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MAPPING OF PUBLIC-PRIVATE DIALOGUE FORMATS AND EXPERIENCES AT MUNICIPAL LEVEL IN GEORGIA

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Mapping of public-private dialogue formats and experiences at municipal level in Georgia

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Summary

Methodology

Self-governing cities, administrative centers and other main cities, including three pilot municipalities, were selected for research purposes, in a total of 20 municipalities. From the public sector, mainly representatives of structural units responsible for economic development were interviewed. From the private sector were selected private companies, sector associations, and NGOs, which were implementing private sector support projects. The selection was made based on individual situations in the municipality and the opinion of the public sector was considered. The team initially conducted 3 interviews with the Chamber of Commerce and Industry, the Ministry of Economy and Sustainable Development (MoESD) and the Georgian Farmers Association (GFA), as part of the core group. The questions and key directions of the study were discussed and agreed with the National Association of Local Authorities of Georgia (NALA) and the Swiss Development program.

Key Findings on the results of the study

Based on conducted interviews, the pilot municipalities (**Poti, Senaki, Zugdidi**) certainly are well informed about the role and process of PPD, they seem to be motivated and see the added value of the PPD process. The understanding of PPD, in terms of models, processes and its benefits differs from municipality to municipality. Some municipalities referred not to have communication with the private sector at all (**Dusheti, Mtkheta**), or are in the process of establishing of such a process, because of the recent restructuring within the municipality (**Marneruli**).

The capacity in terms of structural and human resources is diverse as well. Mostly, the mandate of **conducting PPD is lacking in the job descriptions of the relevant structural units**. Responsible structural units differ from title to complexity. In certain cases, there is an Economic Development unit, or such function exists under the property management unit, or administrative unit, or investments unit. There are municipalities, where it was difficult to identify the responsible unit for PPD (**Zestaponi, Marneuli**).

In general, **communication between municipalities does not exist**. All municipalities have expressed their willingness to have a cross-municipal information exchange platform. Municipalities with less understanding of PPD are willing to receive knowledge materials, such as manuals, guidelines, and examples of other municipalities based on which they will be able to create the PPD process. All municipalities, as well as the private sector, see the value in implementing PPD.

Based on the results of the interviews the drivers and supporters of the main initiatives are donors. Therefore, at the initial stage **donor involvement in establishing the PPD process is crucial**. However, during the process of implementation donors should consider sustainability. Therefore, supporting capacity creation, the establishment of a network and the development of well-trained facilitators, who will guide the process and take ownership afterward, could be a success factor. Local NGOs, Regional Chambers of Commerce, Business Associations/Clusters may play an active role in cooperation with donors and local authorities.

In the majority of cases, local public sector pursues dialogue with the private sector in a re-active manner, responding to the topics raised by entrepreneurs based on its mandate and available resources. There is lack of understanding of the classical PPD concept in private sector. For the private sector representatives, the PPD is the cooperation with the public sector mostly in the form of exchange of information on the challenges

faced by individual businesses. The understanding of PPD for business sector is based on their individual experience working with public sector. The concept of working as a team of a sector is as well new for the municipalities where there is limited number of associations, or unions.

Here is the list of identified gaps in the public and private sectors:

For Public sector

- Lack of institutional capacity and responsibility for PPD implementation.
- Lack of knowledge of PPD.
- Lack of experience in organizing, facilitating and generally managing the PPD process.
- Lack of inventory of private sector business by sectors in municipalities: there is a need of having up-to-date lists of businesses.
- Lack of initiatives for supporting formation of business associations.
- Lack of ownership.

For Private Sector:

- lack of organized businesses reflected in associations, clusters, groups.
- Lack of awareness of importance of their creation.
- Lack of understanding of roles and functions of municipalities.
- Lack of trust.

Key Findings by the PPD Typology

Below is the illustration of the seven categories of the PPD typology developed by the WB's Public Private Dialogue Initiative based on the conducted study in 20 municipalities.

National	<div><div></div><div>Area</div></div>	Local
Economy-Wide	<div><div></div><div>Scope</div></div>	Sector Specific
Permanent Institution	<div><div></div><div>Institutionalization</div></div>	Temporary Initiative
Public Driven	<div><div></div><div>Leadership</div></div>	Private Driven
3 rd party support	<div><div></div><div>Ownership</div></div>	Locally Driven
General orientations/ Many Goals	<div><div></div><div>Focus</div></div>	Specific Changes/Specific Goals
Many Actors	<div><div></div><div>Participation</div></div>	Few Actors

Source: WB PPD (2014)

Area – In this category, the PPDs in analyzed Georgian municipalities are mostly local, however there are many initiatives, projects and programs, where national institutions participate.

