

**Pilot Integrated Regional Development
Programme
for
Guria, Imereti, Kakheti and Racha Lechkhumi
and Kvemo Svaneti**

2020-2022

2019

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List of Abbreviations

ADB	Asian Development Bank
AR	Autonomous Republic
BTS	Built to Suit
CBC	Cross Border Cooperation
CC	Competence Centre
EAG	Expert Appraisal Group
EaPTC	Eastern Partnership Territorial Cooperation
EEAS	European External Service Action
EG	Enterprise Georgia
ENI	Eastern Neighbourhood Instrument
ENPI	Eastern Neighbourhood and Partnership Instrument
ERDF	European Regional Development Fund
ESPO	European Territorial Observatory Network
FDI	Foreign Direct Investments
GCI	Global Competitiveness Index
GEL	Georgian Lari
GEOSTAT	National Statistics Office of Georgia
GOVERNMENTAL COMMISSION	Government Commission for Regional Development
GDP	Gross Domestic Product
GERD	Gross Domestic Expenditure on Research and Development
GFA	Georgian Local Self-Government Financiers Association
GIPA	Georgian Institute of Public Affairs
GITA	Georgian Innovation and Technology Agency
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GVA	Gross Value Added
GoG	Government of Georgia
EU	European Union
HEI	Higher Educational Institution
HR	Human Resources
IB	Implementing Body
IBRD	International Bank for Reconstruction and Development
ICCA	International Congress and Convention Association
ICT	Information Communication Technology
IDA	International Development Association
IEO	International Entrusted Organisation
INTERCO	Indicators of Territorial Cohesion - ESPON
IT	Information Technology

LAG	Location Action Group
LED	Local Economic Development
LEPL	Legal Entity of Public Law
M4EG	Mayors for Economic Growth (EU Programme)
MC	Monitoring Committee
MESD	Ministry of Economy and Sustainable Development
MIDPLHS	Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia
MRDI	Ministry for Regional Development and Infrastructure of Georgia
NGO	Non-Governmental Organisation
OTS	On-the Spot
PIRDP	Pilot Integrated Regional Development Programme
PP	Project Promoter
PRAG	Practical Guide
R&D	Research and Development
RCC	Regional Competence Centre
RDF	Regional Development Projects Fund
RDP	Regional Development Programme
RIPC	Regional Investment Promotion Centre
SME	Small and Medium Enterprise
SPA	Sanitas per Aqua
SRNSF	Shota Rustaveli National Science Foundation
SSF	Single Support Framework
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TNA	Training Needs Assessment
TRACECA	Intergovernmental Commission Transport Corridor Europe – Caucasus – Asia
TTD	Technical and Tendering Documents
UFA	Urban Functional Area
UK	United Kingdom
UNDP	United Nations Development Programme
UNICEF	United Nations Children’s Emergency Fund
UWSCG	United Water Supply Company of Georgia
VET	Vocational Educational Training
WIMP	Water Infrastructure Modernisation and Development Project
WTTC	World Travel and Tourism Council

Chapter I. Introduction – background and justification. Geographical Coverage of the Programme

This draft of PRDP 2020-2022s presented for the consultation within Georgian Governmental Administration (central and regional level), municipal authorities and other development stakeholders including EU, other donors, civil society organisation, academic circles and private sector. Depending on the outcome of this consultation process as well as negotiations with the EU Commission, the content of the document, proposed implementation modalities and level of financing can be modified. It is expected that implementation of the programme can start in 2020 and last three years - until 2022. The programme will be financed by national public funds, EU contribution as well as financing provided by international donors, municipalities and private sector.

1.1. General background

Regional Development Programme 2018-2021 (RDP) adopted by the Government Decree №1292 of 11 June 2018 opened new era in regional policy in Georgia. RDP aims at contribution of regional policy to increasing overall national and regional competitiveness, balanced socio-economic development and the improvement of living conditions across the country, reducing regional disparities and increasing territorial cohesion. The Programme serves as a basis for identification of all development actions financed from budgetary and non-budgetary sources (including international donor and development partners assistance), which have clear territorial effect on Georgian territory and will be realised in all Georgian regions. One of the measures of the RDP is preparation of pilot integrated regional development programme(s) -PIRDP, which will ensure effective coordination between various sectoral and regional policy instruments, in line with SSF 2017-2020 provisions. Implementation of the PIRDP will directly contribute to the realisation of the medium-term objectives of RDP referring to promotion of economic growth exploiting Georgia's comparative advantages, sustainable development, rehabilitation and expansion of infrastructure and energy and communication networks and public utilities in an environmentally friendly manner as well as promoting social and territorial cohesion – creating equal opportunities for all citizens, irrespective of their social background and place of residence.

Through setting regional development goals, priorities and measures (details in chapter IV) and envisaging of setting modern, decentralised regional policy institutional framework, Georgia paved the way to start the implementation of integrated territorial development actions in line with EU standards as envisaged in the Association Agreement between the EU and Georgia signed in 2015. PIRDP is therefore one step ahead in this direction proposing implementation of comprehensive regional development actions of the total value of 63.75 million EURO for 3 years to increase competitiveness and cohesion **in four pilot regions of Georgia: Guria, Imereti, Kakheti, Racha-Lechkhumi and Zemo Svaneti**. PIRDP has a clear pilot and demonstration role – it will allow Georgian administration to practice implementation of the regional policy according to EU standard involving in the process of decision making and implementation local administration, CSOs, private sector and other groups of stakeholders. This approach is very much in line with ongoing in parallel works on the Decentralisation Strategy and detailed Action Plan (until 2025) aimed at empowering local authorities and building more decentralised system of policy making.

The realisation of the PIRDP will be supported by the UE, which under new EU4 Integrated Regional Development programme (currently in drafting) reserved up to 54 M EURO for supporting regional policy in Georgia. The Single Support Framework for EU Support to Georgia 2017 – 2020 (SSF Single Support

Framework) provides for focused interventions in specific regions of Georgia in order to maximize the impact of EU assistance and its geographical visibility. To achieve this goal, 4 priority areas (sectors) were set, in line with the revised ENPI and Associated Agenda. They are also coherent with the Eastern Partnership priorities set in the "20 Deliverables for 2020":

Sector 1 of the SSF has been defined as *Economic development and market opportunities, including smart, sustainable and inclusive economic growth* with the general objective being to contribute to reducing the trade deficit, promoting investment and innovation and fostering smart, sustainable and inclusive growth and resilience in Georgia and its regions, including market opportunities, business development, agriculture and territorial development. Among 5 specific objectives for the Sector 1, one relates directly to regional development policy objectives: *to promote the competitiveness of the country and its regions, balanced socio-economic development and improved living conditions throughout the country, reducing regional disparities and territorial development.*

To tackle specific regional development issues the SSF 2017 – 2020 foresees preparation and realisation of pilot regional development programme concentrating interventions in limited number of Georgian regions in order to enhance impact of EU support to Georgia and raise the visibility of this support to Georgian citizens. In each targeted region, the EU envisages the identification of ENPI support from several cross-instruments financed under various priorities of SSF 2017-2020. That would provide for more enabling environment to implement new pilot regional policy actions targeting specific socio-economic problems and potentials of regions. Consequently, the European Commission suggested that two or more Georgian regions featuring an unusual concentration of territory-specific development challenges and barriers paired with horizontal (common for all regions) obstacles and specific unused potential could benefit from the pilot interventions.

The PIRDP have a pilot character – it will be implemented in four planning regions: **Imereti, Kakheti, Guria, Racha-Lechkhumi** selected on the basis of the thorough analysis of their needs and potentials. **Instruments proposed for the realisation of the programme will go beyond the interventions used so far in Georgia's regional development programmes.** Due to limited resources and short implementation time (3 years) the PIRDP is to concentrate on tackling a limited number of identified, region-specific needs and potentials with expected highest value added for increasing growth and employment opportunities in the targeted regions in medium term perspective.

The PIRDP will create new platform for national, regional and local authorities as well other development partners to practice modern regional development policy: integrated approach to programming, efficient coordination of policies and funding sources in a specific territory. It will support the administrations of State Trustees and municipalities in enhancing capacities necessary for conducting activities aiming at improving socio-economic conditions of the specific territories and in gradual delegation of certain implementation tasks to the regional and local level, with active involvement of other stakeholders. Lessons learnt within the process of the implementation of the Pilot Programme will be used later in rolling-out development programmes in other regions.

The preparation of PIRDP was supported by the EU funded TA Project "Support to Regional Development Policy Implementation in Georgia, Phase II".

1.2. Selection of the regions

Georgia covers 2 autonomous republics - the Autonomous Republic (AR) of Abkhazia and Autonomous Republic of Adjara and temporary administrative territorial unit created on the former South Ossetia autonomous District and 10 statistical and economic-geographical planning regions: Samegrelo-Zemo Svaneti, Racha-Lechkhumi and Kvemo Svaneti, Imereti, Guria, Samtskhe-Javakheti, Shida Kartli, Kvemo Kartli, Mtskheta-Mtianeti, Kakheti and Tbilisi, which except Tbilisi do not have the status of administrative territorial unit. The regions are diverse with regard to their territorial, social and economic characteristics.

At the turn of 2017 and 2018 Report on Socio-Economic and Territorial Disparities in Georgia was developed by the Technical Assistance Team during the process of preparation of the RDP 2018-2021. Among the issues analysed, needs and potentials of 12 geographical planning regions of Georgia and their correlation with the national development factors were included. On the basis of the conducted analyses the RDP 2018 – 2021 proposed to choose one region from Western Georgia and one from Eastern Georgia for the pilot programme. First proposal was to choose two out of four regions: Imereti, Kakheti, Samegrelo – Zemo-Svaneti and Samtskhe-Javakheti. After further consultation within the Georgian Government and with the EU Delegation to Georgia finally four regions were proposed: Imereti, Kakheti, Guria and Racha-Lechkhumi and Kvemo Svaneti to be the subject of the Pilot Integrated Regional Development Programme (PIRDP). On August 27, 2018 according to Decree N 1713 of the Government of Georgia on Defining Pilot Regions under the Georgian Regional Development Program 2018-2021 adopted a decision on the selection of regions.

The chosen regions match well the pilot character of the programme and constitute good basis for testing in Georgia integrated instruments of modern regional development policy.

Chapter II. Socio-economic situation and development trends in the targeted regions

Guria, Imereti, Kakheti and Racha-Lechkhumi and Kvemo Svaneti are four of the total twelve administrative and statistical planning regions of Georgia being a lower-middle income country with a Gross Domestic Product per capita of 4,345 USD (2018)¹. It is located in the Southern Caucasus, at the crossroads of Europe and Asia, between the Black Sea and the Caspian Sea. Georgia is 69,700 km² in size and borders on the Russian Federation, Republic of Turkey, Republic of Azerbaijan and Republic of Armenia. Altogether, the country has 12 regions but Abkhazia AR and parts of Mtskheta-Mtianeti and Shida Kartli (provisional administrative-territorial unit is established on the territory) regions remain outside Georgia's administrative and political control thus leaving the size of the territory under the control of the Georgian Government at around 57,000 km².

Figure 1. Map of targeted regions of Georgia.



Although all four regions are characterized with some common factors such as for example low GDP per capita, low productivity and GVA, high unemployment rates, low density of population, at the same time Kakheti, Guria, Imereti, Racha-Lechkhumi and Kvemo Svaneti differ significantly from each other not only with regard to natural endowments but also with respect to territorial, economic and social cohesion aspects. While Kakheti is the easternmost part of the country, the three later territories form almost a meridional and functional macro region in the western and central part of Georgia.

The coverage of territorial and socio-economic aspects in this chapter is divided between the description of geography of the targeted regions and available indicators alongside qualitative observations organised in 6 policy-oriented territorial objectives or themes (ESPON, INTERCO):

¹ Preliminary data

- Local economies ensuring (global) competitiveness
- Innovative territories
- Fair access to services, market and jobs
- Inclusion and quality of life
- Attractive regions of high ecological values and strong territorial capital
- Integrated polycentricism

Geography and General Aspects - Introduction

The four regions covered under PIRDP **feature a remarkably diversified landscape, topography and climatic conditions** - from lowlands to high mountain areas with climate ranging from humid subtropical on the Black Sea coast (Guria and parts of Racha-Lechkhumi and Kvemo Svaneti) through moderate continental more in the centre of the country (Imereti) to dry continental in Kakheti. While the topography presents a challenge for communication, transport and accessibility, the climate provides wide range of opportunities for tourism and agriculture.

Kakheti has 11,735 km² in size and is the largest region in Georgia. Guria - on the contrary - with its size of 2,033 km² is the smallest one (not counting Tbilisi). Population-wise, Imereti is the largest with 507 thousand inhabitants (as of end of 2017) while Racha-Lechkhumi & Kvemo Svaneti is the smallest, hosting only 30.2 thousand residents. The table below provides the relevant data for all four regions.

Table 1: Size of territory and population in the pilot regions by 1 January 2018

Region	Area (km ²)	Population (,000)	Population Density (inhabitants/km ²)
Guria	2 033.2	110.5	54.4
Kakheti	11 375.0	314.7	27.7
Imereti	6 414.7	507.0	83.0
Racha-Lechkhumi and Kvemo Svaneti	4 600.0	30.2	6.5
4 Regions	24 422.9	962.4	39,4
Georgia	69 700	3729.6	53,5

Source: National Statistics Office of Georgia (Geostat), table was created from the regional portal of Geostat, <http://geostat.ge/regions/>.

The four regions combined have an area of 24,422.9 km² **making up 42.8% of the country's territory** (in relation to the size of geographical area under the control of the Georgian Government) **and** with 962.4 thousand of inhabitants **account for 25.8% of the country's population**.

Two regions - **Racha-Lechkhumi & Kvemo Svaneti and Kakheti border respectively on poor and very poor areas of Russia and Azerbaijan**. In addition to that these two regions have peripheral character with low quality and insufficient road networks. On the contrary, a major **TRACECA transport corridor (E-60 and E-70) traverses Imereti and Guria**, connecting Turkey and ports in Batumi and Poti with Kutaisi, Tbilisi and further with Armenia and Azerbaijan.

All the regions are predominantly rural - in Guria 71.4% of residents live in rural areas and settlements. This ratio in other regions is 51.1% in Imereti, 77.3% in Kakheti and 77.1% for Racha-Lechkhumi & Kvemo Svaneti.

Kakheti features low population density (27.7 inhabitants per km²) while Racha-Lechkhumi and Kvemo Svaneti with 6.5 inhabitants per km² is considered to be a very sparsely populated territory.

Like the entire country, all four pilot regions experience depopulation. Between the 2002 and 2014 census Guria's population declined from 125,3 thousand to 114.1 thousand, in Imereti the number of inhabitants dropped from 632.1 thousand to 538.2 thousand, in Kakheti - from 353.7 thousand to 320.1 thousand and in Racha-Lechkhumi & Kvemo Svaneti - from 44 thousand to 32.7 thousand.² Thus, the smallest pilot region lost 25.6% of its inhabitants and the number is still on the decline.

Given the coastal location, Guria's economy is strongly linked to Adjara AR while Racha-Lechkhumi & Kvemo Svaneti strongly depends on economic linkages with Imereti. On the contrary, Kakheti's regional economic geography is strongly dependent on Tbilisi and Kvemo Kartli and international tourism and transit.

Local Economies and Competitiveness

A significantly more balanced and sustainable competitiveness of Georgia and its regions is of utmost importance. Local economies should aim at sustainable growth using their competitive and comparative advantages and higher productivity. Economic output is important when measuring those, accompanied by the number of registered businesses, quality of regional labour markets, labour market age structure and labour productivity.

Gross Value Added

Table 2: GVA in the pilot regions in 2017

Region	GVA (current prices, GEL million)	GVA share in Georgia's total (%)	GVA per capita (GEL)
Guria	652	2	5,900
Kakheti	1,838	5.7	5,840
Imereti	3,248	10	6,406
Racha-Lechkhumi and Kvemo Svaneti	165	0.5	5,464
Georgia	32,391	100	8,685

Source: Geostat, National Statistics Office of Georgia

The total area of these four regions is 24,422.9 square kilometres, which is 42.4% of the total territory of the country (the territory controlled by the Government of Georgia). The total population is 962.4 thousand, which is 25.8% of the total population of the country. The two regions - Racha-Lechkhumi and Kvemo Svaneti and Kakheti border the poor and very poor areas of the Russian Federation and the Republic of Azerbaijan. Despite the planned construction and rehabilitation of Zemo Imereti-Racha and Kakheti highways, these two regions have poor peripheries and poorly developed road networks. In contrast, the Europe-Caucasus-Asia Transport Corridor (E-60 and E-70) crosses the Imereti and Guria regions, linking the Turkish Republic, the ports of Batumi and Poti with Kutaisi, Tbilisi, as well as with the Republic of Armenia and Azerbaijan. All selected regions are mainly rural-type settlements - 78.9% of

² Source: 2014 General Population Census Main Results, General Information, Geostat, Tbilisi, 2016

Guria's population lives in settlements and villages. In other regions this figure is as follows: Imereti - 51%, Kakheti - 77.3%, Racha-Lechkhumi and Kvemo Svaneti - 77%.

Kakheti is characterized by a low density of population (27.7 inhabitants per square kilometre), while Racha-Lechkhumi and Kvemo Svaneti is a very small populated region with an average population of 6.5 inhabitants per sq. km.

It is noteworthy that four pilot regions are experiencing depopulation. From 2002 to 2014 the population of Guria decreased from 143.3 thousand to 113.4 thousand, Imereti population from 699.6 thousand to 533.9 thousand, Kakheti population from 407.1 thousand to 318.5 thousand, and the population of Racha-Lechkhumi and Kvemo Svaneti to 50.9 thousand to 32.1 thousand. Thus, the smallest pilot region by size lost 37% of the population and the trend of population decline continues.

