

**Study on results and impact of the implementation of Local Economic Plans in Georgia in 2019-2020**

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# List of Abbreviations

LED – Local Economic Development

LEDP - Local Economic Development Plan

AR – Autonomous Republic

MDF – Municipal Development Fund

M4EG – Mayors for Economic Growth

NGO - Non-Government Organisation

# Introduction

Mayors for Economic Growth (M4EG) is an EU initiative launched in 2016 targeting local authorities throughout the Eastern Partnership countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

Primary focus of “Mayors for Economic Growth” is on sustainable local economic development. Its objective is to support Mayors and municipalities actively to contribute to economic growth and job creation at local levels by developing their capacities and technical skills and through cooperation with the private sector and civil society.

The aim of this study is to conduct an in-depth analysis by collecting aggregable information and identify the outcomes and impact of implementation of the LEDPs on the Georgian self-government authorities participating in the Initiative.

The study includes an assessment by the respondents according to the following directions:

* The perception of what and how local authorities can do in order to stimulate local economic growth.
* The impact of participation in the M4EG Initiative on the public-private dialogue and interaction with civil society.
* The impact of participation in the M4EG Initiative on the capacity of the municipal staff to analyze local economic development issues and plan respective activities.
* Learning about successful tools and approaches of stimulating LED in municipalities introduced in their own country, the EaP-region or in the EU countries.
* Establishing of useful contacts and/or networks during the project.

Regarding specific outcomes and results, respondents were asked to evaluate the following:

* The biggest achievements in implementing the Local Economic Development Plan.
* The biggest challenges / failures in implementing the LEDP (apart from the delays and disruptions caused by COVID-19 pandemic).
* The probability of achieving the major objectives of the LEDP within the remaining implementation period of the LEDPs.
* The main positive things they have learnt while planning and implementing measures for stimulating local economic growth.
* Comments and recommendations for the future.

# Methodology

As of September 2020, throughout Georgia the M4EG Club counts 48 members. The interviews were conducted with 15 members (14 – belonging to so-called first wave of participants, and 1- to the second wave). See Annex I.

To conduct this survey, the M4EG Secretariat Central office in Georgia hired an expert, who conducted interviews with the Local Economic Development Officers (hereinafter, LEDOs), appointed by the Mayors of the 15 municipalities. The list of respondents and the schedule of interviews are given in Annex I. Interviews were conducted online from July 27 to August 7, 2020 using the ZOOM platform. Minutes of the interviews were in each case sent to the interviewed LEDO.

Prior to the interviews, analysis of the implementation reports of the LEDP performance as of July 2020 was conducted. These reports were submitted by the self-government authorities to the M4EG Secretariat. At the moment of the interview, the interviewer and the LED Officer, both had the LEDP and the implementation report available. The information and indicators provided in the monitoring reports, if required, were verified during the interview. The average duration of each interview was 1 hour.

The interview was based on a questionnaire consisting of 10 questions, which was divided into 2 parts (see Annex II).

Following an interview, the expert developed a short (1-2 pages) report, which included a summary of all the questions answered and presented the opinions of the respondents. These reports were sent to both the Secretariat and the respondent. The latter was asked to give comments and clarifications (if any). It should be noted that only the LED Officer of Chokhatauri Municipality has returned a verified and revised report. Other LED Officers had no remarks.

We thank all the LED Officers participating in the interview and hope that this report will be useful for municipalities in further developing as well as the implementation of local economic plans.

# 1. General outcomes and results of participation in the M4EG Initiative

The aim of this part of the study is to evaluate the overall achievement of participation in the Initiative in the directions listed above (see Introduction).

## 1.1. Understanding of roles in stimulating the local economic growth by self-government institutions

14 out of 15 respondents considered that joining the Initiative changed their understanding of the role of self-government authorities in stimulating local economic growth.

Interviews with the self-government authorities have shown that some self-governments, prior to joining the Initiative, did not understand economic development as a collaborative process. All plans on economic development were previously drafted by one department, and in some cases – by one employee. Economic development was often associated only with infrastructure projects (e.g. road rehabilitation), and economic aspects of activities and/or works were disregarded. For example, a festival or exhibition was understood as a cultural event and not as an opportunity to develop business relationships. By joining the Initiative, these self-government authorities have significantly changed understanding of their role in local economic development.

*„Our department intended to carry out several activities towards development of the local economy, but we did not know how to do it and where to start from“ (Chokhatauri).*

Membership of the Initiative helped self-government authorities to understand that local economic development is their responsibility, they can define priorities, plan activities and take initiatives, which require close cooperation with the population and the business sector.