Scope – PPD initiatives in Georgia’s municipalities are mostly sector specific. In most cases these sectors are tourism and agriculture.

Institutionalization – Absolute majority of PPDs in analyzed municipalities represent temporary initiatives. Only in few cases the municipalities and NGOs/Business Associations practice regular meetings with the private sector, which is mainly driven and facilitated by the donors.

Leadership - Leadership of the PPDs is distributed equally between the municipalities and NGOs/Business Associations. The local authorities lead the processes in the cases of elaboration of local economic development plans, regular meetings with the representatives of priority economic sectors, while NGOs/Business Associations mostly lead PPD processes in the framework of their projects and sometimes initiate them independently. The main push of these projects mostly comes from donors.

Ownership – PPDs in Georgia’s municipalities conducted by 3rd party support mostly relates to the dialogues conducted in the framework of donor supported projects. Locally driven initiatives are mostly designed by municipalities for informing the private sector and solution of its problems.

Focus - The focus of municipal PPDs is specific and mainly relate to the solution of sectoral challenges, that basically includes the solution of infrastructure problems for agriculture and tourism sectors¹.

Participation – The participation is varying from the nature of the meetings organized by the municipalities. The information meetings and discussions for the solution of sectoral challenges have many participants, while the process of elaboration of local economic development plans engages fewer entrepreneurs.

¹ In the absolute majority of municipalities, agriculture and tourism sectors are local priorities, and state and donor support programs extensively support these sectors.

1. Understanding of Public-Private Dialogue (PPD)

The understanding of PPD differs within municipalities based on their experiences being involved in the piloting process, such as municipalities of Senaki, Poti and Zugdidi. In most cases, except the piloting municipalities, the PPD is mixed with Public Private Partnership (PPP) or understood as citizen engagement. The reason behind the lack of common understanding is mainly the lack of experience and knowledge. Except for pilots, the representatives of municipalities are eager to share their experience related to the PPP and citizen engagement in setting up the priorities for the annual activities of the municipalities. There are cases, when ad-hoc communication with businesses are conducted, or their needs are assessed. However, this process is not in line with the standardized PPD process.

Mostly, the municipalities are driven by the donors in terms of introducing new concepts, or processes, such as local economic development planning, and citizen engagement. Therefore, the municipalities which had limited hands-on donor-funded projects on how to introduce PPD were lagging behind. After the explanation of the PPD by the interviewers, the interviewee was still referring to the examples of PPP or citizen engagement in the decision-making process, or support of citizens, or individual support of businesses. We can assume that the lack of experience and knowledge in this direction put the respondents in this situation.

In addition, to the above mentioned, the communication between the private and public sectors is mostly purpose driven and ad-hoc rather than planned in advance. Mostly, the platform of regular information sharing on the common challenges or needs of the business sectors, business groups, or associations is missing. In most cases, either the public sector initiates information sharing with the private sector or individual businesses initiate communication for the handling of urgent needs, and gaps of individual companies. The process of co-creation of a favorable economic environment based on joint needs and networking platform is lacking.

One of the reasons behind the active engagement with individual businesses and supporting their individual needs seems to be the lack of organized businesses reflected in associations, clusters, groups. In municipalities with existing clusters, associations and cooperatives, the businesses have a more structured approach to moving topics toward the municipality. Additionally, there is a lack of awareness about the importance of involving and strengthening business associations.

Public Sector Understanding of PPD

Therefore, **from the perspective of interviewed municipalities**, the PPD is mostly understood as a process of engagement with local businesses on the following topics:

- Elaboration of local economic development plans;
- Informing and consulting entrepreneurs on state programs;
- Infrastructure development for start-up entrepreneurs or established businesses;
- Supporting marketing campaigns and visibility of individual local businesses;
- Partnership for placing tourist service objects on the municipal property;
- Supporting vulnerable business sectors during the COVID-19 pandemic period;

Elaboration of local economic development plans: Engagement of the private sector in the elaboration of economic development plans is the most structured and organized PPD experience in Georgian municipalities. It shall be noted that this process was mostly guided by international donor organizations and participation of the private sector was obligatory. Through this process, the municipalities organized PPDs for studying the local business challenges and reflected respective measures for their solution in strategic priorities. The municipalities created working groups composed from the private sector, NGOs/Civic Organizations, Educational Institutions and Local Authorities. The results of the working group meetings were reflected in the Local Economic Development documents. The representatives of the private sector participated in working group meetings and their views were reflected in final document.