Given the coastal location, Guria's economy is closely linked to the Autonomous Republic of Adjara, while the economy of Racha-Lechkhumi and Kvemo Svaneti is heavily dependent on economic links with Imereti. Kakheti's regional economic geography is strongly dependent on Tbilisi and Kvemo Kartli, as well as on international tourism and transit.

Registered Enterprises

The largest number of registered businesses is in Imereti (24,485), followed by Kakheti with 11,228 entities, Guria - with 4,767 businesses and Racha-Lechkhumi and Kvemo Svaneti where only 1,321 enterprises are located. All pilot regions account for 23.1% of all Georgian enterprises (end of 2018). **Arguably, only Imereti considered to be a post-industrial region has the most diversified business sector**, especially reasonable balance between SMEs and large enterprises. SMEs of Imereti make up 74.3% of the total enterprise turnover in the region (against 55% national average). In the remaining three regions the share of SME turnover is higher (100% in Racha, 92.4% in Kakheti and 93.4% in Guria) but that is on account of almost non-existent large companies. Indeed, in Racha-Lechkhumi and Kvemo Svaneti there is no single large enterprise. Lack of significant base of large businesses in the four regions makes the development of value chains extremely difficult.

Overall Unemployment Rate

The table below outlines unemployment figures and rates in the pilot regions (note: data for Imereti and Racha-Lechkhumi and Kvemo Svaneti are combined due to statistically insignificant size of the latter).

Table 3: Number of unemployed and unemployment rates in 2017

Item	Guria	Kakheti	Imereti/Racha	Georgia
No of unemployed persons (in 000')	2.0	6.8	43.1	276.4
Unemployment rate (%)	2.7	3.7	14.0	13.9

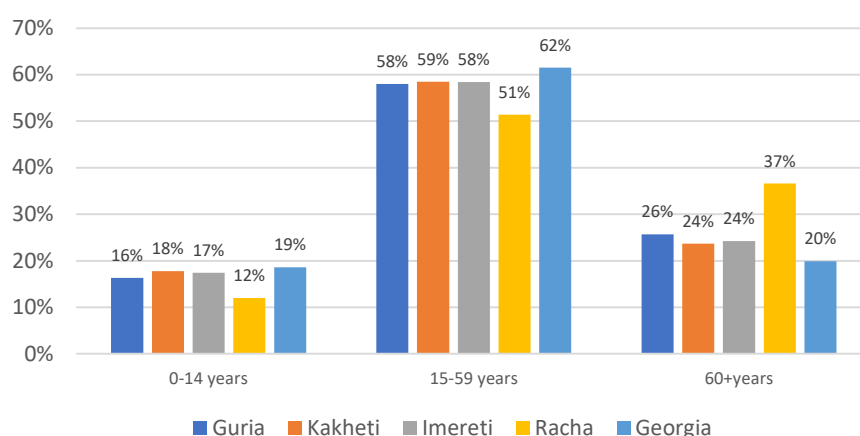
Source: Geostat, http://geostat.ge/index.php?action=page&p_id=1187&lang=eng

Guria and Kakheti (where the size of rural economy is overwhelming) feature the lowest unemployment rates in the entire country. **This is because significant portion of the labour force is involved in primary agricultural production, often of subsistence character** where output is meant for own consumption with little or no surplus trade.

Labour Market Age Structure

Generally, a society should strive for a balanced population structure in terms of share of individuals in different age cohorts and avoid aging. The figure below outlines situation in the pilot regions against the median for Georgia.

Figure 2: Distribution of population by age cohorts in the pilot regions



Source: Geostat (2014 population inventory)

Unfortunately, all pilot regions experience population aging with Racha-Lechkhumi and Kvemo Svaneti featuring the oldest median age in the entire country (45.4 years). On average, there are almost twice more individuals aged 60 years or more in Racha-Lechkhumi and Kvemo Svaneti than in the entire country, making this region the most vulnerable to old age dependency risks.

Labour Productivity

There is no specific and reliable data on labour productivity in Georgia and its regions which could illustrate the robustness of GDP and sectoral competitiveness. The closest proxy to labour productivity is GVA per capita, already illustrated in the opening section of this chapter, which remains at low levels when benchmarked with all EU Member States and countries in pre-accession period. In that context it is important to note that labour productivity (and GVA per capita) is not low because of the lack of skills *per se* but rather on account of the lack of jobs that can **make effective use** of skilled labour force. This can be illustrated by the size and significance of the most basic sectors in the targeted regions (based on business register as of June 2018):

In Guria most of the businesses (41.4%) operate in retail trade, 10% in services and transport each, and 8.4% in construction and education sectors. Only 7% of the enterprises are involved in manufacturing.

Similarly, enterprises in **Kakheti** predominantly operate in retail trade (46%) and other services (approx. 15%). Industry is represented by food processing and wine making (circa 4%).

In Imereti 40% of companies are in retail trade, 10.5% in other services, only 8.9% in basic manufacturing and 7% in transport. Other business sectors are somewhat insignificant though mining has potential to provide more value chain opportunities. Overall, Imereti has substantial industrial potential. During Soviet times the region featured heavy industries, mechanical and chemical engineering enterprises and textiles. Unfortunately, most of those companies closed down, making labour force redundant and leaving abandoned property behind.

Racha-Lechkhumi and Kvemo Svaneti similarly features most of the companies operating in retail trade and services - where half of the enterprises make turnover. Manufacturing is confined to

agro-processing, wine making and production of furniture. Other major sectors include: education (10%), construction (8.9%) and transport (3.6%).

Innovative Territory

Innovation is at the centre of the contemporary sustainable development policies. Unarguably, the key determinant of innovation capacity and regional growth is human capital - educated population and establishments where they can work for the development of their regions.

Population with Higher Education

Georgians are generally well educated. According to Census 2014, 27% of the country's population completed higher education. Amongst the pilot regions the largest percentage of individuals who completed a university degree is observed in Imereti (22%), followed by Racha (20%), Kakheti (18%) and Guria only 16%. **Remarkably, urban areas of Imereti, Racha-Lechkhumi & Kvemo Svaneti and Kakheti have statistically more persons with higher education (30-31%) than all other Georgia's regions except for Tbilisi.**

Research and Development Opportunities

Generally, all regions show a minimum level of R&D activities, either public research institutes or private companies. The only scientific research institution in the targeted regions is located in Imereti - functioning as an organisational unit of the Akaki Tsereteli State University. The research works predominantly focus on social sciences, energy, food engineering, etc.

There is no regionalised data on R&D spending in Georgia and basic information is available only on national level. According to the survey conducted by GEOSTAT in 2017 among the enterprises conducting innovation activities 12.9% of companies were engaged in in-house research and development activities while 5.6% were involved in external R&D work. It is very likely that most of R&D activities occur in Tbilisi leaving very little R&D outcome in the lagging behind regions. Consequently, **the likelihood of future orientation of the regional economy towards increase in innovation capacity is at very low levels.**

Employment Rates

This indicator measures the actual participation of working age contingent in regional economic activities and contribution to net added value. In general Georgia features relatively high employment rate, comparable to that for Cyprus, Poland or Slovakia. There are however significant differences in regional distribution of the employment - the table below outlines the situation in the targeted regions benchmarked against the total/average for Georgia.

Table 4: Economic activity and employment rates as of end of 2017

Indicator/Measure	Guria	Kakheti	Imereti & Racha	Georgia
Active population (labour force)	73.0	186.4	307.5	1,983.1
Employed	71.1	179.6	264.5	1,706.6
Hired	18.8	50.0	113.0	824.2
Self-employed	52.3	129.5	151.5	881.6
Non-identified worker	0.0	0.1	0.0	0.8
Unemployed	2.0	6.8	43.1	276.4
Population outside labour force	21.1	65.2	150.9	1,029.2
Economic activity rate	77.6	74.1	67.1	65.8
Employment rate	75.5	71.4	57.7	56.7

Source: Geostat, http://geostat.ge/index.php?action=page&p_id=1187&lang=eng

Note: number of individuals in 000', rates in %

While Guria with Racha-Lechkhumi & Kvemo Svaneti feature reasonable levels of economic activity and employment rates, the regions of Guria and Kakheti experience very high levels of those indices. That is however, on account of abnormally high self-employment occurrence, especially in rural economy. Indeed, there are more individuals who are self-employed than those in hired employment illustrating sluggish growth, low competitiveness and innovativeness levels of the economy and indeed lack of job opportunities in enterprise sector.

Fair Access to Services, Markets and Jobs

Reasonable and affordable accessibility to services of general public interest, information, knowledge and mobility of people and goods are essential for territorial cohesion in a broader sense, including aspects of regional connectivity and integration - as these can contribute to more equal development potentials and better locational advantages.

Access to Primary Education

At the beginning of the 2017/2018 school year there were 2,308 schools in Georgia hosting 575,181 pupils. The four pilot regions featured 758 schools with 136,335 pupils and students, accounting for 32.8% of all educational institutions and 23.7% of the country's pupils and students (GEOSTAT). In general, **availability of the primary education in the targeted regions is ranked high or very high** ranging from 82% in Racha-Lechkhumi and Kvemo Svaneti to 97% in Guria and Kakheti. Satisfaction with public schooling is also very high - at 90% and more except for Guria, where satisfaction level is at 76% being the lowest satisfaction index in the whole country³

Access to Hospitals

Out of all 272 hospitals in Georgia 5 are located in Guria, 36 in Imereti, 15 in Kakheti and 4 in Racha-Lechkhumi & Kvemo Svaneti. The number of hospital beds per 100,000 population also varies and is 110

³ Study on Citizens' Satisfaction with Public Services in Georgia, Study Report 2017, Third Round, UNDP Georgia 2017

in Guria, 160 in Kakheti, 320 in Racha- Lechkhumi & Kvemo Svaneti and 370 in Imereti (the average for Georgia is 370).⁴

Table 5: Access to Healthcare Infrastructure per 100,000 population in 2017

Item	Guria	Imereti	Kakheti	Racha	Georgia
Hospitals	5	7	5	2	7
Hospital beds	90	447	158	121	405
Doctors	359	564	348	220	735

Source: Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia

Overall satisfaction with healthcare system is the highest in Racha-Lechkhumi & Kvemo Svaneti (79%), followed by Imereti at 72%, Guria at 61% and Kakheti - with satisfaction level at 58% (the average for Georgia is 62%).⁵ For that, qualitative perception of the healthcare system by the population somewhat corresponds to the actual figures illustrating the availability of hospitals.

Access to Universities

Availability of HEIs is restricted in Guria and Racha-Lechkhumi & Kvemo Svaneti (2018/2019 school year) where no single tertiary education institution is located. Imereti features 4 universities and there are 3 HEIs in Kakheti only. All of them are second last and the least prestigious universities as the most prestigious, second most prestigious and medium prestigious HEIs are all located in Tbilisi. Overall, **access to quality higher education is constrained in the all four regions.**

Access to vocational education

The opportunities of vocational education are established in all four regions. The state vocational education institution in the region of Guria operates in Ozurgeti. It is noteworthy that it is planned to expand the scope of the college and develop its branches in the town of Chokhatauri and the village of Goraberezhoul. As for Racha-Lechkhumi and Kvemo Svaneti region, state vocational education institution is functioning in this region, in Ambrolauri. In terms of access to vocational education, the situation in Imereti region has improved in recent years.

State Vocational Colleges operates in Kutaisi (LEPL College Iberia and LEPL Akaki Tsereteli State University delivering vocational education programs). The Iberia College branch also operates in the Baghdati municipality, while the LEPL Georgian Technical University provides vocational education programs in Tkibuli and Didi Jikhaishi.

It is noteworthy that within the framework of public-private partnership a new College of Construction was established in 2016 in Zestaponi. In addition to state vocational education institutions there are a few private vocational education institutions in Imereti region.

In 2019, the preparatory work was started to establish a new college in Tskaltubo municipality. As for the Kakheti region, there are state vocational education institutions which operate in Kakheti. In Telavi (Prestige IP College and Iakob Gogebashvili Telavi State University) and in the village of Kachreti in Gurjaani Municipality. Kachreti College also provides vocational education programs in Kakheti in three municipalities of the region - Lagodekhi, Akhmeta and Dedoplistskaro. There are also a few private providers in the Kakheti region.

⁴ Source: own calculation based on GEOSTAT

⁵ Study on Citizens' Satisfaction with Public Services in Georgia, Study Report 2017, Third Round, UNDP Georgia 2017

Access to Transport Infrastructure

Georgia's regions experience restricted accessibility that combines underdeveloped road infrastructure and its poor quality. With low road density at approx. 36 km per 100 km² of land area (considering the area under the control of the Georgian Government) Georgia is comparable to countries such as China, Bulgaria or Norway. Guria and Imereti with road density at 43 km per 100 km² are the most accessible. Racha-Lechkhumi & Kvemo Svaneti's road density corresponds to the country's average. Meanwhile, Kakheti's road density index at 23 km per 100 km² of land area makes the region the least accessible territory in the whole country.

While the expansion of the highway is well acknowledged by the broader public, the quality of local road network appears to be an issue of concern. According to the evaluation study of infrastructure in the pilot regions only Imereti's local road infrastructure is deemed to be fair. In the remaining three regions local roads are mostly in bad condition. 61% of motorists and travellers ranked local roads as 'bad' in Racha-Lechkhumi & Kvemo Svaneti, 69% in Kakheti and 77% in Guria.⁶

Despite underdeveloped road infrastructure, **domestic passenger transport is almost entirely road-based**, available, accessible and affordable except for Racha-Lechkhumi & Kvemo Svaneti where public transport is deemed to be unsuitable to the needs of commuters and travellers or entirely unavailable in some areas.⁷ Most of the accompanying infrastructure (stations, bus stops, etc.) is not adequately maintained and repaired due to perpetual shortage of funding.

Georgia's rail network comprises a total of 1,443 km of which 295 is double-track. Most of the railroads are electrified. The country's rail infrastructure is a part of the broader notion of the Silk Road - connecting Baku/Yerevan with Tbilisi, Kutaisi, Samtredia, Batumi and further down with Kars in Turkey. Train is an alternate mode of domestic passenger transport but chiefly for traveling between Tbilisi, Samtredia and Batumi only. On the contrary - given transit character of Georgia, **railroads are extensively used for freight transportation**. Approx. 75% of the total cargo transported by Georgian Railway is estimated to belong to other countries and transit shipment represents approx. 52% of the total freight, which **appears to be an important business opportunity in the future for the expansion of logistic centres**. The ongoing works on the Modernization Project are designed to increase the possible throughput capacity of the rail line to 48 million tons annually, with potential to increase capacity to 100 million tons⁸.

Georgia features three **international airports**. One of them is **in Imereti** (David the Builder Kutaisi International Airport), located between Kutaisi and Samtredia. All airports record increase in the number of handled international passengers and cargo but given the size of Georgia, they are not apposite to significantly contribute to the increased accessibility for domestic travellers within the country due to high opportunity cost and insignificant saving on traveling time. **They can however play a role in the development of air freight transport** and connecting it to other transport modes.

⁶ Source: *Study on Citizens' Satisfaction with Public Services in Georgia*, Study Report 2017, Third Round, UNDP Georgia 2017

⁷ Source: *op. cit.*, page 89

⁸ Based on Annual Report 2017, Georgian Railway, Tbilisi, 2018

Guria features Supsa Oil Terminal that provides storage capacity for crude oil transported further to global markets by tankers. The terminal plays an important and strategic role in the realisation of Georgia's transport potential as a transit country.

Inclusion and Quality of Life

Inclusiveness and quality of life are related to well-being and social equality. The status of those nodes can be illustrated by social context indicators depicting disposable income, poverty levels, gender imbalances, overall age structure, access to utility infrastructure, etc.

Household Income

There is limited information on monthly breakdown of household income across Georgia's regions as data is combined for two or more regions.⁹ Nevertheless, the available information demonstrates that **there is reasonable degree of income equality** - in no region monthly household income is below 85% of the national average and that is the case for several years back.

Poverty and Social Welfare

Despite Georgia's positive economic growth, poverty has increased over the last three years. This demonstrates that unequal distribution of wealth has occurred. In 2018, the relative poverty rate in Georgia was 20.5%, while the absolute poverty index was 20.1%. In the pilot regions, the absolute poverty index was distributed as follows: in Imereti, Racha-Lechkhumi and Kvemo Svaneti - 23%, Kakheti - 20.1%, while in Guria the data are combined with Samtskhe-Javakheti and Mtskheta-Mtianeti - 24.1%. In 2018, the pension and social package was provided to 39.4% of Racha population, 30.3% of Imereti population, 29% of Guria population and 25.9% of Kakheti population. Such a heavy reliance on social transfers points to the impoverishment of the local population, especially women, which accounts for 63% of all pilot social welfare recipients.

Ageing

Georgia's population is aging. The table below illustrates imbalances in the mean age of population.

Table 6: Mean Age of Population in Georgia and Pilot Regions

Regions	Total	Male	Female
Georgia	38.1	35.9	40.1
Guria	41.8	39.4	44.1
Imereti	40.5	38.3	42.6
Kakheti	40.2	37.9	42.5
Racha-Lechkhumi and Kvemo Svaneti	48.2	45.4	50.8

Source: Geostat (Census 2014), http://census.ge/files/results/Census_release_ENG.pdf

All four pilot regions are in the top 5 "oldest" regions of Georgia (the remaining one is Samegrelo-Zemo Svaneti, not covered by pilot regional initiative).