*„A stereotype existed that local authorities could not play a leading role in the process of economic growth. Participation in the Initiative demonstrated how the municipality can induce economic growth, take the initiative and cooperate with the Central Government and donors” (Poti).*

A number of self-governments noted that participation in the Initiative showed the urgency to collect, store and analyze statistical data for the development of LEDPs.

It should be emphasized that in self-governing cities or in those local self-governments, which already had a practice of collaboration with its population and the business sector, participation in the Initiative gave rise to the idea of need to expand the area of cooperation (for example in Telavi Municipality). The process of elaborating a local economic development plan for Batumi City Municipality has shown the need for coordination and collaboration with the different government authorities of the Adjara AR.

*„With the support of the Initiative we have expanded the scope of public relations and diversified the forms of relationship (Kutaisi).*

**In most cases, joining the Initiative by the self-government authorities has changed their understanding on what and how the local authority can do to stimulate local economic growth.**

##

## 1.2. Expand /enhance Public-Private Dialogue and strengthen civil society relations

For many self-governments, participation in the Initiative was the first step towards establishing a public-private dialogue.

„*This was the first attempt to build partnership between the public, private sectors and civil society. The dialogue established within the framework of the Initiative facilitated new collaboration and contributed to the establishment of practice, as demonstrated during the work on the mid-term development plan, also in private-public partnership and collaboration with the civil society“ (Chokhatauri).*

During working on the plan, the number of members of the Business Consulting / Advisory Board established at the Zestafoni Municipality and Kutaisi City Municipality has increased. Self-government institutions have expanded the scope of cooperation with business sector. A good example of that is Zestafoni Municipality, where a group of businesswomen was involved in the planning process.

*„By participating in the Initiative, we attended the training, took examples and learnt how to collaborate and work with other groups, also consider their interests and jointly plan activities that would be valuable for them. In doing so, the business sector and the community saw that the municipality got interested in partnership with them aiming at further development.*

*We also realized that we should invite other countries to our (agricultural) exhibitions and thus enable the business to broaden their business relationships”* *(Bolnisi).*

The example of Bolnisi shows that **the Initiative promoted partnership with the business sector and the population, as well as encouraged international cooperation.**

The example of Tkibuli Municipality should be separately mentioned, where the business sector is formed by few small trading entities located in Tkibuli. For the local population the employment and development of the municipality are associated with coal mining industry. There are some people in the age group of 18 to 40 who want to develop their businesses in the Municipality but they face challenges in finding a competitive niche on the market. It is noteworthy that a representative of “Saknakhshiri” – the mining company actively participated in development of the plan. However, involving local small businesses in the LED planning process has not been easy due to the general pessimistic attitude of the people.

The example of Tkibuli indicates that **in monoindustrial / postindustrial cities more efforts may be needed to establish a private-public dialogue.**

Private-public dialogue has already been established in self-governing cities (Kutaisi, Rustavi, Batumi and Poti). Also, previously, they have had a practice of partnership with civil society, but **participation in the Initiative allowed those self-governing cities to expand the partnership in number of people and businesses.**

*„We already collaborated with NGOs and business representatives, we carried out surveys, we conducted meetings and discussions, but the Initiative enabled us to enlarge these relations. We made new contacts with students and youth. Interns at the City Municipality helped us to conduct surveys during development of the plan“ (Kutaisi).*

The example of the capital city is particularly notable. There is a working group composed of business representatives, which periodically meets with management representatives of the City Municipality and discusses issues related to self-governance. Tbilisi takes part in the Open Government Partnership program. In accordance with the program requirements, the City Municipality carries out a citizen engagement strategy and an action plan. According to the respondent, the City has experience in different forms of public-private partnership and a new form has not been established while working on the LEDP.

While working on the LEDP, a LED partnership was set up, composed of the Deputy Mayor of Tbilisi and business representatives. However, the composition of this partnership may change in the future as the partnership was set up 2 years ago and some of the businesses participating in the group no longer exist.

It could be stated that as a result of participation in the Initiative, **private-public dialogue and relations** **with civil society have improved in all self-governments, though at different levels.** **Participation in the Initiative has had a huge impact on those self-governments, which had no experience of partnership, or the partnership was at the initial stage.**

The respondents noted that the Initiative has had a positive impact on the development of private-public dialogue while working on the LED Plan, although **it is hard to tell whether they will maintain these forms or private-public dialogue or expand their cooperation in the future.**

## 1.3. Improve the public servants’ capacity in analysing local economic development and planning appropriate activities

Most LEP Officers mentioned that participating in the Initiative taught them to develop new types of documents. Some of the LED Officers independently drafted different types of documents, based on the received knowledge.