Information and consultation of entrepreneurs on state programs: The municipalities are supporting the private sector in information sharing and consultation on state programs, developed and implemented by national authorities, such as Enterprise Georgia, Rural Development Agency, National Wine Agency, Georgia's Innovation and Technology Agency. Additionally, consulting on grant initiatives implemented in the framework of international donor organizations' projects; In the process of information and consultation of entrepreneurs, the municipalities mainly play a supportive role and assist central institutions by providing meeting spaces and informing entrepreneurs on the date, place and topics of the meetings.

Infrastructure development: Infrastructure development dialogue is mostly concentrated on the individual needs of entrepreneurs, who either intend to launch manufacturing activities in the municipality, or are established enterprises and urgently need support in the solution of infrastructure problems (road, gasification, electricity, etc.) The local infrastructure development projects are under the jurisdiction of the local authorities, there are special units in municipality working on infrastructure development projects.

Supporting marketing campaigns and visibility: In Rustavi municipality, the local business has requested support for the increase of the company's profile within the municipality and was supported for one month by placing its marketing banners on public transport. Such kind of one-off support of businesses was perceived as part of the PPD.

Placing tourist service objects on municipal property: Tourism led municipalities have an experience of using municipal property for tourism entrepreneurship. Municipalities mostly react to the applications of businesses and grant respective permissions based on the spatial development plans and other local regulations.

Supporting vulnerable business sectors: The hospitality and tourism sectors were mostly affected by COVID-19. During the pandemic period, municipalities supported bars, restaurants, clubs, and tourism agencies in canceling communal bills, sharing vouchers, etc. Tbilisi City Hall was actively using this support system and engagement with these businesses were perceived as PPD.

Private Sector Understanding of PPD

The private Sector perception of PPDs is following:

- Advocacy and solution of private sector problems in close cooperation with the local municipality and national institutions
- Cooperation with municipalities and national institutions for the organization of local fairs, entrepreneurship contests and similar events

- Participation in municipal advisory councils
- Engagement with municipalities, private sector, educational and other relevant institutions in the framework of their projects that aim the perfection of municipal services or introduction of new VET programs.
- Engagement of the local population and business sector in the participatory budgeting process
- Initiation and conduction of the dialogue with local municipalities on renting municipal property for entrepreneurship activities.

Advocacy and solution of private sector problems: In this area, information meetings with national private sector support institutions are used for the advocacy of the problems. There are cases when such meetings resulted in the solution of the problems for individual businesses.

Organization of local fairs, entrepreneurship contests and similar events: In these cases, private sector support institutions and NGOs support municipalities and national institutions in spreading the information on the concept, goals, and participation criteria of the event, also assist in the mobilization of companies.

Participation in municipal advisory councils: These institutions are designed for making strategic decisions in various fields and represent a platform for engaging NGOs and private sector support institutions. Their efficiency depends on the pro-activity of all engaged parties.

Participation in the projects that aim the perfection of municipal services or introduction of new VET programs: Such partnerships are mainly practiced in the framework of projects implemented by NGOs and are based on the research of the needs of the private sector for professional education and municipal services. Sometimes such initiatives result in the adoption of new VET courses responding to the needs of companies.

Engagement of the local population and business sector in the participatory budgeting process: In the framework of their projects, NGOs in some municipalities conduct research on budgetary priorities and conduct advocacy for the inclusion of revealed priorities in municipal budgets.

Renting the municipal property for entrepreneurship activities: Such type of engagement is practiced for implementing social, business support and professional education initiatives by local NGOs. Agreement on renting municipal property includes the obligations of the beneficiary for implementing initiatives supporting entrepreneurship and professional education.

2. Experiences of PPD

Main topics addressed through PPD formats.

Analyzed experience in Georgia's municipalities reveals, that PPDs are mostly oriented on the solution of specific sectoral economic problems, challenges, and ad-hoc emergency issues, rather than the development of sectoral joint innovation strategies. Hence, at this stage PPDs are mostly spontaneous and reactive, lacking the long-term focus for the overall improvement of local economy competitiveness.

Representatives of the municipalities state, that sectoral orientation contributes to overall local economic development and improvement of competitiveness. The main sectors on which PPDs are oriented are tourism and agriculture. Tourism is a priority sector in almost all municipalities of Georgia – including large cities such as Tbilisi, Kutaisi, and Batumi. Agriculture is a traditional priority sector for most of medium and small rural municipalities. These sectors are prioritized in local economic development plans and continuously revealed as priorities via various studies conducted in the framework of donor-supported projects. While the PPDs on the elaboration of local economic development plans may be considered sector neutral, their strategic priorities and implementation actions are mostly concentrated on the development of priority economic sectors. Sector neutral areas in these documents mainly focus on the improvement of an overall business environment. The ongoing process of the elaboration of strategies for eco-smart development of Kutaisi and Batumi municipalities constantly engages the local private sector in the dialogue and ensures the inclusiveness of the process.

