2024-2030 EU Smart Specialisation (S3) for Imereti Region

Table of Contents

Abbreviations

AA	Association Agreement between Georgia and the European Union and the European Atomic Energy Community and their Member States
A.R.	Autonomous Republic
ADA	Austrian Development Agency
ATSU	Akaki Tsereteli State University
DCFTA	Agreement on Deep and Comprehensive Free Trade Area
DG Near	EC Directorate-General for Neighbourhood and Enlargement Negotiations
DG Regio	EC Directorate-General for Regional and Urban Policy
Domain	Direction, group/complex of sector(s) and/or sub-sector(s).
EC	European Commission
ENPI	European Neighbourhood and Partnership Instrument
EDP	„Entrepreneurial Discovery Process"
EU4ITD	European Union for Integrated Territorial Development
EEN	Enterprise Europe Network
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
ESG	Environmental, Social and Governance Compliance Standards
ETF	European Training Foundation
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GIZ	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
HACCP	Hazard Analysis and Critical Control Points
ITDP	Integrated Territorial Development Programme
ITI	Integrated Territorial Investment
ICT	Information and Communications Technology
Cohesion policy	Framework policy for the economic and social equality and development of the EU regions
JRC	Joint Research Centre
LMIS	Labor Market Information Systems
GVA	Gross Value Added
MRDI	Ministry of Regional Development and Infrastructure of Georgia
MIP	Multi-annual Indicative Programme of the European Commission
GDP	Gross Domestic Product
NACE	Statistical classification of economic activities in the European Community
OECD	Organisation for Economic Co-operation and Development
PIRDP	Pilot Integrated Regional Development Programme
RDP	Regional Development Programme
R&D	Research and Development
R&D&I	Research, development, innovation
RM4EU	Georgia's EU Integration Roadmap
S3	Smart Specialisation Strategy
SBA	Small Business Act for Europe
SSF	Single Support Framework of EU
LEPL	Legal Entity for Public Law
GCRD	Government Commission on Regional Development of Georgia
GEOSTAT	National Statistics Office of Georgia
RAC	Regional Advisory Council
SME	Small and medium-sized enterprises
SWOT	Strengths and weaknesses, opportunities, threats
UNDP	United National Development Programme
USAID	United States Agency for International Development
WB	World Bank

I. Introduction

Following the **Summary document** of the EU-Georgia summit meeting from 2018 and further, taking into account the relevant thematic obligations outlined in the **EU Association Agenda of 2021-2027,** as well as **RM4EU** and other documents[1], Georgia began implementing measures to apply one of the advanced platforms of EU cohesion policy – "Smart Specialisation" (S3) in the process of regional development. Imereti, Georgia's statistical and economic-geographical planning region, was chosen as a pilot region for this initiative[2].

One of the key actions the Georgian government took during this period to prepare the Smart Specialisation Planning Document for Imereti, in accordance with the special methodology of the Joint Research Center (**JRC**) of the European Commission, was the formation of national and regional smart specialisation teams. The international and local experts participated in a survey to assess the pilot region's potential for innovation and the economy. As a result of the *Study of Economic and Innovation Potential for Imereti Region*[3], Imereti's priority sectors, or so-called domains[4] were determined. *Patents and Scientific Publications Analysis*[5] for Georgia and Imereti revealed that, when contrasted with other domains, the quantity of innovations pertaining to food production and patents in agricultural sector is considerably higher in Imereti than it is in Georgia overall. Under the methodological guidance and professional assistance of the Joint Research Center of the European Commission, the National S3 Team of Georgia carried out a thorough qualitative analysis of the relevant domains[6] in order to further validate the outlined prospective domains. In each of the advanced "smart domains", 85 structured interviews with various stakeholders were carried out, including those from the business, civil society, public, academic sectors (universities, vocational educational institutions, researchers), and business-supporting organisations.

Based on these studies, the Smart Specialisation teams at the national and regional levels reduced and determined the four appropriately categorized priority domains for Entrepreneurial Discovery Process (**EDP)**. After 16 extended working sessions during the EDP, national and regional Smart Specialisation teams more precisely defined the names and descriptions of the highlighted priority domains; agreed with the stakeholders and actors on the strengths and weaknesses of each priority domain as well as the opportunities and threats associated with their development. The parties also reached a consensus regarding the common indicative framework and vision for each domain, which included the following: *goals and directions for the development of priority domains; effective, relevant, current, and feasible instruments and activities, important project ideas and proposals, and the corresponding indicators*.

Georgia is regarded by the European Commission as one of the advanced countries of Eastern Partnership in terms of implementing Smart Specialisation[7]. The relevant planning tool plays a crucial role in EU Eastern Neighborhood policy and programming documents as a result of research and innovation for 2025. Following the progress made in the implementation of the EU Association Agreement, Georgia was granted funding under the new Eastern Partnership economic and investment plan and the "Horizon WIDERA" Program.

---

[1] Operational conclusions and recommendations of the Joint EU-Georgian 5th Thematical Working Group/Cluster (agriculture and rural development, fishing and marine governance, regional development, transboundary and regional cooperation) of the Association Agreement; Section 22 of EU Enlargement Policy – "Regional Policy and Coordination of Structural Funds"; MIP 2021-2027 ("EU Multi-Annual Indicative Program") NEIGHBOURHOOD, DEVELOPMENT, AND INTERNATIONAL COOPERATION INSTRUMENT; Action Document for EIP in Georgia's regions & EC Annual Action Plan for Georgia in 2023.

[2] For the purposes of this document, "region" refers to Georgia's statistical and economic-geographic planning district.

[3] „Mapping of Smart Specialisation in Georgia: Economic and Innovation Potential for Imereti Region". Prepared by Hugo Hollanders, an expert under contract with the Joint Research Center of European Commission, July 23, 2020.

[4] Sector(s) and/or sub-sector(s) with confirmed or growing economic strength, capable of stimulating economic transformation, in which the region has or is expected to have "critical mass" of economic activities and specialisation.

[5] „Patent and Scientific Publication Analysis, Georgia and Imereti Region". JRC, December 10, 2020.

[6] "Qualitative Analysis for Imereti region's Smart Specialisation Strategy (S3)". Report produced in 2022 as part of the contract with Joint Research Center (JRC) of the European Commission, 2022.

[7] https://s3platform.jrc.ec.europa.eu/en/w/smart-strategies-for-reconstruction-and-development-in-ukraine-moldova-and-georgia

II. Smart Specialisation Prerequisites and Planning Document Development Framework

2.1. Territorial Development Efforts in Georgia, Challenges, and Recent Approaches

Georgia is an independent, unified, and indivisible state with two autonomous republics: Autonomous Republic of Adjara and Autonomous Republic of Abkhazia. The Autonomous Republic of Abkhazia and the temporary administrative-territorial unit established on the territory of the former South Ossetian Autonomous District are currently occupied by the Russian Federation and remain outside Georgia's administrative and political control. Administrative-territorial units, or municipalities are grouped together by statistical units, which are areas governed by state representatives. They also represent the country's "planning regions" concurrently.

The process of developing a strategic framework for territorial development in modern Georgia began in 2007. The **State Strategy of Regional Development for 2010-2017**[8] was approved, which was significant in this regard. Through balanced social-economic development of regions, increased competitiveness, and a decrease in social and economic inequalities among regions, the strategy aimed to ensure the creation of favorable environments for social-economic development of regions and to improve living standards and conditions of the population.

The next phase of the project involved preparing and implementing the operational documents needed for institutional structure improvement and regional development. Since its establishment in 2009, the Ministry of Regional Development and Infrastructure of Georgia has been coordinating and overseeing **the development and implementation of strategies and action plans in Georgia's planned regions**. Regional Advisory Councils (RACs) and the Governmental Commission for Regional Development of Georgia[9] were founded. The establishment of a fund to carry out projects in regions became the basis for the selection of projects to be completed in those regions using the applicable methodology, criteria, and procedures, with the participation of municipalities.

The Regional Development Program for 2015-2017[10] was the first national initiative, aligned with the program planning practice of the EU's regional development and cohesion policy; it created the framework necessary to guarantee the social and economic development of the regions in a balanced and sustainable manner. The regional policy was defined by the targeted actions taken collectively that were coordinated and concentrated at the regional level. They are based on development needs and priorities, but they also allocate resources in a result-oriented manner, with the goal of achieving long-term regional development for the country.

The Law of Georgia on "Development of High Mountain Regions of Georgia" of 2015 defined the policy being implemented for the high mountainous regions as a part of the country's regional development policy and introduced a distinct category of functional territory. The policy, which is specific to the high mountain regions of the country, aims to ensure equitable social and economic development across the entire country and to help residents of high mountain settlements overcome their socioeconomic challenges.

Notwithstanding the implementation of the noteworthy innovations and initiatives mentioned above, a major obstacle to Georgia's regional policy during that time was the lack of *sectoral, territory-based*, and *integrated approaches,* as well as the appropriate financing.

After the Deep and Comprehensive Free Trade Agreement (DCFTA) between Georgia and the EU went into effect in 2016, it became clear once more how crucial the regional development and increased competitiveness are to Georgia's process of approximation with the EU market and effective use of new opportunities. Under the EU Single Support Framework (SSF) Program for Georgia in 2017-2020, targeted investments were made in particular Georgian regions to maximize the impact and geographic reach of EU assistance.

The 2018-2021 Regional Development Programme of Georgia[11] established the country's strategic vision for regional development based on the most recent iterations of the **Cohesion** policy, which is the framework policy for the economic and social equality and development of the EU regions. This entailed the effective planning and execution of policy documents that were both territory-tailored and integrated. The number of social-economic issues and their actual potential do not necessarily have to align with the boundaries of an autonomous republic, municipality, or planned area, both from a geographical and policy perspective. The program served as the basis for innovative approaches to Georgia's regional policy, which enabled the identification of functional regions within the country (such as the *Black Sea coastal stripe, the Tbilisi functional zone, Kutaisi and its surrounding areas, and little*

[8] Resolution #172 dated June 25, 2010 of the Government of Georgia on "Approval of the State Strategy for Regional Development of Georgia in 2010-2017".
[9] Resolution #297 dated September 28, 2019 of the Government of Georgia on "Approval of Regulationf of Governmental Commission for Regional Development of Georgia".
[10] Regional Development Program for 2015-2017; „Resolution #1315 dated September 10, 2013 of the Government of Georgia on "Preparation of Regional Development Program of Georgia for 2015-2017".
[11] Resolution #1292 dated June 11, 2018 of the Government of Georgia on "Approval of the Program for Regional Development of Georgia for 2018-2021".

inhabited mountainous region). It was also established for each of these regions, regional development program(s) must to be developed.

Three horizontal needs emerged for successful regional development during this time and in the long run:

- Increasing economic competitiveness
- Reducing social, economic, and territorial disparities
- Improving institutional capacity building.

The first investment program **"Pilot Integrated Regional Development Programme (PIRDP) for 2020-2022"** began in 2020 with EU assistance. Execution of the aforementioned program set new guidelines for Georgia's regional policy planning and implementation. The following three dimensions were taken into account when determining the tasks and priorities of the Program (PIRDP): national and regional obligations as well as the pertinent thematical commitments outlined in the EU Association Agreement framework. A new platform was established for central and local authorities, as well as for partners, to implement the regional development policy, which stands for the integrated programming approach and coordination of effective policy and funding sources on a given territory.

According to the EU-Georgia Association Agenda for 2021-2027, Georgia will ensure that the EU Nomenclature of Territorial Units for Statistics (NUTS) classifier is partially introduced by 2027. As per the 2020-2023 Strategy for Development of Georgia's National Official Statistical System, the national statistical system will progressively incorporate contemporary international methodologies and classifications, such as the NUTS methodology. Meanwhile, in order to gradually implement the EU Nomenclature of Territorial Units for Statistics (NUTS), a number of complex activities were carried out in 2021-2023 under the direction of the Ministry of Regional Development and Infrastructure of Georgia and in collaboration with GEOSTAT. These activities included the completion of an inventory and assessment of 16 databases for Georgia's NUTS levels in accordance with the Indicative Action Plan, as well as the development and adjustment of a **"Harmonisation Plan"** in early 2023 to approximate the European statistical system and develop a corresponding system for monitoring its fulfillment. The aforementioned plan also includes the development of specific indicators of "Smart Specialisation" in the coming years.

Furthermore, the Georgian Government, in collaboration with the European Union, is carrying out initiatives related to the new Integrated Territorial Development Programme (**ITDP 2024-2026**), which partially addresses issues such as smart specialisation.

2.2. European Context and Thematic Commitments

In accordance with the Georgia-EU Association Agenda for 2021-2027 and a summit between the European Commission and the Georgian Government in 2018, Georgia began piloting one of the advanced planning tools, the "*Smart Specialisation*" (S3) approach, provided in the EU cohesion policy framework.

Specifically, the Imereti pilot region was chosen to be the site of introduction of the "Smart Specialisation" platform in Georgia; national and regional smart specialisation teams were formed; work on the Imereti region's smart specialisation planning document was started; numerous studies were carried out to identify the region's potential for economic growth and innovation, as well as potential domains; a number of organized, inclusive consultations on priority domains, local development and social challenges were held with the primary stakeholders.

Georgia, along with Ukraine and the Republic of Moldova, is currently one of the most advanced Eastern Partnership countries in terms of smart specialisation planning and implementation potential. To increase the innovation potential of regions and the country as a whole, it will become an important basis for regional policy planning, research, and investment decision making in the field of innovations, as reflected in the main documents establishing thematic partnership with the EU.

Additionally, it is noteworthy that Georgia was given the chance to take part in new Eastern Partnership economic and investment plan and the "Horizon WIDERA" program. This was conditioned by making considerable progress toward implementing the EU Association Agreement, receiving European perspective, and eventually obtaining candidate status from the EU. Georgia will have access to new EU assistance programs in the future.

2.3. S3 Methodology, Institutional, and Procedural Aspects

One of the key components of EC cohesion policy, Smart specialisation, is a territory-specific approach. Through a variety of specialized studies and discussions with a wide range of stakeholders, it helps us in identifying the most

promising economic sectors in a given geographic area (at the regional and national levels) and at certain stage, to guarantee continued smart inventory and system facilitation in a responsible manner.

The fundamental characteristic of S3 is the partnership-based approach. This means that no institution has the exclusive authority to create or carry out the necessary planning document. Partnership entails active participation from a variety of sectors, including business, the scientific community, universities and other research institutions, civil society organisations, and national, regional, and local governments.

The process of creating the introduction and planning document for the Smart Specialisation platform is divided into several important phases. The Joint Research Center (JRC) of the European Commission has developed a framework methodology for managing the aforementioned process. The goal of the relevant cycle (phase) of policy development is to support interested parties and partner countries. This includes the following key phases:

- Building institutional capacity for preparation and introduction of the platform
- Research and diagnostics
- Dialogue of stakeholders
- Creating a planning document

Building institutional capacity for preparation of the platform

This phase entails the establishment of formal cooperation between the country, willing to introduce the smart specialisation platform and the European Commission's Joint Research Center. It also involves the organisation of informational and educational activities regarding the platform, the formation of national/regional coordination teams for local processes, and the creation of a roadmap outlining future activities between the parties. Among others, the procedure suggests:

- Analyzing information regarding the current strategies' priority economic, research, and innovation domains as well as the instruments being introduced
- Making decisions for platform development, launch, and coordination mechanism
- Making decisions regarding the platform introduction at the regional or central level.

Research and Diagnostics

This stage involves conducting quantitative research (mapping) on the economic and innovation potential for the chosen region by analyzing relevant statistical data, consulting with experts, taking part in the process, and presenting the findings to stakeholders.

To verify the domains that the research identified as having potential for economic and innovative growth, as well as to gather additional information, it is necessary for the experts to conduct qualitative study. This involves interviewing representatives of national and regional teams, also business and research organisations. Additionally, the report must be prepared, approved by stakeholders, and published.

Stakeholders' structured dialogue, or the "Entrepreneurial Discovery Process"

The aforementioned phase is one of the most important parts of introduction of the platform. In the course of the entrepreneurial discovery process, the stakeholders organize the appropriate number of meetings to enable the participants to jointly explore and analyze information regarding specific needs and measures that are tailored to meet these needs in the identified domains. The framework of indicative policies, which serves as the main fundamental document for the subsequent development of the policy paper, is also included in the EDP results and final report.

Creating a planning document

The national S3 team develops the first draft of the planning document, agrees with the stakeholders, obtains recommendations from the European Commission and the Joint Research Center when required, and then submits the final version of the document for approval.

2.4. Imereti Region Pilot Project and the Significance of Its Execution

The „Smart Specialisation" practice is founded on the most recent EU approaches. By identifying and utilizing each region's special strengths and potential, it aims to increase economic growth and competitiveness. The aforementioned comprises bottom-to-top development efforts as well as additional synergy, in which stakeholders collaborate to identify the region's growth factors, assets and resources, opportunities, and challenges.

The effective implementation of the above practice in Imereti region will facilitate to gradually complete the applicable mid-term task on the Association Agenda for 2021-2027[12].

It is noteworthy that the smart specialisation strategy document in EU member and candidate states are among essential preconditions for obtaining access to EU thematic programs and support with relevant financial resources.

In addition, smart specialisation contributes significantly to the growth of an integrated, knowledge-based and sustainable economy and provides smart support for the primary economic sectors (industrial, agricultural, and service). In essence, it is ongoing, efficient support to entrepreneurial entities, particularly small and medium-sized ones, with the aim of expanding their production base, introducing innovations, diversifying their product offerings, and starting new lines of business. An effective implementation of the relevant strategic documents has a positive effect on the growth of local brands and processed goods, draws private investments corresponding to the rate of entrepreneurship's development, expands the export base through comparative territorial advantages, and – perhaps most importantly – involves extensive integration processes of research-development and creative solutions in entrepreneurial processes.

[12] **Section 7.5.** „Develop and operationalise Smart Specialisation as a basis for determining investment decisions in research and innovation with a view to increasing the innovation potential of regions and of the whole country ".

III. Overview and Analysis of the Current Circumstances

3.1. Essential Features of Imereti Region and S3 Policy Preconditions

Imereti is a significant Georgia's historical, cultural, and educational region. Its population, as of 2014 census, is 533,9 thousand[13], and its total area is 6.4 square kilometers. Imereti remains to be the region with the largest population by 2023, exceeding Tbilisi (463,1 thousand people).

It should be noted that Imereti is situated along the country's main transportation route and is close to sea ports (102 km to Poti and 130 km to Batumi). In addition, it is noteworthy that Kutaisi International Airport lies 15 km away from Kutaisi. Imereti has enormous potential in a variety of domains, including manufacturing, agriculture, tourism, so on. There is a wide variety of flora and fauna, abundant natural resources, and numerous mineral and raw material deposits.

The gross domestic product of Imereti ranges between 8 and 9% of the national GDP. In 2022, Imereti's GDP accounted for 9,0% of the overall GDP. The processing industry, agriculture, and real estate-related activities make up the three largest economic sectors of Imereti's GDP. As per the data from 2022, the processing industry formed 21,9% of the Imereti GDP, followed by agriculture at 11,2%, real estate at 8,9%, education at 7,8%, trade at 7,8%, and construction at 7,8%.