⁹ For methodological reasons Imereti is combined with Racha- Lechkhumi & Kvemo Svaneti and Guria is together with Samtskhe-Javakheti and Mtskheta-Mtianeti

Utility Infrastructure

A standard of living that is measured by how affordable basic utilities infrastructure is improving, but progress is at a somewhat slower pace than the availability of electricity. In this regard, it should be noted that electricity coverage is complete.

Central gasification among the pilot regions is most available in Kakheti, where 84.3% of households have central gas. In other regions, the gasification index ranges from 64% to 67%.

Despite the ongoing Kutaisi 24-hour water supply project, only 47.4% of households in the pilot regions, Imereti and Racha-Lechkhumi and Kvemo Svaneti have access to an in-house water supply system and 52% in Kakheti. Similar shortages of potable water infrastructure have been reported across the country (the average rate is 65% across Georgia).

Underdeveloped utilities are combined with generally poor housing conditions. The energy efficiency of the vast majority of buildings, both urban and rural, does not meet modern standards.

Attractiveness of Regions, Ecological Values and Strength of Territorial Capital

Not only economic but also sustainable growth is an essential pillar of the contemporary development. It aims at decoupling economic and demographic growth from energy consumption for a more resource efficient and sustainable economy. Sustainable growth seeks to be based more on renewables, low-carbon energy, protect cultural, natural heritage, landscapes and make best use of those assets.

Forests

According to 2016 data, forest area in Georgia is approximately 2.69 million ha (38.6% of the country's total area). 44.9% of Georgian forests are located in pilot regions.

Kakheti, Imereti and Racha-Lechkhumi-Kvemo Svaneti regions are distinguished by their forest resources throughout Georgia (each comprising 13-14% of Georgian forest resources), with Guria having only 2.9% of the country and only 6% of the country's forests. The% is located, the least represented by forest resources. The wood is used for timber production. Kakheti is the leader in this area, which produces 20% of the total quantity of timber made in Georgia. The least amount of timber production is produced in Guria forests, with only 1.4% of total timber production in 2016 (2016). Restoration of the forest is scarce. Restoration is limited to Kakheti and Guria only.

Water Abstraction

In 2017, about 31.5 billion cubic meter of water in Georgia were abstracted for the use by households, industry and agriculture. Of that amount 15.8 m³ billion was abstracted in Imereti. Kakheti and Racha-Lechkhumi & Kvemo Svaneti abstracted between 1.2 billion m³ each while Guria used only 115 m³ million.

Water abstraction in Imereti is exceptionally high, indicating possible over abstraction that may lead to rivers drying up of the level of groundwater aquifers reducing unacceptably (This sentence is not correct and we should delete it. As i investigated, water abstraction in Imereti is high because of big number of hydro power stations. This means that there is no water loss and water returns to the ecosystem).

Air Pollution

There is no specific breakdown of air pollutants per region in Georgia. General data on generated hazardous substances reveals that Imereti features the most polluted air in the pilot regions, producing 88 thousand tons of hazardous substances of which 78% is captured and 22% emitted to the environment. Guria produces 6.3 thousand tons, Kakheti 2.6 thousand tons and Racha-Lechkhumi & Kvemo Svaneti a meagre of 0.3 thousand tons. Although the three regions produce much less hazardous waste and

pollutants in absolute figures, all of them actually discharge more in percentage terms than Imereti **being the most polluted** - emitting as much as 41% of the produced hazardous substances to the environment.¹⁰

Vulnerability to Climate Change

It is the degree to which a system is susceptible to, and unable to cope with adverse effects of climate change, including climate and weather variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate change to which a system is exposed, its sensitivity and adaptive capacity.

Georgia (like many other countries) is prone to natural disasters caused by climate change. The most prevalent occurrences are: flooding and flash-flooding, hail, draught, forest fires, avalanches and damage caused by strong winds.

While **flooding, flash-flooding and mudslides** are most prevalent in Guria, central Imereti and parts of Racha-Lechkhumi & Kvemo Svaneti, draughts are typical in Kakheti, which is the driest region of Georgia and in western areas of Imereti. **Hail and hailstorms** are most prevalent in Racha-Lechkhumi and Kvemo Svaneti causing damage to plantations and road infrastructure (together with mudslides). Racha, parts of Imereti and Guria are **susceptible to high winds** that may cause damage to buildings, other property and forests. High winds in those areas persist for 40-60 days/year. The **risk of avalanche occurs** mostly in Racha and southern parts of Guria that borders with Adjara AR.¹¹

Integrated Polycentricism

Territorial cohesion pretty much depends on polycentric character and pattern at macro-regional, cross-border, national and regional level that can reduce territorial polarisation, enable to develop networks between centres of different scales and allow surrounding areas to benefit from agglomeration effects. Several aspects are important in this context, such as: the number of urban areas with critical mass, migration, etc.

Urban Areas

The balanced distribution of population in the Imereti region is caused by the Zestaponi, Tkibuli, Samtredia and Tskaltubo municipalities and the urban character of the city of Kutaisi. . In all other pilot regions there are only four municipalities with more than 50 thousand of residents – Telavi, Gurjaani and Sagarejo, all located in Kakheti (but in all three municipalities ca 80% of population is rural) and Ozurgeti in Guria.

Otherwise, cities and towns are small: the biggest in Guria is Ozurgeti with 14.6 thousand, in Kakheti - Telavi with 19.7 thousand and in Racha-Lechkhumi & Kvemo Svaneti - Ambrolauri with 2 thousand of residents.

¹⁰ Based on data for 2017 from Ministry of Environment Protection and Agriculture of Georgia made available by Geostat

¹¹ Based on maps available at: <http://meteo.gov.ge/natural-disaster>

In addition, all settlements of Racha are declared as mountainous. Parts of Kakheti (Akhmeta and Tusheti) are also high mountain territories. Imereti and Guria feature somewhat limited number of mountainous rural settlements. Overwhelmingly rural character of the three regions plays an important role in the formation of regional economic geography that lacks spill-over effect of agglomeration. In fact, the whole Georgia is monocentric due to its peripheral character over centuries and there are no major urban centres in the cross-border regions (up to 50-100 km) in any of the neighbouring countries.

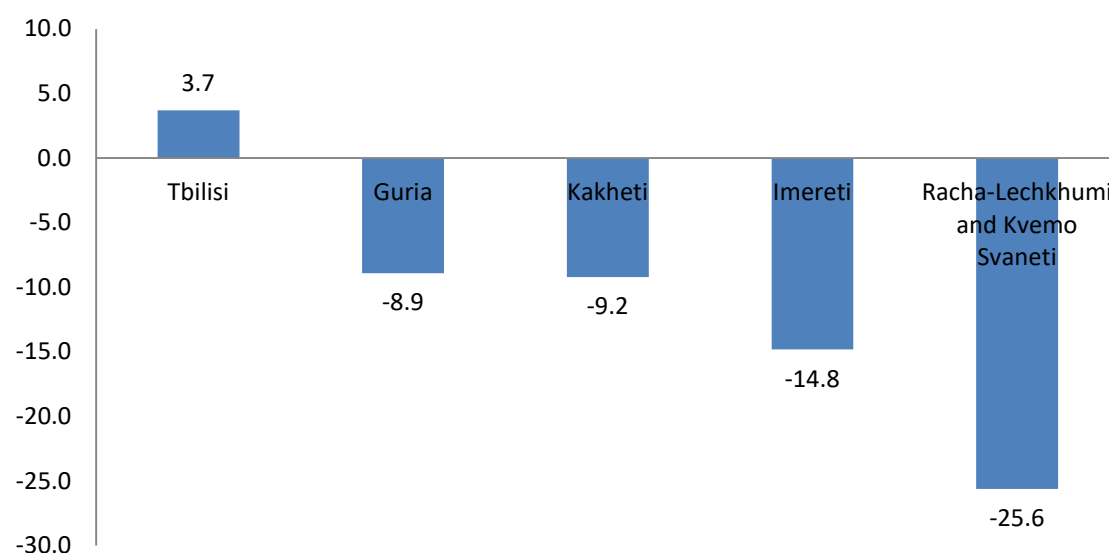
Industrial base

Imereti features the most developed industry sector in the entire Pilot Programme Area. Regional industry makes up 10.2% of the whole industrial turnover in Georgia, followed by Kakheti with 2.6% contribution, Guria - with 1.1% share and Racha-Lechkhumi & Kvemo Svaneti - with meagre 0.1%.¹² Tourism is Georgia's important sector which significantly matters to all pilot regions especially from employment perspective. Though tourism traffic is on the rise across Georgia, the associated infrastructure is in general obsolete or of low quality.

Migration

Positive migration index is a proxy for the overall attractiveness of a region in terms of labour markets, education, quality of life, welfare, etc. Unfortunately, spatial patterns of net migration rates reveal that all Georgian regions loose population except for the capital region and that no other selected agglomeration in the country gains population. The figure below illustrates differences in depopulation rates between Census 2002 and 2014 that best illustrates **incapacity of the pilot regions to keep residents in their constituencies** and attract new ones to settle down.

Figure 3: Net Migration Rates between Census 2002 and 2014 in the Pilot Regions and Tbilisi in %



Source: own elaboration based on Census 2014 data by Geostat, http://geostat.ge/index.php?action=page&p_id=1184&lang=eng

¹² Based on Geostat data for 2017

Addressing the potential for migration to the development of pilot regions

The importance of the interrelationship between migration and development for the overall economic development of the country is covered in separate chapters of Georgia's Migration Strategy 2016-2020, where it also discusses the importance of properly utilizing this potential in local (municipal) development processes. The 5th goal of the Migration Strategy - "Addressing the Development of Georgia's Citizens, Diaspora Representatives, and Immigrants' Economic and Human Resource Country" - is multidimensional and includes, inter alia, remittances and their recipient families, as well as highly skilled migrants and returning migrants. Effective use of knowledge and skills and activation of this resource and encouragement of the active involvement of all the above-mentioned actors involved in migration in local economic development projects.

Cross-Border Cooperation

Georgia participates in several territorial cooperation programmes. For the pilot regions the most important interventions include: Azerbaijan - Georgia EaPTC Cooperation Programme which benefit Kakheti (and Kvemo Kartli) and ENI CBC Black Sea Basin Joint Operational Programme 2014-2020 under which all four regions are eligible.¹³ Supported small scale projects include: assistance to civil society dialogue, tea production as engine of growth in the region, better port facilities for tourist boats, improved waste management plans (under the Black Sea Basin Programme), increasing (cultural) tourism potential, employability skills, promotion of environmentally friendly agriculture, social services and youth empowerment (with Azerbaijan). Albeit small in numbers and volume of funding, those cross-border initiatives are important for piloting innovative project ideas and building stronger and more capacitated civil society organisations and self-governments, the latter especially in Imereti.

¹³ Indeed, the whole territory of Georgia is included in the Programme area

Chapter III. Summary of territorial development needs and potentials to be addressed in targeted regions

This section outlines key findings concerning needs and potentials of targeted regions that should be targeted under PIRDP.

Table 7. Barriers and needs of targeted regions

Planning region	Development area	Specific barriers to be overcome	Specific potentials to be developed
Imereti	Urban development	<ul style="list-style-type: none"> - Decline of many post-industrial cities, with abandoned post-industrial areas; - Low integration of urban areas with surrounding territory due to the poor infrastructure and transport services - - - Insufficiently developed urban functions of Kutaisi; - not used fully potential of some cities (Kutaisi, Samtredia, Zestaponi) as a multimodal transport and logistics hubs, 	<ul style="list-style-type: none"> - Kutaisi – the third biggest city in Georgia has potential to become supra regional level hub for the whole Western Georgia in economic, educational, social and cultural dimensions; - With many urban areas the region features balanced distribution of rural and urban population, - Existing potential of former industrial cities for attracting new industrial and logistic investment; - Favourable geographical location along key transport corridor and new infrastructure being expanded: Kutaisi International Airport, main Country's railroad and international motorway located in the region.
	Tourism	<ul style="list-style-type: none"> - Out-dated tourism infrastructure; - Lack of proper tourism facilities out of Kutaisi; - Many cultural heritage monuments of second and local importance still waiting for renovation; - Low accessibility to many parts of the region; - Insufficient diversification of touristic offer; - Small share of Imereti in the general tourism statistics in Georgia 	<ul style="list-style-type: none"> - More than 900 historical monuments and 350 natural parks and resorts, - Rich and unique natural and hydro-mineral resources, - 35 museums - Potential for cultural, wine and recreational tourism development, - Favourable location and good transport facilities in general (roads, railway road, airport);
	Productive sectors	<ul style="list-style-type: none"> - One of the lowest GVA per capita in the country, - Existing industrial potential not utilised, - Outdated technologies and low-quality products, - Low investments (1.9% of Georgia's investments in fixed assets) - Underdeveloped potential of food processing sector. - Lack of business support organisations 	<ul style="list-style-type: none"> - Industrial traditions of the region (heavy industry, mechanical engineering, chemical and textile industry), - 10% share in total Georgia's GVA, - Export of coal and manganese ore, - Development of Agriculture potential, with high production of meat, milk, honey, fruits and vegetables, - Existing and planned high education facilities as a base for technological advancement and innovations.
	Local development	<ul style="list-style-type: none"> - More than 30% of the population (153,709 people) receive pensions and social benefits-Only 67.2% of population is provided with gas supply; - low access to water in rural areas; 	<ul style="list-style-type: none"> - Local culture - Local products recognised nationally (e.g. ceramics); - Tradition of sport clubs (football, basketball, rugby, weightlifting), - Natural resources
Kakheti	Urban development	<ul style="list-style-type: none"> - Low integration of urban areas with surrounding territories due to poor transport infrastructure, - Insufficiently developed urban functions of Telavi; 	<ul style="list-style-type: none"> - Telavi has a potential to become strong second tier regional centre providing the whole region with administrative, cultural, educational, support to businesses and innovation functions;

		<ul style="list-style-type: none"> - Moderate accessibility to the core transport network of the country (Airports, motorways, railways). 	<ul style="list-style-type: none"> - Some smaller cities have potential for attracting various type of economic activities (tourism, food processing and raw materials usage)
	Tourism	<ul style="list-style-type: none"> - Low quality of tourist services, - Low quality of roads connecting Akhmeta and Tusheti; - Low accessibility of the mountainous parts of the region, especially during winter; - Small share of the region in the overall tourism statistics in Georgia; - Tourism offer strongly dependent on wine industry. 	<ul style="list-style-type: none"> - Rich cultural heritage, - High development potential for tourism (agro, cultural, wine, adventure, eco and recreation tourism), - Relatively well-developed tourism infrastructure in municipal centers of the region (Telavi, Signagi, Kvareli) with many hotels, guesthouses and restaurants; - Unique landscape, nature and protected area of Tusheti, national parks and restricted nature areas of Vashlovani, Lagodekhi, Babaneuri and Batsara. Tusheti Protected Areas, Chachuna Managed Reserve, Mariamjvari State Reserve)
	Productive sectors	<ul style="list-style-type: none"> - Weak industry (main sector being food processing – especially wine production), - Low technological level of food processing industry, - High level of self-employed among local population related to agriculture. 	<ul style="list-style-type: none"> - Agricultural potential, with grapes and other fruits, followed by maize, wheat and barley as the most important crops), - Hydro- and solar energy potential, - Telavi State University as a base for development of innovations, - Timber production. - potential of new value chains between the local farmers and producers and the growing hotel/restaurant sector
	Local development	<ul style="list-style-type: none"> - Low population density, - Poor condition of sewage, - Low access to water supply systems - Shortages in gas supply - One of the least accessible regions due to the low quality and density of local roads, - Absolute poverty rate higher than the average for Georgia. 	<ul style="list-style-type: none"> - Good access to electricity and relatively good to gas supply, - Forest resources, Natural resources Local culture
Guria	Urban development	<ul style="list-style-type: none"> - Small number and low level of development of cities and towns, - Low accessibility of urban areas for inhabitants of the region and from outside; Limited economic functions of cities; Low attractiveness for investment; 	<ul style="list-style-type: none"> - Limited potential of Ozurgeti to play the role of the regional hub for administrative, cultural, economic and social functions; - some potential of town for attracting various type of cultural and economic activities (tourism, food processing and raw materials usage)
	Tourism	<ul style="list-style-type: none"> - Underdeveloped tourism infrastructure; - Concentration of tourism activities mostly on Black Sea coast, - Cultural and natural monuments in need of renovation and accompanying facilities to be built. 	<ul style="list-style-type: none"> - Potential for development of high mountain, seaside, adventure and health tourism; - Possible Black Sea Arena (marketing brand) and the sights nearby to attract tourist flows; - More than 60 cultural monuments.
	Productive sectors	<ul style="list-style-type: none"> - Only 2% share in total GDP of Georgia, - There is a low level of processing industry (1 % of products and services made in Georgia), - Small sizes of local farms and poor agricultural infrastructure (food processing and storage facilities), 	<ul style="list-style-type: none"> - Agriculture potential (important producer of tea, nuts and fruits), - Close location to Poti and Batumi ports, Batumi and Kutaisi airports, - Supsa Oil Terminal, - Potential for water, wind, bio-mass and solar energy producing