*„We have learnt to work on strategic documents“ (Tskaltubo).*

Many local authorities participating in the Initiative understood that economic development is not just a matter of one unit, but it requires the involvement of different departments and coordinated work to achieve a common objective.

*„Until now, the activities of the Economic Department of the Municipality were focused on establishing relationship with foreign partners. The Initiative demonstrated that this unit should be a leader in planning and implementation of the economic development process” (Rustavi).*

According to some respondents, while working on LEDPs, they understood that any planning activity should be based on the preliminary surveys and analyses. Several municipalities emphasized the necessity of improvement of statistical data collection.

*„Since we joined the Initiative, all activities are being planned based on preliminary survey and analysis. The Initiative incited other departments to study all important issues in advance. For example, the Department of Youth Affairs became more active and started planning its activities based on studies. The City Municipality conducted an electronic survey on what young people think about local economic development. This created the basis for the next activity of the Youth Department. The Department also plans to develop a strategy, which should be drafted with the participation of all stakeholders (Bolnisi)*.

In some municipalities there was no employee responsible for local economic development issues. A new position of a LED Officer was therefore created as a result of the Initiative.

The respondent from Tbilisi emphasised the usefulness of the methodology for him and his colleagues who worked on LEDP.

*“During the elaboration of the LEDP, together with many public servants of Tbilisi City Municipality, I got familiar with the methodology principles based on which we had to prepare the plan. Despite the fact that Tbilisi City is the capital of the country, we still do not possess many methodologies or action plans. Therefore, the initiative gave us one more opportunity to see the local economic challenges from a different perspective and assess the local economy from another point of view... It was interesting to distinguish the priorities from a new perspective. Prior to that, priorities in the City Municipality were planned in accordance with the budget programs. The Initiative has shown us that the priorities can be set differently. We have identified priorities for the development of tourism, attracting investments and promoting small businesses. The synergy of the City Municipality departments was formed in a different way because while working on the plan, various departments were united for common purposes” (Tbilisi).*

The example of Tkibuli is remarkable. As the result of participation in the Initiative, the municipal authoritires realized that the Municipality had some tourism potential. They started to think about inter-municipal partnership with other post-industrial cities.

*„We collected data on how many guest-houses and hotels we had. We studied the issue of recreational tourism and submitted proposals to the central government. We elaborated the development plan based on which we received funding from the MDF to create tourism infrastructure. We are now thinking about how to make Tkibuli attractive for tourists, who come to Kutaisi to visit Gelati and Motsameta (All Martyr) Monasteries. We actively work with the central government. We consider partnership and joint projects with Rustavi and other post-industrial cities“ (Tkibuli).*

## 1.4. Gain new knowledge on effective tools and approaches of other municipalities and countries to local economic development

The Initiative allowed the participants to learn about international experience.

A visit to the Netherlands proved effective for several self-governments. Rustavi City Municipality even applied the Triple Helix model studied during the visit and created a social enterprise together with the business sector and vocational education institutions.

As a part of this programme, representatives of Gori Municipality visited the urban and economic development department in one of the cities of the Netherlands. They became familiar with the experience of developing investment and economic revitalization packages.

An example of the development of domestic tourism in the post-industrial or abandoned areas of Lviv and nearby cities proved to be useful for employees of Rustavi City Municipality.

The Initiative allowed self-government institutions to share and apply each other’s experience. Some municipalities (e.g. Telavi, Poti, Baghdati and Tskaltubo) expressed interest towards a model of Bolnisi Agro Center, as to how the local self-goverment can help farmers and winemakers to increase the added value of their products through offering them packaging of agroproducts, wine bottling and delivering consulting services.

Experience of partnership with the construction and tourism sectors of Tbilisi City Municipality was useful for Batumi City Municipality. Representatives of the business accelerator which was established by Tbilisi City Municipality conducted training on digital marketing in Gori.

LED Officer of Tbilisi City Municipality stated that the Initiative allowed collegues to get acquainted with each other and establish relationship, as prior to that only their leadership had communication with each other.

**The positive role of the Initiative lies in sharing international examples with local governments and enabling them to expand inter-municipal cooperation. In some cases, participants of the Initiative even started to think about inter-municipal projects, including projects with other countries.** For example, Baghdati intends to collaborate with Tskaltubo in the development of thermal resorts. Zestafoni Municipality together with Rustavi and Tkibuli Municipality is considering to arrange public spaces in their cities.