Positive trends are observed in business sector in Imereti with regard to turnover, production, and employment. The business sector turnover reached 8,0 billion GEL in 2022, with a 21,1% increase compared to 2021. The business sector production in 2022 was 5,1 billion GEL, which was 20,9% higher than the previous year's figures. In 2022, there were 1,040 more employed people, totaling 59,446.

Direct foreign investments began to reappear after the pandemic-related downturn. Even though they are still smaller than they were prior to the pandemic, direct foreign investments made 20,7 million USD in 2023, with a 4,0% increase over the previous year's data. There are signs of recovery in the labor market as well. Employment and labor force participation rise while the rate of unemployment level decreases[14]. The average monthly nominal wage rises too; in 2022, it made 1,148 after rising by 21.6%.

There are 12 municipalities in Imereti. Imereti remains to be a more industrialized region compared to others. Kutaisi, Chiatura, Zestafoni and Tkibuli are the industrial cities of this region. The area is economically active, particularly in the field of agriculture. With a total area of 462 hectares, its greenhouses comprise nearly 2/3 of all greenhouses in the country. In addition, Imereti is one of Georgia's largest animal farming regions and a world leader in diary production. However, there are some issues with sales because there are a few steps that need to be taken, including modernizing and reviving the food processing industry and facilitating the development of marketing and the value chain.

In order to effectively implement the smart specialisation platform throughout the region, Kutaisi must have higher educational institutions with the appropriate basis and capacity to significantly contribute to the advancement of science, innovation, and the economy of the region. Business contacts and trade with neighboring regions will increase if the development of Imereti region is based on the smart specialisation approach, which has already been approved and successfully introduced in EU member states and partner countries. This will facilitate the development of already existing entrepreneurial units as well as promotion of new businesses. In the end, it will raise Imereti's standard of living and the region's level of competitiveness.

The economic and innovation potential of Imereti was already evident during the preparation stages of the Regional Development Program for Georgia for 2018-2021 and the Strategy for Development of Imereti Region for 2016-2021[15]. Although the Strategy did not specifically mention smart specialisation, there are many issues that are related to it in terms of priorities, goals, and objectives of the Imereti region's development. For example, *priority 3. Imereti – Place for Entrepreneurs* - provides information about achievement of goals like facilitating business development and attracting innovations (including support for the transfer and introduction of new technologies and innovations, support for creative startups, and helping local inventors introduce their inventions, among other things); facilitating the development of entrepreneurship (this includes creating the infrastructure necessary for the growth and development of new enterprises as well as putting supporting projects intro practice; transforming Imereti region into a hub for business based on creative, advanced technologies, as well as intellectual and scientific perspectives).

[13] https://www.geostat.ge/media/20679/2014-wlis-aRweris-ZiriTadi-Sedegebi.pdf
[14] In 2022, Imereti's unemployment rate dropped by 3.8% to 19.4%, which is 2.1 % higher than the national average of 17.3%.
[15] Resolution of the Government of Georgia #1287 dated July 1, 2016 on "Approval of Imereti Region Development Strategy for 2016-2021"

The Imereti Region Development Strategy for 2016-2021 suggests that it would be appropriate to carry out studies that would provide a general overview of the region's business opportunities. In addition, the factors that hinder the growth of the business sector in Imereti region were mentioned. This includes inadequate investments, unorganized infrastructure across several domains, low accessibility to contemporary technologies, a shortage of qualified workers, etc.

Imereti does not currently have a specific infrastructure that would guarantee support for the growth of ecosystem for innovation and technology. Nevertheless, it should be noted that innovative products and processes are being developed in the region in a variety of field, including manufacturing of industrial goods and agriculture, communications, and educational institution architecture, etc.

The existence of relevant educational and research institutions that foster the innovative activities of businesses in Imereti is crucial for the effective implementation of smart specialisation. There are several universities in the area with exceptional traditions and potential. These include "Kutaisi Akaki Tsereteli State University" (where the "Research Support and Development Center" operates and offers academic staff a variety of trainings; In addition, innovative research papers have been defended at the University; the educational facility is furnished with the necessary informational and technology tools), "Kutaisi University" and "Kutaisi International University" (KIU) offering increasing prospects. There are multiple other educational institutions and 10 vocational training centers in the region, including "College Iberia". The effective application of the educational, research, and other resources provided by the aforementioned educational institutions regarding the innovative growth of the region is a promising precondition for enabling the successful implementation of smart specialisation.

3.2. Selection of Priority Domains

According to the EC Joint Research Center's methodological framework for developing its S3 policy document, the process of selecting the priority domains in Imereti region involved several essential steps.

The initial phase of quantitative research known as "Mapping of Economic and Innovation Potential of Imereti region", identified seven sectors with this potential. Meanwhile, a study of scientific publications and patents was conducted, revealing the fields in which Imereti has the largest number of patents and publications.

The next step involved in-depth qualitative research, including structured interviews with stakeholders to verify the priority ranking of the identified domains based on preliminary mapping and recommendations of national and regional smart specialisation teams. The research and consultation process involved participation of businesspeople, academics, members of civil society, and various levels of government structures. Their views on the relevant sphere's priorities, strengths and weaknesses, and opportunities and threats associated with its growth were all examined. The sphere's potential for innovation and research was discussed with them. Market analysis of the identified sectoral data and preliminary value chain analysis were done. The thorough qualitative study led to a more precise identification of priority sectors of Imereti's smart specialisation, which were combined in what are known as domains.

With respect to the priority domains, which were precisely identified as a consequence of the comprehensive qualitative research, national and regional smart specialisation teams executed the "Entrepreneurial Discovery Process" (EDP) in coordination with the Ministry of Regional Development and Infrastructure of Georgia. Consequently, the title and content of each priority domain, together with its strengths and weaknesses, opportunities, and threat related to the development of the domain were determined. The domain's development vision, priority directions, goals and initial/indicative activities for achieving them, and project proposals were all evaluated. Central departments, experts from EC Joint Research Center and the Austrian Development Agency, as well as representatives of German International Cooperation Organisation, took part in the EDP together with local stakeholders.

The outcomes of the priority domain selection process are provided in more detail below.

3.2.1. Mapping of Imereti Economic and Innovation Potential – Quantitative Analysis

With the involvement of JRC experts, a mapping of Imereti economic and innovation potential was completed with the goal of identifying the sectors of the Imereti economy that have both strong aspects and the potential to drive transformation. For mapping purposes, the three-digit data of the European Statistical Classifier of the types of economic activities (NACE), which was acquired through statistical research of enterprises, will be applied with respect to the number of hired employees and average salary. The studies included both static ("verified strengths")

and dynamic ("potential strengths") analyses with the goal of identifying the domains in which a critical mass of economic activity and specialisation is concentrated or will be concentrated in the future.

The three-digit NACE Rev. 1.1 data, obtained through statistical survey and provided by GeoStat during the relevant period, have been used for the mapping of economic potential. The aforementioned quantitative analysis indicates that there are 12 industries with *static* economic potential and 9 industries with *dynamic or developing* **economic potential**. The three-digit NACE Rev. 2 data, supplied by GeoStat and acquired through an enterprise-wide survey of innovative activities, were used for the mapping of innovation potential. The data clearly demonstrates that, as of present, 15 industries in Imereti have comparative **potential for innovation**. Combining both outcomes based on the industries' corresponding titles reveals that 3 industries – economic and innovative – have the potential to be identified through the rigorous application of all criteria. In addition, it was mentioned that careful interpretation of the results of NACE Rev. 1.1 27.5 (Casting of Metals) and NACE Rev. 1.1 29 (Machinery and equipment, not included in other groups) should be made, as none of them could surpass the innovation mapping volume threshold. Simplifying the mapping criteria for innovation potential caused an increase in the number of industries with both economic and innovation potential, up to 7 in the initial stage. Specifically, the aforementioned first research led to the identification of the following industries:

- Mining of non-ferrous metal ores, excluding Uranium and Thorium ores – NACE Rev. 1.1 13.2
- Production, processing and preservation of meat and meat products – NACE Rev. 1.1 15.1
- Wood processing, manufacture of wood and cork products, excluding furniture; manufacture of articles of straw and plaiting material – NACE Rev. 1.1 20
- Wood sawing and planing, impregnation of wood – NACE Rev. 1.1 20.1
- Hotels – NACE Rev. 1.1 55.1
- Production of cast iron, steel and ferro-alloys – NACE Rev. 1.1 27.1
- Wholesale on non-agricultural intermediate products, wastes, and metal scrap - NACE Rev. 1.1 51.5

Table 1. Industries with Potential for Innovation and Economic Growth

NACE Rev. 1.1 code	Industry	Type of economic potential	Priority status	Industry, corresponding to NACE Rev. 2	Reliability limit	Volume limit	Share of PPMO innovators	Share of innovators, extensively using innovations	Innovation potential
13.2	Mining of nonferrous metal ores, excluding Uranium and Thorium	Static	High	7.2 Mining of nonferrous metal ores	**Surmounted**	**Surmounted**	Lower than medium	**Higher than medium**	No
15.1	Production, processing and preservation of meat and meat products	Static	High	10.1 Meat processing and preservation and production of meat products	**Surmounted**	**Surmounted**	**Higher than medium**	Lower than medium	No
20	Wood processing, manufacture of wood and cork products, excluding furniture; manufacture of articles of straw and plaiting material	Static	Medium	16 Wood processing, manufacturing of wood and cork product, excluding furniture; production of straw and plaiting materials	**Surmounted**	**Surmounted**	**Higher than medium**	**Higher than medium**	**Yes**
20.1	Wood sawing and planing, impregnation of wood	Static	Medium	16.1 Wood sawing and planing	**Surmounted**	**Surmounted**	**Higher than medium**	**Higher than medium**	**Yes**
55.1	Hotels	Dynamic	Low	55.1 Hotels and similar housing	**Surmounted**	**Surmounted**	**Higher than medium**	**Higher than medium**	**Yes**
27.1	Production of cast iron, steel and ferro-alloys	Static	Medium	24.1 Production of cast iron, steel and ferro-alloys	**Surmounted**	**Surmounted**	**Higher than medium**	Lower than medium	No

NACE Rev. 1.1 code	Industry	Type of economic potential	Priority status	Industry, corresponding to NACE Rev. 2	Reliability limit	Volume limit	Share of PPMO innovators	Share of innovators, extensively using innovations	Innovation potential
51.5	Wholesale on non-agricultural intermediate products, wastes and metal scrap	Dynamic	Medium	46.7 Other specialized wholesale	**Surmounted**	**Surmounted**	**Higher than medium**	Lower than medium	No
27.5	Metal casting	Static	Low	24.5 Metal casting	**Surmounted**	Not surmounted	**Higher than medium**	Lower than medium	No
29	Manufacture of machinery and equipment, not included in other groups	Static	Low	28 Manufacture of machinery and equipment, not included in other groups	**Surmounted**	Not surmounted	**Higher than medium**	Lower than medium	No
14	Other types of mining industry	Static	Medium	8 Other types of mining industry	**Surmounted**	**Surmounted**	Lower than medium	Lower than medium	No
14.2	Quarrying of sand and clay	Static	Medium	8.1 Quarrying of sand and clay	**Surmounted**	**Surmounted**	Lower than medium	Lower than medium	No
45	Construction	Dynamic	High	41 Construction of buildings	**Surmounted**	**Surmounted**	Lower than medium	Lower than medium	No

3.2.2. Patent and Scientific Publication Analysis in Imereti Region

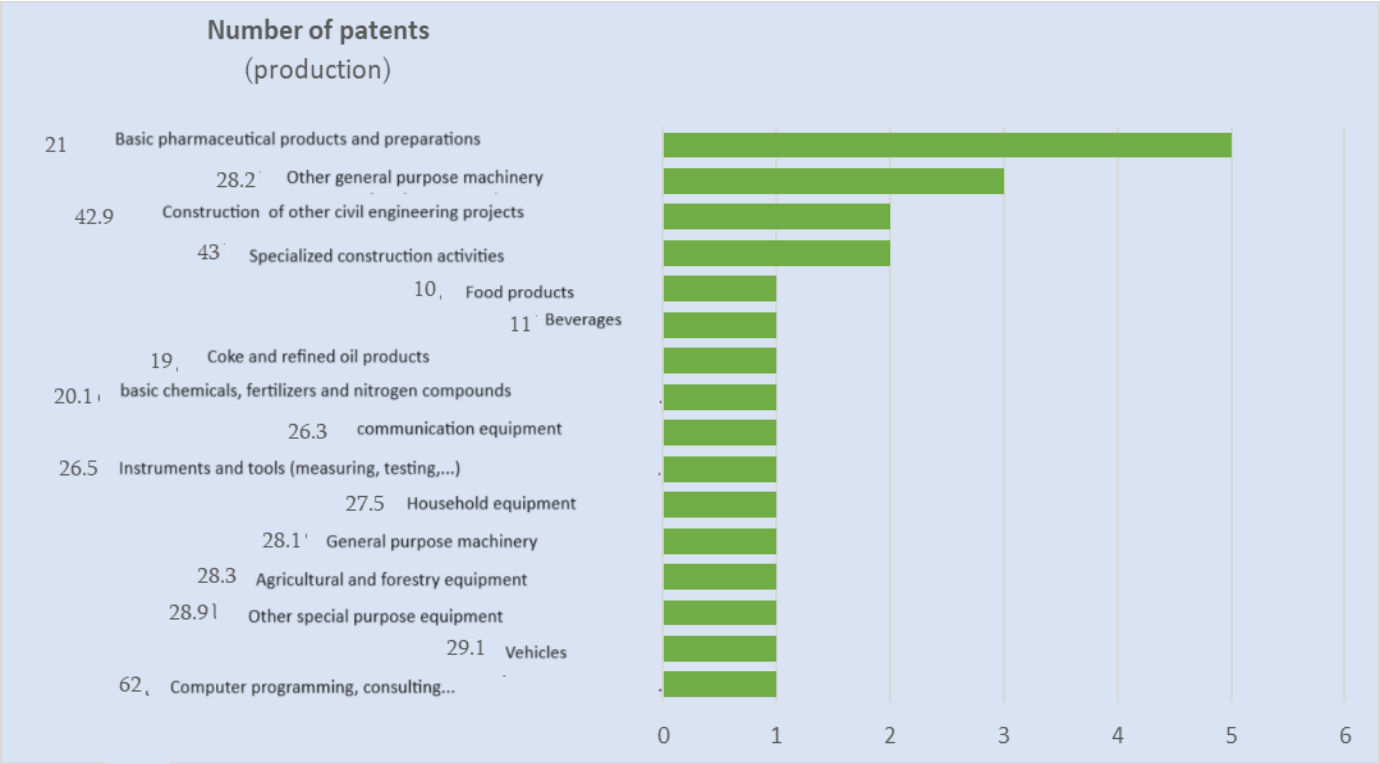
The Joint Research Center assisted with preparing "Patent and Scientific Publication Analysis, Georgia and Imereti Region"[16] in 2020. The report examines patents that are currently registered at the National Intellectual Property Center of Georgia ("Sakpatenti"), as well as scientific publications, produced in Georgia. In addition to the nationwide analysis, the patents and publications, developed in Imereti region were given particular attention.

The following findings from the aforementioned report are relevant to Imereti region:

Imereti has a lot of patents and publications in the fields like medicine, physics, and food production, comparable to the whole country. However, Imereti has significantly more agricultural patents and innovations related to food production and patents than Georgia as a whole. Most patents fall under one of the following categories: food, food ingredients, alcohol-free beverages (coffee, tea, and their alternatives, as well as their production, preparation, or liqueurs); preparations for medical, dental, or hygienic purposes are also included.

[16] „Patent and Scientific Publication Analysis, Georgia and Imereti Region". Joint Research Center, December 10, 2022.

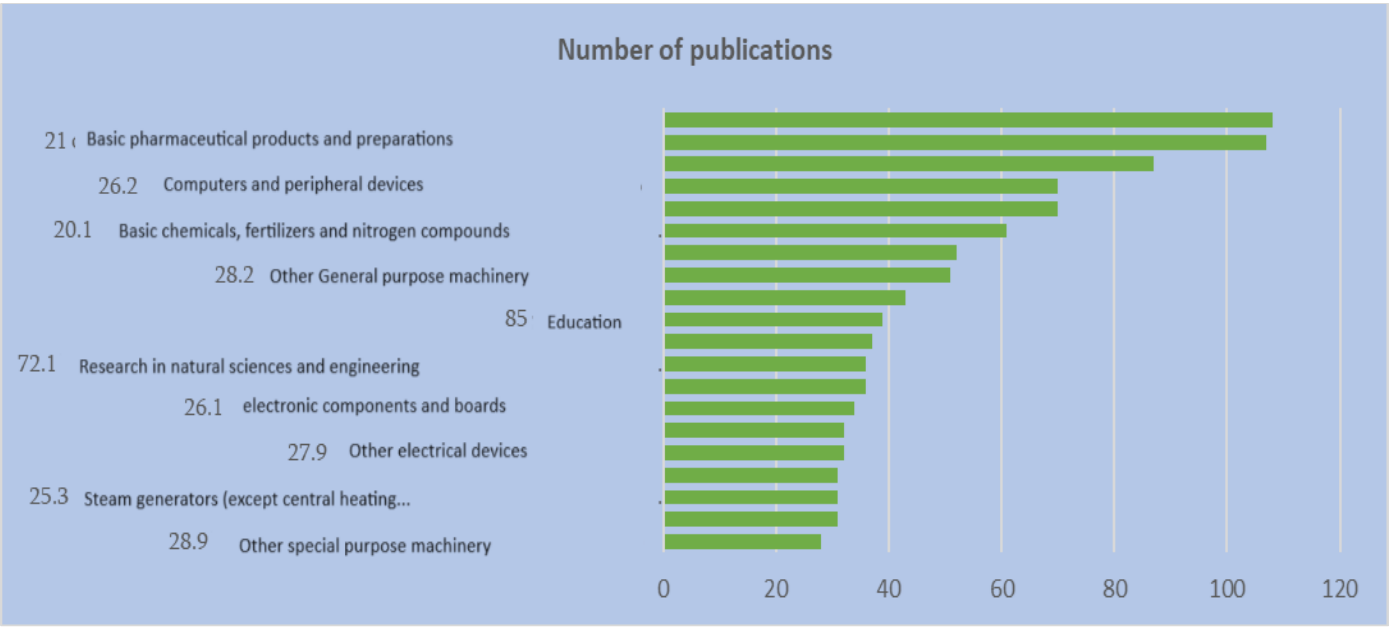
Diagram 1: NACE codes, assigned to patents issued in Imereti



Source: „Patent and Scientific Publication Analysis: Georgia and Imereti region"

Physics, mathematics, immunology, and allergology are the most commonly published categories in the region, compared to the country, where scientific academic publications are primarily focused on natural sciences.