Hence, the main topics addressed through PPD formats are related to the priority economic sectors. For example, in **Gurjaani** municipality dialogue with farmers is regularly initiated before peach and grape harvesting. Main topics discussed between the municipality and the private sector are infrastructure, administrative and logistical support for proper organization of the purchase points, and accommodation of migrated workforce in the local guesthouses. This dialogue has certain success expressed in the development of infrastructure for the cold storage facilities and vineyards, better organization of purchase points. In **Gori municipality** main challenges faced by the private sector are access to finance, low qualification of the workforce, stray animals (in the case of food producers), lack of access to municipal transport, lack of cooperation between the entrepreneurs, that is especially evident in the trout farming sector. The trout farmers lack access to qualified ichthyologist, that is quite expensive and could not be afforded by entrepreneurs individually. Respectively, the unification of entrepreneurs' resources for sharing respective costs is on the agenda. In this case, the lack of information and initiatives on the benefits of unification of producers in business associations or clusters for addressing common challenges and improvement of competitiveness hinders the solution of the problem.

In **Borjomi municipality**, in the framework of launching the new VET institution, the municipality transferred municipal property to the Ministry of Education and Science for the development of respective infrastructure. It also plans to organize meetings with the private sector for revealing the most demanded professions, thus supporting the development of respective professional programs. In the projects initiated by the NGOs and Business Associations/Chambers, the topics of PPD are defined depending on the thematic area(s) of the project.

Types of PPD models deployed in the municipalities.

PPDs in the interviewed municipalities are mostly designed **for the solution of problems raised by the business sector** in a reactive manner. These may include information failures, infrastructure problems, waste management, issues requiring advocacy to national institutions, acquiring constructions permits. Mostly it is

initiated by individual businesses and in fewer cases by sectoral unions, associations. For example, responding to the needs of booming cold storage facility sector in Gurjaani, the Municipality pursues active dialogue and partnership with respective companies on the issues of construction permits and local infrastructure support. Municipality also supports the growing number of small family wine cellars in the solution of infrastructure problems. Kutaisi municipality conducts regular survey of local business community on an annual basis. It includes the questions on the type and nature of business activity, business environment problems and the role of the municipality for their solution. For the conduction of survey, the municipality uses its own data base, also the data of Regional Chamber of Commerce and Industry. Based on the results of the survey, the municipality supports the solution of infrastructure and waste management problems of the private sector. It also tries to match the municipal transport system to the needs of the entrepreneurs. The municipality also had a notable PPD experience during the COVID-19 pandemic period, when by the efforts of Regional Chamber of Commerce and Industry problems related to business operations and export procedures of selected companies were solved in cooperation with municipal, regional and national authorities.

Municipal PPDs are also designed for the **elaboration of local development plans and sectoral strategies**. In these cases, PPDs are formal, structured and follow the pre-defined work plan and timeframe. Normally, the formalization is reflected in the order of mayor, that defines the members of the working group, workplan, working period and other relevant information necessary for the productive work on the development document. In some cases, the working group meeting notes are also elaborated. The formalization of the work on local development plans supports the engagement of the private sector, NGOs and educational institutions in the process and reflects their views on the municipal development priorities in the final document. This is an important process for gaining PPD experience and motivating stakeholders' engagement in the local economic development process.

Municipalities are normally engaged in the PPDs that **supply information to the private sector on respective state programs, also donor organization projects**. Here, their role is mainly to support the organization of the meetings and mobilization of private sector. Such a form of partnership between the national, local authorities and private sector is mainly conditioned by the fact that state private sector support programs are centralized and administered by the national institutions. Donor projects also partner with municipalities for spreading information on their projects and mobilization of the private sector. During subsequent phases, they also engage with entrepreneurs that participate in private sector support grant programs and projects.

There are also cases, when PPDs are initiated for the **organization of local fairs, festivals, press-tours and other similar events**. Here, PPDs are mostly organized by the cooperation of local/regional authorities, national institutions (ministries, private sector development agencies) and local/regional business associations/chambers/NGOs. Main drivers of such events may be central institutions like Enterprise Georgia, Georgia's National Tourism Administration (GNTA), that organize producers' and service providers' fairs in active tourism seasons, also local municipalities that organize fairs in the framework of city days. The recent successful case was the organization of "Gemofest" event in Ambrolauri municipality in August 2022 with mutual efforts of GNTA, GIZ, Municipality and the private sector. In this case, the driver of the initiative was the GNTA, that elaborated project idea, drafted the concept, and engaged donor organization and local authorities in its implementation. Earlier, in 2019 Kutaisi municipality in cooperation with the Regional Chamber of Commerce and Industry organized a fair of regionally produced goods in the framework of business forum attended by the representatives of public and private sectors of 15 countries.