*„Previously we thought about what to do within the project, now we think about with whom to implement it. For example, when thinking about inter-municipal projects, we consider one municipality that is stronger and better developed (in that particular area) than us and another one – less strong. Our municipality has various perspectives and now we consider issues more globally” (Bolnisi).*

## 1.5. Building partnerships with other participants, experts, trainers, etc.

All participants of the Initiative developed relationship with the Secretariat and emphasized a strong support of the Secretariat in drafting the LEDPs, establishing business and partnership relations with other donors. For example, Gori Municipality built a business relationship with the Polish Ministry of Foreign Affairs through the Initiative, participated in a competition and obtained a grant for the development of investment packages. Chokhatauri Municipality, with the support of the Secretariat, formed professional relations with UNDP representatives and won a grant competition announced by the United Nations Development Program (UNDP).

NGOs from Bolnisi Municipality and Bykhov District of Mogilev Oblast (Belarus) prepared a joint proposal for EU grant and participated in the grant competition. The establishing of the contacts were supported by country coordinators from Georgia and Belarus and respective municipalities of the countries.

All 15 respondents stated that they had established a good relationship with the country coordinator and the Secretariat of the project. Tetritskaro LED officer noted that the Secretariat assisted in the development of the LEDP, while Chokhatauri LED Officer indicated the role of the Secretariat in developing contacts with foreign donors.

**Interviews with LED Officers demonstrated a huge role of the Secretariat and its willingness to support self-government authorities in various matters.**

# 2. Specific outcomes and results of the LEDP implementation

The purpose of this part of the study is to evaluate specific outcomes and results of the implementation of the Local Economic Development plan in the specific directions (see, introduction).

## 2.1. Most important achievements of LED plan implementation (indicate actions or goals)

Some municipalities have already evaluated the successful projects by using quantitative indicators during the LED Plan implementation. For example, establishing the Bolnisi Agro Center enabled 11 young people to get employed, two of which were ethnic minority representatives; about 90 local beneficiaries use the services provided by the Agro Center.

Kutaisi local authority announced a grant competition for large families and two business projects were funded. As a result of the implementation of these 2 projects, in total up to 20 new jobs will be created.

Up to 70 business plans for startups were developed through the business accelerator “Spark” in Tbilisi. The accelerator was created under the EU grant, up to 12 employees were employed within the program.

Kutaisi City Municipality indicated setting up of Imereti Destination Management Organization (DMO) as the biggest success. Within the framework of this activity, in the third phase of the implementation of the Local Economic Development Plan, the local authority participated in five international exhibitions and fairs.

As a result of the most successful activities of the LED Plan in several municipalities, tourist infrastructure was created. In Gori Municipality, namely, in Ateni gorge, 12 km of road was paved and 20 camping sites were arranged along the road. Several tourist facilities are already operating in this area and after full load, up to 40 people will be employed.

As a part of the development of the “Island District Coast” in Poti, three small trade centers were opened. This location is considered as a recreational area and after the completion of infrastructure works (road, outdoor lighting, mini stadium and pedestrian paths will be made) the economic activity of this location will increase. The population is already actively visiting this area for leisure. This place is supposed to create new jobs and have a positive impact on the quality of life of the population.

Telavi Municipality considers the construction of a camping site as the biggest achievement. The segment of hotels and guest-houses was quite well developed in Telavi. Participation in the Initiative allowed the self-government authorities to conduct an in-depth analysis of the tourism sector. The analysis showed that there were no campsites in Telavi, while the demand for camping was growing. The Mayor’s office included the construction of campsites in the LED plan and arranged the camping area in Tusheti.

„*Without this Initiative we would not be able to fill a very important niche in our tourism market. This has increased our competitive edge (Telavi).*

Zestafoni Municipality considered the opening of a women’s meeting room (which was equipped with internet, inventory and children’s space) as the greatest success. Women entrepreneurs are actively involved in Zestafoni Municipality activities (e.g. in growing flowers, raising chickens and manufacturing baby meal). Therefore, women’s meeting room was set up where not only women but also young people gather, share ideas and discuss future plans.

Tskaltubo and Batumi Municipalities identified the establishment of business consulting and information centers as the biggest successes. Tbilisi and Chokhatauri also consider the fulfillment of the plan in the field of information technologies as successful. Within the support program of small businesses, Tbilisi City Municipality created an interactive platform, which is integrated in maps.tbilisi.gov.ge portal. It will enable any citizen who is planning to start a business or just an interested person to get information about available business entities.