Diagram 2: Analysis of Imereti's Academic Publications



Source: "Patent and Scientific Publication Analysis: Georgia and Imereti region"

3.2.3. In-depth Qualitative Analysis (quantitative analysis, structured interviews)

Comprehensive study of the promising priority domains of "Smart Specialisation" in Imereti region was carried out as part of the in-depth qualitative analysis. Particular attention was given to validating and justifying of promising priority domains through quantitative analysis and pre-arranged discussions and reviews. Interviews with stakeholders from civil society, different levels of government, the academic community (universities and scholars), and businesses were carried out in each of the pre-identified "smart domains".

Table 2. "Smart Domains", pre-identified for comprehensive qualitative analysis

	Pre-identified "Smart domains"	Corresponding NACE
1	Mining-production of metals and ores	27.1, 13.2
2	Production of timber and wood items	20.0, 20.1
3	Production of meat and meat products, water and mineral water	15.0, 15.1, 15.9 (11)
4	Services, related to local tourism, hotels and similar accommodation facilities	55.1
5	Wholesale on non-agricultural intermediate products and other specialized wholesale	51.5
6	Production of agricultural products and the related services	01
7	Production of wearing apparel	18.2, 14.1, 14.3
8	Production of machinery/devices and electrical equipment/ apparatus	29.0, 31.0

As a result of research, the following topics were examined:

- Current situation within the following domains: reasons for success, strengthes, problems, and challenges; primary actors and governmental and non-governmental organisations; the role of small and medium-sized businesses; value chain; impact of pandemics.
- Future plans, challenges and opportunities: capacities that require development.
- Technology use and the perspective of cooperation and technology transfer: innovation trends within the domain; other pre-identified "smart domains" that can be collaborated with; knowledge of S3; a vision for the future; aspirations for collaboration; and the eight pre-identified "smart domains" prospects.

According to the research, the majority of businesses included in the pre-identified "smart domains" primarily do not use local value chain components. Most of big companies in the supply value chain (value chain component) across all the eight "smart domains" are located outside of Georgia and Imereti region. Only insignificant resources and materials can be purchased locally, and small businesses are the primary users of it. Mainly small businesses are producer in the studied domains and play a crucial role. Large companies are dominating only in the ore mining and manufacturing of meat and meat products domains.

All of the previously identified "smart domains" depend on technological advancement, but they do not have sufficient resources and knowledge for technological improvements. Enterprises require the renovation of production processes and methods in addition to machinery, devices, equipment, and technologies. Every domain stated about the necessity of government support for the creation of new technologies for businesses, the acquisition of machinery and equipment, the expansion of production, and the improvement of employee skill levels.

Some innovations related to marketing, design, and storage occur in the pre-identified "smart domains". The introduction of innovations is hindered by a lack of funding and education. Very few research and development-related activities are being conducted in the pre-identified domains. There is a lack of productive and successful collaborations with research institution. Some actors call what they do "research and development", which is incorrect. There is not any collaboration with the research and education sectors. Private businesses don't take benefit of the opportunities in the education sector. The scientific community is not yet prepared to provide its service to businesses. There is a low level of patent registration in the pre-identified domains.

Mainly, there is little connection between the pre-identified domains. The pre-determined domain representatives assumed their domain to be relevant to the region priority. In addition, a number of other sectors with "smart" potential have been proposed as potential regional priorities. These sectors included the manufacturing of footwear and furniture, information technologies, healthcare, and transportation and logistics.

The outcomes of the domain's evaluation are outlined in the table below from the perspective of development potential, research and development activities, collaboration with academic and research institutions, trends related to innovations, and export potential.

Table 3. Key features of the domains

N	Domain	Development potential [17]	Research and development[18]	Cooperation with academic and research institutions[19]	Innovations related trends[20]	Export potential[21]	Connection with other domains[22]
1	**Mining and production of metal ores**	Average	High	High	High	High	2
2	**Production of timber and woodware**	High	Average	Average	Average	High	1, 5
3	**Production of meat and meat products, water and mineral water**	Low	High	Average	Average	Average	4, 5, 6, 8
4	Local tourism and other related services, hotels and similar accommodation facilities	Average	Average	High	Low	Low	2, 3, 6, 7, 8
5	Wholesale of non-agricultural intermediate products and other specialized wholesale	Low	Average	Low	Low	Low	6
6	**Production of agricultural products and similar services**	Low	High	Average	High	High	2, 4, 8
7	**Production of wearing apparel**	Average	Low	Average	Low	Average	4, 5
8	Production of machinery/devices and electrical equipment/ apparatus.	Low	Average	Average	Low	High	2, 3, 4, 5

Based on the comprehensive research findings, it was determined that:

- In the region, there are not enough businesses engaged in the domain of production machinery/devices and electrical equipment/apparatus to support the process of entrepreneurial discovery.
- The „wholesale on non-agricultural intermediate products, other specialized wholesale" domain has a limited potential for innovation and export. Additionally, it has very little cooperation with educational and research and development institutions, making it inappropriate to use as a "smart domain" for Imereti region.
- Among the other pre-identified domains, "local tourism and the related services, hotels and similar accommodation facilities" has the highest priority for the region. However, its contribution to the Imereti economy is unimportant, innovation trends are weak, and no major changes are expected in the near future.
- The "mining and production of metals and ores" domain is a major economic sector in the area. The industry is dominated by large companies. It is feasible to expand current enterprises and launch new ones. The aforementioned domain is distinguished by comparatively high-level activities related to research and development, cooperation with educational and research and development institutions, innovation trends, and export potential.

[17] The number of businesses that the public institution chose for an interview is used to evaluate development potential of the domain. It is presumed that respondents who were identified by the public institution would be more inclined than other businesses to engage in the process of entrepreneurial discovery. The fact that only 15 respondents participated indicates a low potential level. Respondents' number up to 50 shows a medium level of potential, while those over 50 indicate a high level. Manufacturing of wearing apparel is an exception, as the majority of respondents are small-to-medium-sized businesses with minimal innovation and little economic impact in the region. The assessment level is lowered here.

[18] This information was gathered through the interviews that were conducted with domain representatives. No research has been done in the field, the activities linked to the research and development will be rated as low. On average, there will be one or two studies. If 3-6 studies were done, the research would be rated highly. Their numbers are counted based on the studies brought up by each interviewer. The total number of researches was increased by adding the cases where respondents indicated that they carried out specific research projects on their own.

[19] The data presented in the current Table was gathered through interviews that were done with domain representatives. The degree of cooperation is classified as low if there are one or fewer instances of collaboration with academic or R&D institutions. If two or more cases are mentioned, then the level of cooperation is average. The level is deemed high when there are four or more instances of cooperation. The total number of employees, as reported by the interviewer, is marked by this number.

[20] The trends of innovations in the domain are evaluated based on any interviewee's statement that he engages in research and/or development related activities and collaborates with educational and research-development institutions. The level of innovation trend is rated as low in case of lack of cooperation. When cooperation takes place even in a single instance, it is considered average. If there are multiple instances of cooperation, the trend will be assessed as high.

[21] The domain's potential for export is determined by the percentage of respondents who export. The potential is considered low if the share is less than 10%. The potential is average if the share is up to 30%, and its high if this indicator is above 30%.

[22] The figures illustrate domains in which the respondents, based on their statement, are involved.

- "Production of timber and wooden items" is considered a traditional domain for Imereti. The majority of manufactured goods are exported, however there is also a strong demand locally. This sector has the capability to enhance innovations. However, the above-mentioned study indicates that there is a likelihood that the number of businesses operating in this field may reduce as a result of recently adopted regulations on the preservation of forests. This could potentially impede the prioritisation of this domain.
- The majority of the activities related to research and development and innovation trends in the domain "production of meat and meat products, water, and mineral water" are conducted with large businesses. It is problematic to include only this domain in the planning document because there is a limited potential for new companies to enter this market, also a little chance for existing companies to expand.
- Based on the industries it involves and the products it produces, the domain "production of agricultural products and the related services" is one of the most diverse. Among the sectors under research, growing of herbs and vegetables is one especially promising. Large companies currently have the capacity to innovate and export potential, and they engage in research and development-related activities.
- Imereti region has a long history of manufacturing wearing apparel, and there is a potential for expansion in this market. Currently, big orders from international contractor companies are its main focus. For these types of sewing factories, having a low-cost and highly qualified workforce is essential. Even small sewing businesses see opportunity to grow their operations. The aforementioned domain is still in the early stages of innovation trends, as well as research and development. There is an insignificant number of companies.

The most promising and priority "strong" domains and sub-domains were identified based on the in-depth research: mining and production of metals and ores; timber and wood production; production of meat and meat products; production of herbs and vegetables; production of wearing apparel. Additionally, the research showed the necessity of adding the furniture design and production industry into the domain "Production of timber and woodware" so that critical number of businesses is reached for EDP; the possibility of grouping the sectors "Production of meat and meat products", "Production of herbs and vegetables", and food with hotels and other similar accommodation in one domain – "Manufacture of food products"; the opportunity of merging the domain "Production of wearing apparel" with leather and footwear production, which is well-developed in Imereti, and manufacturing of fabrics needed for furniture, into a single domain: "Production of wearing apparel, leather, footwear and fabrics". Ultimately, as a consequence of grouping and title refinement, the comprehensive qualitative research showed the following as prospective priority domains for EDP in Imereti region:

- ***Mining of metals and producing ores.*** Specifically, the following sub-sectors are unified: manufacture of basic iron, steel and ferro-alloys, mining of non-ferrous metals ores, except Unarium and Thorium, casting of metals.
- ***Manufacture of timber, products of wood and furniture.*** More specifically, the following sub-sectors are combined: Manufacture of wood and products of wood, cork, and furniture; manufacture of articles of straw and plaiting materials; sawmilling and planning of wood; impregnation of wood; design of wooden products.
- ***Agriculture and meat processing.*** In particular, the sub-sectors of production, processing and preserving of meat and meat products, and herbs and vegetables are combined.
- ***Manufacture of wearing apparel, leather, footwear and fabrics.*** In particular, the following sub-sectors are combined: manufacture of wearing apparel, except fur apparel; manufacture of knitted and crocheted apparel; manufacture of leather cloths, footwear, and fabrics.

3.2.4. „Entrepreneurial Discovery Process" (EDP)

National and local smart specialisation teams applied Imereti's EDP to identify and prioritize the region's unique advantages potential for innovation. It involved the stakeholders of the region, including entrepreneurs, academic communities, representatives of various local government levels, and members of civil society. They worked together to identify the region's growth and development priorities, promoting innovation, entrepreneurship, and competitiveness.

The Economic Development Process (EDP) encompassed various activities such as data and trend analysis, consultations, working sessions, and interviews to identify the primary economic assets and opportunities in the area. After conducting in-depth interviews, the main stakeholders were identified and invited to participate in working groups during the EDP. Meetings were arranged according to domains to guarantee that all interested parties could attend EDP working sessions. Over half of the participants in each domain were representatives of businesses, business unions, scientific community, and civil organisations. Application of the "Bottom to Top planning approach", active stakeholder participation, their collaborative efforts towards sustainable economic growth, and the accomplishment of shared objectives for regional prosperity were all ensured in this manner. Meetings were conducted in a hybrid format, with regional actors participating mostly in person, and representatives of national structures participating both in person and virtually.

Table 4. The schedule of the meetings conducted under the EDP

Meetings and outcomes	Meeting 1: Rules agreed upon for the working group's activities. Initial draft of SWOT	Meeting 2: SWOT for priority domains. Title and brief description of the domain	Meeting 3: Agreed vision	Meeting 4: List of instruments
Initial conference	May 31, 2022			
Domain 1: Mining of metal ores, manufacture of basic metals and finished metal products	June 1, 2022	June 9, 2022	June 16, 2022	June 23, 2022
Domain 2: Manufacture of wood and of wood products, manufacture of wood products, and furniture	June 2, 2022	June 10, 2022	June 17, 2022	June 24, 2022
Domain 3: Food industry	September 22, 2022	September 29, 2022	October 7, 2022	October 12, 2022
Domain 4: Manufacture of textiles, footwear, and leather items	September 23, 2022	September 30, 2022	October 7, 2022	October 13, 2022

Along with the SWOT analysis, vision, and policy mix of the priority domains the following was verified during the EDP meeting: priority domain names and their corresponding descriptions; planned and potential tools and initiatives assisting development actors in priority domains.

3.2.5. Final decision on priority domains

The following domains were determined as priority ones as a result of EDP, and they were defined as follows:

Priority domain 1: ***Mining of metal ores, manufacture of basic metals and finished metal products:***

Mining of iron ores; mining of non-ferrous metal ores, except uranium and thorium ores; manufacture of basic metals (manufacture of basic precious metals, manufacture of aluminum; manufacture of copper; manufacture of other non-ferrous metals; casting of metals; casting of cast iron; steel casting; casting of light metals); manufacture of finished metal products, excepts machinery and equipment (manufacture of metal constructions; manufacture of weapon and munition; forging, pressing, stamping and roll forming of metal; powder metallurgy; treatment and coating of metals; general mechanical engineering; manufacture of cutlery, tools and general hardware; manufacture of wires, chains, and springs; manufacture of fasteners and screw-cutting lathes; manufacture of other metal products, not included in other groups); mining of metal ores, except mining of uranium and thorium ores; manufacture of cast iron, steel and ferrous alloys; manufacture of steel pipes, pipelines, hollow profiles and similar fittings; manufacture of other products through primary processing of steel; manufacture of insulated conductors and cables from steel, copper and aluminum; wholesale trade in metals and metal ores; wholesale trade in metalware, water supply and heating accessories and inventory; wholesale trade in waste and scrap metal; coal mining; production of row coal and lignite tars; manufacture of coal and lignite briquettes; distillation of coal tar, purification through distillation (of liquid); mining of activated coal; mining of coal and graphite fiber and products; manufacture of thick tar of coal asphalt, coal and graphite electrodes, contacts and other electric products of coal and graphite; production of coal and graphite inserts; wholesale trade in coal; retail trade in coal.

Priority domain 2: ***Manufacture of wood and of wood products, manufacture of wood products and furniture:***

Manufacture of wood; manufacture of wood and cork products, except furniture; manufacture of articles of straw and plaiting materials (sawmilling planning of wood; manufacture of products of wood, cork, articles of straw and plating materials; manufacture of veneer panels and wood panels; manufacture of built-up floor covering; manufacture of other carpentry and joiner-related items; manufacture of wood tare; manufacture of other wood products; manufacture of items of cork, straw and plating materials); manufacture of furniture (manufacture of furniture for offices and shops; manufacture of kitchen furniture; manufacture of other furniture); activities of trading agents in furniture, household goods, ironware and other small iron items; wholesale trade in furniture, carpets and appliances; wholesale trade in office furniture; wholesale trade in timber materials; retail trade in furniture, lighting appliances and other household accessories in specialized shops; retail trade in household furniture; restoration of furniture; repair of furniture and household accessories; specialized designer activities.

Priority domain 3: ***Food industry*** *(including agribusiness, meat processing, HoReCa sector):*

Cultivation of leafy and stem vegetables; cultivation of gourds and vegetables; cultivation of root crops, bulb crops and tuber crops; cultivation of mushrooms; cultivation of berries: blue blueberry, raspberry, strawberry; cultivation of perennial and annual species and condiments, condiments and aromatic crops (pepper (*Piper Spp.*), paprika (*Capsicum Spp*.), laurel); cultivation and collection of aromatic species: basil, clove; cultivation and collection of pharmaceutic (medicinal) crops; manufacture of meat products; manufacture of Georgian yoghurt (matsoni), sour cream, cheese, and curds; food delivery for events; food service activities.

Priority domain 4: ***Manufacture of textiles, footwear, and leather items:***

Manufacture of textiles; manufacture of blankets; manufacture of linen for beds, tables, toilet and kitchen; manufacture of feather and quilted blankets and pillows, puffs and similar items; manufacture of drapes, curtains, bed covers, covers for furniture and accessories and similar items; manufacture of tents, car covers; manufacture of safety vests; manufacture of Gobelins; manufacture of carpets, mats and straw mats, litters, floor felt covers; manufacture of unwoven products; manufacture of plastic covers of processed or soaked fabrics and similar dense textiles, and of textiles, covered with sticky or emulsion substances; manufacture of wool and felt; manufacture of mesh fabrics, laces or embroideries; manufacture of garments of leather or composite leather, working leather garments, including accessories like welder's leather aprons; manufacture of special garments; coats, suits, jackets, trousers, skirts, etc.; manufacture of underwear and night-gowns of woven or textile fabrics, laces and similar materials for men, women and children; manufacture of garments for babies; manufacture of sportswear, skiing, swimming suits, etc.; manufacture of headwear; manufacture of other garment accessories: gloves, belts, sashes, neckerchiefs, ties, scarves, hair meshes and similar items; manufacture of footwear from textile materials, without glued sole; manufacture of woven or knitted garments and similar ready items like pullovers, jumpers, cardigans, blouses, waistcoats and similar products; leather tanning and currying; fur currying and dyeing; manufacture of travel bags, purses and similar items; manufacture of harnesses and saddles; manufacture of footwear; manufacture of surgical coats, sterile bandages and tissues; manufacture of safety protecting means: fire-proof and protective garments.

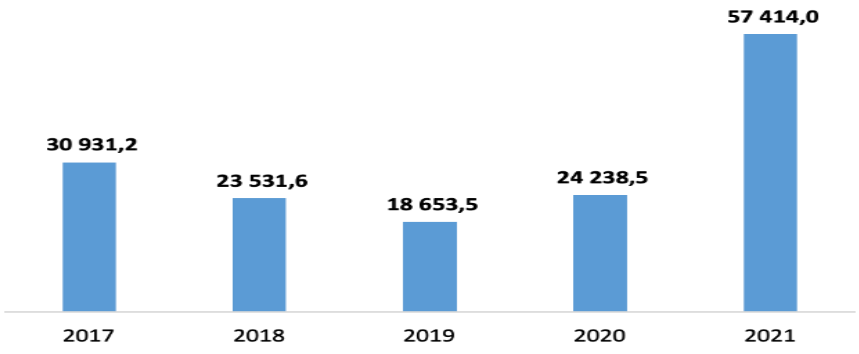
3.3. Current circumstances in priority domains identified by the EDP

The domains that were chosen as priority domains are significant for the entire region. They were affected differently by pandemics.

3.3.1. Mining of metal ores, manufacture of basic metals and finished metal products

Chiatura is one of the largest manganese deposits in Georgia and the entire world. An estimate of the 239 million tons of manganese deposit exists, of which 26% is manganese metal. For the nation and the region, the production of ferrous alloys is a traditional industry with growth potential. Imereti's ferrous alloy exports doubled in 2021 compared to 2019, and the exports price increased by three times or more. The domain is exported to both neighboring countries and other countries worldwide. If the required infrastructure is developed and the products fulfill higher standards, it will be feasible to increase the export volume.

Figure 1. Export of businesses operating in the ore mining and manufacturing metals that are registered in Imereti region, in thousand USD



Source: GeoStat

The company that mines hard coal in Tkibuli believes that mining could end in ten years; However, there is a high demand for Tkibuli coal, as it is the only available in the Caucasus.