	Local development	<ul style="list-style-type: none"> - Extremely low population density, - Limited access to water supplies, - Many of the settlements in the region have mountainous character, with low accessibility - poor condition of local transport network; 	<ul style="list-style-type: none"> - Forest resources, - Outstanding culture and historical heritage
Racha-Lechkhumi & Kvemo-Svaneti	Urban development	<ul style="list-style-type: none"> - Small number and low level of functional development of cities and towns, - Low accessibility of urban areas for inhabitants of the region and from outside; 	<ul style="list-style-type: none"> Limited potential of Ambrolauri to play the role of the regional hub for administrative, cultural, economic and social functions; - some potential of town for attracting various type of cultural and economic activities (tourism, food processing and raw materials usage)
	Tourism	<ul style="list-style-type: none"> - Low quality of tourism infrastructure (lack of appropriate restaurant and hotel facilities); - Low accessibility to the region and its tourism attractions due to the geographical location and poor road infrastructure; - Low diversification of tourist products; - Low level of promotion. 	<ul style="list-style-type: none"> - Favourable geographical conditions for tourism development –health tourism, adventure, eco-tourism and wine tourism, recreational tourism potential (including fishing, hunting, horse riding), - Abundance of historical monuments, - Healing mineral water resources in Lentekhi and Tsageri.
	Productive sectors	<ul style="list-style-type: none"> - Only 0.7% share in Georgia's GVA, - Weak industrial potential (food and other agricultural products processing and production of furniture), - lack of agricultural infrastructure (processing plants, storage and cooling facilities), - Chiefly subsistence agriculture due to small average size of farms, - Lack of professional education facilities, 	<ul style="list-style-type: none"> - Important producer of grape and wine; also maize, haricot beans and other vegetables, variety of fruits, Racha ham, - Water resources, - Raw materials (arsenic),
	Local development	<ul style="list-style-type: none"> - Extremely low population density - Peripheral and mountainous character of all settlements, - Public transport unsuitable to the needs of inhabitants or entirely unavailable in some areas - Low quality of water supplies, - Almost 40%¹⁴ of population dependant on social assistance. 	<ul style="list-style-type: none"> - Forest resources, - Rich in natural healing and balneological mineral waters.
All regions	Institutional capacity	<ul style="list-style-type: none"> - Low ability of regional and local authorities and other development partners (business, NGOs and citizen organisations) to cooperate effectively in management of regional development issues - Insufficient experience of regional authorities and other stakeholders in preparing and implementing development projects - Lack of experience of regional institutions in monitoring and evaluation 	<ul style="list-style-type: none"> - Some experience in implementing regional and local projects financed by external donors - Good knowledge of regional and local needs and potentials - High interest among the stakeholders to participate in preparation and implementation of PIRDP

¹⁴ Geostat 2018

Chapter IV. Objectives and priorities of the Programme

In the process of setting up PIRDP's objectives and priorities three dimensions must be taken into account:

1. National dimension under which RDP 2018-2021 sets precise strategic national regional policy goals as well medium-term objectives with the time horizon 2021;
2. Regional dimension under which regional development strategies accepted by the Government between 2012-2015 and prepared with the involvement of many sub-national and local development partners identified objectives and priorities for action in their respective regions;
3. EU Association dimension under which SSF 2017-2020 sets specific objectives and results to be achieved in Georgia when utilizing EU funds including support to regional policy.

4.1. Programming context for setting up PIRDP's objectives and priorities

4.1.1 National dimension

Formulation of the specific objective and expected results of PIRDP must be in line with the provisions of the national level **Regional Development Programme 2018-2021 (RDP 2018-2021)**. The programme identifies a broad range of priorities, measures activities and projects to be implemented in following years, which support realisation of set regional policy objectives in Georgia.

The overall, long term goal of regional policy until 2030 is defined there as: ***The primary objective of the regional policy in Georgia is to contribute to the achievement of national policy goals (which is, according to Georgia 2020, supporting inclusive economic growth and competitiveness of the economy at national level) by using territorial potentials and eliminating barriers to development at various territorial management levels.***

As regards medium term period until the end of 2021 (in which PIRDP will be realised) *the overall objective of the programme is: to contribute to Increasing overall national and regional competitiveness, balanced socio-economic development and the improvement of living conditions across the country, reducing regional disparities and increasing territorial cohesion*

Expected results and corresponding indicators of the whole RDP 2018-2021 were set at the level of the whole programme as well individual measures and they are taken into account when setting indicators for PIRDP. Table 8 shows impact and result indicators of RDP 2018-2021.

The overall objective of the RDP 2018-2021 is to be achieved through three **specific programme objectives**:

1. Promoting fast **economic growth**, systematically exploiting Georgia's comparative advantages in the dynamic international context, utilization of the potential of the territorial units on different level of governance through elimination of development barriers.
2. **Sustainable development**, the rehabilitation and expansion of infrastructure, energy and communication networks and public utilities through safe ways.
3. Promoting **social and territorial cohesion** – creating equal opportunities for all citizens, irrespective of their social background and place of residence.

To achieve those goals, the RDP is realised through 5 closely interlinked priorities:

- Priority 1. Improvement of key infrastructure supporting competitiveness and sustainable development of the country and its regions
- Priority 2. Support to SMEs, growth-oriented sectors of economy and export promotion
- Priority 3. Support to Development of Human Capital
- Priority 4. Promoting local development and support to specific areas based on their endogenous development
- Priority 5. Increase the quality and effectiveness of regional development institutions and preparation of pilot regional development programmes.

Each priority consists of a number of measures realised through groups of activities and projects of the same type, having the same objective and implementation system. This structure is a starting point for constructing PIRDP's measures. Details about correspondence of RDP 2018-2021 and PIRDP's priorities and measures are given in the description of measures (chapter VI) and Annex 1 Table 2 column 2.

As far as possible PIRDP also refers to other strategic and operational policy documents of GoG. Apart of RDP 2018-2021 the main reference documents were: Rural Development Strategy of Georgia 2017-2020 and its action plans; draft of the Strategy for Development of High Mountain Settlements of Georgia. 2019-2023 and its Action Plan however a lot of other documents were researched in order to assure full complementarity. Details are provide in the description of priorities and measures.

4.1.2 Regional Dimension

Regional Development Strategies concerning individual regions were adopted by the GoG between 2013 and 2016. They had been prepared with the support of international organisations (UNDP and GIZ) and active involvement of many national, relevant regional and local development stakeholders. Those strategies contain comprehensive socio-economic analysis of concerned regions and define objectives and priorities for taking action by public authorities in the time horizon of the year 2020.

In 2013, the Government adopted strategies for Guria, Kakheti, Racha-Lechkhumi and Kvemo Svaneti and in 2016 – for Imereti. Based on the detailed regional needs' assessment and involvement of the wide range of the stakeholders, including local population, businesses, NGOs government authorities and academia representatives, strategies identified goals, objectives and activities for further socio-economic development for the concerned regions although without setting quantifying targets neither defining financial means. Moreover, strategies don't show clearly way of implementation of proposed actions that is why they can be used as reference point for PIRDP only to limited extent. Currently they are mostly used as a background documents for justification of the support to municipalities `under Regional Development Fund.

Delivery and development of water and sewage systems, gasification, internet, SME development and innovations, professional education, spatial planning – those areas are indicated in all strategies as the most required directions for public action. The common, general objectives for all the regions are supporting economic growth and improving living conditions of the population.

The specific objectives and priorities for the action for each region are presented below.

Guria

The specific objectives and priorities for action in this region are: access of population to broad-band internet; improving energy efficiency in private dwellings and administrative buildings; improving water supply, sewerage system and waste management in urban areas, improvement of sports facilities as well as infrastructure of educational institutions, development of high mountain settlements and touristic zones; development of municipal transport; supporting SMEs; developing tourism; support export-oriented production; support of economic activities in high mountain regions; protection / restoration of cultural heritage sites and provision of appropriate infrastructure; Increase the effectiveness of protected areas; improving municipal services, increasing the competencies of local public officials **Kakheti**

The strategic objectives for public action in Kakheti include: improvement of the quality of life and income generation of the population through improvement of the water and sewerage systems; improvement of local roads; enlarging the internet coverage; creation of new job places which will be matched with the labour market demand; improving the efficiency of protected areas; developing export related sectors; promoting tourism, supporting SMEs; supporting development of the high mountain regions and other rural settlements.

Racha-Lechkhumi and Kvemo Svaneti

The strategic priorities for public action in the region include: developing of basic infrastructure; developing of SMEs, tourism and agriculture sectors; attracting foreign investments; improving the quality of housing' and utilities; improving of culture, sports and education facilities; capacity building of public servants.

Imereti

The objectives for public action in Imereti region include: providing broadband internet to the population in rural and urban areas; introducing alternative sources of energy in urban and rural areas; supporting new technologies and innovations' transfers in the business including agro processing; supporting exports-oriented production; improving basic infrastructure in urban and rural areas, high mountain locations and touristic places; improving quality of municipal services; protecting and rehabilitating of cultural monuments and providing the related infrastructure; developing inter-municipal transport; improving infrastructure in high education facilities.

Besides the regional strategies, there is also a number of other official documents identifying development needs and proposing actions in relation to individual municipalities, groups of municipalities or cities and particular locations created by donors' and NGOs during 2009-2015. These documents in most cases don't include the source of financing, however they have to be considered and might be used as a tool to set up the proposals for specific regions.

4.1.3 EU Association dimension

Since part of financing of PIRDP will come from the European Union it is necessary to follow also EU Association agenda and on-going discussions between GoG and the EU on supporting implementation of regional development. SSF 2017 -2020 sets 4 priority areas for ENPI support to Georgia. Those priority

sectors are in line with the revised ENP and Association Agenda and are coherent with the Eastern Partnership priorities set in the "20 Deliverables for 2020"¹⁵.

Those 4 priority sectors include:

Sector 1: Economic development and market opportunities, *including* smart, sustainable and inclusive economic growth (indicative 40% of total budget);

Sector 2: Strengthening institutions and good governance, *including* the Rule of Law and addressing Security (indicative 20% of total budget)

Sector 3: Connectivity, energy efficiency, environment and climate change (indicative 15% of total budget)

Sector 4: Mobility and people-to-people contacts, *including* support to the continuous implementation of the visa liberalisation benchmarks, and to vocational education, training (indicative 10% of total budget)

In addition, three areas will receive complementary support (altogether 15%): capacity development/institution building, civil society development, strategic communication.

Actions supporting regional policy are part of the support under sector 1 **Economic development and market opportunities for which in total (indicatively) was earmarked between 148.4 million EUR - 181.2 million EUR**. The overall objective of actions under this sector is to increase productivity and economic potential of domestic enterprises: reducing the trade deficit, promoting investment and innovation and fostering smart, sustainable and inclusive growth and resilience in Georgia and its regions, including market opportunities, business development, agriculture and territorial development. First four specific objectives established under this priority sector concern developing export potential, SMEs and business support institutions, system of financing of firms, development of agro food processing potential and development of rural areas.

The fifth specific objective to be realised directly refers to regional development policy: reduce disparities, especially in terms of competitiveness growth and jobs, between the levels of development of the various regions by means of a multi-sectoral approach, including investments related to specific objectives 1-4.

Expected results therefore are as follows:

- disparities between regions and between urban and rural areas in Georgia are reduced;
- competitiveness of regions is strengthened;
- Contribution of the regions outside Tbilisi to balanced economic growth and the competitiveness of Georgia is enhanced.

SSF sets also a list of corresponding indicators which must be taken into account when assessing efficiency and effectiveness of EU support to Georgia in area of regional development. They are referring to income of fisheries and rural households, non-agriculture employment, added value of tourism, population having improved access to services and infrastructure (water supply, sanitation and waste services); new/improved services available to local population, increasing number of municipalities with renewed ICT infrastructure (In case of necessity, for example, community centre buildings, furniture and technical equipment)) and regional GDP per capita¹⁶.

¹⁵ 20 Deliverables for 2020. Updated version from 09.06.2017, Joint Staff Working Document, the Work Plan for priority actions in Eastern Partnership Coin tries adopted by EEAS and Commission services until 2020

¹⁶ a1) Average monthly incomes of fishers/rural households, disaggregated by gender

Currently there is under preparation new Action Document on realisation in Georgia of the programme devoted entirely to regional policy: EU 4 Integrated Territorial Development financed under the European Neighbourhood Instrument. Proposed Programme of the value of 53.75 M EURO (including 40.5 million for the budget support and 13.25 M EURO of complementary support) is in line with the GoG's RDP 2018-2021 and this draft of PIRDP 2019-22.

4.2 Overall objective of the PIRDP and its expected impact

Considering an analysis of socio-economic disparities (chapter II), identified needs and potentials of regions concerned as well as presented above objectives set in European, national and regional programming documents related to regional policy the following objective of the PIRDP is formulated:

Create a favourable environment and promote balanced and sustainable socio-economic development of the four pilot regions through integrated territorial development initiatives

Realisation of this objective will be done through - integrated across various sectors and territories - investment in the development factors, such as productive sector, public infrastructure, quality of human capital and delivery of public services. Investment should be done in a selective way – support will be concentrated in those geographical areas and sectors which offer the biggest increase in productivity and employment levels of the concerned regions. PIRDP will help to remove barriers to growth in leading in the whole Georgia productive sectors (like agriculture and tourism), development of new types of industrial products and activities to increase export levels (e.g. through finding new regional niches), preserving local crafts and products as well as investing in other development factors like infrastructure, education, skills, R&D and innovation having the biggest effect on competitiveness of the regions concerned and income of population. In addition, considering enormous unmet basic needs of targeted regions, especially visible in their most remote parts (rural and mountainous), the programme must also deliver infrastructure and access to improved essential basic services, which are the precondition for any place-based development to occur. PIRDP also tackles the issue of institutional development – to make full usage of investment for the benefit of its citizens, regions need a good quality institution, local authorities being able to cooperate effectively with local development partners and central level government.

Main expected impacts together with corresponding impact indicators are proposed in the table 9. For more details on baselines and targets see annex 1 table 1.

Table 8. PIRDP overall objective, expected impact and indicators

-
- a2) Volume of non- agriculture rural employment, disaggregated by gender (27.2 % of non-agricultural rural employment in 2015)
 - a3) Added value of the tourism sector
 - a4) Number of population with improved access to rural services and infrastructure, including water supply, sanitation and waste services
 - a5) number of new/improved services available in regions
 - a6) Number of municipalities with renewed ICT infrastructure (community centre buildings, technical equipment, furniture)
 - a7) legislation on ICT / Digital Agenda approximated)
 - a8) regional GDP per capita

Overall Objective	Expected impact	Impact indicator (s)	Baseline (2017)		Target (end of 2022)
Increase investment in development factors and support employment creation in all 4 targeted regions to assure more balanced and sustainable development of the whole country.	Increased competitiveness <ul style="list-style-type: none"> • Increase in productivity level (GDP per employee according to LFS) • Increase level of investment in 4 regions • 4 regions increase their contribution to the national GDP • Increase of employment in 4 regions 	Productivity per employed person at market prices - thousands GEL/YEAR, average of 4 regions	13.4		17.0
		Share of investments in fixed assets as percentage of GDP, (%), average of 4 regions	4		4.5
		Nominal GDP growth (national 11.2%), average of 4 regions	9.7		At least 20%
		Employment rate, (%), average for 4 regions	64.1	Women 55.2%, men 66.9% (at national level: women 50.8%, men 63.4%)	66
	Increased social equality and improved delivery of public services <ul style="list-style-type: none"> • Decrease in the level of poverty in 4 regions; • Decrease outflow/migration from 4 regions; • Increase in accessibility to and quality of essential public services (water, health, pre-school and general education and social); • Increased quality of the public services 	Absolute Poverty, (%), average for 4 regions	27.4	Women 26.6%, men 28.3% (at national level: women 21.6%, men 22.4%)	25.5
		Number of population (thousands), sum of 4 regions	972,6		933,7 (decrease of depopulation trend to at least 4%)
		Availability of central sewage system, proper functioning of the system by regions, (%)	Imereti 41, Racha-Lechkhumi and Kvemo Svaneti 21, Kakheti 14, Guria 14		Increase at least by 10% in all regions
		Satisfaction with government officials communication with the population by regions, (%) ¹⁷	Imereti 60, Racha-Lechkhumi and Kvemo Svaneti 74, Kakheti 64, Guria 70		Increase at least by 5 % in all regions
		Decreased disparities between Tbilisi and 4 pilot regions	GDP of 4 regions at current prices		Increase at least by 15%
			5903.6		

21. Data is based on the UN Population Satisfaction Survey of Georgia, https://www.undp.org/content/dam/georgia/docs/publications/DG/UNDP_GE_DG_citizen_views_public_services_2017_geo.pdf

¹⁷ Percentage of respondents thinking it is effective

The strategic overall goal of PIRDP will be achieved through realisation of closely interrelated measures tackling identified regional needs and potentials. Those measures shall be concentrated in 5 proposed priority areas:

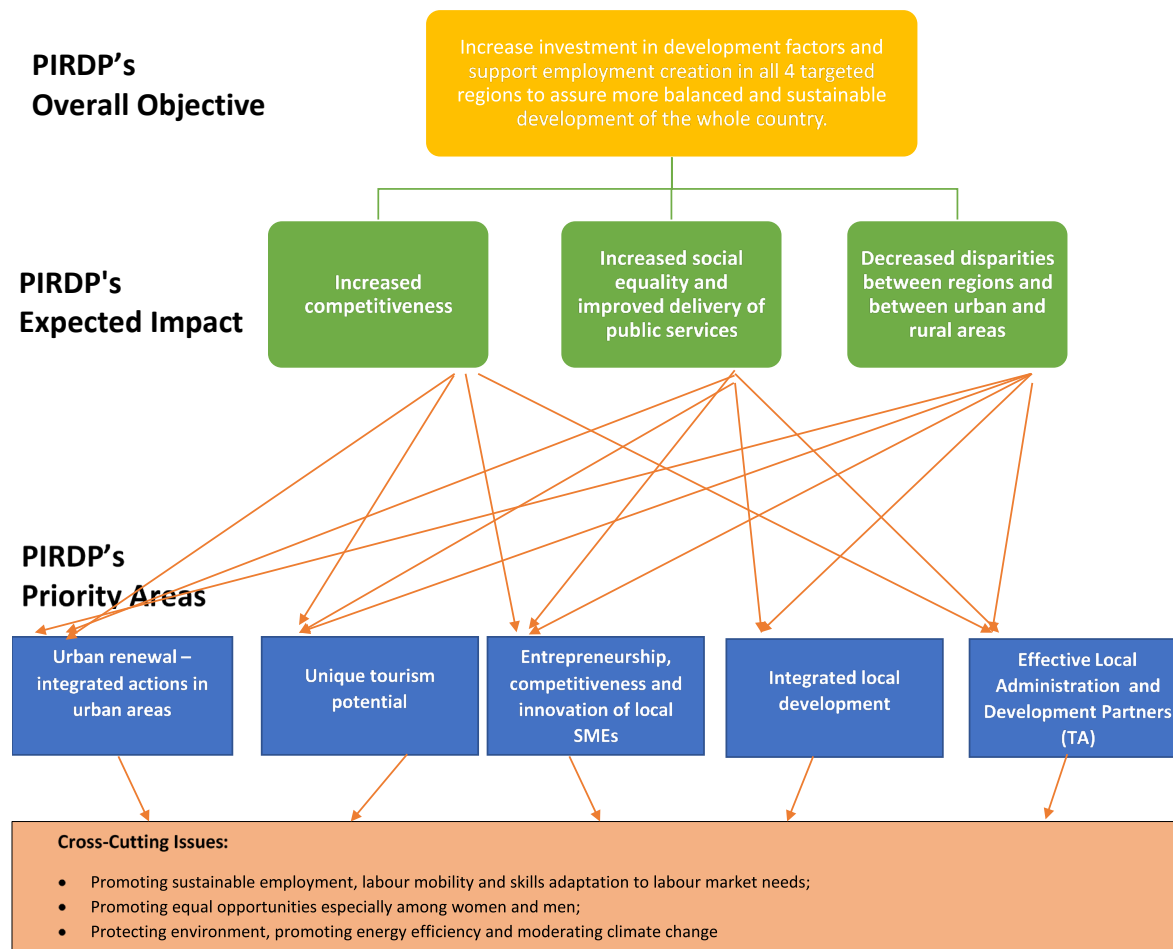
1. Urban renewal – integrated actions in urban areas;
2. Promotion of tourism using its unique potential;
3. Improvement of competitiveness and support to innovations of SMEs;
4. Integrated local development;
5. Technical support and capacity building of central and local administration.

