coordination, which the next section on expected outcomes and monitoring will address.

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CONCLUSION

Georgia stands at a pivotal juncture in its trade and economic development. The rapid growth of transit freight along the Middle Corridor driven by regional geopolitical shifts presents an opportunity for Georgia — not only to earn transit revenue, but also to strengthen its domestic export capabilities. This analysis confirms that significant efficiency gains are achievable without large-scale infrastructure investments, provided policy and institutional attention is directed toward smarter coordination, digitalization, and targeted incentives for SMEs. In other words, by making better use of what Georgia already has and closing critical service gaps, substantial improvements can be achieved in the short to medium term.

The recommended set of quick wins, supported by medium-term reforms, provides a clear roadmap. In the short term, implementing measures like consolidation hubs, a freight-matching platform, green lanes at borders, and mobile cold storage, will start to level the playing field for SMEs. These actions are relatively low-cost and can dramatically reduce delays and expenses for smaller exporters, helping them become more competitive internationally. In the medium term, deeper interventions such as fleet modernization, developing regional logistics infrastructure through PPPs, and refining regulations, will institutionalize these improvements and make them sustainable. Taken together, these efforts will not only solve immediate problems but also build resilience into Georgia's export logistics system.

By executing this agenda, Georgia can expect to see measurable outcomes, including improved rankings in global logistics benchmarks (like the Logistics Performance Index) reflecting better infrastructure quality and customs efficiency; a more inclusive logistics ecosystem where SMEs from different regions can participate and benefit, rather than being left on the sidelines; and a reinforcement of Georgia's role as a competitive bridge between Asia and the EU. Instead of being just a passive transit corridor for other countries' goods, Georgia can evolve into an integrated logistics and production platform; a place where goods are not only transported, but also consolidated, processed, stored, and dispatched with high efficiency. This will attract more business, both domestic and foreign, into Georgia's economy.

The next phase of Georgia's development in this sector should aim to transform the country's narrative from a "pathway" to a "hub." The initiatives proposed in this report, if implemented in a timely and coordinated fashion, will set the country firmly on that path. Georgia's SMEs will gain greater access to EU markets, which in turn will diversify the nation's trade portfolio and drive economic growth where it's needed most — in the small and medium business sector. The government's commitment, as evidenced by its alignment with many of these recommendations, is a promising sign. Continued collaboration between the public sector, private industry, and development partners will be key to turning these plans into reality. With momentum and resolve, Georgia can achieve a logistics system that not only supports its transit ambitions but robustly serves its own exporters — large and small — in reaching the world.

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ANNEXES

PUBLIC SECTOR INSTITUTIONS - QUESTIONNAIRE

1. Policy and legislative framework

- What major legislative or regulatory changes are being considered to develop the transport and logistics sector and support SME exports?
- Is there a planned reform of existing laws that would affect transport infrastructure, tariffs, or transit times?
- Do you see a need for new regulations to support small-load logistics for SMEs, digital documentation, or green/eco-friendly transport?
- Are there legal barriers that limit private-sector participation (for example, logistics companies or investors) in transport projects?

2. Institutional and inter-agency coordination

- What is your role and function in coordinating transport policy with other government agencies (e.g., the Ministry of Infrastructure, Ministry of Finance, Ministry of Environmental Protection, etc.)?
- What is the level of private sector involvement in the process of policy development and legislative changes?

3. Regulations and supervision

- How effective are the current transport regulations in supporting SME exports (e.g., transport procedures, document digitization, tariff transparency)?
- Are there any regulations that directly address the quality, safety, or standards of logistics services?
- Is there a need to develop new tools for monitoring and enforcing regulations?

4. Infrastructure policy and investments

- Which infrastructure areas are prioritized to enhance SME exports (e.g., Anaklia Port, railway intermodal hubs, road modernization, optimization of customs checkpoint operations)?