Companies that mine and process ore are among the biggest employers in the area. 57% of those working in business people, employed in business in 2020 were employed in these exact domains. All types of businesses, regardless of size, are impacted by a lack of qualification. The primary obstacles are the lack of relevant educational institutions, the aging workforce, and the lack of interest among youth for pertinent careers.

Working in ore mining and quarrying has static economic potential, according to the document "*Mapping of Smart Specialisation in Georgia: Economic and Innovation Potential of Imereti Region"*[23].

There are enough businesses in the field to support the process of entrepreneurial discovery. Furthermore, the domain offers both larger and smaller businesses the chance to expand. Large and medium-sizes enterprises mine and process natural resources. In addition to manufacture of metal goods, small enterprises can expand due to the rising demand for their products. A vast variety of metal products are produced in this domain, such as ferrous alloys, hard coal, metal constructions, gabions, etc. The businesses made investments in concentrating mills, devices, and machinery. Manufacturers of metal products use cutting-edge technologies and inventions.

Within the domain, there are instances of collaboration with Tbilisi and regional educational and research and development institutions. Businesses operating in this domain collaborate with Kutaisi Akaki Tsereteli State University, Kutaisi International University, Georgian Technical University, and Tbilisi State University, or view opportunities for cooperation with these universities.

Examples of sectoral cooperation are available, and they can be used for facilitating the S3 process along. The domain is prepared to support the planning document teams in identifying and involving stakeholders during the implementation process. Furthermore, collaboration with public structures exists; nonetheless, these relationships need to be strengthened. The qualified workforce is the main cause of the domain's challenges.

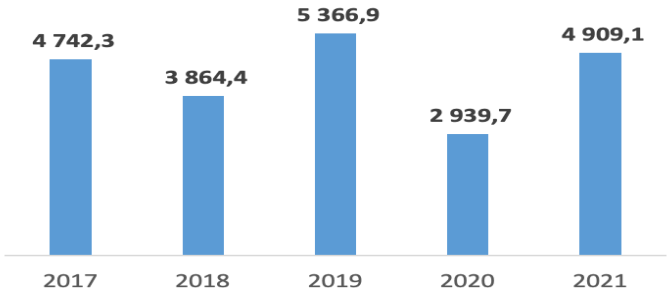
Pandemics posed significant challenges for small business in contrast to larger enterprises. In addition, metal manufacturer faced comparatively greater challenges, compared to ore mining companies.

The domain's value chain extends outside the boundaries of the region.

3.3.2. Manufacture of wood, products of wood and furniture

An important factor in the domain's future success is the existence of companies manufacturing wood, which have the ability to export their goods, as well as companies manufacturing products of wood, which are diversifying their product lines and expanding their operationalarea. In comparison to 2020, furniture exports increased twofold in 2021. The companies that manufacture the products of wood are prepared to expand their sales in other regions of Georgia and overseas, provided they have the necessary machinery. The domain employs a significant number of people in the region.

Figure 2. Export of businesses manufacturing wood and products of wood that are registered in Imereti region, in thousand USD



Source: GeoStat

Small businesses are vitally important for the domain. Medium-sized and large enterprises manufacture wood, while the majority is engaged in the production of products of wood and furniture, and timber production is implemented by medium-size and large businesses. The primary challenge facing this domain are the age, qualifications, and obsolete machinery and equipment of the workforce as well as legislative changes pertaining to the wood production industry that occur without prior notice to the business. Some businesses benefit from

[23] „Mapping of Smart Specialisation in Georgia: Economic and Innovation Potential for Imereti Region". Report prepared by the professor of Maasticht University Hugo Hollanders as an independent expert under a contract to the EC Joint Research Centre; July 23, 2020.

government or donor-funded assistance programs, but they still require additional funding to buy modern machinery.

Some companies in the domain combine wood with other products, such as metal items, or create innovative products. There is no cooperation with scientific, research, or educational institutions in the domain's research and development sphere, and collaboration with these institutions is only now beginning.

The companies within the domain collaborate with ore mining and metal manufacture companies. They stated during the EDP that they were ready to participate fully in the creation and execution of the Smart Specialisation Document.

Despite national laws and pandemic-related crisis, the domain remains important in Imereti region. The report "Mapping of Smart Specialisation in Georgia: Economic and Innovation Potential for Imereti region"[24] highlighted the domain's significance.

The value chains of the domain's companies currently extend outside of Georgia.

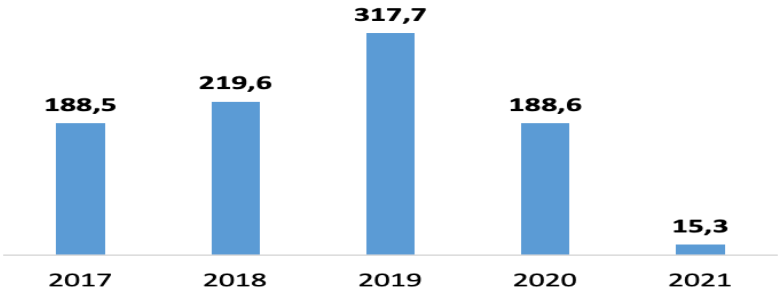
3.3.3. Food Industry (Including Agrobusiness, Meat Processing and the HoReCa Sector)

Food industry in Imereti region is one of the most important economic sectors, contributing significantly to both GDP and employment. The industry grew steadily throughout the year, with annual sales volume increases. The sector offers stable employment, and human resources training is done in higher education and vocational facilities in imereti and other parts of Georgia.

The sector produces herbs, vegetables, and meat products; it maintains food traditions and values; and it develops original, ecologic and highly regarded products. The region is developing sustainable food production with a focus on organic goods. Innovation in technology and research and development (R&D) have made the industry more competitive both within and outside of its own market. Every year, the region's exports of its products increase by 5% in volume.

Large companies are involved in the production of meat products. They stand out due to their size, level of investment, and presence of various production and sales components. In addition to manufacturing food, they run fast food restaurants and retail shops. Orders are taken in fast food restaurants via mobile applications. Nearly the whole state of Georgia is covered in these companies' sales network. Their machinery and equipment are all imported. Companies actively use laboratories to check product quality and ensure that product standards are met. Producers of meat invest largely in equipment, infrastructure, and staff training as well as marketing. New technologies and innovations are clearly needed not only for infrastructure (machinery-equipment, storage, and elevators), but also for meat production technologies. There is no collaboration with the educational sector. None of the meat producers make use of the local universities' research capacity. The businesses independently conduct market research and gather data regarding new products. The companies acknowledge that the growth of their business depends on the development of the Horeca business and "Wholesale trade of non-agricultural intermediate products and other specialized wholesale". It can be particularly difficult for small businesses to operate in the meat production industry, compete with large corporations, and survive. Pandemics had varying effects on different sectors and their associated companies.

Figure 3. Export of businesses manufacturing agricultural goods and related services that are registered in Imereti region, in thousand USD



Source: GeoStat

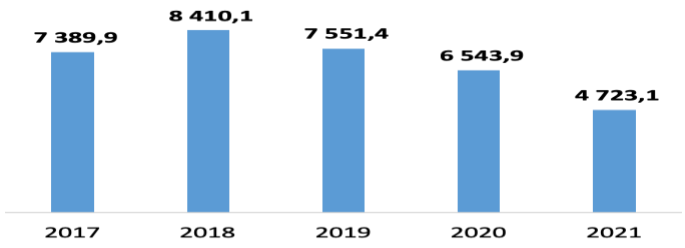
[24] „Mapping of Smart Specialisation in Georgia: Economic and Innovation Potential for Imereti Region". Report prepared by the professor of Maasticht University Hugo Hollanders as an independent expert under a contract to the EC Joint Research Centre; July 23, 2020.

Among agricultural sectors, the production of herbs and vegetables is the most promising. Goods are offered for sale throughout Georgia. There is a great deal of potential for export potential, and export is currently done so successfully. Large regional businesses are self-sufficient in terms of storage, logistics, transportation, and market supply. Significant investments were made in machinery and equipment acquired abroad. All relevant standards are followed during the production process. Since local farmers provide the primary product, the companies train the farmers in harvesting methodologies and other related topics in their training facilities. Research and development activities are carried out in a variety of ways, such as market analysis, product design, and new products creation, through the use of production methods. However, there isn't any collaboration academic and research institutions. The industry is closely connected to the HoReCa business and trade networks. None of the value chain's components is well developed in the region. In all of the industries, there is not a single company whose value chain encompasses the entire Imereti region. For various producers, the pandemics had varying effect. There are few material suppliers in Imereti, and the majority of value chain components are underdeveloped locally.

3.3.4 Manufacture of Textile, Footwear, and Leather Products

Imereti region has a long history of manufacturing textile, footwear, and leather goods. As a major employer and driver of the region's GDP growth, the sector is one of the most significant for the local economy. Based on the available information, the region's production of textile, footwear, and leather articles has been steadily increasing. Each year, the production of these goods increased by 3,5%. About 20,000 people were employed by the industry. The textile, footwear, and leather goods industries face challenges relating to global competition, modernisation, and innovations. It is apparent the importance of fashion and design components in the textile, footwear, and leather industries. Research and business needs must be taken into account; it is essential to encourage collaboration between businesses and research institutions, and to promote the application of cutting-edge technologies in the industry.

Figure 4. Export of businesses in textile manufacture domain that are registered in Imereti region, in thousand USD



Source: GeoStat

Large orders are the main focus of the textile industry. The domain's businesses successfully collaborate with foreign companies, which issue them orders. A cheap, skilled workforce is essential to the success of big clothing factories. Many innovations and technologies are not utilized in the production process. The majority of investments are made in machinery and equipment. It's a common practice among large companies. Small businesses struggle in this area because they have limited funding. Innovations are also required for brand development and design.

Businesses do not engage in research and development or collaborate with other companies' educational or research institutions in this regard. Certain companies recruit staff from Kutaisi Akaki Tsereteli State University, and a vocational college "Iberia".

Different sized producers experienced different effects from pandemics. Smaller businesses ceased operations, and larger businesses encountered difficulties transporting their personnel and replacing infected workers.

Most of the value chain's components are underdeveloped. The value chain of large companies extends throughout Georgia and even outside its boundaries, but some of its components are not developed. Big businesses purchase supplies and machinery from suppliers worldwide as well as from distributors. Small businesses mainly focus on local suppliers and customers. There are a few instances of specific product sales occurring outside the region or overseas.

3.3.5 SWOT Analysis of Priority Domains

The four priority domains provided in the Smart Specialisation Document for Imereti region are thoroughly evaluated in an integrated SWOT analysis. The analysis offers details on each domain's strengths and weaknesses, opportunities and threats, and relationship between them. The analysis contains valuable information that policymakers, businesses, and other stakeholders can use to make well-informed decisions and develop efficient strategies for the region's economic growth and welfare goals.

Analysis of the first domain's Strengths, Weaknesses, Apportunities, and Threats

Strengths	Weaknesses
• The domain's significant role in the regional economy • The domain's companies are among the largest employers in the region • 57% of workers in the domain are employed in businesses • Experienced staff members • Instances of effective research and development-related initiatives • Enterprise innovation trends • Preparedness and expertise in executing "Educational programs and vocational training and re-training programs" associated with the domain in the local vocational training establishments • Readiness for higher education and vocational training institutions to participate in domain-related research • Readiness for the implementation of contemporary management systems in businesses (such as quality control of manufactured goods) and participation of ATSU experts in collaborative efforts • A number of institutions providing industry-focused vocational training • Prospect for increased ore mining • Available high-quality ore deposit • Potential for producing ferrous alloys with various concentrates • Hard coal's suitability for metal remelting due to low calory content of Tkibuli coal and increasing thermal power plant productivity • A long-term supply of Tkibuli coal reserves • Operating regional coal-concentrating plant • Potential for utilizing card coal to produce new products • Potential of increased exports ore and metal products • Possibility of utilizing domestically collected metal scrap in metal production • Readiness to establish a platform for collaboration between various smart domains • The Association of Producers of Ferrous Alloys in place	• Lack of modern technologies in the domain's enterprises • Lack of financial resources needed for innovative activities • Lack of financial, human, and temporal resources needed to find modern technologies • Insufficient knowledge about main benefits of modern technology and equipment, and failure to evaluate the need of them • A small number of businesses with the potential to receive funding from the "Produce in Georgia" program • A small number of highly qualified workers in the businesses • Ageing workforce in the domain • Imbalance in gender among the employees in the domain • Limited availability of providers of vocational training and retraining • Insufficient resources to conduct trainings tailored to the needs ATSU's Domain • Lack of funding for regional educational institutions to provide trainings for the businesses in the domain • Lack of communication between educational institutions and the domain's businesses • High cost of goods and standard noncompliance as a barrier to the growth of exports • Disregard for environmental regulations and labor safety standards ensuring mining and production • Inadequate infrastructure for utilities • Lack of information regarding funding opportunities • The nation's export of scrap metal as a raw material • Low employment rate of personnel trained in local educational establishments • Salary disparity between Georgian and foreign employees • Inadequate performance of quality control management systems • Lack of awareness of the main benefits of contemporary business management, such as quality management systems of industrial goods, and, as a result, failure to determine the necessity of their existence • Resources exhaustibility in a long-term standpoint
Opportunities	**Threats**
• Possibility of receiving funding for the domain's businesses from government programs • The country's geographic location and transportation network • The current free trade agreements • The existence of the Tkibuli-Kutaisi railway • Absence of comparable-sized manganese ore deposits in the region (other than Georgia, they are found in Ukraine and Kazakhstan) • The potential for manufacturing new goods using the existing ores and metals • The past record of funding businesses under the "Produce in Georgia" domain • A rise in demand for metal goods as a result of state and municipal initiatives	• Production growth is impeded by inadequate infrastructure with insufficient power supply capacity • Decrease in product sales as a result of pandemics • Limited resources available for manufacturing metal goods • More stringent requirements pertaining to environmental preservation and labor safety in mining and production as a result of international commitments • Limited customer awareness of the domain's businesses • A decline in interest in careers related to the domain and a decrease in the motivation of current employees to work for the companies • An excessive dominance of foreign companies in the markets • A shortage of personnel with the necessary qualifications in the case of re-equipment

Analysis of the second domain's Strengths, Weaknesses, Apportunities, and Threats

Strengths	Weaknesses
• Traditionally high demand for wood and products of wood • Export orientation of businesses and a growing market for export goods • Availability of resources required for the region's production of wood products • High demand for wood products from local businesses • The potential for Chinese and Turkish wood products to be replaced in the market • Low production and labor costs than in exporting countries • Demand for locally manufactured wooden furniture outside the region • Innovative thinking in wood product manufacturing • Training of staff members needed for the domain by the higher and vocational institutions in the region and implementation of relevant programs • The regional universities' ability to carry out domain-related research • Willingness to collaborate with research organisations and implement contemporary management systems, such as product quality management • Potential for producing a range of wooden products • Creating new design wood products using own resources • Manufacturing innovative products from scrap wood • Producing wood and metal combined goods • Using modern equipment and machine tools • Plenty of employment opportunities • Willingness of businesses to hire foreign workers • The association and cluster of furniture manufacturers • Donors supporting domain businesses or sectors	• Relatively low employee qualification • High employee age • High cost of remaining material in the region due to high demand for wood products and large export quantities • Switching from wood items to laminate and metal-plastic products by businesses due high cost of materials • Old machinery and production equipment • Insufficient investment for emerging technologies • Inability to carry out of innovative activities due to a shortage of suitable personnel, time, and resources as well as excessive material costs • Insufficient cooperation in the area and research and development between businesses and scientific, research, and educational establishments • Limited ability to utilize modern technology • Insufficient knowledge among businesses on market developments • Limited research on domain needs • Support needs of participating in exhibitions • Insufficient expertise in 3D design • Use of outdated equipment for staff training and lack of safety regulations • Challenges in manufacturing wood and metal goods without assistance • Issues in creating a secure work environment in manufacturing facilities • Cost increase while utilizing new materials due to poorly advanced technologies • Limited availability of drying chambers • Insufficient engagement of companies in furniture associations and clusters • A low level of R&D and limited opportunities for collaboration with academic institutions as a result of the large number of small and medium-sized businesses in the domain and their capacity for funding • Low degree of utilisation of state-funded innovation programs and R&D • The availability of wood raw materials, both in terms of quantity and quality, is dependent on global market demand • Low rate of use of wood waste • Lack of prospects for secondary wood processing • Limited application of contemporary marketing strategies and resources, particularly in small businesses • Gender imbalance in domain enterprises • Failure to follow labor safety standards and environmental legislation
Opportunities	**Threats**
• Government assistance programs currently available to adjust to domain requirements • Use of the export promotion mechanisms of the *Enterprise Georgia* agency, such as involvement in international exhibitions and/or trade missions • Increased costs for wood products made in China and Turkey • Manufacturing products with materials derived from homestead cuttings • Rising consumer demand for wood and metal items • Demand for goods manufactured from natural resources • State initiatives that promote applied research • Growing interest for new residential buildings and apartments, and lodging for visitors • Interest in increasing the number of gas consumers from operator businesses and state assistance • Growing interest in the goods offered by domain companies	• Potential risk of state program cancellation or significant reduction for domain support • Deterioration of regulations pertaining to domain • Implementation of new legislation by the state without adequate company preparation • Decrease in the number of businesses operating in the domain as a result of state laws governing forest clearance • Lack of state initiatives to assist businesses of all sizes • Absence of a state agency in charge of solving domain issues • Annual coding renewal requirement by the sanitary inspection, while other state agencies no longer do • High cost of assembled cargo export and shortage of carriers • Difficulties in selling goods abroad during pandemics • Shortage of workers as a result of infections • Notable decrease in reduction or cessation of activities as a result of the pandemic • Requirement for Forklift certification in the absence of technical inspection locations and rejection of technical inspection result vehicles with foreign certification

• Waste recycling programs supported by development partners	• High cost of specialized masks and additional tools required for manufacturing • Regulations have led to the closure of sawmills that produce wood materials • Limited raw materials, particularly for hardwood species, required to manufacture wood products • Limited capacity of the association and cluster to draw in a sufficient number of profile companies • Buyer's lack of knowledge about current companies • Staff members' decreased interest in careers associated to the domain and low motivation to work for domain companies • A rise in material exports to foreign markets (for manufacturers of wood goods, specifically) • Insufficient skilled workers in the event of re-equipment • The shortage of initiatives to support the domain • The absence of programs for restoring wood • Consumers' lack of confidence in the quality of local wood products • International commitments regarding timber cutting • Utilizing waste and secondary materials for heating in accordance with state laws