Apart of above priorities for which available funding will be earmarked, there are three cross-cutting issues, which will be taken into account when implementing all priorities, measures and individual projects:

- Promoting sustainable employment, labour mobility and skills adaptation to labour market needs;
- Promoting equal opportunities especially among women and men;
- Protecting environment, promoting energy efficiency and moderating climate change.

Detailed justification of the choice of the priorities is explained in the next chapter.

Figure 4. PIRDP Objective, expected results and priorities for investment



4.3 Guiding principles

PIRDP programming and implementation system is based on experiences concerning preparation of RDP 2018-2021, Georgian legal and institutional systems as well as cohesion policy practice and EU regulations for the years 2014-2020.

Therefore, the list of guiding principles of programming and implementation of PIRDP:

- **Decentralisation and Partnership.** In line with being developed currently by the Georgian Government a decentralisation strategy, , the implementation of PIRDP will support the strengthening of the role of Regional Consultative Councils in regional policy realisation through their involvement in strategic discussion with the Government about strategies, development plans as well as identification and decision making concerning individual activities and projects of regional and local significance. Municipalities, State Trustees, private and social development stakeholders will be involved not only in the preparation of the programme (objectives, measures,

activities and projects) but also their role will be enhanced (in comparison to the existing sectoral schemes) - in regard to the implementation, management and monitoring of regional development measures, activities and projects.

- **Integrated, place-based approach.** Proposed measures, activities and projects under PIRDP will be identified on the basis of territorial analysis, in conjunction with ongoing sectoral support and developed through interactive process with territorial stakeholders. The implementation system will assure that all measures and implemented under them activities and projects which will be realized in the given region take into account territorial needs, goals and aspirations of local communities.
- **Complementarity.** In strategic terms PIRDP's goals and objectives must be compliant with RDP 2018-2021 – main strategic documents of the GOG setting regional policy agenda. New actions financed under PIRDP must complement actions already planned under national and municipal budgets as well as activities planned under EU and other donor's support schemes. Summary of complementary activities and projects are presented in Annex II. References also are made in the description of individual measures (Chapter VII). Complementarity will be observed during monitoring process of the PIRDP's implementation.
- **Simplicity** - the implementation system of PIRDP (regulatory framework, internal procedures, institutions) will consider EU rules and principles regarding public procurement, environmental legislation and principles of Cohesion Policy in the same time having in mind Georgian internal institutional and legal system and a need to produce a simple, coherent and easy to follow set of rules for beneficiaries.
- **Concentration** – taking into account limited number of resources and implementation time (3 years) new measures, activities and projects proposed for implementation under PIRDP will tackle only limited number of identified, region-specific needs and potentials with the highest value added for increasing growth and employment opportunities in the targeted regions in medium-term perspective.
- **Gender equality** – the PIRDP implementation systems and implemented measures, activities and projects will tackle the issue of Gender inequality by assuring that the gap between women and men is narrowing. The programme will provide support to help reach set targets in the official documents (for example: the Constitution of Georgia, the CEDAW Convention on the Elimination of All Forms of Discrimination against Women, the Law of Georgia on Gender Equality, the Government of Georgia's Governmental Action Plan on Human Rights 2018-2020, and Georgia On the Association Agreement between the European Union and Georgia ") and to achieve goals by:
:
 - requesting all strategies, plans, activities and projects to properly evaluate the situation of women especially those with specific needs like minority women, IDPs and women in labour (especially those with children);
 - Develop relevant gender indicators reflecting information broken down by gender and other criteria;
 - requesting to take into account when realising concrete activities and projects done assessment and create incentives and preferential access to women and vulnerable groups for goods and services provided under the programme;
 - preparation of special schemes for gender-sensitive areas, prevent exclusion and facilitate participation of women and other vulnerable groups;

- setting appropriate criteria for targeting groups of grant recipients/project promoters which facilitate access to information about engagement opportunities to women and vulnerable groups;

4.4 Description of priorities

For detailed summary of objectives and corresponding indicators at the level of priorities and measures see: Annex I. Table 2 and Table 3.

Priority 1. Urban renewal – integrated actions in urban areas

Elsewhere in the world - cities, especially those with metropolitan and capital functions, are primary source of jobs and productivity gains allowing countries and their regions to develop and catch with the increasing competitive pressure steaming from globalization processes. The same is true for Georgia which is more and more connected to the Global Market and European Union through steady realisation of Association Agreement provisions. However, the national urban system of Georgia is strongly monocentric and therefore unbalanced. It is strongly dominated by the position of Tbilisi, which - together with Rustavi - creates a conurbation with about almost 35% share of the country population (60% of the urban population), generates about 50% share in GDP, and acquires up to 78% of all FDI.

In total 58% of the population of Georgia is urban population¹⁸ but outside Tbilisi there are only three cities which exceed 100 thousand inhabitants (Batumi, Kutaisi and Rustavi). The biggest deficit in the spatial structure of the country is almost the absolute lack of medium-sized cities serving as a sub-regional social and economic hub for rural areas (the so-called second-tier-cities). The consequence of this phenomena is visible regional disparities, uneven spatial distribution of economic growth and difficulties with the use of endogenous potentials of regions.

The situation in four targeted regions in regard to urban issues is much differentiated. In the taxonomy of regional urban areas, we can distinguish their three types (see Table 2). Types of cities are classified by (1) population figures from the last census and (2) their administrative functions. All urban areas with a population of more than 5,000 are included in this typology.

Type 1. Regional centers (Kutaisi City, Telavi City, Ozurgeti City and Ambrolauri City) - Regional centres are central places for relatively large areas, whose success does not necessarily draw from the primary big cities' markets. These cities are more than 100 kilometres from the big markets (Tbilisi, Batumi) or more than 40 kilometres (apart Kutaisi) from the East-West highway. While these cities may not be well-connected to major markets or transportation corridors, they often serve a role in their regional economy. These cities either have an economic base that is fed by local inputs and markets or serve as an important regional or municipal centre. These cities are relatively large in Georgia's urban hierarchy, except for Ambrolauri. All those cities couldn't stop population decline from 2002 to 2014.

Type 2. Post-industrial cities and cities with transport node (Samtredia, Tchiatura, Zestaponi and Tkibuli) - Samtredia was major transportation hubs during the Soviet Union times, serving as nodes for railways, highways and now for airplanes. While the city is declining, his legacy as centres of access and transport persist and have helped to mitigate decline. Other cities in this group (Zestaponi, Tchiatura and Tkibuli) are important industrial centers in Imereti region. These industrial cities have suffered from

¹⁸ Geostat

the economic transition after the fall of the Soviet Union, but still remain relatively large.

Type 3. Administrative centers with third urban economy and population more than 5 thousand (Tskaltubo, Tkibuli, Sagarejo, Khoni, Gurjaani, Kvareli, Akhmeta, Lanchkhuti, Sachkhere, Dedoplistskaro, Lagodekhi) - Administrative centers should position themselves as growth nodes for surrounding, rural settlements.

Table 10. Population by region, including urban population.

Region	Total/Urban population 1994		Total/Urban population 2018	
	in thousand	%	In thousand	%
Imereti	786,4/394,7	50	507,0/247,8	49
Kakheti	456,3/91,1	20	314,7/71,4	23
Guria	167,6/44	26	110,5/31,6	29
Racha-Lechkhumi and Kvemo Svaneti	61,6/11,6	19	30,2/6,9	23
Georgia	4929,9/2652,8	54	3729,6/2174,8	58

Source: National Statistics Office of Georgia

The only region with the substantial urban population is Imereti (48.9%) – other regions are much more rural – urbanization remains at very low levels not exceeding 29% in Guria and 23% in Kakheti and Guria. This settlement pattern is to large extent heritage of the industrialization process during Soviet Union times (and even before), which in Imereti allowed for development of Kutaisi and a group of small cities clustered around places of extracting raw materials (coal in Tkibuli and magnesium ore in Tchiatura), its usage for production of electricity (Tkibuli) and ferroalloy (Zestaponi) as well other industry for the Georgian and Soviet markets (e.g. tractors and light industry in Kutaisi). The development of industry was backed by the development of transport links and transport hubs (like Zestaponi and Samtredia) as well administrative, cultural and high educational functions in Kutaisi (University). Majority of other towns in Imereti and all other regions had been able to develop before the collapse of Soviet Union only limited economic (mostly light and food processing industry), administration, social (secondary education, health) and cultural functions. All cities in all four regions (including Kutaisi), after collapse of the Soviet Union have been experiencing negative socio-economic trends – decrease in investment and losing markets what caused vanishing jobs, depopulation (migration back to villages and to Tbilisi and abroad) and in a consequence decrease in income, quality of life and increase of poverty. Lack of sufficient income of municipalities and the state, decreased accessibility to and quality of public services both for its own population as well population of villages, so in turn this loosened ties of cities with its rural surroundings.

Only recently some cities, especially those located in the attractive areas for cultivating wine and other agricultural export production as well tourism point of view (mostly Kakheti) are regaining its economic functions (mostly in food processing and tourism). The process was supported partially by the Government and international donors through complex urban regeneration schemes (e. g. in Kutaisi, Signagi and Telavi) or individual projects in cities (like for example Erekle II palace in Telavi) coupled with private investment in wine making, restaurant and hotels business.

Analysis shows however, that there is also a number of other small cities, not only in Kakheti, which can develop further their economic role as a centers of food processing (various types), market place and

storage for its agricultural environs or tourism function using its proximity to rich cultural heritage sites and environmentally interesting areas. Currently they cannot be fully exploited because of lack of funds, lack of basic infrastructure and services, low interest from private sector and low capacity of local administration.

It seems also that growing openness of the country and improvement in transport links has created new opportunities for post-industrial cities, especially those located in proximity to being developed and upgraded national transport infrastructure and playing still cultural and administrative functions, including regional centers¹⁹. They can try to attract new businesses and hence diversify its economic base, improve the quality of public spaces attracting new citizens and through improvement of links between themselves, with mayor centers of growth (Tbilisi and Batumi) and surrounding rural areas improve their economic and social role for the population of – depending on their size - entire region or municipalities in which they are located.

The objective of the priority is **to enhance the process of development of cities as economic and social engines of growth, structural change and sustainable employment.**

Focus on neglected so far cities, delivering them means for development and urban regeneration (also in social terms) should boost the whole regional economies and support an increase of regional competitiveness contributing to more balanced development of the whole country.

Table 11. Objectives, expected results and indicators for the Priority: Urban Renewal – Integrated Actions in Urban Areas

Objective	Expected results	Result indicators	Baseline (2017)		Targets (end of 2022)
Support the process of development and regeneration of cities	<ul style="list-style-type: none"> Stabilisation of urban population and attracting new citizens especially to regional growth centers Increased socio-economic and cultural role of regional centers Concentration of economic activities in cities 	Persons employed in 4 regional centres (municipality level) Kutaisi, Telavi, Ambrolauri and Ozurgeti (thousands), sum of 4 regions	56288	Women 43%, men 57% (proportion, business sector employment at national level: women 40%, men 60%)	Increase by 10%
		Turnover of business sector in regional centres (Kutaisi, Telavi, Ambrolauri and Ozurgeti), million GEL, sum of 4 regional centres	2634,7		Increase by 40%

¹⁹ However, keeping in mind huge differences between Kutaisi, Telavi, Ozurgeti and Ambrolauri

		Share of persons employed in business sector in regional centres (Kutaisi, Telavi, Ambrolauri and Ozurgeti) in total regional employment, average for 4 regional centres	48.0	43% of persons employed in 4 regions are women and 57% men (proportion, business sector employment at national level: women 40%, men 60%)	51
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Expected results of the realisation of this priority are connected with: first stabilization of urban population and with time attracting new citizens, concentration of economic activities, especially those of industrial character (what has clear impact on competitiveness of the whole regions) and more distinctive role, especially of Kutaisi and Telavi, as regional centers being able to attract not only new businesses but also offering new cultural and educational functions attracting visitors and helping to increase attractiveness of the concerned regions.

The priority will be realised through set of three closely interlinked measures:

1. **Strengthening socio-economic role of regional urban centers.** This measure will focus on delivery of various types of support aimed at strengthening the role of four regional capitals (Kutaisi, Telavi, Ambrolauri and Ozurgeti).
2. **Socio-economic regeneration of urban areas.** This measure will focus on urban socio-economic and physical regeneration of urban areas in industrial cities and town.

For details see Chapter VI.

Priority 2. Unique tourism potential

As experience of many countries shows tourism can be very important source of jobs and income for the local population and source of stable growth, especially in the construction and transport sector. It can play very positive diversification role offering good quality tourism products and services based on exploitation of natural (climate, landscape and protected areas) and cultural heritage potentials. However, the positive role of tourism in regional development is constrained by the fact that in comparison to other economic activities, it offers less productive and stable jobs (on average) – also because of seasonal fluctuations stemming from the changes of seasons and socio-economic factors (political and economic stability in the whole country, exchange rates, etc.).

From regional development point of view the challenge therefore is to develop existing potential stemming from natural and cultural heritage but at the same time offering better quality services and wherever is possible - more advanced touristic products (going beyond offering simple, cheap accommodation). What is also very important - development of such sustainable regional model of tourism shouldn't prevent public authorities from trying to develop other types of economic activities – taking advantage of visitors (for example local crafts) but in the same time being able also to be marketed individually.

Due to political stability, geographical location, rich natural and cultural heritage and climate conditions, currently Georgia enjoys very high and growing recognition as a tourism destination. According to the LEPL Georgian National Tourism Administration in 2018 international tourist trips increased by 11% over 2017 and reached 7.2 million. At the same time, international travel trips increased by 10% in 2018 and reached 8.7 million. The majority of all visitors (5,2 million in 2018) came from neighbouring countries: Republic of Armenia, Republic of Azerbaijan, Russian Federation, Republic of Turkey, however the biggest increase in 2018 was observed in the case of international visitors from Eastern European and Baltic countries (Slovak Republic, Romania, Republic of Estonia, Republic of Lithuania), from Eastern Asian countries (Republic of Korea, Japan) and some Western European countries (The Kingdom of Netherlands, Federal Republic of Germany, Kingdom of Belgium and Republic of France). The biggest number of touristic visits takes place in July and August.

Not only foreign visitors contribute to the growth of number of tourists. In 2018 monthly average number of domestic visitors of age 15 and older was almost 914 thousand (5.9% annual increase), with the average trip length being 2 nights.

Prospects for growth of tourism in Georgia are very optimistic. According to the World Travel and Tourism Council's (WTTC) forecast tourist arrivals will amount to 8,056,000 by 2027. Georgia also ranks 16th among 185 countries in WTTC ranking of 'long term-growth of tourism and travel's contribution to GDP'. According to the Georgian tourism development strategy, Georgia aims to host 11 million international visitors by 2025.