**The study showed that in some self-governments the efficiency of implementation of the LED Plans can already be measured through quantitative indicators (the number of new jobs and new services). In those municipalities, where the biggest achievement is related to construction and rehabilitation of tourism infrastructure, the measuring of the results will be possible in the future.**

## 2.2. Biggest challenge/failure in the LEDP implementation process (other than the challenges and obstacles caused by the COVID-19 pandemic)

None of the local governments linked the problems encountered during the implementation of the plan with the M4EG project.

According to the LED Officer of Zestafoni Municipality, they **did not have any problems** during the implementation of the plan. All activities were properly plannedandthe activities were shifted to online mode during the pandemic.

The problems which were identified during the interviews can be grouped as follows:

* **Changing priorities by partners (at the Central Government level)**. Chokhatauri Municipality supported the local population by providing consultations and developing applications to obtain small business and agricultural grants under the program “Produce in Georgia”. In 2019 and 2020 the grant competition in support of micro and small entrepreneurship has not been announced, therefore relevant activities of the plan were not carried out. Bolnisi Municipality fulfilled the activity under the plan and organized a training for women and youth (including, ethnic minorities) in partnership with the Office of the State Minister for State Reconciliation and Civic Equity of Georgia. Unfortunately, the training was not conducted in 2020 as the Office transferred the activity to the municipality of another region.

It is noteworthy that both municipalities mentioned above carry on negotiations with the Central Government to address and eliminate such challenges.

* **Refusal to transfer property** in ownership of the municipality by the Central Government was identified as a problem **(Tskaltubo Municipality).**
* **Changing priorities in the budget programmes at the local level** during a year impeded the implementation of the LED Plan by Tbilisi City and Kutaisi City Municipalities. At the same time, all local governments noted that they had to shift priorities in their budgets due to the COVID-19 pandemic.
* **Improper planning of the local budget.** Two local governments cited the shortage of financial resources as a hindering factor to implement the plan. However, after clarification of the details, it became clear that funds for LED Plan activities were not properly allocated in the budget (Tetritskaro and Dusheti).
* **Shortage of skilled personnel at the local level.** The examples of Gori and Rustavi indicate that the lack or absence of qualified personnel on the place may become an impediment to the fulfillment of the LED Plan. Scarcity of specialists in the field of economics in Rustavi City Municipality is a serious problem that impedes the elaboration and fulfillment of the economic development plan, as well as the elaboration of other strategic documents. Shortage of qualified personnel in Gori prevented the development of investment packages.

The problems of **post-industrial cities** were specific**.**

* **Positioning** of Rustavi **as a tourism destination is difficult**, including at the Central Government level. For many years a stereotype was created about Rustavi as a single-industry city, that is why it cannot be interesting from tourism perspective. Such outdated notion impedes the development of tourist destinations in the city.

*The biggest challenge for Tkibuli Municipality is* ***communication with the local population***. It is difficult to define priorities together with the population because they do not see any opportunities for employment other than mining industry. Also, the difficult social situation and accidents in the mines aggravate the existing communication.

## 2.3. Likelihood of achieving the main goals of the Local Economic Development Plans during the implementation period

Some respondents indicated the scope of activities in the plan that they would or would not fulfill in percentage, others – in words. These answers have been analyzed compared to the LEDP Implementation report. The findings are summarized in the table below.

The answers were grouped following their respective interpretation. If the answer was “100%” – the likelihood of performance would be high. If the answer was “90%” or “70%” or “one activity cannot be performed” – the likelihood is characterized as average. And if the answer was “50%”, or “activities in particular areas cannot be performed” – the likelihood was rated as low.

|  |  |  |  |
| --- | --- | --- | --- |
| # | Municipality | Likelihood of performance (according to the answers given at the interview) | Given answers |
| Will be fulfilled by 100% / High likelihood | Will be fulfilled from 70% to 90% / Average likelihood | Will be fulfilled by 50% / cannot be fulfilled / activities only in one area will be performed  |
| 1 | Batumi | Average |   |   |   |
| 2 | Baghdati | High |   |   |   |
| 3 | Bolnisi | High |   |   |   |
| 4 | Chokhatauri | Average |   |   |   |
| 5 | Dusheti | Low |   |   |   |
| 6 | Gori | Average |   |   |   |
| 7 | Kutaisi | Average |   |   |   |
| 8 | Poti | Average |   |   |   |
| 9 | Rustavi | Average |   |   |   |
| 10 | Tbilisi | High |   |   |   |
| 11 | Telavi | Average |   |   |   |
| 12 | Tetritskaro | Low |   |   |   |
| 13 | Tkibuli | Low |   |   |   |
| 14 | Tskaltubo | Average |   |   |   |
| 15 | Zestafoni | High  |   |   |   |
|   | Total |   | 4 (27%) | 7(46%) | 4 (27%) |

Only four self-government authorities believe that they will most likely be able to complete the full plan by the end of the defined period. Most of municipalities (7) will fulfill the plan with a high rate (70% - 90%), while four local governments will not be able to complete most of the planned activities.