Analysis of the third domain's Strengths, Weaknesses, Opportunities, and Threats

Strengths	Weaknesses
• Meat processing technologies in place required to produce high-quality meat products • Adherence to standards and sanitary and hygienic guidelines for producing meat, appropriate equipment in slaughterhouses • Product distribution networks for enterprises that manufacture meat products across the region and the country • Large investments made by meat-producing companies on marketing, personnel training, machinery, and infrastructure • Stable appropriate prices on the market for meat products • Consistent demand for meat products • Selling locally farmed herbs and vegetables outside the region and the country • Potential growth in the export of herbs and vegetable • Local herbs and vegetables sold through large supermarkets • Excellent circumstances for local herbs and vegetables to be stored, transported, and exported due to their extended shelf life • A wide range and quantity of catering facilities	• Limited investment opportunities • The requirement for technological advancement in production and storage spaces • Deficiency of product packaging innovation • A shortage of qualified employees in companies and a low level of youth employment interest • Limited prospects for growth in the production of meat and meat products for small businesses • Lack of modern technologies and innovations in the planting, harvesting, and processing herbs and vegetables • Low productivity and little growth in producers' income • Lack of collaboration between scientific, research, and training institutions • Low degree of use and registration • Lacking standards in the production process • The challenge of adhering to HACCP standards
Opportunities	**Threats**
• Raising awareness of regional cuisine and national wine varieties • Export opportunities for herbs and vegetables based on the EU DCFTA agreement • Further enhancement of relevant government assistance programs, increasing their efficiency and utilisation • State laws governing the production of meat products • Increased demand for packaged goods throughout the pandemics • Potential for HACCP training in the region	• Shortage of material and equipment for packaging in the country • Inadequate funds and sources of funding • The fluctuation of exchange rates • Inactive work of regulatory structures • Absence of laboratories for on-site testing of product quality • Difficulty in replacing infected employees during the pandemic • Employee outflow from the domain • The closing of catering facilities • Issues with product distribution based on restrictions and rules • Unpreparedness for HACCP standards as a result of: inadequate communication between regulators and catering establishments; insufficient funds for building renovations and equipment replacements; absence of companies offering relevant consultations in building planning when launching a new venture; and insufficient knowledge of the standard • Weak state support for adhering to HACCP standards • Inconsistence in the primary infrastructure of the city • Insufficient regular measures to attract tourists • Unsustainable supply of products to catering establishments

Analysis of the fourth domain's Strengths, Weaknesses, Opportunities, and Threats

Strength	Weaknesses
• Traditional domain for the region with growth potential • Successful cooperation of domain businesses with foreign firms • Growth potential for small businesses • Low-cost labor • Work experience in international corporations and knowledge of domain enterprise demands • Investing in machinery and equipment • The need for domain's higher education and career educational institutions in the region • Development doesn't require a substantial financial investment • The availability of Design and technology-oriented educational programs in the region, as well as enough workforce • The practice of designers collaborating with businesses • Possibility of expanding on-site processing of raw leather • Local leather manufacturing and the long-standing export of raw leather • An increase in the manufacture of leather goods	• Retaining personnel is a challenge • Insufficient number of highly skilled local employees • Scarcity of contemporary technologies and innovations and low degree of innovation • Limited potential for production growth • Lack of initiatives for research and development • Limited collaboration between enterprises and scientific research institutions • Inappropriate degree of marketing
Opportunities	**Threats**
• The capacity to modify current government aid initiatives and enhance their implementation • Foreign trade preferential regime • Prerequisites for developing local furniture and ancillary material production • The potential for increasing demand for local goods by enacting quality certifications to prevent the import of low-quality products	• Reduced demand as a result of pandemic or other similar occurrences • State initiatives not tailored to regional demands • Pollution of the environment due to waste growth • Poor income growth dynamics • Insufficient resources required for domestic production • Lack of financial resources in the country

3.4. Summary of Main Horizontal Challenges

In general, businesses in Imereti region and other regions of the country, even those in the most promising domains, have a relatively low capacity to produce goods and services that are highly competitive, in demand in global markets, and guarantee stable development of both regional and national economies.

Among the numerous factors emphasized in the SWOT analysis that affect them are the exceptionally low level of expenditure on research and development (including low spending by the business sector), as well as the degree of technological advancement and qualifications. Weak and fragmented business and academy cooperation in R&D&I activities does not contribute to the development of a contemporary, technologically advanced, and competitive local economy.

Good and competitive products are offered by a relatively small number of companies. Moreover, the current public assistance instruments are still not properly adapted to the specific requirements of particular regions and domains.

The following are some of the primary obstacles to improving production quality by introducing innovative approaches:

- Comparably low level of innovative and technological progress of local enterprises;
- A high depreciation rate of fixed assets;
- Insufficient internal financial resources of businesses and barriers to obtaining outside funding;
- Lack of contemporary management approaches and specialized knowledge (human capital quality);
- Insufficient collaboration among the business, academic, and research sectors;
- The underutilized potential of certain state assistance programs that are currently operating in terms of their methodological adaptation to the particular need of certain regions, localities, and domains.

Increasing the productivity and competitiveness of any region's economy requires the ability to both create and integrate innovations (technological, organisational, or service product innovations) at the level of businesses and research institutions. This equally applies to regions with a well-developed local industrial base, robust higher education and research facilities, and highly skilled labor forces.

To fully realize this potential, a number of obstacles and barriers must be overcome, and an efficient structure of cooperation – including amongst multiple development partners - must be established.

Examples from EU and OECD countries demonstrate how difficult it is to implement territorially rooted innovation policies, build an innovation ecosystem, and increase productivity in practice without "smart" and systematic approaches, the development and dynamic updating of effective programs, coordination of their execution, and strong local leadership.

It is imperative to further expand, build up, and maximize the adaptation of state financial programs, to more effectively support particular region(s) and directions indicated as perspective, both now and in the future. It is essential to continuously update and enhance relevant state programs, including by developing and integrating new elements, sub-components, and criteria, while focusing on the defined domains of smart specialisation, **territorial dimensions,** and market demands. State support initiatives should also specifically target the problems facing the market and hinder SMEs' access to funding, internationalisation, market penetration, quick expansion, and so forth. These goals and challenges should guide the development of state assistance programs.

The reduction of financing and maintenance costs for SMEs, as well as further development and expansion of financing schemes and sources for innovative startups in the highlighted directions, are challenges that also demand careful consideration.

3.5. Available Supporting Tools for Identified Domains

The specified tools (institutions and programs) for supporting the indicated domains are largely common to all, as the key supporting institutions have not defined Imereti's "smart domains" or any other region's priority development directions as their priorities. The tools applied by various public institutions and development partners to support their respective domains are described below.

Domain 1: *Mining of metal ores, manufacture of basic metals and finished metal products.*

LEPL Enterprise Georgia, the major governmental agency promoting entrepreneurship, particularly small and medium-sized businesses in Georgia, is committed to increasing the competitiveness of the private sector, export growth, and attracting investments. The Agency offers the following assistance to interested businesses and start-up/operating enterprises:

- **Micro grants** provide targeted grants of up to 30,000 GEL for potential beneficiaries. At least 90% of the funding received under the project should be used for capital expenditures, with no more than 10% for working capital;
- **Loan interest co-financing** is a subsidy of 5% minus the refinancing rate for a loan or leasing object provided by a commercial bank or leasing company for the entire term (3% minus the refinancing rate in the case of leasing);
    - **Grant component** – 15% of the confirmed loan/leasing amount;
    - **Guarantee component** allows for up to 80% volume when using loan component;
- **Credit guarantee mechanism** – The program aims to improve access to funding for small and medium-sized businesses that cannot loan security requirements. It offers up to 80% loan approval from financial organisations;
- **Regional consulting Centers** help the growth of micro, small and medium-sized businesses in Tbilisi and regions by offering consulting services, developing business skill development, and providing access to information;
    - **Providing consulting services** involves diagnosing the entrepreneurial entity, identifying problems, collaborating with a consulting company to solve the problem, and co-financing the services;
    - **Facilitating business skill improvement** entails conducting seminars, lectures and/or training adapted to the needs of the entrepreneurial entity, organizing business meetings, and ability to use the center's infrastructure for such purposes;
    - **Providing information services** means delivering comprehensive information to the entrepreneurial entity on continuing business support programs, business sector news, and existing sectoral research;
- **Support for alternative financial instrument –** The program includes co-financing of bond issuance costs and credit rating acquisition fees.
- **Various export promotion measures** – Organizing international exhibitions and trade missions, providing individual expo grants; linking Georgian producers with foreign buyers; registration on the trade website www.tradewithgeorgia.com; providing information on export procedures; providing information about customs duties in overseas markets; training export managers; creating brand formation and development strategies, rebranding, and product packaging;
- **Facilitate attracting investments** by hosting investment consultants and scouts in the country; collaborating with professionals and prominent individuals in the sector;

LEPL Georgia's Innovation and Technology Agency, as the major government agency supporting the development of a knowledge-based and innovative technology-driven economy, ensures coordination of the creation and development process of an innovative ecosystem in the country, stimulates innovations, modern technologies, research and development (E&D), promotes their commercialisation and use, and supports the creation of innovative startups, as well as improves their competitiveness. To achieve these goals, the Agency provides innovative enterprises with financial assistance, mentorship, trainings, numerous retraining courses, and an acceleration program. Among other things, the Agency offers grants to the domain: those who want to produce prototypes, start a business and companies at a specific stage of development; those looking to commercialize scientific projects; it also offers the opportunity to employ the services of existing technology parks.

LEPL Shota Rustaveli National Science Foundation of Georgia offers grants to the domain within the framework of state scientific grant competitions: to promote cooperation between enterprises and scientific institutions in the field of research and development; to support technological development and technology transfers, commercialisation and industrialisation; and for small-scale prototype technology/methodological development, experimentation, and validation in a laboratory and simulated environment, or for piloting and/demonstrating application in a real-life situations.

The Georgian Chamber of Commerce and Industry provides information and consulting services to businesses, as well as development of business entities' capabilities and qualification improvement, export promotion, implementation of investment promotion activities, facilitation of dispute resolution between business entities, and other services.

Georgian Small and Medium Enterprises Association, as an independent organisation, protects and advises small and medium-sized businesses on their interests, maintaining active communication with state structures, financial institutions, and international organisations.

Georgian Employers' Association, as an autonomous organisation, provides advisory services to entrepreneurs and executes a variety of initiatives to help them acquire entrepreneurial knowledge, skills, and more.

LEPL Akaki Tsereteli University of Kutaisi is prepared to discuss domain-related issues at the university's annual student conference, as well as prepare research papers about the domain and the region's smart specialisation.

LEPL College Iberia can provide metal decorative processing training to entrepreneurs and individuals interested in working in domain enterprises.

Domain 2: *Wood processing, manufacture of wood product and furniture*

LEPL Enterprise Georgia, the major governmental agency promoting entrepreneurship, particularly small and medium-sized businesses in Georgia, is committed to increasing the competitiveness of the private sector, export growth, and attracting investments. The Agency offers the following assistance to interested businesses and start-up/operating enterprises:

- **Micro grants** provide targeted grants of up to 30,000 GEL for potential beneficiaries. At least 90% of the funding received under the project should be used for capital expenditures, with no more than 10% for working capital;
- **Loan interest co-financing** is a subsidy of 5% minus the refinancing rate for a loan or leasing object provided by a commercial bank or leasing company for the entire term (3% minus the refinancing rate in the case of leasing);
    - **Grant component** – 15% of the confirmed loan/leasing amount;
    - **Guarantee component** allows for up to 80% volume when using loan component;
- **Credit guarantee mechanism** – The program aims to improve access to funding for small and medium-sized businesses that cannot loan security requirements. It offers up to 80% loan approval from financial organisations;
- **Regional consulting Centers** help the growth of micro, small and medium-sized businesses in Tbilisi and regions by offering consulting services, developing business skill development, and providing access to information;
    - **Providing consulting services** involves diagnosing the entrepreneurial entity, identifying problems, collaborating with a consulting company to solve the problem, and co-financing the services;
    - **Facilitating business skill improvement** entails conducting seminars, lectures and/or training adapted to the needs of the entrepreneurial entity, organizing business meetings, and ability to use the center's infrastructure for such purposes;
    - **Providing information services** means delivering comprehensive information to the entrepreneurial entity on continuing business support programs, business sector news, and existing sectoral research;
- **Support for alternative financial instrument –** The program includes co-financing of bond issuance costs and credit rating acquisition fees.
- **Various export promotion measures** – Organizing international exhibitions and trade missions, providing individual expo grants; linking Georgian producers with foreign buyers; registration on the trade website www.tradewithgeorgia.com; providing information on export procedures; providing information about customs duties in overseas markets; training export managers; creating brand formation and development strategies, rebranding, and product packaging;
- **Facilitate attracting investments** by hosting investment consultants and scouts in the country; collaborating with professionals and prominent individuals in the sector;

LEPL Georgia's Innovation and Technology Agency offers grants to the domain: those who want to produce prototypes, start a business and companies at a specific stage of development; those looking to commercialize scientific projects; it also offers the opportunity to employ the services of existing technology parks.

LEPL National Forestry Agency *suggests to the domain the expansion of existing business yards and the establishment of new ones in the respective municipalities.*

LEPL Shota Rustaveli National Science Foundation of Georgia offers grants to the domain within the framework of state scientific grant competitions: to promote cooperation between enterprises and scientific institutions in the field of research and development; to support technological development and technology transfers, commercialisation and industrialisation; and for small-scale prototype technology/methodological development,

experimentation, and validation in a laboratory and simulated environment, or for piloting and/demonstrating application in a real-life situations.

LEPL Vocational Skills Agency is ready to assist with the development of domain-specific vocational skills. It contributes to the advancement of professional skills and educational standards in demand in the labor market by actively involving and commissioning the private sector, supporting creative teaching, improving competition, and providing greater employment possibilities. The Agency establishes a solid platform for public-private partnership and human capital development.

The Georgian Chamber of Commerce and Industry provides information and consulting services to businesses, as well as development of business entities' capabilities and qualification improvement, export promotion, implementation of investment promotion activities, facilitation of dispute resolution between business entities, and other services.

Georgian Small and Medium Enterprises Association protects and advises small and medium-sized businesses on their interests, maintaining active communication with state structures, financial institutions, and international organisations.

Georgian Employers' Association provides advisory services to entrepreneurs and executes a variety of initiatives to help them acquire entrepreneurial knowledge and skills.

LEPL Akaki Tsereteli University of Kutaisi is prepared to discuss domain-related issues at the university's annual student conference, as well as prepare research papers about the domain and the region's smart specialisation.

LEPL College Iberia offers carpentry and furniture manufacturing expert training to entrepreneurs and individuals interested in working in domain enterprises.

Domain 3: Food industry (including agro

business, meat processing, horeca sector)

LEPL Enterprise Georgia, the major governmental agency promoting entrepreneurship, particularly small and medium-sized businesses in Georgia, is committed to increasing the competitiveness of the private sector, export growth, and attracting investments. The Agency offers the following assistance to interested businesses and start-up/operating enterprises:

- **Micro grants** provide targeted grants of up to 30,000 GEL for potential beneficiaries. At least 90% of the funding received under the project should be used for capital expenditures, with no more than 10% for working capital;
- **Loan interest co-financing** is a subsidy of 5% minus the refinancing rate for a loan or leasing object provided by a commercial bank or leasing company for the entire term (3% minus the refinancing rate in the case of leasing);
    - **Grant component** – 15% of the confirmed loan/leasing amount;
    - **Guarantee component** allows for up to 80% volume when using loan component;
- **Credit guarantee mechanism** – The program aims to improve access to funding for small and medium-sized businesses that cannot loan security requirements. It offers up to 80% loan approval from financial organisations;
- **Regional consulting Centers** help the growth of micro, small and medium-sized businesses in Tbilisi and regions by offering consulting services, developing business skill development, and providing access to information;
    - **Providing consulting services** involves diagnosing the entrepreneurial entity, identifying problems, collaborating with a consulting company to solve the problem, and co-financing the services;
    - **Facilitating business skill improvement** entails conducting seminars, lectures and/or training adapted to the needs of the entrepreneurial entity, organizing business meetings, and ability to use the center's infrastructure for such purposes;
    - **Providing information services** means delivering comprehensive information to the entrepreneurial entity on continuing business support programs, business sector news, and existing sectoral research;
- **Support for alternative financial instrument –** The program includes co-financing of bond issuance costs and credit rating acquisition fees.
- **Various export promotion measures** – Organizing international exhibitions and trade missions, providing individual expo grants; linking Georgian producers with foreign buyers; registration on the trade website www.tradewithgeorgia.com; providing information on export procedures; providing information

about customs duties in overseas markets; training export managers; creating brand formation and development strategies, rebranding, and product packaging;
- **Facilitate attracting investments** by hosting investment consultants and scouts in the country; collaborating with professionals and prominent individuals in the sector;

LEPL Georgia's Innovation and Technology Agency offers grants to the domain: those who want to produce prototypes, start a business and companies at a specific stage of development; those looking to commercialize scientific projects; it also offers the opportunity to employ the services of existing technology parks.

LEPL Shota Rustaveli National Science Foundation of Georgia offers grants to the domain within the framework of state scientific grant competitions: to promote cooperation between enterprises and scientific institutions in the field of research and development; to support technological development and technology transfers, commercialisation and industrialisation; and for small-scale prototype technology/methodological development, experimentation, and validation in a laboratory and simulated environment, or for piloting and/demonstrating application in a real-life situations.

LEPL Vocational Skills Agency is ready to assist with the development of domain-specific vocational skills. It contributes to the advancement of professional skills and educational standards in demand in the labor market by actively involving and commissioning the private sector, supporting creative teaching, improving competition, and providing greater employment possibilities.

LEPL Rural Development Agency offers interested parties:

- Support for primary production, including co-financing seedling costs, drip irrigation systems, nursery setup, anti-hail systems, and/or well/borehole/drip irrigation system setup.
- Co-financing for agricultural processing and storage businesses seeking support.
- Assist with mechanisation tasks.
- Technical support includes granting authorisation to food business operators producing or processing animal-derived food, implementing international food safety management systems and standards, implementing and certifying international food safety management systems and standards, providing management consulting services, designing branding and packaging, and purchasing equipment for agricultural cooperatives.
- Various trainings.
- Insurance against hail, flood, storm, and autumn frost.
- Environmental protection and agricultural information-consulting services can assess farmers' needs and offer trainings.

LEPL National Food Agency introduces the fundamentals of the Hazard Analysis Critical Control Points (HACCP) system as well as legislative requirements to the processing business representatives and public catering facilities.

LLC Imereti Agro Zone provides the domain with the following services: development of greenhouse farming cluster; land plots prepared for greenhouse construction; ready-made greenhouses for rent or purchase on 220 hectares; delivery of electricity and other services in sufficient quantities; The logistics center provides calibration, washing, packaging, and transportation services, as well as a cargo terminal at Kutaisi airport.

LEPL Horticulture Training and Demonstration Center offers a platform for exchange of knowledge on agricultural technology, equipment, and cultivation; knowledge acquisition on boosting productivity per square meter; and trainings on enhancing access to finances.

Georgian Herbs Producers Association offers its members trainings in implementing modern technologies, demonstration plots equipped to modern standards for sharing experience, assistance in finding sales markets, and assistance in purchasing necessary apparatus, equipment, and materials (drip systems, sprinklers, fertilizer mixing devices, shading nets, cellophanes for greenhouse covering).