Municipalities also practice a dialogue with the private sector on the issues of **renting the municipal property**. Before the beginning of active summer tourism season, Kobuleti municipality practices public meetings with the business community. The aim of the meetings is to generate entrepreneurial interest for using the municipal property for tourism entrepreneurship. The municipality announces the date and time of the meeting on its website, social networks, local TV, presents information on rented municipal property and answers the questions of the private sector. Individual communication with interested entrepreneurs continues and as a result, contracts are concluded each year on the rent of municipal property for entrepreneurship purposes.

The studied PPD experiences lack structure, continuity and sustainability. In all models described above, PPDs are conducted for a short period of time for achieving defined short-term goals or mitigate the risks and meet the needs of individual businesses. In these cases, PPD participants are not able to design initiatives that will support sustainable development of economic sectors, local or regional economies. In addition, they are not engaged in monitoring and evaluation activities of undertaken initiatives, that shall identify failures, lessons learnt and support more effective planning and implementation of future undertakings. Thus, PPDs oriented on medium- and long-term economic development shall be designed on a permanent basis to support private sector growth in rapidly changing environment with respective structured approach.

Institutions and Individuals Engaged in PPD

In the PPDs designed for the **solution of problems raised by the business community**, mainly respective structural units of the municipalities are engaged. Quite often, when there is a need to advocate local private sector problems, the circle is enlarged by the respective national ministries, commercial providers of utilities (electricity, gas) and other respective actors. In majority of cases, PPDs on economic issues are coordinated by the Economic Development Departments of the Municipalities.

In the process of **elaboration of local development plans and sectoral strategies**, municipalities, local NGOs, business associations, chambers and universities participate. From the business sector participation in strategic planning in general is perceived as positive sign of communicating and listening to the sector needs. However, the comments from the private sector were, that if they don't see the reflection of the meetings in the actions they feel frustration and demotivation to join these kind of initiatives in the future.

In the PPDs intended for the **supply of information to the private sector on respective state programs and donor organization projects**, the participants are Enterprise Georgia, Rural Development Agency, Georgia's Innovation and Technology Agency, Georgia's National Wine Agency, Regional Chambers of Commerce and Industry, representatives of donor organizations and local NGOs engaged in the implementation of respective programs. They deliver the presentations on the ongoing programs, priority sectors and eligible activities, criteria for the eligible enterprises, application procedures, monitoring and evaluation procedures. Municipalities in these PPDs mainly play supportive role and provide venues for the meetings, support in the mobilization of private sector. In the case of state programs, the provision of information is mainly top-down – respective agencies conduct information sessions and present components of the programs elaborated at the central level. There is a need for the activation of bottom-up dialogue for reflecting regional and municipal specificities and unique needs of entrepreneurs in respective state programs.

In the PPDs intended for the **organization of local fairs, festivals and other similar events**, Municipalities pursue active dialogue with the private sector directly or via Regional Chambers of Commerce and Industry, while from the central institutions the participants are Georgia's National Tourism Administration,

Enterprise Georgia and Rural Development Agency depending on the sectoral focus of the fair, festival or other similar event. The exchange and cooperation between these agencies and local businesses is most intensive during the implementation of state programs, where agencies inform businesses on the

components and criteria of respective programs, evaluate submitted applications/business plans (through sub-contractors or commercial banks), conduct monitoring and evaluation of beneficiaries. In general, the cooperation is quite extensive and activities/initiatives of these Agencies in Regions and Municipalities are quite visible and familiar to the local businesses.

Dialogue and partnership for renting the municipal property normally involves local businesses and respective structural units of municipalities.

In the municipalities with pro-active private sector support organizations and NGOs, the advocacy campaigns and respective PPDs with municipalities are more intensive. However, even in these cases difficulties in mobilizing the entrepreneurs to exist. The reasons for that are the lack of trust towards municipalities, absence of knowledge on the main functions of municipalities and preference to deal with the challenges via individual efforts.