- What is your agency's role in coordinating these infrastructure projects and related policy planning?
- Is there a need to introduce new legislative incentives to encourage private sector participation in infrastructure investments (e.g., PPP models, tax incentives)?

5. Strategic vision and support

- What is your agency's long-term vision for the development of the transport sector in the context of facilitating SME exports?
- In what ways can existing regulations be optimized to make them more predictable and stable for businesses?
- In your opinion, which legislative initiatives would be most effective in facilitating SME export transportation to European markets over the next 2–3 years?

EXPORTING SME – QUESTIONNAIRE

1. Company profile

- What are your main export products?
- Which countries are your primary export markets (EU and others)?
- What is the average annual export volume to European markets?
- What is the typical volume of export cargo you send in a single shipment?
- Which mode of transport do you mainly use for export shipments (road, rail, sea, air)?
- When exporting, do you require additional logistics services besides transport (e.g., warehousing, consolidation, deconsolidation)?

2. Current transportation practices

- What routes/corridors do your products take to reach European markets?
- How do you organize export transportation: through direct contracts with carriers or via intermediary transport/forwarding companies?
- What volume of export cargo do you need to ship, and is there a need for cargo consolidation (LCL/LTL)?
- How affordable is it to transport cargo from regional locations to central hubs?
- Do you need regional cargo storage and additional logistics services?

3. Costs and transit times

- How important is transportation cost in organizing your exports?

- How important is transportation time in organizing your exports?
- What are your main sources of export-related costs?
- What is the average cost and transit time to European markets?
- What factors contribute to higher costs or longer transit times when organizing your exports?
- Do you use digital platforms to manage transportation and logistics?

4. Challenges and limitations

- Which infrastructure issues create the greatest difficulties for you in terms of transport and logistics?
- Have you experienced any cargo delays or damage?
- How accessible are warehouses, cold chain facilities, and insurance services?
- Is organizing and managing international transport and logistics a challenge for your company?
- Is understanding the procedures, documentation, and shipping requirements for export transportation a challenge for your company?

Additional questions:

- What practical solutions would simplify the process of sending your export cargo to European markets?
- What kind of support do you expect from the government or donor organizations?

TRANSPORT AND LOGISTICS COMPANIES - QUESTIONNAIRE

1. Company profile

- What are the main services you offer (e.g., road, rail, sea, air, warehousing, forwarding, express delivery)?
- Who are your main clients - SMEs, large exporters, or both?
- Do you offer a service or package specifically tailored for SMEs?

2. Services for SME exporters

- Do you offer consolidation, LCL/LTL, groupage, or cost-sharing services to SMEs?
- How accessible are your services to SMEs in regional areas outside of Tbilisi?
- What are the most common challenges SMEs face when using your services (e.g., documentation, minimum export cargo volume, pricing, schedule, transit time)?

3. Costs and Transit Time

- What are the average costs for SMEs to transport export products to European markets by each mode of transport?

- How do costs differ between full truckload (FCL/FTL) and less-than-truckload (LCL/LTL) shipments?
- What are the average transit times for the main routes (e.g., road via Turkey, rail to Black Sea ports, sea to Poti/Batumi, air cargo)?
- Where are the greatest risks of delays and additional costs (e.g., customs, port congestion, border crossings)?

4. Infrastructure and service failures

- In your opinion, what are the main infrastructural or service-related constraints hindering the transportation of SME export cargo?
- Which corridors or routes are the least efficient for transporting SME export cargo, and why?
- What types of innovations (e.g., digital platforms, cargo tracking, multimodal services) could realistically be introduced to support the transportation of SME export cargo in Georgia?

5. Quick measures and recommendations

- What quick and low-cost measures could immediately improve SMEs' access to transport and logistics (e.g., improved scheduling, shared platforms, shared warehouses, digital services)?
- Can you provide specific examples where such "quick measures" have already been successfully implemented, either in Georgia or in other countries?
- What type of support (from the government, donors, or associations) would help in implementing these "quick measures"?