Georgian Employers' Association, as an independent body, provides advisory services to entrepreneurs and executes a variety of initiatives to help them acquire entrepreneurial knowledge, skills and more.

The Georgian Chamber of Commerce and Industry provides information and consulting services to businesses, as well as development of business entities' capabilities and qualification improvement, export promotion, implementation of investment promotion activities, facilitation of dispute resolution between business entities, and other services.

LEPL Akaki Tsereteli University of Kutaisi is prepared to discuss domain-related issues at the university's annual student conference, as well as prepare research papers about the domain and the region's smart specialisation.

LEPL College Iberia provides entrepreneurs and persons interested in working in domain enterprises with the opportunity to master the art of cooking, including the preparation of Georgian cuisine; participate in the "Restaurant Services" training program; and take confectionery courses.

Domain 4: Manufacture of Textile, Footwear, and Leather Products

LEPL Enterprise Georgia, the major governmental agency promoting entrepreneurship, particularly small and medium-sized businesses in Georgia, is committed to increasing the competitiveness of the private sector, export growth, and attracting investments. The Agency offers the following assistance to interested businesses and start-up/operating enterprises:

- **Micro grants** provide targeted grants of up to 30,000 GEL for potential beneficiaries. At least 90% of the funding received under the project should be used for capital expenditures, with no more than 10% for working capital;
- **Loan interest co-financing** is a subsidy of 5% minus the refinancing rate for a loan or leasing object provided by a commercial bank or leasing company for the entire term (3% minus the refinancing rate in the case of leasing);
    - **Grant component** – 15% of the confirmed loan/leasing amount;
    - **Guarantee component** allows for up to 80% volume when using loan component;
- **Credit guarantee mechanism** – The program aims to improve access to funding for small and medium-sized businesses that cannot loan security requirements. It offers up to 80% loan approval from financial organisations;
- **Regional consulting Centers** help the growth of micro, small and medium-sized businesses in Tbilisi and regions by offering consulting services, developing business skill development, and providing access to information;
    - **Providing consulting services** involves diagnosing the entrepreneurial entity, identifying problems, collaborating with a consulting company to solve the problem, and co-financing the services;
    - **Facilitating business skill improvement** entails conducting seminars, lectures and/or training adapted to the needs of the entrepreneurial entity, organizing business meetings, and ability to use the center's infrastructure for such purposes;
    - **Providing information services** means delivering comprehensive information to the entrepreneurial entity on continuing business support programs, business sector news, and existing sectoral research;
- **Support for alternative financial instrument –** The program includes co-financing of bond issuance costs and credit rating acquisition fees.
- **Various export promotion measures** – Organizing international exhibitions and trade missions, providing individual expo grants; linking Georgian producers with foreign buyers; registration on the trade website www.tradewithgeorgia.com; providing information on export procedures; providing information about customs duties in overseas markets; training export managers; creating brand formation and development strategies, rebranding, and product packaging;
- **Facilitate attracting investments** by hosting investment consultants and scouts in the country; collaborating with professionals and prominent individuals in the sector.

LEPL Georgia's Innovation and Technology Agency offers grants to the domain: those who want to produce prototypes, start a business and companies at a specific stage of development; those looking to commercialize scientific projects; it also offers the opportunity to employ the services of existing technology parks.

LEPL Shota Rustaveli National Science Foundation of Georgia offers grants to the domain within the framework of state scientific grant competitions: to promote cooperation between enterprises and scientific institutions in the field of research and development; to support technological development and technology transfers, commercialisation and industrialisation; and for small-scale prototype technology/methodological development, experimentation, and validation in a laboratory and simulated environment, or for piloting and/demonstrating application in a real-life situations.

LEPL Vocational Skills Agency is ready to assist with the development of domain-specific vocational skills. It contributes to the advancement of professional skills and educational standards in demand in the labor market by actively involving and commissioning the private sector, supporting creative teaching, improving competition, and providing greater employment possibilities.

The Georgian Chamber of Commerce and Industry provides information and consulting services to businesses, as well as development of business entities' capabilities and qualification improvement, export promotion, implementation of investment promotion activities, facilitation of dispute resolution between business entities, and other services.

Georgian Small and Medium Enterprises Association protects and advises small and medium-sized businesses on their interests, maintaining active communication with state structures, financial institutions, and international organisations.

Georgian Employers' Association provides advisory services to entrepreneurs and executes a variety of initiatives to help them acquire entrepreneurial knowledge and skills.

LEPL Akaki Tsereteli University of Kutaisi is prepared to discuss domain-related issues at the university's annual student conference, as well as prepare research papers about the domain and the region's smart specialisation.

LEPL College Iberia is ready to offer trainings in sewing production to entrepreneurs and individuals interested in working in domain enterprises.

*** ***Note:*** the organisations and other institutions listed above will provide the following services to priority domains in the future:

- ✓ **Important educational programs.**
  The Ministry of Education, Science, and Youth of Georgia
- ✓ **New services of the Vocational Skills Agency established in collaboration with the Georgian Chamber of Commerce and Industry**
  Vocational Skills Agency
- ✓ **Assistance for the development of relevant priorities under the Integrated Territorial Development Program (ITDP) for the upcoming**
  The Ministry of Regional Development and Infrastructure of Georgia.

Additional initiatives and programs from development partners:

Apart from the previously listed governmental tools for entrepreneurship assistance and related initiatives, a number of other activities and programs from development partners are noteworthy. They significantly contribute to the growth of entrepreneurship throughout the country, including Imereti region, within the scope of their mandate and for during of the corresponding initiatives, specifically:

- ***EU4Business Facility*** *(Phase III)* focuses on efficient communication with potential beneficiaries and stakeholders regarding EU supported private sector development projects.
- ***„EU4Business: EAP Trade Helpdesk"*** surveys trade barriers, provides feedback to policymakers, enhances data collection, and prepares business support organisations to identify opportunities in the EU and the EaP region.
- ***„EU4Business – DCFTA SME Direct Support Facility"*** is a collaborative project that combines EU and EBRD funding to offer SMEs tailored financial and technical assistance.
- ***The EU and EBRD joint initiative "EU4Business – EBRD Credit Line"*** facilitates to receive funds from DCFTA-linked investments and provides technical support to improve global competitiveness. Upgrades to equipment, the implementation of new standards, and technological advancements might be funded.
- ***"EU4Business - EBRD Credit Line – Phase II"*** initiative is an essential instrument for supporting the growth and advancement of the SME sector, enabling it to take advantage of the opportunities provided by the DCFTA. Through a combination of EU grant financing, this project supports a variety of investments targeted at risk mitigation, SME investment incentives, and technical assistance.
- ***„EU4Youth: Youth Employment and Entrepreneurship"*** is an extensive and multifaceted initiative addressing youth employment and entrepreneurship issues in the Eastern Partnership area.
- ***EU4ITD -*** Catalyzing Economic and Social Life in PIRDP Regions: CESL project aims to stimulate income generation and to promote economic engagement in four pilot regions of PIRDP 2020-2022. This project will continue in the upcoming years under the new ***ITDP*** program.

- ***The EU funded initiative "Mayors for Economic Growth"*** contributes to increasing municipalities attractiveness to citizens and investors.

- ***The EU project "Women's Power"*** involves supporting women and girls for equal participation in the country's political and economic life.

- ***The EU funded project "Collaboration for Impact"*** aims to contribute to the development of a more favorable social entrepreneurship ecosystem in the Eastern Partnership region.

- ***"EU4Digital: Supporting Digital Economy and Society in the Eastern Partnership – Phase II"*** aims to extend the benefits of the EU's digital Single Market to EaP countries. This initiative focuses on leveraging EU support to fully realize the potential of the digital economy and society, as well as to foster economic growth, job creation, higher living standards, and improved business skills.

- ***The "Private Sector Development and Vocational Education and Training in the South Caucasus (GIZ) project*** increases the private sector's participation in vocational education and training.

- ***The USAID Agriculture Program*** supports Georgia's agricultural sector in raising production capacities, efficiency, and international quality standards. With a focus on important value chains including fruits, vegetables, herbs, and horticulture, it assists growers and processors in increasing added value by utilizing modern methods and establishing new market-based connections.

- ***The USAID Business Development Program*** helps over 30 small and medium-sized enterprises (SMEs) in high-potential industries to increase their capacity, profitability, and sustainability in the pandemic and post-pandemic economic environment.

- ***The USAID Industry-led Skills Development Program in Georgia*** trains professionals for high-demand sectors. It encourages relationships with the private sector, conducts training for 5,000 individuals, and stimulates corporate collaboration and inclusivity.

- ***The USAID "Green Economy Program"*** aims to modernize important economic sectors in Georgia and to create more employment possibilities nationwide. It prioritizes improving sector quality and environmental sustainability, in accordance with Georgia's climate change commitments and market norms. The program's estimated value ranges from $25 million and $49.99 million, with an anticipated launch date of late 2024.

IV. Development of Vision, Goals, and Objectives for Imereti Priority Domains

4.1. Integrated Vision of Smart Development of the Region and Its Implementing Methods

Integrated vision for Imereti region
The integrated vision for Imereti region is to become a leader in sustainable economic growth through smart development of priority sectors. Priority domains in the region create stable jobs, diversify products, raise export volumes, and improve product quality and awareness. Businesses in the priority sectors actively apply research and development (R&D) and innovations, making them competitive both domestically and abroad. The region is famous for its sustainable food production, preservation of customs and values, while creating new and eco-friendly products. Due to extensive introduction of innovations and new technologies in production, fashion, style, and design, the region's textile, footwear, leather, and leather products are gaining popularity in Georgia and other important markets. In general, Imereti is committed to managing sustainable economic growth in the upcoming years by the active endorsement of its four priority domains and systematically promoting innovation and development within these sectors.

The priority domains for Imereti's smart specialisation are defined as:

- Mining of metal ores, manufacture of basic metals, and finished metal products.
- Manufacture of wood, products of wood, and furniture.
- Food industry (including agrobusiness, meat processing, and the HoReCa sector).
- Manufacture of textile, footwear, and leather products.

The smart development of the region and its priority domains is achieved through the **common (horizontal)** and **specific (additional)** policies:

1. On the one hand, by putting the relevant main goals and objectives into practice. This is done in accordance with the integrated vision of the region's smart development, by taking into consideration the **common (horizontal)** needs of all four priority domains.

2. On the other hand, comparable with each domain's development vision, **specific** needs are taken into account by implementing relevant additional goals and objectives.

Vision for the development of specific priority domain			
Mining of metal ores, manufacture of basic metals, and finished metal products	**Manufacture of wood, products of wood, and furniture**	**Food industry** (including agribusiness, meat processing, and the HoReCa sector)	**Manufacture of textile, footwear, and leather products**
Every year, the ferro-alloy manufacturers in the region expand their export sales volume. Innovative applications for mined coal have begun, and the domain industry offers stable employment. Companies in the region process 90% of the waste from mining. The utilisation of scrap metal by local businesses is no longer an issue. The instruments of the aid program for re-equipment of businesses that manufacture basic metal and finished metal products are already operational. 80% of the professions required for the domain are offered by higher education and vocational institutions in Imereti and other regions of Georgia.	The domain's sectors and sub-sectors continue to contribute significantly to the employment and GDP of the region. Research and development (R&D) and innovation growth have made the domain's businesses more competitive both domestically and globally. The domain's businesses provide stable employment and expand their production and export volume by 5% annually, while the research centers in the region greatly broaden the scope of activities related to the use of wood and wood products. The wood furniture manufactured in the region is regarded as having designs of an international level and made using innovative technology in the country.	Imereti is renowned for its innovative and knowledge-based approaches to food production, which include the sustainable production of herbs, vegetables, and meat products. It produces new, environmentally friendly, and highly recognized food products while maintaining traditions and values in food production.	In Georgia and other markets, there is a growing trust in the textile, footwear, leather, and leather items produced in the region. Innovations are extensively included into the production of textiles and leather goods, as well as fashion, style, and design. The need of industry and research are now better aligned.

4.2. Common Goals and Objectives for the Development of Priority Domains of the Region

Goal 1: Enhancing the competitiveness and productivity of enterprises

This goal is driven by the need to foster development, innovation, and productive collaboration in relevant fields. Imereti intends to establish a successful business ecosystem by promoting the use of modern tools, technologies, and innovative approaches as well as by encouraging evidence-based decision-making, knowledge exchange, and cooperation between enterprises. Furthermore, enhancing community's infrastructure and supporting women to start their own businesses will foster to create a friendly business environment. Establishing a sustainable forum for public-private dialogue will improve systemic collaboration and address challenges. Combining of initiatives taken in these aspects will enhance the competitiveness and productivity of domain businesses, which will ultimately contribute to long-term regional economic growth.

- Objective 1.1. Encourage domain businesses to actively adopt and apply modern equipment, tools, and technology, as well as contemporary management and development techniques.
- Objective 1.2. Promote evidence-based, long-term decision-making in the areas of supply and demand and labor market related to domains.
- Objective 1.3. Facilitate and popularize collaboration and knowledge sharing among domain enterprises tailed to common needs.
- Objective 1.4. Enhance local small-scale infrastructure to foster the growth of domain businesses and improve conditions for academic and research institutions.
- Objective 1.5. Encourage the growth of women's entrepreneurship in domains.
- Objective 1.6. Establish a permanent forum for public-private dialogue.

Goal 2. Diversification of goods and service chain components

This approach aims to make domains more competitive and attractive by establishing a dynamic and diverse environment for the domains' product and service chain components. This opportunity is certainly offered by the unique potential of the region.

- Objective 2.1. Promote greater diversity of locally manufactured domain products and service chain components.

Goal 3. Enhancing the efficiency of assisting state initiatives and services
(by potentially modernizing, adapting, and/or integrating new components in a way that would facilitate the development and advancement of domain business, their re-equipment, financing enterprise research, and the implementation of more specialized educational initiatives).*

Implementing the smart specialisation method successfully requires improving the effectiveness of state programs and services that support the region's priority. Through the execution of relevant activities, the environment will be established in which companies, business support organisations, researchers, and employees will collaborate to accomplish objectives and promote the sustained development of domains. To achieve this, present state programs will give more emphasis on the needs identified by the domains and the region, and territorially tailored innovative components supporting the domains will be introduced. Effective resource allocation and informed decision-making will be achieved through the utilisation of labor market information system data and statistical accounting. Streamlining administrative procedures and promoting digital transformation will improve access to governmental electronic services.

- Objective 3.1. Enhance the overall impact of relevant programs by making them more relevant, innovation, and effectiveness for regional businesses, researchers, and workers.
- Objective 3.2. Further advance statistical accounting of enterprise activity.
- Objective 3.3. Further expand the availability of state electronic services.
- Objective 3.4. Further develop the labor market management information system and related services.
- Objective 3.5. Review the regulations (by-laws) pertaining to domain development.

Goal 4. Establishing and strengthening collaboration across entrepreneurial, educational, and research organisations

Collaboration between entrepreneurial, educational, and research entities is essential for innovation, sharing of knowledge, and successful economic stimulation in domains. Domain development was supported by the establishment and strengthening of synergy and cooperation amongst key stakeholders. Research institutes and domain businesses will exchange knowledge, resources, and research findings through systematic cooperation. Employing locals, enhancing domain-specific education and training possibilities, and aligning the quality of education with requirements are also crucial.

- Objective 4.1. Promote more organized collaboration between domain companies and research institutes in Imereti region.
- Objective 4.2. Strengthen the framework for cooperation between domain businesses and researchers.
- Objective 4.3. Expand the opportunities and accessibility of the training and education required for the domains.
- Objective 4.4. Raise educational quality and professional skills in the artisan industry.

Goal 5. Expanding the product diversity, entering into new markets, and sales

Increasing product diversity, breaking into key markets, and growing sales are critical for sustainable domain growth. This requires fostering the expansion of product assortment across the domains, promoting business innovations and offering diversity, along with creating fresh and interesting products that satisfy market demands. In keeping with the digital era, systems that will increase market accessibility and enable online transactions must be developed in order to support the growth of e-commerce. To attract investment and foster cooperation, local entrepreneurs should strengthen their links with foreign or local investors

.

- Objective 5.1. Encourage the diversification of products made within domains.
- Objective 5.2. Support the growth of domain-manufactured product sales in both domestic and foreign markets.
- Objective 5.3. Support the development of e-commerce.
- Objective 5.4. Strengthen connections between regional entrepreneurs and foreign and local investors.

4.3. Specific Goals and Objectives

Within the framework of this document, in additional to the general (horizontal) goals and objectives stated above, the following specific (additional) goals and objectives are taken into consideration under the vision for development of each priority domain:

4.3.1. Domain 1: Mining of Metal Ores, Manufacture of Basic Metals, and Finished Metal Products:

Goal 6. Reducing waste and efficient reuse by regional businesses

The waste reduction and efficient utilisation of current resources are critical for the further development of the domain and the region as a whole. Implementing innovative and responsible waste reduction strategies will minimize the quantity of waste produced by domain businesses and encourage waste reuse and recycling. Reduced emissions and environmental effect can be achieved by implementing clean industrial technologies and procedures. Raising stakeholder awareness of the value of environmental sustainability and resource efficiency will foster a culture of accountable conduct and guarantee a more viable future for the region.

- Objective 6.1. Encourage waste reuse or recycling in addition to reducing waste produced by domain enterprises.
- Objective 6.2. Promote the use of clean production methods and practices in the metal production industry to cut emissions.
- Objective 6.3. Increase public and stakeholder awareness of the significance of environmental sustainability and resource efficiency.

Goal 7. Encouraging the adoption of innovative technology and procedures within enterprises

An essential component of domain enterprises' development, both inside the domain and throughout the region, is to support the application of innovations (product, service, and process) as well as technical renewal and re-equipment. In order to make the effective decisions considering the current obstacles, it is crucial to evaluate the technology requirements and gaps in businesses, identify innovations and areas for development, provide appropriate support mechanisms, and establish a favorable environment. Additionally, establishing a collaborative platform involving technology suppliers and policymakers would foster exchange of knowledge and facilitate the proactive implementation of innovations.

- Objective 7.1. Evaluate the technological needs and gaps of domain enterprises in order to identify areas that require innovation and improvement.
- Objective 7.2. Offer support to domain enterprises to invest in innovative technology and procedures.
- Objective 7.3. Encourage the establishment of a collaborative platform between domain enterprises and technology suppliers, with an aim of assisting decision-makers.

Goal 8. Promoting the region's mineral mining operations to increase added value and processing

Improving the processing method and raising the added value of the minerals extracted in the region are crucial for the domain's further development. To accomplish this, more extensive use of cutting-edge mining technologies is required. Current issues should be communicated to all stakeholders involved. Cooperation amongst local residents, processors, and miners of minerals has major practical implications, since it will facilitate the adoption of a participatory decision-making process.

- Objective 8.1. Use of advanced technologies in mineral processing.
- Objective 8.2. Encourage dialogue among miners and processors of minerals, and the population.