It should be noted that the above four „leaders“ are those participants that work to address existing problems (Bolnisi, Baghdati), also, the capital city, which has more potential to tackle the problems and Zestafoni Municipality, which has not encountered obstacles during implementation of the plan.

Among the local governments that fail to carry out most of the plan activities are post-industrial cities. Rustavi justified the lack of tourism activities by various reasons, while for Tkibuli Municipality the problem is due to lack of financial resources. They also stated that funds were diverted to other priorities caused by the pandemic which also prevented the implementation of the full plan.

## 2.4. Useful information obtained and experience gained in the process of planning and stimulating local economic growth

Below you will find a list of what the respondents mentioned as the main useful information received and experience gained during the project

* The LED plan was a new type of document with its content and it was useful to learn information related to it, including:
* Planning result-oriented activities
* Prioritization
* Setting strategic goals
* Monitoring performance
* Information and awareness about capital investments
* Examples of best international practices
* Successful cases and practices from other municipalities
* Experience gained during the study tours
* Experience obtained through the exchange program
* Information posted on FB page of M4EG (was assessed as very helpful)
* Training in marketing
* Experience of Belarus and Ukraine in the field of agrotourism
* Information on methods of improving the business environment
* Information on grants of donor organizations
* Methods of cooperation with the public and other municipalities.

*„We redefined our capabilities and realized our roles. Information received from other municipalities and from abroad helped us in it” (Poti).*

## 2.5. Follow up steps and/or suggestions and recommendations for the future of participants

The answers to the related question clearly indicated that participants faced number of challenges while working on the LED Plans but they have also thought of ways to solve those challenges, as given below.

* We would cooperate more with the population and business sector
* Employees working on the plan should have access to statistics and information
* More local staff should be involved in M4EG trainings and not just the heads of departments
* More employees should work on the development of the LED Plan and gain experience, which in turn will promote to build institutional memory
* We would further analyze the possible risks and plan the budget taking into account these risks in the process of development of LED plans
* We would conduct research and based on the results we will identify priority areas
* We would study in depth the potential of the municipality
* We would work more actively with institutions and donors
* We would consider signing memoranda with partners to avoid canceling or postponing of events
* We would think of more innovative measures.

The respondents also shared the following suggestions for further implementation of the project.

* Become familiar with more European examples
* Within the framework of the M4EG program, create a new thematic group of seaside municipalities where participants would acquire knowledge and share experience from seaside cities in other countries
* It would be interesting if the municipalities with common goals plan measures together
* According to Zestafoni LED Officer, it would be good if the municipalities, whose plans were highly evaluated, were given funding for one of the activities included in the plan.

Participation in the Initiative has established a strong understanding about local economic development, and it has also identified the main problems that exist in terms of local economic development. It can be said that local authorities were able to better identify their problems and began to think more intensely about ways to solve them. The Initiative also allowed the self-governments to discuss and work on inter-municipal cooperation.

In addition, participation in the Initiative proved that, given the development level and specificity of the stakeholders, they could be grouped in different ways (for example seaside cities, post-industrial cities, capital and self-governing cities) in order to fulfill activities that are more in line with interests of these groups.

# 3. Outcomes and recommendations of the Initiative:

The Initiative has certainly had a positive impact on the private-public dialogue of participating municipalities, though at different levels. The local governments understood the essence of local economic development and the principal idea that development is impossible without private-public partnership. Private-public dialogue and relationship with civil society sector was considerably improved in the municipalities where such a dialogue previously did not exist or was poorly developed. In local governments, where it already existed in a certain form, the partnership has expanded or deepened during the project. Despite these results, it is difficult to predict whether the local governments will maintain this form of relationship and deepen partnership in the future.

The Initiative promoted a wider inter-municipal collaboration, including international inter-municipal projects, although this issue was not equally relevant or feasible for all self-government authorities.

Participation in the Initiative has shown that more efforts may be needed to establish a private/public dialogue in single-industry/post-industrial cities. Due to a traditional, single industrial profile of these cities, their population can hardly imagine how small and medium businesses should develop, including development of tourism.