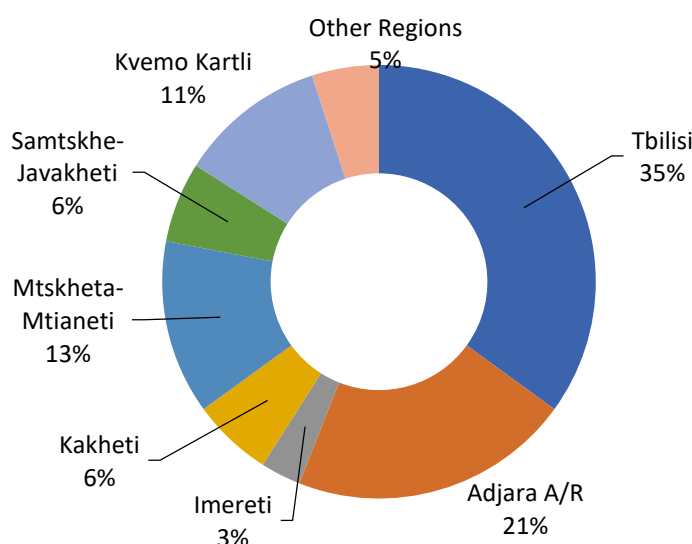
Tourism plays very important economic role for Georgia. The foreign currency inflow received from tourism supports the macro-economic stability of the country. The share of total output in tourism related services in the output of total economy in 2018 was 8.1%. As of 2018, the share of tourism in the services of the current account (balance of payments) was 72%. Out of 3 million hotel guests in 2017 2 million were international travellers. 78% of them were leisure travellers, 14% visited Georgia for business purposes and only 2% for the health tourism.

In terms of regional policy, it is important to note that tourism related activities are very much concentrated in limited number of regions and places across the country. In 2018, the majority of visits (almost 70%) concentrated in Tbilisi, Adjara (Batumi, seaside) and Mtskheta-Mtianeti (Mtskheta, Gudauri

and Kazbegi). The biggest inflow of foreign tourist in four targeted under PIRDP regions was recorded in Kakheti while the biggest regions out of four - Imereti attracted only 3% of total visitors and other regions even less.

Taking into account that all four regions feature a big number of very rich and diverse cultural and natural attractions the conclusion is that in the context of good prospects of tourism sector development in Georgia, targeted regions have a lot much to offer than actually is utilised.

Figure 5. Distribution of inbound visits by regions in 2018



Source: Inbound Tourism Statistics, Geostat,
http://geostat.ge/index.php?action=page&p_id=2771&lang=eng

The national tourism promotion policy is very much concentrated on *attracting tourism flows in the country, improving the quality of infrastructure and service in the tourism sector* (see Measure 2.3. Support to strategic sectors: Tourism under RDP 2018-2021) but is not territorialised. Activities of LEPL National Tourism Administration focus on general promotional activities (like advertisement and marketing campaigns and similar activities paired with international tourism exhibitions/fairs and press and info tours) and development of all Georgia tourist products like wine making and culture. (Winemaking and viticulture are agricultural fields. The administration is assisting the development of wine tourism with the project "Wine Road", also marking mountain-hiking trails for adventure tourism development). This naturally focuses attention of international tourism organisations on already developed areas. Support to development of small-scale tourism infrastructure and development of tourism centres is available to all regions but because of very limited size even with donors' support to individual areas, cultural sites and national parks cannot match demand.

Other ministries support also various tourism related activities e.g. attraction of international hotel brands to Georgia (Ministry of Economy and Sustainable Development), development of small scale cultural infrastructure (Ministry of Education, Science, Culture and Sport of Georgia), Promoting agro-tourism and developing tourism potential of protected areas (European Neighbourhood Program for Agriculture and Rural Development / ENPARD) but this benefits mostly Tbilisi, Batumi and Kakheti (Telavi municipality); rehabilitation of cultural sites. Development of small scale cultural infrastructure (Ministry of Education,

Science, Culture and Sport of Georgia), development of small-scale tourism infrastructure and support for agro-tourism (ENPARD).

Support to cultural sites and touristic use of protected areas is also provided by other international donors but because those activities are concentrating mostly on limited number of well recognised destinations, are limited in size and scope (focusing on chosen aspects of tourism) they are not able to use in comprehensive way potentials of the regions, especially those areas which are not much developed yet.

Therefore, there is an obvious role for regional policy to support tourism activities in more centralised way matching better needs and potentials of 4 regions concerned.

The overall goal of the tourism priority under PIRDP **is to support development of unique tourism potential of four concern regions.**

The investment strategy consists of concentration of activities in several areas of the biggest relevance for socio-economic development and restructuring of its economic base. This, matched with decentralised approach of choosing projects should allow regions:

- on one hand to build on and expand further products and results of support provided so far or planned for expansion of tourism by national or donor funded projects and programs and
- On other hand to develop in more comprehensive way those potentials which until now haven't been utilised at all.

Support, as far as possible, should be delivered **in the form of packages addressing** (depending on the concrete situation) cultural heritage preservation, environment protection, development of tourism facilities, support to SMEs and individuals in coordinated way. In addition, support to building of the regional system of improving quality of services and products will be proposed.

Considering limited funds allocation in realisation of PIRDP this will work only on condition that regions will be able to agree on concentrating funds **in limited number of geographical areas** in which such comprehensive support would bring the biggest effect on socio-economic development of the whole regions or in particularly chosen areas.

Expected results of realisation of the priority include:

- Increased number of visitors in targeted regions and designated local area;
- Increased number of regional attractions visited by tourists;
- Improved quality of services;
- Diversification of tourism offers.

Table 11. Priority "Promoting Tourism Development Using Unique Potential". Tasks, expected results and key performance indicators

Objective	Expected results	Result indicators	Baseline (2017)	Targets (end of 2022)
Promoting tourism development with its unique potential	<ul style="list-style-type: none"> Increased turnover in tourism sector Increased number of visitors in targeted regions Improved quality of services 	total turnover in accommodation and food service for 4 regions (million GEL),	128.6	Increase at least by 90%
		Number of visitors in Imereti and Kakheti ²⁰	70.3	Increase at least by 30%
		Satisfaction with tourism infrastructure by 4 regions, (%), (share of respondents thinking it is completely adjusted) ²¹	Imereti 30, Racha-Lechkhumi and Kvemo Svaneti 26, Kakheti 4, Guria 1	Increase at least by 10% in all regions

The priority will be realised by two measures focusing on different aspects of tourism support but mutually inter connected through selection criteria and eligible expenditure:

- **Development of regional tourism potential.** Under this measure support will be directed towards development of public infrastructure serving tourists visiting natural and heritage sites as well as preservation of those cultural sites and natural heritage areas, which will be used for expanding tourism activities in the targeted regions.
- **Improving quality of tourism services.** Under this measure support will be provided for improving the quality of regional tourism services, including support to establishment of regional educational and training centers and provision of courses.

For details see Chapter VI.

Priority 3. Improvement of competitiveness and support to innovations of SMEs;

Despite the steady growth observed since 2010 and many reforms introduced with the aim to ease the conditions for doing business in Georgia, competitiveness of Georgian economy in comparison to EU countries remains low. The relatively diversified structure of economy, with industry being the most important sector providing 17% of GDP together with trade (also 17%), transport and communication (10.2%), construction (9.3%), public administration (8.2%), agriculture (7.7%) and real estate (7.4%),²² still needs introduction of structural changes in order to increase its low comparative advantage reflected in the negative trade balance, with the sluggish export of mostly unprocessed products (raw materials, agricultural products).

Manufacturing industry in Georgia features poor competitiveness on international level, low productivity and limited variety of manufacturing products. In some industrial sub-sectors insufficient occupational safety standards limit additionally the development potentials. Main industrial sub-sectors are food

²⁰ Data on Number of visitors in Guria and Racha-Lechkhumi are not available separately on Geostat

²¹ Satisfaction of survey respondents are evaluated by three levels “completely adjusted”, “somewhat proper” and “completely improper”

²² Geostat, 2018, preliminary data

processing, manufacturing of construction materials, furniture and pharmaceuticals. Georgia has highly mono-centric structure of economy, with uneven distribution of business activity among regions in terms of turnover (71% of which is attributable to Tbilisi-based companies), employees in business sector (62% employed in Tbilisi) as well as production value (64% is produced in the capital region), GVA (50% of Georgia's GVA comes from Tbilisi) and investments in fixed assets (75% of total investments is effected in capital region)²³. By the end of 2018, 42% of active companies operated in Tbilisi).

Data for Imereti, Kakheti, Guria and Racha-Lechkhumi – Kvemo-Svaneti show that economic situation of these region differs significantly (in a negative sense) from the situation in the capital city, but also there are big differences among the regions themselves. The table below shows the main features of the economies of the targeted regions.

Table 13. Main economic indicators of targeted regions, 2017

Region	No of companies (% of total number for Georgia)	No of employed in business sector (% of total number for Georgia)	Value of investments in fixed assets (% of total value for Georgia)	Gross Value Added (% of total GVA for Georgia)
Imereti	13.6	7.3	1.9	10
Kakheti	6.1	3.3	1.8	5.7
Guria	2.6	1.2	0.4	2
Racha-Lechkhumi – Kvemo-Svaneti	0.7	0.3	0.19	0.5

Source: Geostat, http://geostat.ge/index.php?action=page&p_id=1190&lang=eng

Although all targeted regions feature similar problems related to low number of companies and employment in business sector and a meagre share in the country's fixed assets investments and GVA, significant differences between the regions can also be observed in terms of diversified economic structure, manufacturing sectors' capacities, etc.

According to Geostat, the share of SMEs in the total number of active enterprises in Georgia constitutes 95% (medium – 1% and small – 94%). At the same time, their share in the value added created in business sector is 61% and the share in total value of investments in fixed assets – 39%. The SMEs employ 67% of all employees in Georgia. The tables below present the share of SMEs in turnover and employment in 4 targeted regions.

Table 14. Contribution of companies by size in total employment and turnover in %, 2017

	Large		Medium		Small	
	employment	turnover	employment	turnover	employment	turnover
Imereti	21	26	18	25	61	49
Kakheti	6	8	26	29	68	63
Guria	10	7	23	32	67	61
Racha-Lechkhumi – Kvemo-Svaneti	-	-	9	8	91	92

Source: Geostat, http://geostat.ge/index.php?action=page&p_id=1190&lang=eng

²³ All business statistics data are of 2017, Geostat

According to the data presented above, the role of SMEs in all targeted regions – although significant in terms of quantity, is not sufficient for substantial improvement of the regional economies due to their low performance in terms of turnover and employment, but also by share in total GVA.

Among the important factors influencing negatively the economies of targeted regions the low level of competitiveness and innovativeness of regional enterprises can be listed. The overall competitiveness of Georgian economy is rather low when comparing with EU Member States, but also relatively low in comparison with the neighbouring countries. The main reasons are low productivity and innovativeness of Georgian companies, resulting in low quality and variety of Georgian products. Although comprehensive data on innovation, R&D and technology are not regularly captured in Georgia (with only limited data collected by Geostat and solely on the national level), the statistics are not optimistic: out of 137 economies covered by the World Economic Forum's Global Competitiveness Index (GCI) 2017-2018, Georgia ranks 112nd in innovation and sophistication factors, 118th in innovations, 99th in innovation capacity and 70th in technological readiness.

In 2017 13.3% of companies surveyed introduced new or significantly improved products and 14% introduced new or significantly improved services²⁴ (in EU about 70 % of companies introduce new or significantly improved products new to the firm, and about 50 % products new to the market). Innovation activities among Georgian enterprises concerned, primarily, the acquisition of machinery, equipment and software (19.5% of responses), followed by design (14.6%), training for innovative activities (14.4%) and in-house R&D (12.9%). Acquisition of external knowledge constituted 9.6 % and external R&D 5.6%, respectively²⁵. Most of these scores are significantly below those of EU countries. In 2015, the volume of the Georgian technology sector amounted to GEL 1 869 million (EUR 729 million) – 5.9% of GDP (with ICT share up to 90% of this amount). There are up to 1000 companies/organisations active in the technology sector. Most of them operate in computer programming and consultancy (223), followed by telecom (149) and wholesale ICT equipment (131). There are some promising subsectors, such as biotechnology (GEL 143 million of local production of pharmaceutical goods), automotive and aviation (GEL 25 million export value each in 2015)²⁶.

Innovativeness of the targeted regions is difficult to assess due to the lack of data in regional breakdown. The only available data related to innovation are from Information and Communication Technologies Usage survey of enterprises and households. This is a sample survey of enterprises with more than 10 employees. The survey results for enterprises are shown in the table below:

²⁴ Geostat, Distribution of Enterprises by innovation in production in 2017

²⁵ Geostat, Distribution of enterprises by enterprise engagement in innovation activities in 2017

²⁶ Specific Support to Georgia. Improving the Effectiveness of Georgia's Research and Innovation System through Prioritisation, Selectivity of Funding and Science-Business Links, EC, Directorate General for Research and Innovation, 2018.

Table 14. Usage of Information and Communication Technologies Usage survey in enterprises %, 2017

	Imereti	Kakheti	Guria	Racha-Lechkhumi and Kvemo Svaneti
Usage website or webpage	29%	37%	41%	21%
Usage of ERP program package ²⁷	15%	14%	9%	14%
Orders vis webpage for goods and services	4%	3%	9%	0

Source: own calculation based on data requested from Geostat

Referring to households, the survey shows access to computer and internet. By June 2018, in both categories data for the target regions are significantly lower than the average for Georgia (62.8% and 69.5% respectively):

- Imereti (together with Racha-Lechkhumi and Kvemo Svaneti) – 54.2% and 62.8%;
- Kakheti – 46.8% and 55.8%;
- Guria – 50.9% and 43.1%.

The level of R&D funding in Georgia has to be considered as very low, although it has increased significantly in recent years – general expenditures on R&D (GERD) as a share to GDP rose from 0.08% in 2013 to 0.32% in 2015, which figure is still considerably lower than the average for Central and Eastern European countries (1.01%) and EU 28 countries (2.04%)²⁸. Science sector focuses mostly on basic research, low level of citations and patenting activities can be observed. The Georgian GERD statistics do not include private non-profit and business-enterprise funding but since it is estimated that the spending of business sector on R&D is extremely low, the real level of GERD is not much higher than 0.32%.

As mentioned above, according to Geostat 12.9% of enterprises engaged in innovation activities conducts in-house R&D activities and 5.6% of them commissions external R&D. Another important constraint is very low level of industry – academia collaboration.

Although data on R&D in regional breakdown are not available in Georgia, research activities concentrate mostly in Tbilisi, with very limited number of R&D works conducted in other regions. One of the reasons is lack of high education institutions (HEI), which will stimulate the introduction of innovations and R&D works aiming at increasing the competitiveness of economy. Amongst the targeted regions 2 public and 2 private HEIs are located in Imereti and 1 public and 2 private schools in Kakheti. There are no universities in Guria and Racha-Lechkhumi – Kvemo-Svaneti.

Basing on the analysis presented above the **specific objective of this Priority is Improvement of conditions for growth of SMEs and development of regional innovation eco-systems.**

The investment strategy for the Priority is to concentrate on activities with the biggest potential to enhance the economic development of the targeted regions and to support restructuring the economies of targeted regions. The activities within the Priority will support regional SMEs in investments aiming at creation of better, marketable products and services and establishment of new, sustainable job places. The enterprises will also be encouraged to increase their expenditures on innovation and R&D in cooperation with the science sector. Support will be provided in all four regions in the form of grants for SMEs for development projects with the highest potential to grow and willing to expand its economic

²⁷ ERP (Enterprise Resource Planning) is a software package used to manage resources by sharing information among different functional areas (e.g. accounting, planning, production, marketing, etc.)

²⁸ UNESCO Institute of Statistics (UIS), <http://data.uis.unesco.org/>, January 2018.

activities especially in those sectors which are in line with identified under regional strategies (using smart specialisation approach) growth sectors offering the biggest increase in productivity and income generation for citizens.

This objective will be achieved through implementation of two measures:

- **Increasing investment and job creation by SMEs.** Within this measure support will be provided for expansion of local SMES investing in industrial production and food processing. Additionally, small grants will be available for local micro and small companies with the aim to increase their potential and create new jobs.
- **Increasing innovativeness and R&D capacity of local companies.** Within this measure support will be available for purchasing of equipment and services helping local SMEs to implement innovative solutions and conducting R&D activities increasing company's productivity.

For details see chapter VI.

Thanks to the realisation of the Priority the following results are expected:

- Increased investments of industrial SMEs;
- Increased capacity of SMEs to use and innovative solution and products;
- New stable jobs created;
- New products and services developed, including those with export potential.