4.3.2. Domain 2: Manufacture of Wood, Products of Wood, and Furniture

Goal 9. The growth of business yards in the region

The domain businesses expressed a particular interest during the EDP in establishing new business yards in relevant municipalities and expanding their service areas. Further decisions should be based on relevant research, the possibility of growing business yards should be evaluated, and users' understanding of the yard capabilities should be raised. By increasing collaboration between business yards and all parties involved, business yards will be able to provide more services to their customers, which will ultimately improve the productivity and competitiveness of the domain.

- Objective 9.1. Identify the growth potential of business yards.
- Objective 9.2. Encourage collaboration with the National Forestry Agency, educational organisations, and other domain stakeholders.
- Objective 9.3. Increase public knowledge advantages and opportunities of business yards.

Goal 10. Waste management, efficient utilisation, and improving processing procedures by enterprises

The EDP demonstrated Imereti's potential to manufacture and export valuable goods made from recycled wood products. One of the key responsibilities for domain development and ecology is building waste management infrastructure and continuously strengthening such procedures. In turn, increasing awareness of the value of a safe working environment encourages more effective and responsible management of businesses in the domain.

- Objective 10.1. Ensure waste prevention, segregated collection, and appropriate recovery and disposal within domain enterprises.
- Objective 10.2. Encourage the establishment or upgrading of waste management infrastructure, such as recycling facilities and collection points.
- Objective 10.3. Improve understanding of labor regulations.

Goal 11. Promoting the manufacture of wood products and furniture

The region's potential for manufacturing wood products and furniture can be utilized more effectively. By focusing on the production of handcrafted wood items, this document aims to advance craftsmanship, creativity, and innovation in the domain.

- Objective 11.1. Expand the manufacturing of handcrafted wood products.

4.3.3. Domain 3: Food Industry (Including Agribusiness, Meat Processing, and HoReCa Sectors)

Goal 12. Enhancing the competitiveness of the regional food industry through the adoption of sustainable production methods and innovative products

In order to improve the local food industry's competitiveness, it is necessary to make improvements to the current situation, identify prospective growth areas, and explore the feasibility of developing new local food products. The use of environmentally clean technology and practices in food production, packaging, and distribution is crucial to the long-term viability of the regional food sector. The increased demand for organic products from consumers will be satisfied by expanding and diversifying the production of organic items and enhancing their accessibility.

- Objective 12.1. Determine strategies for improving the current situation and growth opportunities within the local food sector.
- Objective 12.2. Identify new local food products and business potential.
- Objective 12.3. Apply environmentally clean technology and practices in food production, packaging, and delivery.
- Objective 12.4. Promote the increase in production, diversification, and accessibility of organic products in the region

Goal 13. Improving services in the HoReCa sector

Improving the quality of services in the HoReCa sector is crucial for the growth of the food industry. As such, the document highlights the importance of HoReCa and local food producers' collaboration. Together with standard offers, the HoReCa industry should be able to offer customers dietary and other specialized cuisine. Additionally, high-quality locally produced ingredients should be used in menu items. Increasing consumer knowledge of the industry's distinctive culinary experiences and services will promote the growth of HoReCa in the region.

- Objective 13.1. Encourage collaboration between HoReCa industries and regional food producers to use premium, locally sourced ingredients in menus.
- Objective 13.2. Assist the HoReCa sector provide a range of dietary preferences and trends, as well as innovative and varied food offerings.
- Objective 13.3. Increase awareness of the unique gastronomic offerings and experiences in the region's HoReCa sector.

Goal 14. Improving sustainable meat production methods in Imereti region to satisfy local food market demands

The method ensures the development of applicable and innovative products by creating a variety of ready-made dishes and specialized products. It diversifies meat products by producing various prefabricate dishes and specific goods. Through increasing the variety and availability of meat products, taking into account the diverse preferences of consumers, and raising the overall competitiveness within the local food industry will facilitate the growth of the meat processing sector in the region.

- Objective 14.1. Increase the variety of meat products through the development of ready-made meals and specialized items.

Goal 15. Increasing the production and use of local herbs in the food industry

Cultivation of herbs is one of top industries for Imereti region. It is essential that the local food sector use more herbs. To add value to this industry, post-harvest herb treatment and processing technologies and procedures should be enhanced. Consequently, this will encourage the growth of sustainable farming methods within the region.

- Objective 15.1. Enhance post-harvest methods for processing and preserving herbs, and support the production of goods with added value.

4.3.4. Domain 4: Manufacture of Textile, Footwear, and Leather Products

Goal 16. Expanding the product market by focusing on certain niches and enhancing quality

Increasing the competitiveness of domain enterprises and their ability to access new markets is crucial for the growth of the textile, footwear, and leather goods market in Imereti. The smart specialisation approach helps them in improving product quality and developing new products for new markets, primarily the Caucasus region market, through a set of activities required for production development. This involves fostering innovative and collaborative methods, putting safety and quality standards into practice, and reinforcing quality control systems. Moreover, raising consumer awareness will be essential for demonstrating the value and benefits of domain enterprise.

- Objective 16.1. Support the growth of textile, footwear, and leather goods industries in Imereti to create distinctive items for the market in the Caucasus region initially.
- Objective 16.2. Enhance innovative and collaborative methods in the manufacturing process.
- Objective 16.3 Establish and put into practice international, safety, and quality standards for local production.
- Objective 16.4. Strengthen quality control and assurance systems.
- Objective 16.5. Increase consumer awareness of domain enterprise products.

4.4. Key Target Benchmarks

Following the successful implementation of this document and the corresponding action plans (baseline year: 2023) the following primary target indicators are expected to be reached by 2030:

- A 15% rise in turnover of enterprises in priority domains.
- A 10% rise in productivity of enterprises in priority domains.
- A 15% rise in the added value of enterprises operating in priority domains.
- A 15% rise in export volume of priority domains[25].
- A 20% rise in collaboration between businesses in priority domains and educational and research institutions.

[25] domain 4 – Manufacture of textile, footwear, and leather goods

V. Implementation and Coordination

The current draft document will be submitted to the Government of Georgia for approval in compliance with the procedure set forth by Georgian legislation. The Ministry of Regional Development and Infrastructure of Georgia will serve as the coordinating agency for the execution of this document. The applicable action plan, which specifies the approved accountable responsible agencies and relevant resources for fulfilling particular tasks and activities, provides the primary mechanism for its implementation.

The plan outlines the agencies' responsibilities to perform specific activities, as well as the action plan itself. Whenever multiple agencies be assigned as accountable for carrying out a particular activity defined in the action plan, the primary agency in charge will be the one stated first in the applicable list. Supporting agencies will help the relevant state authorities carry out their functions within the authority that current legislation provides them.

The primary responsible agency has an authority to form working group(s) and coordinate their activities for completing tasks, involving supporting and/or other responsible agencies.

The implementation term for this document is 2024-2030. For its execution, corresponding action plans are developed and specified.

Both this document and its related action plans are subject to renewal, and relevant modifications will be made in response to issues that arise during implementation. The implementation of the action plan is funded by the state budget of Georgia, with additional funding provided by development partners and partner countries.

VI. Monitoring and Evaluation

Monitoring and evaluation are essential components of the planning document implementation process, therefore the outcomes of implementation will be evaluated annually using its indicators.

The European Integration Department of the Ministry of Regional Development and Infrastructure of Georgia monitors the progress towards achieving the outcomes defined in this document's objectives and coordinates the implementation of the actions outlines in the action plan. To gather information, the relevant monitoring process begins concurrently with the implementation of the activities. Along with carrying out the activities, accountable agencies gather, organize, and sort information and evidences regarding the activities they perform. They eventually submit these materials to the Ministry of Regional Development and Infrastructure of Georgia in the form of status reports. The Ministry examines the received data and prepares an annual report based on it. The annual monitoring report includes the basic factual information regarding completed activities and implementation level. The Ministry of Regional Development and Infrastructure of Georgia may, prior to the deadline, request data from the appropriate state agency(ies) about specific activities as outlined in the action plan. Monitoring reports are submitted to the Government of Georgia in compliance with the rules established by Georgian legislation.

The last phase of the implementation cycle involves evaluation of the planning document implementation in terms of its efficiency, completeness, and success. The evaluation primarily focused on assessing long-term results and the execution of the activities specified by the action plan. It also provides data regarding the accomplishment of specified goals and the fulfillment of relevant tasks. Based on annual monitoring reports, the Ministry of Regional Development and Infrastructure of Georgia has an option to evaluate the document's overall success or only one or few of its goal accomplishment if particular shortcomings are identified in a specific direction. In this case, the evaluation of the goals and objectives of the planning document should be completed within 3 months after the publication of the annual monitoring report.

The final evaluation report, together with conclusions and recommendations, will be prepared in compliance with the procedure set forth by Georgian legislation and submitted to the Government of Georgia.

VII. Reference List

1. **„Mapping of Smart Specialisation in Georgia: Economic and Innovation Potential for Imereti Region".** Prepared by Hugo Hollanders, an independent expert under contract with the EC Joint Research Centre, July 23, 2020.[26]

2. **„Patent and Scientific Publication Analysis: Georgia and Imereti region".** EC Joint Research Centre. December 10, 2020.

3. **"Qualitative Analysis for the Smart Specialisation Strategy of Imereti Region".** Z.Archuadze, Z.Tchelidze. Report prepared based on a contract with the EC Joint Research Centre (JRC), 2022.[27]

4. 2020-2022 Pilot Integrated Regional Development Programme (**PIRDP**). [28]

5. Analysis of Territorial Disparities in Georgia.[29]

6. 2018-2021 Regional Development Programme of Georgia (**RDP**).[30]

7. 2015-2017 Regional Development Programme of Georgia.[31]

8. Imereti Regional Development Strategy - 2014-2021.[32]

9. **Harmonisation Plan** for 2022-2027 for the gradual implementation of Eurostat NUTS classification of regional statistics in Georgia.[33]

10. Report on the use of Eurostat NUTS methodology in Georgia, its practical results and needs.[34]

[26] https://www.mrdi.gov.ge/files/1/Mapping%20Economic%20and%20Innovation%20potential%20in%20Imereti.pdf
[27] https://www.mrdi.gov.ge/files/1/Qualitative%20mapping%20for%20Imereti%20region%20Smart%20Specialization%20Strategy%20(S3).pdf
[28] 2020-2022 Pilot Integrated Regional Development Programme (PIRDP).
[29] https://www.mrdi.gov.ge/files/1/Juna58uQ5ecloYSPpF7b2LzvN0mTfleJGsjycbqC.pdf
[30] https://www.mrdi.gov.ge/files/1/2018-2021_regional_development_programme_of_georgia_unofficial_translation.pdf
[31] https://www.mrdi.gov.ge/files/1/01_32.pdf
[32] http://imereti.gov.ge/res/docs/strategia.pdf
[33] https://mrdi.gov.ge/pdf/642ec61571500.pdf/Harmonization%20Plan%20for%20NUTS_GEO%20%28050423%29%20-FINAL!.pdf
[34] Report on the use of the Eurostat NUTS methodology in Georgia, its practical results and needs.

VIII. Annexes

8.1. European Commission Framework Methodology for the Development of S3 Policy Document (EC-JRC)

Phase	#	Process type	Justification	Role of national/regional administration
thDevelop institutional capabilities	**1. Decision to launch smart specialisation process**			
	1.1	**Formal request**	The country shall formally declare its intention to create a smart specialisation strategy. Based on the assessment of readiness, the level of support will be determined.	Prepare and submit a request
	1.2	**Context analysis – country's specific features**	The context analysis will include fundamental data about administrative and political issues as well as the degree of development of the country/region.	
	1.3	**Dialogue with public administration**	A dialogue with the public administration is a technical step that enables establishing the form of cooperation and the preliminary roadmap.	Identify appropriate representatives
	1.4	**Awareness raising activity**	Awareness raising activity can be directed towards internal or external stakeholders, depending on needs, and aimed at explaining the advantages and benefits of the smart specialisation method	Make plans for logistics and invite participants
	1.5	**Establish national / regional S3 team(s)**	The national/regional team should include the following members: • Representatives from every ministry or departments with a mandate of regional policy, scientific and innovative policy. and economic growth. • Officials from the national patent office Sakpatenti • External stakeholders (business, research, and NGO representatives)	Meeting of the team/teams
	1.6	**Participate in S3 training**	Training is organized by the Joint Research Centre (JRC) based on the needs. It provides management and structural training for S3 teams at the national and regional levels for the strategy development process.	Send delegates
	1.7.	**Agreement with EC Joint Research Centre (JRC)**	The agreement with the EC Joint Research Centre (JRC) offers a roadmap, mutual obligations, and criteria for collaborative efforts and evaluation of the final document.	Co-drafting and signing of the agreement
Phase	**#**	**Process type**	**Justification**	**Role of national/regional administration**
	2. Analysis of strategic mandates			

Institutional capacity building	**2.1**	**Overview of current S3 policies and relevant priorities**	The purpose of this stage is to identify the economic, scientific, or innovative priorities and domains in the strategies and policies, as well as the tools needed to put them into practice.	Overview of strategies, policies, and tools
	2.2	**Determine S3 role in the strategic framework**	The national/regional S3 team should determine how to adopt the smart specialisation strategy, in coordination with other relevant policies	Decision-making
	2.3	**Define the national / regional S3 dimension**	The S3 territorial dimension should be decided upon based on the size and scope of the country as well as the current sub-national administrative structure; if appropriate, a regional approach is strongly advised.	Decision-making
Diagnostics (mapping)	**3. Analysis of current economic, scientific, and innovation potential (quantitative)**			
Diagnostics (mapping exercise)	**3.1**	**Provision of statistical data**	Quantitative mapping requires the following data: **- Industrial sub-sectors** (NACE rev. 2, 3 or 4 digits, 5-10 year period): • Employment • Added value • Number of businesses • Wages • Share of innovative companies (CIS indicators) **- Product groups or sub-sectors:** • Export **- Field of science** • Academic publications • Patents **- Education profile:** • Number of students / graduates of vocational training institutions • Number of students / graduates of higher educational institutions • STEM (Science, Technology, Engineering, Mathematics) graduates. *Data shall be submitted by the National Statistics Office and the National Patent Agency Sakpatenti*	Planning for data delivery
	3.2	**Mapping of economic, innovative, and scientific potential**	Mapping denotes the statistical analysis of the strengths and specialisations concerning its potential for economics, innovation, and science. Its objective is to identify smart specialisation pre-domains based on expert opinion of three distinct types. The appropriate mapping methodology is provided by the Joint Research Centre (JRC).	Support data collection, provide additional sources, and offer process consulting
Diagnostics (mapping)	**3.3**	**Create a group of local experts**	Working with an international specialist, a group of local experts understands the methodology and modifies it to fit the demands and profile of the country. It is composed of academics with backgrounds in	Identify local experts and ensure their engagement

			economics, economic geography, scientometrics, and patent analysis.	
	3.4	**Additional studies**	Additional studies enhance knowledge of priority domains. These could include international benchmarking (study of competitors' activities and use of the best practices), value chain analysis, recognized comparative advantages, and other relevant topics.	Identify current studies that could be helpful or conduct new research
	3.5	**Consulting with interested parties**	Consult with internal and external stakeholders regarding the mapping outcomes. All ministries and departments with the capacity to assess potentials are considered internal stakeholders. Representatives from industry, academy, and non-governmental groups in pre-established smart specialisation domains are considered external stakeholders.	Organize consultations and invite relevant stakeholders
	3.6	**Publish report**	Smart specialisation process should be transparent. At least, the electronic version of the mapping report should be made available to the public. It should be accessible through the S3 portal in English. The document should be translated into the local language, if necessary.	Publish the report online and make the S3 platform available in electronic format
	4. In-depth analysis of the priority domains (qualitative)			
	4.1	**Expert assessment of mapping results**	To overcome the constraints of current industry and scientific groups and identify the actual sectors and value chains they represent, a qualitative assessment of the data is required. Priority domains should include specific value chains, challenges, and trends. This can be carried out using **in-depth interviews, focus groups** or **case studies** together with industry experts, researchers who work with businesses, and specialists representing the largest companies. When it comes to interviews, a minimum of 10 to 15 key organisations should be included for each of the previously determined priority domains. The outcome of this analysis is a better definition the initially prioritized domains for the entrepreneurial discovery process.	Organize qualitative research
	4.2	**Publish report**	Smart specialisation process should be transparent. At least, the electronic version of the qualitative review report should be made available to the public. It should be accessible through the S3 portal in English. The text should be translated into the local language, if	Publish the report online and make the S3 platform available in electronic format

			necessary, and published together with the mapping report.	
	4.3	**Select the priority domains for the Entrepreneurial Discovery Process (EDP)**	Following the quantitative and qualitative analysis, priority domains for the EDP should be determined by a **joint panel** comprising the national smart specialisation team, experts and members of the Joint Research Centre (JRC).	Organize a panel and invite experts
Stakeholder dialogue	**5. Entrepreneurial Discovery Process (EDP)**			
	5.1	**Training of Entrepreneurial Discovery Process (EDP)**	The training for EDP coordinators and facilitators is organized by the Joint Research Centre (JRC) to prepare local coordinators and facilitators (moderators) for Entrepreneurial Discovery Process (EDP). The coordinators represent national teams of smart specialisation, while the facilitators are both experienced moderators and skilled business professionals.	Select and mobilize **coordinators and moderators**
	5.2	**Identify stakeholders for each priority domain**	It is necessary to identify relevant stakeholders for every priority domain. Key players in **value chains**, **innovative companies, members of clusters, Chamber of Commerce** and **other business associations**, as well as academic institutions and allied organisations, fall under this category. These can be identified through desk research, interviews, and network analysis of scientific and innovative collaborations.	Coordinate the identification exercise
	5.3	**Plan and working guidelines for the Entrepreneurial Discovery Process (EDP)**	The Entrepreneurial Discovery Process (EDP) needs to have well-defined guidelines for participation and decision-making before it is formally launched. They ought to be shared with the working group members either together with the invitation or during the initial meeting. Since the Entrepreneurial Discovery Process (EDP) consists of a sequence of workshops that are frequently conducted in various regions, a plan must be created and communicated with the participants.	Define and communicate work procedures and plans
	5.4	**Define working groups for the Entrepreneurial Discovery Process (EDP)**	Working groups should properly represent the value chains that have been identified in the qualitative research for each priority domain, as well as relevant domain researchers, mediators, and the government agencies that operate in the priority domain. Each working group should	Invite and mobile working groups members

			have a minimum of 50% company representatives.	
	5.5	**Entrepreneurial Discovery Process (EDP) workshops**	For every priority domain, a set of workshops ought to be arranged. The following is the result of the Entrepreneurial Discovery Process (EDP) workshops: • Entrepreneurial Discovery Process (EDP) opening conference where all priority domains will be presented • SWOT analysis • Future vision and proposed final domain name • The policy mix, which includes indicators with targets and activities	Logistical arrangement of work meetings
	5.6	**Integrate the Entrepreneurial Discovery Process (EDP) in S3**	The smart specialisation strategy/policy document should primarily rely on the outcomes of the Entrepreneurial Discovery Process (EDP). Coordinators and facilitators should collaborate with one another in order to ensure that written summaries of the workshops are prepared and the participants agree with them.	Coordinate written findings
Institutional capacity for implementation	**6. Create a monitoring, implementation, and financing system**			
	6.1	**Monitoring manual**	Monitoring guidelines will be presented to the National Smart Specialisation Team at the meeting with the Joint Research Centre (JRC). This relates to the creation of indicators and reporting rules.	Arrange a meeting on guidelines
	6.2	**Monitoring system design**	The National Smart Specialisation Team will create indicators and set up a monitoring system in compliance with the guidelines that were provided.	Create S3 monitoring system
	6.3	**Implementation and financing manual**	During a meeting with the Joint Research Centre (JRC), the National Smart Specialisation Team will get implementation and funding guidelines. This refers to the organisational and financial arrangements required for successful implementation.	Arrange a meeting on guidelines

	6.4	**Implementation system design**	The S3 organisation and finance plan will be prepared by the National Smart Specialisation Team in compliance with the received guidelines.	Design the S3 implementation system
Final strategy	**7. Create the S3 strategy document**			
	7.1	**Create the S3 strategy document**	The National Smart Specialisation Team will develop a draft S3 strategy, encompassing the following: mapping outcomes, description and justification of priority domains, SWOT analysis, future vision, short-term and strategic goals, action plans, monitoring, evaluation, and implementation systems, as well as funding sources.	Create a draft S3 strategy
	7.2	**Consultation with interested parties**	A review of the final draft should be arranged with the working groups of the Entrepreneurial Discovery Process (EDP) and a wider range of stakeholders for regional or national innovation systems. This could be carried out during the closing conference.	Arrange the consultation process
	7.3	**European Commission (EC) approval**	The National Smart Specialisation Team will apply to the European Commission to get the S3 strategy approval. Modifications will be made if required.	Submit the document for approval
	7.4	**Formal approval**	The S3 strategy will be formally approved by the relevant authorities. Shortly after, the implementation process ought to begin.	Start the approval procedure

8.2. Methodology for Quantitative Analysis

Methodology for mapping economic potential

The objective of mapping a region's economic potential was to identify industries with both current strengths and a potential to drive economic transformation. For the economic mapping, three-digit NACE data from the Statistical Survey of Enterprises, has been employed for number of employees and average wages. The analysis covered both a static ('proven strengths') and a dynamic ('potential strengths') analysis to identify industries where regions have or expected to have a **critical mass** of economic activities and specialisation,

Static analysis

The following criteria were used to identify industries with current economic potential:

- Critical mass ('size'): specialisation (see next criterion) is not a sufficient criterion to identify industries with an economic potential, as too small industries, with only a very small weight in the regional economy, are less relevant for developing and implementing policies. The absolute size of industries matters and industries' size or 'critical mass' is measured by the share of employees in that industry in the region: 0.