The practice of making decisions in PPD formats and their implementation

The decisions on the approval of local economic plans are made by the consensus achieved by the working group members constituting from the representatives of municipalities, private sector support organizations, entrepreneurs, NGOs and educational institutions. Generally, in cases, where legislation requires official decision making by the municipality or Sakrebulo, this path is followed. As a rule, economic development plans elaborated through the PPD process are submitted to Sakrebulo for the approval. The implementation of the plan is monitored based on the action plan and responsible persons fixed there. In the case of Gori municipality, it was decided to fix the obligation for the creation of municipality's business relation officer's position that would also be responsible for the PPD issues in the economic development plan. At the implementation stage, it was decided to create this position in the Municipal Development Agency. In December 2022 the municipal development division was created in the Agency, that is responsible (among others) for the relation with private sector and PPD related issues. During the COVID-19 pandemic, the Regional Chamber of Commerce and Industry in Imereti Region advocated for the temporary suspension of the rent payments for using municipal property and achieved intended result through the dialogue with local municipality.

When the legislation does not oblige to formalize decisions, they are made on a meeting or working group sessions and municipalities implement respective actions based on their mandate.

When municipality grants municipal property for the conduction of entrepreneurship activities, the responsibilities of the parties are regulated by individual contracts and meeting of liabilities by the private sector entities is controlled by the monitoring, architecture and economic departments of respective municipalities.

In the process of planning the infrastructure budget, municipalities try to consider collective or individual requests of businesses and reflect their demand in the draft budget. The demands of the businesses are studied via sectoral meetings, surveys and individual applications of entrepreneurs. The implementation of

infrastructure projects is periodically monitored by the respective groups of municipal employees, that identify defects and ensure their correction.

In the framework of projects implemented by NGOs and Business Associations/Chambers, the activities are concentrated on revealing the needs of the private sector and advocacy of respective issues towards the municipalities and national institutions. In most cases initial research and analysis is conducted for studying the private sector challenges. It can be done through phone calls, individual meeting, or analyzing the incoming information from business sector about their needs. In the framework of VET project implemented in Ambrolauri municipality, the needs of the local private sector were analyzed, the readiness of the local VET college for the initiation of professional courses and private sector on the conduction of dual education was checked. These activities served as a basis for the introduction of new professional education courses in the local VET college.

From the point of view of the interviewed municipalities, existing PPD formats are sufficient for supplying information to the private sector. However, existing formats lack regularity, institutionalization and respective competencies. For building on existing experience and further evolution of PPDs at municipal level, the allocation of financial resources and technical assistance activities are needed. Also, active deployment of digital technologies for the engagement of citizens and private sector is necessary.

NGOs and Business Associations/Chambers state, that local public sector is relatively passive with regard to initiation of PPDs, but they actively participate in respective dialogues initiated in the framework of their projects. Private sector does not have a problem to meet the municipal officials individually or collectively.

3. Impact of PPD

Key achievements of PPD in Georgia's municipalities

Even though PPD experiences in Georgia are mostly informal and one-off nature, they have yielded some positive results in selected municipalities. Some of the examples are presented below:

- Program for supporting tea producers in **Ozurgeti** municipality, in the framework of which the “tea road” initiative was introduced, road infrastructure to selected enterprises were developed and respective road signs installed.
- PPD between the private sector and **Kutaisi** and **Tbilisi** municipalities for the solution of business operation problems during the 1st wave of the COVID-19 pandemic
- Supporting Tea producers with infrastructure improvement and creation of roads to endure better transportation of goods in **Lanchkhuti** municipality.
- Dialogue and partnership between the construction sector and **Kobuleti** municipality in the enhancement of investments in accordance with the spatial priorities of the city
- Infrastructure projects implemented in response to the needs of entrepreneurs in **Gurjaani** municipality, the inclusion of small wineries in the national and regional tourism routes.
- Transfer of entrepreneurship space to the group of local craft enterprises in **Gori** municipality, which was achieved through intensive dialogue between the private sector and the municipality.
- Infrastructure development and investment in the hotel construction in Bakuriani resort was a result of the PPD and subsequent partnership between the state, **Borjomi** municipality and private sector.
- “Old Batumi Market” project implemented by the cooperation of **Batumi** municipality and the private sector envisages the closure of selected streets for the traffic and organization of the market for local entrepreneurs.

In general, municipalities consider PPDs as a priority. From their point of view, increased number of stakeholders in the elaboration of development document or other PPD initiatives will ensure joint responsibility of all involved parties and ownership of the developmental process.

However, existing PPD formats are not sufficient for the utilization of cooperation potential between the private and public sectors. In general, local business sector is not fully aware and informed on the mandate and functions of the municipalities, hence it lacks information on which problems may be solved by municipalities.