Table 16. Objectives, expected results and indicators for the Priority: Improvement of competitiveness and support to innovations of SMEs;

Objective	Expected results	Result indicators	Baseline (2017)	Targets (end of 2022)
Improvement of conditions for growth of regional SMEs and development of regional innovation eco-systems	<ul style="list-style-type: none"> • New stable jobs created in business sector • Increased investments of industrial SMEs; • Increased capacity of SMEs to use and innovative solution and products • New products and services developed, including those with export potential 	Number of persons employed in business sector, sum of 4 regions	86736	Increase at least by 25%
		Investment in fixed assets in business sector in 4 regions, 2017, (million GEL), sum of 4 regions	192.5	Increase at least by 30%
		Value added created in business sector in 4 regions, 2017, (million GEL), sum of 4 regions	1306	Increase at least by 50%
		Value of export in 4 regions (million GEL)	268,3	Increase at least by 40% (375,7)

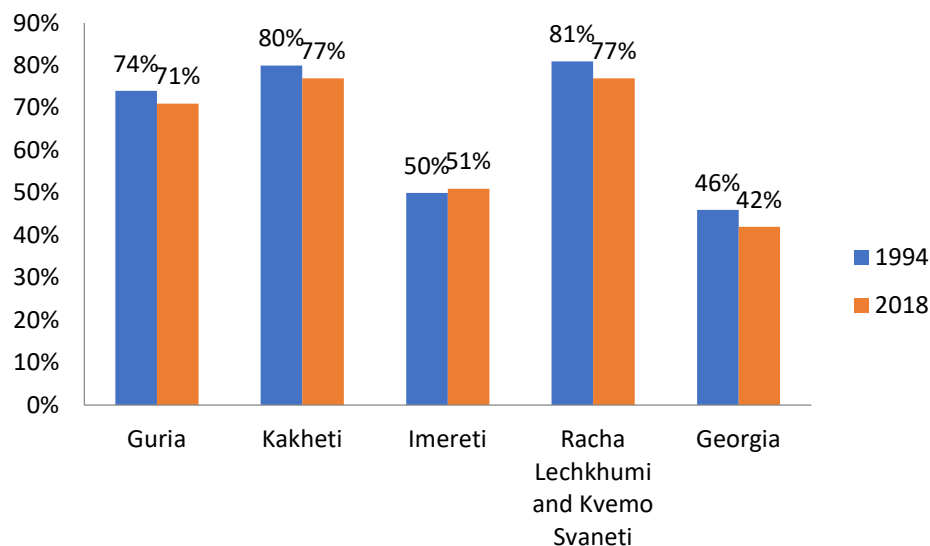
Priority 4. Integrated local development

As was stated in the RDP 2018-2021 *“Sustainable and balanced development of the country requires an increase of attention of the regional policy for financing projects prepared and implemented locally with wider regional effect”*. Local development schemes allowing for activation of potentials of local authorities, locally rooted institutions, citizens and entrepreneurs can be an important element of regional policy.

By EU standards Georgia is medium urbanised country with a substantive share of population living in rural areas. As regards 4 targeted regions, the smallest share of rural population is observed in Imereti (51%),

and biggest in Kakheti and Racha-Lechkhumi (both 77%).

Figure 6. Rural population in targeted regions, 2014 and 2018



Source: Geostat, http://geostat.ge/index.php?action=page&p_id=1184&lang=eng

Between 1994 and 2018 number of rural population dropped in all 4 regions and in share of rural population increased only in Imereti. These trends illustrate both problem of deterioration of the situation in industrial cities coupled by their demographic decline (in case of Imereti) and huge migration from rural areas to Tbilisi and other cities (also abroad) from remote, mostly rural areas.

Although in all four regions there is a lot of socio-economic problems, situation of rural population (including small boroughs), especially in remote areas, is worse than urban population. They suffer from the lack of employment opportunities (outside the agriculture sector), poor local infrastructure and low quality of local services, which are the most important from development point of view: childcare, basic education, health, etc. In addition, poor transport connection and low attractiveness of small cities and towns as places for work and places of delivery of services weakening the functional links between rural areas leaving a substantive share of population outside main development processes of the country.

Notwithstanding recent years affords of the Government toward support rural development, the social conditions and living standards of the rural population remain low, particularly in the high mountainous regions. Poor quality public services there represent the major constrain. While many progressive steps have been made to improve the quality, many problems still need to be addressed at the regional and local level.

Table 16. Basic infrastructural indicators, 2017

Region	Road Density (km/1000 km ²)	Share of households with access to central gas system out of total (%)	Share of households with water supply system installed in the dwellings out of total (%)
Guria	430	63.6	67.2
Imereti	430	67.2	48.9
Racha-Lechkhumi and Kvemo Svaneti	360		
Kakheti	230	75	37.5
Georgia average	360	66.9	63.4

Source: Geostat

As Table 16 shows in targeted regions access of citizens to basic infrastructure like roads, gas and water is below average for the whole Georgia. Local roads linking villages, leading to agriculture lands and to cultural heritage sites are in general in poor condition and need reconstruction/rehabilitation. Despite recent investments, the road network density is low, especially in regions such as Kakheti and requires significant improvements with regard to surface quality and width. Since domestic passenger transport is almost entirely road-based, the poor infrastructure affects connectivity and mobility, especially for affordable and reliable rural bus services and passenger rail in general.

According to 2017 data, despite the noticeable improvement in the water supply of households in the regions over recent years, only 63.4% of households in Georgia are supplied with water in their homes. This situation is considerably worse in the rural areas than it is in the major population centres. In average, only 75.7% of households have access to gas systems, with Guria among most disadvantaged. In fact, there are more households connected to gas pipelines than to tap water supply systems. All the pilot regions have low level of access to water supply infrastructure. It is not only insufficient financing that is the main cause of the underdeveloped bulk potable water supply system in Georgia, but also ambiguous and inconsistent legislation.

Access to schools in rural areas is unimpeded, as 85.7% of children living in the villages have access to school education. As for the remaining 14.3% who lack access to schools, in 77.3% of the cases, the major obstacle was the long distance to schools (10 km or more), and the poor state of the roads (in 17.4%). Access to pre-school education in rural areas is lower than for primary and secondary education. Only 41.1 % of the rural population uses pre-school services.

Although notable steps were done toward improving quality of healthcare services and their geographic accessibility by building and equipping 82 rural clinics the problem of quality and accessibility in rural, especially in remote areas still stay topical. It is noteworthy that since 2012, the number of day care centres (including those serving disabled people and children with disabilities) increased in almost every city and municipality of Georgia. However, this service remains limited in rural areas.

SWOT analyses presented in the 2014-2021 regional development strategies of the targeted regions indicated that the absence of sewerage system, interrupted supply of potable water, disorganized waste management and poor roads conditions are the sharp problems in the villages of the targeted regions. In addition, as major obstacle for development was named also lack of public spaces, youth clubs, sports facilities and absence of street lightening in many of villages. Undeveloped tourist infrastructure hinders

the development of the small family-based hotels as well as larger tourism attractions in the targeted regions. According to the EU principles of regional policy local development is one of the most important components of the place -based approach – integrated development of individual places (villages, cities, town) paying attention to their characteristics and with involvement of local authorities and citizens.

Effective implementation of this approach requires not only additional funding but also improvement of programming and implementing skills of local authorities, good identification of local needs and potentials as well organisation of the system of local partnership.

The objective of the Priority is **preservation of traditional local products, development of infrastructure and increase quality of local services to stimulate new economic activities**. The support as much as possible will be delivered using bottom up - partnership approach in which identification of projects and responsibility for final decisions lies with municipalities and local stakeholders, including business community.

The priority will be implemented through three measures consisting of different types of interconnected activities which are the most important for enhancing opportunities for local citizens:

- **Preservation and commercialization of local traditional crafts and products.** This measure will support preservation and marketing of local traditional crafts and products and help local population of remote areas to develop new types of non-agriculture activities bringing additional income.
- **Local infrastructure helping development of local businesses.** The measure will provide support to development of upgrading of those elements of local life which are essential for increasing the attractiveness of villages and small town and increasing the quality of life of citizens. This include assuring access to water and sanitation services.
- **Improvement of delivery and quality of local public services.** The measure will help municipalities to improve the quality of local services through financing social infrastructure, quality of health, educational and other services as well as implementation of ICT applications and solutions.

For details see chapter VI.

The priority will be implemented with support of local partnerships established in identified at regional level limited number of remote **areas in 4** targeted regions – Kakheti, Imereti, Guria, Racha-Lechkhumi and Kvemo Svaneti.

Following results are expected from the realisation of the priority:

- Preserved local crafts and products;
- Improved business opportunities in remote areas;
- Increased local population income;
- Increased quality of life.

Table 17. Objectives, expected results and indicators for the Priority: Integrated Local Development

Objective	Expected results	Result indicators	Baseline (2017)	Targets (end of 2022)
Improvement of local infrastructure and delivery of local services to stimulate new economic activities in the remote areas	<ul style="list-style-type: none"> Increased local population income; Increased quality of life Improved business opportunities in remote areas; 	Average monthly income of the total population in 4 regions (million GEL) ²⁹	288.4	Increase at least by 15%
		Share of households having access to water, the water supply system installed in the dwelling, (%) average of 4 regions	45.6	55
		Number of active business entities in 4 regions	37945	Increase at least by 10%

Priority 5. Technical Support to central and sub-national level administration and local stakeholders

According to the EU and OECD investment in improving efficiency of policy making, quality of national and local administration and improvement of governance system are now pillaring of modern regional policy. Only by improving the quality of the government and governance system (relations between all development partners) we can assure that investment in traditional local development factors (like infrastructure, SMEs or human capital) can bring sustainable over longer period results. Under PRDP 2018-2021 Support to institutions and development partners is tackled under Priority 5. This type of activities is also crucial in the context of ongoing works on decentralisation strategy. Strengthening institutions and promoting good governance is one of the 4 priority sectors for cooperation between Georgia and EU under SSF 2017-2020. Among three specific objectives of the cooperation between EU and Georgia in this area:

- enhancing the quality and effectiveness of the Government and the Parliament functioning and the whole public administration
- strengthening the Rule of Law and the Justice system:
- enhancing resilience and address security:

Under this objective of the SSF are envisaged actions supporting among others: inclusive and evidence-based policy; improving decision making capacities; improving further public finance policy processes as well as transparency, accessibility and quality of Government services; promoting gender equality in human resource management; strengthening the structures and processes of local governance; strengthening the fight against corruption; promoting human rights with particular attention to the rights of vulnerable groups, including women, youth, people with disabilities and minorities;

As already indicated under RDP 2018-2021 those planned under SSF activities are closely related to the identified needs and are important for achieving set goals of regional development policy in Georgia. Realisation of PIRDP offers unique opportunity to combine investment in Infrastructure, human resources

²⁹ Data on average monthly income of Guria is combined under category “other regions” in Geostat

and productive sector with activities focused on institutional capacity of sub-national administration to deal with territorial development challenges.

The objective of the priority is to **strengthen capacity of the public administration and development partners in conducting modern regional policy and enhance/ensure smooth and effective implementation of PIRDP**. Under the priority will be offered support in strengthening public authorities and administration operating at national and regional (local) levels as well as to development partners such as CSOs and private sector to cooperate, plan and implement various development place-based activities.

Expected results of the realisation of the priority include:

- Increased programming and management skills of MRDI and other national and local level administration;
- Increased involvement of local authorities and development partners in conducting regional development actions;
- Smooth implementation of PIRDP.

This objective will be realised through concentration of TA activities within three specific measures:

- Capacity building for regional policy making and PIRDP implementing institutions at national level;
- Capacity development for regional and local level administration;
- Support to preparation of the project pipeline.

Support within this Priority will be provided in the form:

- TA service contract (s) to provide specialized capacity building and assistance for national and regional level agencies and stakeholders (supporting entire life-cycle of the Programme and its publicity);
- grant scheme for CSOs and other development partners to strengthen their participation in local and regional development activities;
- Grant scheme embedded in the delivery modalities of the Programme that will support project promoters in the development of their project pipeline at early stages.
- Additional funding provided by international donors.

The priority will be implemented at national level (measure 5.1 and 5.3, however some activities (support to regional and local institutions – (measure 5.2) and preparation of the project pipeline (measure 5.4) will be available only for local institutions in 4 targeted regions: Kakheti, Imereti, Guria, Racha-Lechkhumi and Kvemo Svaneti.

Table 18. Objectives, expected results and indicators for the Priority: 5. Technical support and capacity building of central and local administration

Objective	Expected results	Result indicators	Baseline (2017)	Targets (end of 2022)
Strengthen capacity of the public administration and development partners	<ul style="list-style-type: none"> • Increased strategic programming and management skills of 	Disbursement rate of national budget money at end date of PIRDP (% of M GEL)	50.5 M GEL	At least 80%

in conducting modern regional policy and enhance/ensure smooth and effective implementation of PIRDP.	MRDI and national and local level administration <ul style="list-style-type: none"> Increased involvement of local authorities and development partners Smooth implementation of PIRDP 	Number of staff of MRDI and other institutions involved in PIRDP programming and implementation	0	15
		Share of projects identified and selected at regional level under PIRDP (%)	0	At least 60%

Chapter V. Measures to be financed under PIRDP

The priorities of the PIRDP will be implemented through a set of measures distinguished by their specific objective, eligibility criteria, types of activities and grant recipients. For summary of the content of measures, implementation provisions and indicators, see Annex I. Table 3 of PIRDP.

The selection criteria set out in this program and the grant and/or receipt entities will be identified by setting out the detailed criteria for each specific project application announced by the Commission.

Table 19. List of measures and sub-measures

Priority	Name of the Measure	Name of sub-measure
1. Urban renewal – integrated actions in urban areas	1.1. Strengthening socio-economic role of regional urban centers	A – Increase accessibility of regional centers and integration of urbanised areas
		B - Promoting regional capital as economic, cultural and educational hub of the region
	1.2. Socio-economic regeneration of urban areas	A – Development of infrastructure of designated urban areas
		B – New skills development (according to labour market demand) and social activation
2. Unique tourism potential	2.1. Development of regional tourism potential	A – Development of public infrastructure serving tourists visiting natural and heritage sites
		B – preservation of cultural and natural heritage I
	2.2. Improving quality of tourism services	
3. Improvement of competitiveness and support to innovations of SMEs	3.1. increasing investment and job creation by SMEs	A. Support for creation, expansion and modernisation of SMEs
		B. Export promotion of local goods and services
	3.2. Increasing innovativeness and R&D capacity of local companies	
4. Integrated Local development	4.1 Preservation and commercialization of local traditional crafts and products	
	4.2 Local infrastructure helping development of local businesses	
	4.3 - Improvement of delivery and quality of local public services	
5. Technical support and capacity building of central and local administration	5.1 Capacity building for regional policy making and PIRDP implementing institutions at the national level	
	5.2 Capacity development of regional and local level administration	A - Development of capacity of RCCs, administration of State Trustees and other local stakeholders
		B- Development of regional analytical and monitoring capacity
		C- Implementation of regional investment promotion activities
	5.3 Support to preparation of project pipeline	

Priority 1. Urban renewal – integrated actions in urban areas

Measure 1.1 Strengthening socio-economic role of regional urban centers

Objective and expected result

The main objective of the measure is to strengthen the role and functions of regional capitals (Ambrolauri, Kutaisi, Ozurgeti, Telavi) in the economic, cultural and social terms. This will particularly be realized by:

- increasing transport accessibility of regional capitals;
- functional integration of their wider urbanised areas,
- undertaking activities aimed at enhancement of recognition, brand-building and strengthening the identification and a sense of pride by local and regional entrepreneurs, tourists and residents,
- improving infrastructure for undertaking economic activities and symbolic activities (such as cultural activities),
- Creating and development of new attractive urban spaces, especially in the city centers.

All undertaken activities will be characterized by significant territorial impact as well as influence on a regional and supra-regional scale. An integrated approach will be promoted, in particular through the implementation of operations and projects within internally bundled packages.

Expected results of the realisation of the measure include:

- Increased cultural and economic role of regional centers;
- New investment in the city centers;
- improved quality of life of inhabitants.

The objective of the measure is in line with the approach presented in Priority 1 of PIRDP 2018-2021 'Urban renewal – integrated actions in urban areas', but also will support realization of Priority 3 'Entrepreneurship, competitiveness and innovation of local SMEs' and Priority 4 'Integrated local development'.

Geographical coverage

The Measure is dedicated to four regional capitals: Kutaisi, Telavi, Ozurgeti and Ambrolauri as well their urban functional areas.

Justification of the realization of the measure

Cities in general and the main regional centers in particular, play a key role in shaping competitiveness of regions, concentrating administrative, demographic as well as economic, cultural and educational potential. They also have visible impact on the surrounding areas defined as functional areas of the urban centre defined across administrative boundaries. In countries with poorly developed secondary and tertiary system of cities like Georgia, strengthening of regional centre and its links within surrounding urbanised areas should be therefore regarded as a crucial policy direction to enhance prospects of economic growth of the entire region. Realisation of the Measure will contribute directly to the increase of investment opportunities in targeted cities and regions, improve the image of entire regions, as well as help to increase their attractiveness for tourists. In turn those positive developments will contribute to

improving the quality of life of the inhabitants and should thus ultimately limit emigration of citizens to Tbilisi and abroad.

The concentration of funds in 4 regional centres and areas around them under this measure is in line with RDP 2018-2021 and PIRDP principles – concentration, competitiveness and integrated, place-based approach.

Even if very different in a size all capital regional cities of four targeted regions face similar challenges regarding:

- insufficiently developed urban functions;
- declining urban population;
- low residential attractiveness for residents;
- low attractiveness from the point of view of industrial investment and creating new jobs,
- weak use of endogenous potentials - economic, social and cultural - both to strengthen competitiveness and improve the quality of life of inhabitants;
- low level in comparison to EU standards in delivery of basic services to citizens (ranging from transport to social services) however much better than in surrounding rural areas
- Weak integration of cities with the surrounding areas.

Particular features include:

Kutaisi. Imereti.

The capital of the region has currently 141 thousand inhabitants. In comparison to 1989, the population decreased by 36%³⁰. Kutaisi was for a long time regarded as a cultural and university capital of the country ('the second capital of Georgia'), but in the last 15 years it lost its status as the 2nd largest city and cultural and educational centre in favour of Batumi³¹. In the Soviet times, it was one of the main industrial centers of Georgia (heavy industry, chemical industry, manganese and coal mining), but after the independence of the country, the city was subject to strong deindustrialization processes. Currently the industry plays an important role but is no longer the main driving force of the economy - the manufacturing sector employs only 11% of the population. Kutaisi has two free industrial zones, where 110 million US dollars has been invested³². They include the production of home appliances and wood materials. The city has two airports, including a rapidly growing international airport located in Samtredia Municipality.