  $cm_i = e_i / e$

  - where,

  cm_i = critical mass or relative volume of industry / in the regional economy
  e_i = number of employees in the industry / in the regional economy
  e = total number of employees in the regional economy

- Specialisation: measures if, in relative terms, an industry is more important for the regional economy than it is for the national economy. Specialisation is measured using Location Quotients (LQ), which are defined as:

  $LQ_i = (e_i / e) / (E_i / E)$

  - where,

  LQ_i = location quotient for industry / in the regional economy
  e_i = number of employees in industry / in the regional economy
  e = total number of employees in the regional economy
  E_i = number of employees in industry / in the national economy
  E = total number of employees in the national economy

  An LQ above 1 shows an above average concentration in the industry, i.e. the share of employment in that sector in the region is higher than the share of employment in the industry in Georgia. An LQ below 1 shows a below average concentration in the industry, i.e. the share of employment in that industry in the region is lower than the share of employment in the same industry in Georgia.

- Average wage ('productivity'): average wage per employee (calculated as the ratio of Total remuneration paid to employees and Number of employees) is used as an additional criterion for selecting industries with an economic potential. Industries with close to or above average wages are expected to contribute more to the economic development of a region. Average wages should be above a certain threshold compared to both average wages of all industries in the region and the average wages in the same industry for Georgia:

  aw_i = average wages in industry / in the regional economy
  aw = average wages in the regional economy
  AW_i = average wages in industry / in the national economy

The mapping exercise identifies industries as having a static economic potential or proven strength for which:

- The size is sufficiently high, i.e. above a pre-defined threshold value:

  $cm_i > X$

- Specialisation (LQ) is sufficiently high, i.e. above a pre-defined threshold value:

  $LQ_i > Y$

- Average wages are sufficiently high compared to average wages of all industries in the region:

  $aw_i > Z_1 * aw$

- Average wages is sufficiently high compared to average wages in the same industry in the country:

  $aw_i > Z_2 * AW_i$

The threshold values X, Y, Z1 and Z2 can be defined separately for each Georgian region to ensure that a representative number of industries is selected. There are no set rules for determining these threshold values, the most common practice is to start with threshold values which are also used in other studies and then to either use these if the number of selected industries matches policy needs, or to decrease a threshold if the number of selected industries is considered to be too small or to increase a threshold if the number of selected industries is considered to be too high.

Threshold values for Imereti are shown in Table 1. In order to identify industries performing strongly for most years and showing consistent performance for the 2013- 2018 period, industries should pass these thresholds for at least 5 out of 6 years of the 2013-2018 period and for the average of the 2013-2018 period. The thresholds for selecting industries are as follows:

- Industries should account for at least 0.1% of total employment in the region
- Industries with a degree of specialisation above 1.25 are considered to be specialized

- Industries with wages higher than 0.8 the level of average wages in the region are considered as performing close to or above the regional average
- Industries with wages higher than 0.6 the level of average wages in the same industry at the country level are considered as performing close to or above the industry average

Table 1 Threshold values used for the economic mapping of Imereti

Criteria	Threshold	Value	Time period
Critical mass	X	0.1%	For at least 5 out of 6 years AND for the average over 2013-2018 period
Degree of specialisation	Y	1.25 (specialised)	
Wages relative to Imereti	Z_1	0.8 (close to or above region average)	
Wages relative to national industry	Z_2	0.6 (close to or above industry average)	

Dynamic analusis:

Changes over time for the number of employees and average wages are estimated using the slope of a linear regression over the 2013-2018 period. The slope should be positive and statistically significant at the 5% significance level. To reduce the effect of sometimes high volatility of year to year data values, changes over time are measured using two year averages, i.e. the available time series for 2013-2018 have been transformed in a time series for 2014-2018, using the average of 2013 and 2014 for 2014, the average of 2014 and 2015 for 2015, etc.
An industry is identified as having a potential strength is both the number of employees and averages wages increase significantly between 2013 and 2018. For the degree of specialisation, average wages relative to Imereti, and average wages relative to the same industry in Georgia, no results for changes over time have been used due to the relatively small number of industries showing a positive and significant change for these variables.

Methodology for mapping innovation potential

For mapping the innovation potential, a different methodology has been employed as the survey on the *Innovative activity of enterprises* includes a smaller number of respondents and covers less years than the *Statistical Survey of Enterprises.*

Data preparation

The first step in the methodology is to calculate the required data. Three indicators have been calculated:

- Size, i.e. the percentage share of the number of enterprises in the industry (ideally this should be calculated using the employment data in the innovation survey, but employment data are not available in the database shared by GeoStat).
- Share of PPMO innovators, i.e. the share of enterprises with at least one product, process, marketing, or organisational innovation:
  - Calculate at firm-level if an enterprise has introduced at least one product, process, marketing, or organisational innovation.
  - Aggregate 2016-2018 firm-level results to the NACE two- or three-digit level using the weights in the database.
  - Calculate the share of PPMO innovators for each NACE two- or three-digit industry by dividing the number of PPMO innovators by the total number of enterprises in the same industry.
- Share of high-innovation intensive innovators, i.e. those PPMO innovators that introduced at least two different types of innovations (this indicator serves as a proxy for differences in innovation intensities):
  - Calculate at firm-level if an enterprise has introduced at least two different types of innovation, i.e. more than one product, process, marketing, or organisational innovation.
  - Aggregate 2016-2018 firm-level results to the NACE two- or three-digit level using the weights in the database.
  - Calculate the share of PPMO innovators for each NACE two- or three-digit industry by dividing the number of PPMO innovators with at least two different types of innovations by the total number of PPMO innovators in the same industry (the share of high-innovation intensive innovators and other PPMO innovators in each industry always adds up to 100 per cent.

Selection process:

Industries are selected having an innovation potential if they qualify the following three criteria:

- Confidentiality criterion: data for at least three enterprises.
- Size or critical mass criterion: the industry should represent at least 0.5% of all enterprises covered in the innovation survey.
- PPMO innovators: the share of PPMO innovators should be above the average for the region.
- High-innovation intensive innovators: the share of high-innovation intensive innovators should be above the average for the region.

Any industry passing all criteria will be identified as having an innovation potential. As the sample sizes of the innovation survey are relatively small[35] (in particular at the regional level, the analysis will be done using data for the 2016-2018 period, and not for the individual years in this time period.

[35] For Imereti the database includes results for 277 enterprises in 2016, 252 enterprises in 2017, and 337 enterprises in 2018 (unweighted results). Combined database includes results for 866 enterprises for 2016-2018.

8.3. Methodology for Analysis of Patents and Scientific Publications

Methodology for patent analysis

Patent analysis was conducted using the method described below.

1. **Patent data extraction**
   - Contained both patents and utility models. Utility models help in measuring the degree of innovation. To put it briefly, patents and utility models will be both referred to as "patents".
   - Primary data was obtained from the website of the National Intellectual Property Center of Georgia (Sakpatenti).
   - The entire database was transferred to Excel spreadsheet.
   - The first application was made in 1981.
2. **Data cleansing**
   - Location was identified using the owner's address and filtered based on Georgian or foreign regions.
   - Some patents were counted more than once when there were multiple owners.
   - For different designations, a common framework (homogenisation) of city, municipality, and region names was developed.
3. **Analysis of the Statistical Classification of Economic Activities in the European Community (NACE) using the International Patent Classification (IPC)**
   (a) International Patent Classification (WIPO IPC) codes are used by the World Intellectual Property Organisation to categorize patents.
   (b) The International Patent Classification (IPC) codes are compiled based on the Statistical Classification of Economic Activities in the European Community (NACE) categories using, Eurostat's correspondence table.
4. **Visualisation and Analysis**
   (a) Each component of data was connected and imported into an interactive data visualization platform (Power BI). (b) Analyses is prepared and graphs are compiled.

Methodology for Academic Publications Analysis

1. **Publication Data**
   - Bibliographic information for Georgian academic publications were obtained from the Web of Science website (alternatives like Scopus or Lens.org are also available).
   - Filters were used to exclude publications from the state of Georgia in the United States.
   - Appropriate time periods were selected for analysis; the data in this report is examined starting in 2000.
2. **Data Cleansing**
   - The origins of authors were selected based on organisation addresses and filtered by Georgian regions.
   - For different designations, a common framework (homogenisation) of city, municipality, and region names was developed.
   - A similar structure was also developed for organizations.

   Publication Subject Category in the Analysis of the Statistical Classification of Economic Activities of the European Community (NACE)
   (a) Publication subject categories were categorized based on similarity to International Patent Classification (IPC) codes, using Eurostat's correspondence table. This allowed for mapping of the categories to the Statistical Classification of Economic Activities in the European Community (NACE).
   (b) Multiple NACE codes were assigned to subject categories as a consequence of this analysis technique.
3. **Visualisation and Analysis**
   (a) Each component of data was connected and imported into an interactive data visualization platform (Power BI. (b) The interactive data visualization platform (Power BI) was used to create the visualisation.

.

8.4. Methodology for In-Depth Qualitative Analysis

The study consisted of two complimentary methods: **desk research** and **in-depth structured interviews.**
A detailed description is presented below.

Phase 1 - First Stage and Methodology Report

A methodological guidance and research framework made up the first state report. Local government representatives from Imereti region provided information about potential respondents, which was added to the list of respondents derived from the Statistical Business Register of the National Statistics Office of Georgia (GeoStat) in order to create the survey framework and identify the list of respondents. [36]

In the following phase of the study, project-related documents were reviewed and analyzed. These included the EC Joint Research Centre (JRC) report "On 'Smart Specialization' in Georgia: Economic and Innovative Potential of Imereti Region" and "Analysis of Patent and Scientific Publications, Georgia and Imereti Region", as well as other related reports and documents. These involved the Regional Development Program of Georgia for 2018-2021 (RDP), the Pilot Regions Integrated Development Program (PIRDP) for 2020-2022, the Imereti Region Development Strategy and other related reports and documents (as well as "Promoting Applied Research for Georgia's Regional Development - Functional Regions and Their Competitive Advantages", which was prepared within the framework of the GARF project). Relevant papers or studies about the pandemic's effects were also examined.

Phase 2 – Structured in-depth Interview

At this stage, the researcher used conducted a specifically designed questionnaire to conduct in-depth interviews. **85** respondents and stakeholders from various fields participated in in-depth interviews. Below is the list of selected business sectors (10 interviews with 5 "primary" domains and 8 interviews in additional domains) and other stakeholders:

1. Mining and production of basic metal products (10 interviews) – primary domain.
2. Manufacture of wood and products of wood (10 interviews) – primary domain.
3. Manufacture of meat and meat products, water and mineral water (10 interviews) – primary domain.
4. Services related to local tourism, hotels, and similar accommodation facilities (10 interviews) – primary domain.
5. Wholesale on non-agricultural intermediate products and other specialised wholesale (10 interviews) – primary domain.
6. Agriculture and related services (8 interviews) – additional domain.
7. Production of wearing apparel (8 interviews) – additional domain.
8. Machinery/devices and electrical equipment/apparatus manufacturing (8 interviews) – additional domain.
9. Universities, researchers, non-governmental organizations (7 interviews).
10. Government officials, public sector (7 interviews).
11. Business support organizations (2 interviews).

After the interviews a preliminary report was developed.

Phase 3 – Final Report

The main source for the final report was the findings from the interviews, which also included additional statistical data collected in addition to the results of desk research.

Market analysis of the identified sectors was carried out through the collection and analysis of official statistics and other administrative data. The primary sources of statistical data were findings of GeoStat of its quarterly business sector survey and foreign trade data. In addition, secondary data analysis was carried out to gather further information when needed and appropriate. To demonstrate the existence of a so-called "critical mass" in each designated sector, important trends and figures were examined. These included the number of companies, employees, and researchers as well as competitive projects in Horizon 2020 (H2020), joint national initiatives, and so forth.

[36] List of operating enterprises was obtained from the National Statistics Office of Georgia (GeoStat).

8.5. Methodology for "Entrepreneurial Discovery Process" (EDP)

Work meeting N (on each domain)	(Primary) contribution	Contents/Agenda topics	Outcomes
Work meeting No 1	• Final list of working group members • Results of qualitative analysis / practical version of SWOT analysis	• Introducing the EDP Management team • Meeting with the working group members • Discussion about working rules and suggestions (including those related to communication, planning meetings, and technical aspects) • Introducing results of qualitative analysis / practical version of SWOT analysis • Opinions, question and answer, and discussion	• Agreed guidelines for the work process • Initial working draft of SWOT analysis (to be completed before the next working meeting)
Work meeting No 2	• Practical version of the SWOT analysis from the first meeting • Description of the priority domain / business direction derived from the qualitative analysis report	• Further discussion and agreement around SWOT analysis • Submitting a suggested name and priority domain • Discussion	• Final / consolidated SWOT analysis of the priority domain • Final domain name, brief description, and definitions
Work meeting No 3	• The Best (model) practices / perspectives from other countries and regions • An overview of business directives / domain support tools in Georgia, together with a brief description (existing and planned tools)	• Presenting the best practice examples • Joint formulation of the „vision" • Brief overview of available support tools (current, planned, available) • A discussion of the optimal support mechanisms and opportunities, taking into consideration the SWOT analysis and the context of the formed "vision"	• Adopted / reconciled "vision" (stand-alone / self-sufficient, or in the context of S3, as part of region's broader vision) • A concise list of the most effective, relevant tools, and actions to carry out the approved vision
IV work meeting	• List of relevant indicators from public statistics • Project ideas to be pursued by the working group	• A brief overview of the indicators that are currently available from public (national, regional) institutions • Discussion about the selection of a limited number of indicators • Discussion about the project ideas of the working group	• A comprehensive list of indicators to assess progress in the priority domain • An indicative list of potential projects

8.6. Possible Value Chain Elements Identified by the EDP

Domain 1:

- Metal processing value chain:
  includes the processing and recycling of metal scrap and waste materials for metal extraction and production of recycled metal products. It involves activities such as: collection, classifying, shredding, melting, and refining to recover and reuse metals from waste goods and industrial waste.
  Gabions are one of the goods manufactured in Imereti as part of this chain that serves all of Georgia.

  Gabion production: Scrap collection; steel production; making metal wire; gabion construction.

Domain 2:

- As a post-primary processing (stand-alone) technological process, wood modernisation includes the following: wood impregnation/saturation, wood thermal treatment, and wood impregnation with various resins; products obtained by chemical treatment of wood *(paper, cellulose, monosaccharides, glucose, xylose, coal, alcohols, acids, resins, raw materials for pharmaceuticals and perfumery);* products obtained by biological treatment of wood - production of valuable fertilizer, such as humus; thermally treated wood, impregnated with various resins, other; semi-finished furniture products, such as Finger Joint panels and doors for interior and exterior use, Euro windows, beams and structures made from these panels; flooring materials; production of arbolite board; dryers; ovens; wooden houses/cottages; specialized design activities; chip/flake production; components for waste/biomass removal from business yards; and log drying/hydrothermal treatment.

Domain 3:

Food products and HoReCa sectors value chain:

- Collaboration between food producers, suppliers, and HoReCa establishments to obtain locally sourced, high-quality ingredients.
- Training and capacity development programs for HoReCa professionals to enhance their culinary skills and knowledge.
- Promotion of local gastronomy and culinary tourism to attract visitors.
- Development of innovative culinary concepts and menus using local ingredients.
- Collaboration with tourism stakeholders to create unique culinary experiences and events.

Domain 4:

- Development of product sketches; development/refinement of product design, model passports, and technological standards (with prototype production); selection of primary and secondary materials; procurement and transportation of primary and secondary materials; storage of primary and secondary materials; manufacturing, finishing, and labeling of products; packaging, storage, and utilization of production waste; marketing (brand stores, intermediary/wholesaler): local market, export;
- (Footwear) Product marking, packaging, and storage; primary materials for upper and lining; primary materials for sole inner and intermediate parts; bottom materials; secondary/supplementary materials upper (threads, glue, metal fittings); supplementary materials for sole; materials for finishing, marking, and packaging of products.

  - *Organization of production process:* Designers and constructors' section; primary materials storage; supplementary (volatile, flammable, toxic materials); preparatory section; supplementary operations section; semi-finished products section; and assembly section.
  - *The material-technical organization of the enterprise (footwear):* Equipment and machines for coordinate the work process of the designer-constructor; equipment for cutting and carving upper, sole, and supplementary parts; machines and equipment for joining upper parts.