The respondents from the public sector with a clear understanding of their roles and responsibilities related to inclusive economic development, were eager to share their experience and give examples about the cooperation and communication with the business sector, and local economic development. They were open, honest and motivated. They were able to name the challenges and opportunities for PPD. We can conclude, that if the public servant has a respective mandate and is informed about that, and has respective knowledge

and understanding it equals their motivation to introduce the concept. Generally, few of the municipalities have shown a smart way to bring solutions, conduct independent research, study other country examples without any involvement of donors. Therefore, the mindset of public servants in a majority of cases is fixed on what is required and is written. Donors seem to be an authority for them and they are willing to fulfill their recommendations and requirements. Therefore, it is easier to introduce changes with the support of donors, a direct order from the Mayor, or from the central government.

Business sector representatives seemed to be demanding towards municipalities, as well as very vulnerable to any mistakes in communication with them. Because of past failures and miscommunications, representatives of the business sector have a lack of trust. However, the ones with good experience are open and eager to list the positive aspects, they are grateful for the support they have received.

Final considerations and improvement areas

The respondents have shared their thoughts about the main constraints and considerations for the effective implementation of PPD. The inactivity of the private sector was mentioned by NGOs and public sector as the main constraint hampering initiation and implementation of PPDs. According to the private sector, businesses lack sufficient information on the functions and responsibilities of the municipality, tend to solve problems via private contacts, and mostly believe that this is only way possible. In general, there is a lack of trust in public sector. The interviewee have mentioned as well, the lack of motivation from the public sector to initiate and conduct PPDs, as there is lack of competencies, human and financial resources available.

Interviewed stakeholders stressed, that the inclusion of 3rd party in the dialogue yields positive results. Normally, PPDs implemented in the framework of donor organization projects are more trusted by the stakeholders and they are engaged more responsively in the process. In the beginning donor-driven meetings create certain reliance. However, well-prepared public servants with constructive responses to the raised issues, and problems of business sector are an indicator of success and gained trust in public sector.

Therefore, at the initial stage donor involvement in creating the ground for PPD is crucial, first of all, to support the public sector create a professional attitude towards the process, trusted relationship with the private sector, and secondly to develop well-trained facilitators - a representatives of the public sector, which will guide the process and take the ownership.

All municipalities have mentioned importance of the technical assistance for improving competences and knowledge in the PPD area. In addition, targeted communication of PPD benefits and advertisement of successful cases is of vital importance.

The core criteria for successful PPDs stated by the stakeholders are the following:

- Trust between the participating stakeholders
- High competencies of the individuals or institutions managing the PPD process
- Selection of topics based in the needs analysis of private sector.
- Proper communication strategy towards the private sector to ensure its engagement and active participation.

4. Key recommendations

To foster PPD in municipalities of Georgia, a constructive and collaborative relationship between the public and private sectors, following key recommendations may be considered:

- **Develop institutional capacity within municipalities:** The municipalities have diverse experience of setting up economic units under the municipalities, with limited information what should be covered under the PPD. It is recommended to create mandate under the relevant structural unit and assign responsible person for effective PPD support, in addition increase the knowledge and resources for facilitating dialogue. Updates in charters of the specific structural units, and/or job descriptions could be considered, sharing instructions, or guidelines on what is PPD and how it can / should be implemented. In addition, the municipalities shall proactively inform the local private sector of their mandate and main functions in supporting entrepreneurship and solving private sector problems.
- **Support municipalities with facilitation:** Additional emphasis should be made on increasing the capacity of facilitation, guiding the discussion, agenda keeping and institutionalization of the process. Several times it was mentioned that the meetings that are not guided effectively have a low impact and cause mistrust in the businesses. The role of the facilitator with certain skillsets is as well important, which could vary from municipality to municipality.
- **Enhance transparency of actions:** Municipalities in Georgia need to ensure greater transparency in their decision-making processes. This can be achieved by sharing information on relevant policies and regulations, engaging in consultation with relevant stakeholders, and ensuring that decisions are based on evidence.
- **Foster a culture of collaboration and trust among the public and private sectors:** The culture of collaboration and partnership is still lacking, and top challenge is the lack of trust of private sector towards public sector. This can be achieved by organized PPD initiatives and decision making. Based on the responses of interviewees, the concrete success stories will increase the trust, the quality of the meetings with agenda, relevant participants and a list of next steps will also support the process. Respective timely decisions and follow-ups should be in place, which can track progress and create trusted collaboration.
- Opportunity for experimentation and applying LED initiatives following the logic of learning by doing
- **Develop updated data bases of private sector:** the accuracy of the information about existing active businesses in municipalities is limited. The Geostat data base, is not reliable, as it needs additional research and study of registered businesses that are active in the municipality. The data base, e.g. the list of businesses with the contact details is mostly updated once in a year, or every two years. The method of update of the list is using the info-centers or visiting each street and conducting inventory. The chamber of commerce supported pilot municipalities with their list of companies. As a result, new companies were present, which were not on the list of the municipality and added value to the meetings. Therefore, it is important to have an updated list of active businesses by sector, to give equal possibility to businesses to attend and be involved in the PPD process.