Before the participation in the Initiative, the local self-governments’ planning activities were mainly limited to infrastructure projects (e.g.planning of length of roads to be rehabilitated during a year). A single person or a department was responsible for planning, while there was no cooperation between departments. As a result of participation in the Initiative, the local governments realized that local economic development is not merely a matter of one department, but it requires the involvement and coordinated work of different departments.

Sharing international experience in all aspects, be it a study tour or a staff exchange program, has had a very positive impact.

Experience gained by the participants as part of the Initiative has allowed them to expand inter-municipal cooperation. In some cases, the participants have even thought about inter-municipal projects, including projects with other countries.

The role of trainings conducted within the program in the field of development of human resources of self-governments is very important. Participants established intensive and useful relations with trainers during the trainings. The role of the country coordinator for Georgia and Azerbaijan was very significant in supporting the participants to develop LED Plans, facilitating contacts with new partners and donors and consulting on a variety of issues.

## Outcomes

The progress made during implementation of the LED Plans was achieved through close collaboration between the local authorities and their partners. The analysis demonstrated that the participants were able to consider their capabilities and started development-oriented actions.

Since the launch of the Initiative, three local governments have been able to create jobs in their municipalities. The number of beneficiaries of the services provided by the participants of the Initiative (Bolnisi “Agro Center”, Tbilisi Acceleration Center “Sparkle”) is 90 and 70, respectively. Tbilisi “Sparkle” offers a variety of services in consulting, training and development of business plans to the existing and start-up local entrepreneurs, while the Bolnisi Agro Center provides assistance to local winemakers and farmers in bottling wine and packaging agricultural products.

As a result of implementation of the LED plan, jobs were created for vulnerable groups, in particular, large families. The Municipality of Zestafoni provided a meeting room for businesswomen, thus promoting the involvement of women in local economic development, while another local authority created jobs for young people, including ethnic minorities.

Activities aiming at tourism development were conducted in ten self-governments, including promoting and advertising events (Kutaisi). Additionally, recreational areas and small infrastructures were arranged which will increase economic activity in the territory.

Consulting and information centers were established in two municipalities to support small businesses. In two municipalities investment packages are being developed.

## Challenges/Problems

The analysis based on interviews identified some problems/challenges in self-government institutions, which are often related to the division of powers between central and local governments, as well as insufficient fiscal and property bases.

By developing and implementation the plans the main problems/challenges were identified. The following is a list of these main challenges/problems:

* Changing priorities by partners (in the level of Central Government). This impeded the implementation of planned activities.
* Changing priorities in the budget programmes at the local level. This problem prevented the implementation of planned activities as the funds were diverted to other programs. The pandemic has been named a key negative factor in this regard.
* Improper planning of the local budget. In conditions of limited financial resources, wrong planning hindered further fulfillment of the LED Plans.
* Shortage of skilled personnel at the local level, staff turnover and absence of institutional memory.
* Challenges of Post-Industrial cities, including:
* Positioning as a tourism destination (Rustavi)
* Weak communication with the population (Tkibuli).

Despite the problems, the interviews showed that municipal authorities have started seriously thinking of ways to solve these problems.

None of the local authorities linked the problems encountered during the implementation of the plan with the M4EG project.

## Likelihood of the LEDP implementation

The above problems/challenges became the main reason for non-fulfillment of some activities of LEDPs. According to four LED Officers, the likelihood of fulfilling the plan by the end of the defined period is high. Seven LED Officers estimated that the probability of full implementation of the LED Plan is medium, while other four LED Officers rated the likelihood as low.

Those self-government authorities that are working to solve the existing problems (e.g. Bolnisi, Baghdati), are expected to carry out all activities defined in the plan. The capital city has more opportunities to fully implement the plan. According to the LED Officer of Zestafoni municipality, they have never had a problem with the fulfillment of the plan and most likely, the plan will be fully implemented.

Among municipalities that will fulfill the major part of the plan are unlikely to be post-industrial cities where tourism-oriented activities seem difficult to organize. Also, there are self-governments with combined problems, e.g. changing local priorities, lack of financial resources and need for human resources.

Participation in the Initiative gave the self-government institutions a clear understanding about local economic development and provided the basis to identify the main problems in local economic development, and most importantly resulted in more actively considering about ways to address them. The Initiative also incited self-government institutions to focus on and orient on inter-municipal cooperation.