- **Develop smart bottom-up data about business sector:** After having the up-to-date data base of private sector of each municipality, it is important to conduct regular collection of information about their main challenges, opportunities. This information can support municipality not only for developing PPD, but as well in annual and strategic planning, budgeting. However, it is important to assign responsible unit, upskill the personnel and guide them how and where to use this data.
- **Share good practices between municipalities:** support coordination and communication of relevant persons responsible in PPD development among municipalities, creating peer to peer knowledge sharing practice, on a national and international level.
- **Increase awareness of benefits of private sector cooperation:** Cooperation of businesses engaged in the same or interconnected sectors can support sector development. Therefore, special emphasis can be made on increasing the awareness on the benefits of such cooperation either by donors or by public sector representatives. Possibilities of formation of associations, unions, etc. shall be explored. It can be done by bringing good experience and success cases.

Annex 1: Conducted Interviews

Date	Municipality	Institution	Official	Position
8-Feb-23	Gurjaani	Municipality	Konstantine Beridzishvili	Head of Economic Department
9-Feb-23	Borjomi	Municipality	Giorgi Chaduneli	Head of Economic Department
14-Feb-23	Ambrolauri	Municipality	Giorgi Godziashvili	Head of Economic Department
14-Feb-23	Kutaisi	Municipality	Irakli Goglichidze	Head of Economic Division
6-Feb-23	Ozurgeti	Municipality	Vakhtang Vashakhmadze	Main Specialist of Investment Department
9-Feb-23	Kobuleti	Municipality	Zurab Amaglobeli	Head of Economic Department
15-Feb-23	Gori	Municipal Development Agency	Lasha Khmaladze	Director
24-Feb-23	Batumi	Municipality	Rusudan Zhozhadze	Head of Policy Department
17-Feb-23	Ambrolauri	Fund Apkhazintercont	Tamar Elbakidze	Project Manager
22-Feb-23	Batumi	Business Development Center	Kakha Shavadze	Founder
17-Feb-23	Borjomi	Samtskhe-Javakheti DMO	Nino Khazalashvili	Project Manager
16-Feb-23	Gori	Unity of Social Enterprises	Soso Mezvrishvili	Founder
9-Feb-23	Gurjaani	Women from Region for Community Development	Marieta Kikiashvili-Ruadze	Founder
22-Feb-23	Kutaisi	GCCI – Imereti Regional Representation	Emzar Ghvinianidze	Regional Representative
22-Feb-23	Ozurgeti	Guria Development Union	Tamar Kupradze	Founder
16-Feb-23	Senaki	Municipality	Maka kvarchaia	Deputy Head of Economic Development
17-Feb-23	Telavi	Municipality	Zurab Sakhiashvili	
21-Feb-23	Lanchkhuti	Municipality	Maia Abkhazava	Head of department for projects and investments
22-Feb-23	Tbilisi	Municipality	Vakhtang Lomjaria	Head of Economic Unit

23-Feb-23	Poti	Municipality	Nino Gvasalia	Head of Sustainable Development and Innovations Department
23-Feb-23	Rustavi	Municipality	Nino Togonidze	Head of Economic Unit
24-Feb-23	Marneuli	Municipality	Beka Abdelani	Head of Economic Unit
24-Feb-23	Zugdidi	Municipality	Shorena Cherkezia	Chief Specialist, Investment Projects and Donor coordination Division
28-Feb-23	Akhaltzikhe	Municipality	Giorgi Tedoradze	Head of Economic Department
28-Feb-23	Akhaltzikhe	Hotels and Restaurateurs Association	Aleksandre Janjghava	Owner of the Hostel
19-Mar-23	Poti	Professional Union	Inga Gvasalia	
19-Mar-23	Rustavi	Business Sector	Beka Ponjavidze	Factory Polivimi
3-Mar-23	Marneuli	Municipality	Irina Tabuashvili	Specialist of Economic Development Division
3-Mar-23	Tbilisi	Business Sector	Misha Chelidze	President of GSME
27-Mar-23	Lanchkhuti	Business Sector	Gela Zoidze	Chamber of Commerce
27-Mar-23	Zugdidi	Business Sector	Giorgi Todua	Georgian Nuts Association
27-Mar-23	Zestaponi	Municipality	Natela Sharikadze	Gender Specialist, Administrative Department