## Recommendations:

* Participants of the Initiative realized the importance of the LED Plan in the process of local economic growth, therefore it is important to maintain the practice of developing plans in the future. This will create an idea and sense of sustainability. Stopping the process of development and monitoring of the plans may create an impression that the LEDPswere not significant to the Initiative.
* Ensure sustainability of partnerships of local economic development created in the municipalities.
* It is essential that the Initiative participants continue to acquire knowledge on how to apply local economic development tools (e.g. how to set up an industrial zone or a business incubator).
* Facilitate elaboration of inter-municipal LED Plans in the new phase of the Initiative and promote the cooperation of municipalities in implementation of similar activities defined in their LED Plans.
* It is desirable to increase the number of exchange programs (e.g. study tours, staff exchange), as well as to conduct international events that will assist to get acquainted with and introduce to the best practices of foreign countries.
* Change of LED Officer in the local governments participating in the Initiative may lead to a loss of institutional memory. It will therefore be important to involve more local officials in the activities under the Initiative and use the electronic platforms of the Initiative.
* Within the framework of the Initiative, new thematic groups can be created for both Georgian and other country representatives. Depending on the level of development and characteristics of the participants, they can be grouped thematically, by subject, as follows:
* Capital and self-governing cities
* Agrarian municipalities
* Post-industrial cities
* Seaside cities.

# Annex I. Date of the interview; name, family name and contact details of the respondents

|  |  |  |  |
| --- | --- | --- | --- |
| Municipality  | Date | LEDO/Name of respondent | Position of respondent |
| Bolnisi | 27.07.2020 | Meri Abramishvili | Head of Project Management Department of the Economy Service |
| Tbilisi | 29.07.2020 | Irakli Gokhelashvili | Municipal Service for Economic Development, Head of Division |
| Baghdati | 30.07.2020 | Tina Abuladze | Head of Economic Development, Relations with Local and International Donor Organizations |
| Poti | 30.07.2020 | Nino Gvasalia | Advisor to the Mayor on Infrastructure |
| Rustavi  | 31.07.2020 | Revaz Barbakadze | Assistant to the Mayor |
| Telavi | 31.07.2020 | Giorgi Tavberidze | Head of Economic Development and Property Management Service  |
| Tkibuli | 3.08.2020 | Giorgi Lomtadze | First Deputy Mayor |
| Tskaltubo | 3.08.2020 | Marekhi Kenkadze | Head of Economic Development and Property Management Service |
| Batumi | 4.08.2020 | Eter Lomadze | Head of Municipal Policy Service |
| Gori | 4.08.2020 | Zaur Rostomashvili | Senior Specialist of Strategic Development Agency, Business Relations Officer |
| Dusheti | 5.08.2020 | Tinatin Tsotskhalashvili | Head of Information Department, Head of Secondary Structural Unit |
| Zestafoni | 5.08.2020 | Lasha Gogolashvili | Head of City Municipality Administrative Service |
| Tetritskaro | 6.08.2020 | Goga Asumbani | Head of the 2nd rank secondary structural unit of the Department of Economy, Small Business and Tourism Development |
| Kutaisi | 7.08.2020 | Mirza Mamasakhlisi | Head of Economic Development, Local Self-Government Property and Transport Management Service |
| Chokhatauri | 7.08.2020 | Zaza Tsintsadze | Head of the Investment Environment Development Division of the Economy and Property Management Service |

# Annex 2. Issues under discussion

**Part I. General outcomes and results of participation in the Mayors for Economic Growth Initiative**

1. Did participation in the Mayors for Economic Growth Initiative change your views on what the local government can do to stimulate local economic growth? Substantiate the answer with examples.

2. Did participation in the Initiative have an impact on public-private dialogue and relationship with civil society in the municipality? In what form? Was any new type of collaboration (partnership) established at the local level? Give examples.

3. Did participation in the Initiative have an impact on public servants employed in the municipality, on the process of analysis of local economic development issues and on planning of relevant activities? In what form? Give examples.

4. Did participation in the Initiative give you an opportunity to get familiar with effective tools and approaches for local economic development, applied by municipalities in your country or in other countries? Give examples.

5. Have you established friendly or partner relationship with other participants, experts, trainers, etc. in the Initiative who further assisted you in your activities? Give examples.

**Part II. Specific outcomes and results of the LEDP implementation process**

1. Name your biggest successes in the fulfillment of the Local Economic Development Plan (give examples of actions or objectives). For clarity, give figures. Explain why this or that achievement is important to your municipality.

2. What is the biggest challenge /failure in the LED plan implementation process (other than the challenges and obstacles caused by COVID-19 pandemic)? Try to specify reasons for these failures.

3. What is likelihood of achieving the main goals of the Local Economic Development Plans by the end of the project implementation period?

4. What kind of useful and positive information did you receive in the process of planning and stimulating the local economic growth?

5. What would you do differently in the future? Try to make a conclusion based on the experience gained.

*Author – Natalia Kakabadze*

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