The biggest challenges of Kutaisi:

- creating new jobs and stopping migration,
- The potential of Kutaisi is not fully used for being economic and cultural centre of Western Georgia;
- insufficient modern infrastructure for development,
- Improvement of insufficiently developed transportation network and underdeveloped public transport system.

Telavi. Kakheti.

Telavi is the biggest city of the region with population 19.8 thousand (27% of urban population and 6 % of the total population of the region). Telavi is one of the famous and important tourist destinations. The City is also important transport hub and famous wine-making centre. There are cultural, sports,

³⁰ National Statistics Office of Georgia

³¹ Realizing the urban potential in Georgia, National Urban Assessment, Asian Development Bank, 2016

³² National Statistics Office of Georgia

education and health facilities and small businesses. The Iakob Gogebashvili State University is located in Telavi.

The biggest challenges of Telavi:

- creating new job places, especially in the food processing sector,
- support for the development of the industry, transportation and construction sectors,
- support for the development of modern infrastructure for development,
- improving tourist attractiveness of the city,
- strengthening of urban functions as a regional centre.

Ambrolauri. Racha-Lechkhumi and Kvemo-Svaneti

Ambrolauri city is the smallest regional capital with 2.0 thousand inhabitants. This represent 40% of regional population. Ambrolauri became the place of the regional administration in 1995. Wine factories, court, sport hall, hospital, theatre and museum are located in the city. The city has a status of high mountain settlements.

Ambrolauri's biggest challenges:

creating new job places, especially in the agricultural production sector,

- strengthening of urban functions, including cultural and economic, as a supra-local city,
- attraction of new investment;
- Maximum usage of the potential of existing vocational education institution.

Ozurgeti. Guria

Population – 14.8 thousand (13% of the whole population of the region and 46% of urban population of the region). There is a trend of decreasing of the population. The city is home to Guria Administrations of State Trustees and important regional cultural, sport, education and health centre.

Ozurgeti's biggest challenges:

- creating new job places, especially outside the agricultural sector,
- creation/improvement of an educational programs, with an offer responding to the needs of the labour market,
- improving communication availability, which would make better use of the closeness to the Black Sea ports as well as Turkish border,
- development of logistics functions,
- strengthening of urban functions as a regional centre.

The measure will be implemented through two sub-measures (grant schemes) tackling different aspects of the issue of socio-economic strengthening of regional centers:

- A. Increase accessibility of regional centers and integration of urbanised areas
- B. Promoting regional centers as economic, cultural and educational hubs of the region.

Source of financing.

This measure will be financed by:

- State budget
- new budget line for realisation of PIRDP (EU supported)
- co-financed at the project level by municipalities.³³

Complementarity with other interventions

Some governmental programs and projects supporting cities, including regional capitals, do exist but they are not focused exclusively on strengthening social and economic potential of regional centers. Their range and value of support are insufficient to support complex development of regional economic hubs. Most of those projects are of sectoral nature and are implemented by the Ministry of Regional Development and Infrastructure of Georgia, Ministry of Economy and Sustainable Development of Georgia, state-owned companies, agencies (like GNTA) and Municipalities. Projects having biggest complementarity effect for the measure, which are being realised in the concerned municipalities, consists of modernization of technical infrastructure (roads, waste management, sewerage and water supply systems), business support and tourism development. Recently the Georgian Government announced willingness to buy new buses for cities using loan from EBRD. The main infrastructural investment important for further development prospects of Kutaisi is continuous development of Kutaisi international airport in Samtredia Municipality and its functional integration with the system of national and regional importance transport as well as construction of a new 2-lane section of motorway Tbilisi -Batumi, including bypass of Kutaisi of the length of 41.3 km. The estimated completion date of this project is autumn 2020.

Description of the Measure

The measure will be implemented through two closely interlinked sub-measures.

- A. Increase accessibility of regional centers and integration of urbanised areas.** The purpose of the sub-measure is to assure that the regional capital is better integrated with its environs both in the infrastructural and provision of public transport terms, increasing mobility and giving citizens better perspectives to find a job and develop skills. Under this sub-measure will be organised a call (s) for the preparation by concerned cities Kutaisi, Telavi, Ozurgeti, Ambrolauri (possibly with participation of adjacent municipalities) of the Action Plan of existing or being developed strategy/plan aiming at improvement of transport systems inside and outside city limits. Acceptance will be based on the quality of proposed action and compliance with the measure goals. Individual projects must fit into proposed Action Plans and will be proposed by concerned cities/municipalities and agreed among wider functional areas with adjacent municipalities.
- B. Promoting regional capital as economic, cultural and educational hub of the region.** Under this sub-measure will be organised a call (s) for project ideas and subsequently project proposals aiming at increasing economic, cultural and educational functions of concerned cities. This should bring in return an increase in their capacity to attract businesses, visitors, tourists and new citizens to the city and the region. The sub-measure will be implemented as a grant scheme for projects proposed by 4 municipalities (Kutaisi, Telavi, Ozurgeti, Ambrolauri) and cooperating public institutions operating in those cities, including high education entities as well as other relevant organizations.

³³ Funding mechanisms, including municipal co-financing, shall be set by the decision of the Government of Georgia.

Sub-measure 1.1. A: Increase accessibility of regional centers and integration of urbanised areas

Types of activities to be financed:

Group 1. Preparation of programming documents

- preparation of strategy for the city and its functional areas. Strategy should define the borders of the functional area and be adopted by participating municipalities;
- preparation of *general public transport plans* for targeted cities and their functional areas. The plans have to be agreed by municipality in which regional centre is located and surrounding municipalities. The public transport plan has to include activities of private transport operators (microbuses). Plans should meet transport needs of the entire urban functional area, especially commuters from suburban areas and take into account various modes of transport i.e. buses, railway, bicycle;

Group 2. Development of transport infrastructure.

- building and rehabilitation of infrastructure directly serving public transport systems e.g.: bus stops and when relevant railway stations (meeting the requirements of disabled persons), bus depots, bus lanes, smart information systems (e.g. traffic signals informing about the bus waiting time, etc.);
- infrastructure helping to increase safety of traffic (local roads, road crossings, traffic lights meeting the requirements for visually impaired people, other);
- construction of parking places increasing attractiveness of public transport or/and pedestrian zones;
- construction of facilities helping integration of different modes of transport (like multimodal transfer points, stations, etc.);
- development of alternative (no bus) transport systems and related infrastructure;
- Purchase of transport vehicles.

Main selection criteria:

- only transport projects that are in line with accepted Action Plan of strategy and/or public transport plan;
- available feasibility study for transport projects;
- compliance with relevant national and EU legislation, among others environmental and low emission requirements, with spatial plan, other formal requirements etc.
- accessibility facilities for disadvantage people;
- secured financing after the end of PIRDP;
- clear result in increasing usage of public transport;
- clear impact on the functional area of the regional city.

Grant recipients:

- municipalities belonging to/forming functional areas of Kutaisi, Telavi, Ozurgeti, Ambrolauri
-

Project Promoters:

- Municipalities belonging to, and forming the functional area of Kutaisi, Telavi, Ozurgeti and

Ambrolauri;

Geographical coverage

Municipality of Kutaisi, Telavi, Ozurgeti and Ambrolauri and adjacent municipalities belonging to defined functional area of the regional centre.

Sub-measure 1.1 B. Promoting regional capital as economic, cultural and educational hub of the region

Types of activities to be financed:

- development and modernization of social infrastructure serving supra local functions of the city (e.g. theatres, concert halls, exhibition halls, sport facilities, etc.);
- modernisation and development of infrastructure of HEI and other educational facilities of regional importance (including equipment, dormitories and other types of infrastructure);
- converting existing facility into or building new multipurpose activity building/centre necessary to enhance the socio-economic or cultural role of the city;
- other infrastructure contributing to development of regional functions of cities;
- development of local e-services;
- organizations of events with regional impact (international business forums/meetings, cultural events);
- regional/country/international fairs, conferences;
- organization of promotional campaigns dedicated to investors and tourists (tourism organizations, journalists) etc. ;
- training and other types of skills development for staff of supported institutions.

Main selection criteria of projects:

- compatibility with regional and/or city development strategy;
- proofed at least regional impact;
- only events that are in line with *marketing and promotion plan and action plan*;
- in case of support to public institutions existing and agreed with stakeholders *feasibility study*
- project readiness (feasibility study, business plan, etc.);
- ensured sustainability of the project after finishing of PIRDP;
- clear impact on increase in number of interested companies and visitors;

Grant recipients:

- municipalities belonging to, and forming functional areas of Kutaisi, Telavi, Ozurgeti, Ambrolauri
- public institutions operating in cities, including higher and vocational education entities;
- CSOs

Project Promoters:

- Municipalities belonging to, and forming the functional area of Kutaisi, Telavi, Ozurgeti and

Ambrolauri;

Geographical coverage

Municipality of Kutaisi, Telavi, Ozurgeti and Ambrolauri

Output indicators for the Measure

See Annex 1 table 3.

Measure 1.2: Socio-economic regeneration of urban areas

Objective and expected results

The specific objective of the Measure is to support cities (with preference for post-industrial cities) in urban socio-economic and physical regeneration. Under the measure will be financed projects helping realisation of the complex regeneration plans converting parts of cities, including brown fields, into investment zones and/or helping citizens to fight poverty, exclusion and increase possibility to gain new skills and find a job. Complex urban regeneration plans will be prepared for urban areas meeting following requirements:

- high level of social depravation, including poverty,
- unemployment and low accessibility to the labour market of citizens,
- low level of economic activity of citizens,
- physical degradation of infrastructure, including residential and public buildings
- existence of degraded former industrial areas (brownfields).

The objective of the measure is in line with Priority 4 of PIRDP 2018-2021 Promoting local development and support to specific areas based on their endogenous development, also will support the realization of Priority 1-Improvement of key infrastructure supporting competitiveness and environmental sustainability of the country and its regions, Priority 2 - Support to SMEs, growth-oriented sectors of economy and export promotion and Priority 3 - Support to Human Capital.

The expected results of the Measure are:

- increased attractiveness of cities to invests and live;
- improved skills of citizens;
- decreased poverty and exclusion;
- activation of social groups (especially youth and old);
- increased local cooperation and improved governance system at local level.

Geographical coverage

The Measure will be implemented in deprived urban areas (meeting set above criteria) for which complex regeneration plans are to be developed. Preference will be given to post-industrial cities: Tchiatura, Tkibuli, Zestaponi and Samtredia, Kutaisi, however it is possible to realise projects in other cities/places on condition that complex regeneration plan for an urban/industrial area meeting set criteria is prepared.

Justification

In the RDP 2018 – 2021 for Georgia the issue of urban areas development was addressed in the Priority 4: *Promoting local development and support to specific areas based on their endogenous development.*

The measure will directly implement measure 2 of the Priority 4 of RDP 2018-2020 - Rural Development. It will also support implementation of other priorities through a set of integrated instruments tailored to address specific territorial needs.

Georgia features specific territorial development challenges associated with a number of cities and towns, which during Soviet planned economy enjoyed a status of developed industrial and mining centres. Such type small and medium sized cities are located in various regions across the country, however their highest concentration is observed in Imereti. This region during Soviet era was a home of various manufacturing and mining industries such as: machine building, textile industry, food processing, chemical productions, mining of manganese and coal, ferroalloy production, electrical engineering concentrated mostly in the cities of Kutaisi (the Capital of the Region) and the secondary towns - Tchiatura, Zestaponi and Tkibuli. The loss of markets, enhanced competition from abroad, only partially successful privatization of factories by entities with limited financial resources and low level of know-how and management skills resulted in a strong decline in terms of output and employment over last 28 years in manufacturing sector. Samtredia was major transportation hub in the Soviet era, serving as nodes for railways, highways and now for airplanes. Sharp decline of population is observed in all four concerned municipalities. After the dissolution collapse of the Soviet Union, the population of Zestaponi declined by 25 % between 1989 and 2017. The situation in Tchiatura and Tkibuli is even worse, where the number of inhabitants declined by 56% during the same period. This is caused by loss of industrial jobs and out-migration with very high share of young people. As the result of youth migration, these cities face serious problem of the population aging. The average age of population in Zestaponi urban area is 37 and in rural – 43 years, in Tchiatura – 37 and 45 years, in Samtredia urban area is 40 and in rural – 43; in Tkibuli – 42 and 46.

In Zestaponi, Tchiatura and Tkibuli some industries remained, however their size is much smaller due to low competitiveness on global markets and change in production demand patterns. In case of Samtredia, the city is declining, his legacy as centres of access and transport persist and have helped to mitigate decline. This negatively affected development prospects of the mentioned cities and the whole region impoverishing ageing population and decreasing quality of public services such as health care, education, culture or even public transport and water supply. Population of these cities depended on the pensions and social assistances that adds to the state budget burden. In addition, the sharp decline was also experienced in other sectors, which supplied goods and services on the large Soviet market or rely on high wages of industrial workers. It undermined the economy of the whole country.

One of additional challenges, especially in industrial cities (but not unique to them), are brownfields - former industrial sites. Across Georgian cities and rural areas is high number of brownfield sites which stay for many years vacant. In Tbilisi, brownfields make up a quarter of urbanized land area³⁴, in other cities the situation looks similar. Many of these brownfield sites are in prime locations and are well serviced by infrastructure. It is a real challenge to bring unused brownfield sites back to the market. The measure foresees preferences for projects localized in brownfields.

A specific type of a challenge for industrial cities like Zestaponi and Samtredia is planned in coming years construction of the motorway Tbilisi – Kutaisi -Batumi. The completion of the project will allow for decrease of a number of transit passengers and cargo volume going through those cities – this creates new opportunities (reduction of pollution and noise, new land for investment) but in the same time

³⁴ Role of Major Cities in Georgia, World Bank, 2016

increases a demand for restructuring and reorientation of existing traditional and low profile businesses and services which (like coffee shops, restaurants, selling local products along the existing road).

Samtredia located in the vicinity of larger agglomeration area of Kutaisi, thanks to proximity to rapidly expanding Kutaisi airport and connected with this demand for development of transport and logistic functions (planned special economic zone) has unique potential to become logistic and multimodal hub for the whole Western Georgia on condition that proper system of incentives for investment will be established

Source of financing

This measure will be financed by:

- The EU budget support;

Complementarity with other interventions

At present there is no any complex and integrated socio-economic and physical regeneration programme (or project) helping in rehabilitation of specific urban areas, however in the past complex regeneration projects were implemented In Tbilisi, Batumi, Kutaisi, Mtskheta, Gori, Signagi, Mestia and Telavi.

Currently the Georgian Government support for development and regeneration of urban areas consists mostly of the realisation of infrastructure projects financed through the Funds for Projects Implemented in the Regions, Road Department of Georgia and Municipal Development Fund of Georgia. Projects are selected on individual bases and are not used for the realisation of complex regeneration plans. Main types of supported projects include: rehabilitation of municipal infrastructure (roads, water supply, kindergartens, street lighting, etc.) and waste management In years 2019-2021 EU will be financed the project "Local Partnership for Industrial Revitalization of Second Tier Post-Industrial Cities in Imereti". The project will cover Zestaponi City, Tchiatura City and Tkibuli City and is focused on helping local authorities to prepare local regeneration plans, strengthening capacity of local administration to deal effectively with regeneration process and involving local citizens in these types of activities.

In 2018 EU will start to implement the 45.15 million Euro (plus 3,75 for Abkhazia) programme "Skills Development and matching for Labour Market Needs", which aims at enhancing Georgia's economic resilience and sustainable growth through human capital development and skills matching in the regions of Georgia, including Imereti, Kakheti, Guria and Racha-Lechkhumi and Kvemo Svaneti. The programme will be implemented partially as in the form of the budget Support (30 million Euro), Technical Assistance – Service Contract (4.2 million Euro) and two institutional Twinning (1.5 million Euro each): "Strengthening capacities for quality assurance and governance of qualification" and improving the standards of employment conditions/relation as well as health and safety at work in Georgia". In addition some grant scheme aiming at enhancing the employability of targeted groups (7 million Euro) will be open for the private sector, non-governmental actors and various service providers in education and training, employment and youth. The programme will provide support in various areas crucial for achieving goals of this measure (especially its social component), including:

- Support to accessibility of relevant skills matching services (system of needs analysis in regard to regional skills, career guidance and counselling, job intermediation and labour market integration services);
- Lifelong learning skills provision with focus on youth aged 15-24 (flexible skills development increasing participation in VET system);

- Entrepreneurial learning and entrepreneurship training opportunities (introduction of entrepreneurial learning modules to upper secondary general education and VET, as well for students and adult learners in higher education and VET institutions).

Moreover, various international donors plan to finance in coming years various projects which aim at strengthening the capacity of local authorities to deal with socio-economic development, regeneration and delivery of public services and involvement in this process activation of local communities (more info see description of the measure 4.3)

Description of the Measure

The Measure will be implemented through sub-measures:

- A. Development of infrastructure and physical regeneration
- B. New skills development (according to labour market demand) and social activation

The measure will be implemented on the basis of regeneration plans prepared by eligible authorities. Acceptance will be based on the quality of proposed regeneration plan and compliance with the measure goals. Accepted by the GOVERNMENTAL COMMISSION regeneration plans with set financial limits will be a basis for the preparation of projects to be financed under PIRDP but also can serve as a coordination mechanism for projects financed from other sources.

Sub-measure 1.2. A. Development of infrastructure of designated urban areas

Under the sub-measure a call will be organised for project proposals fitting into regeneration plans accepted by governmental commission that was established by the Government of Georgia. Decision about projects will be made by the relevant RCC.

Types of activities to be financed

- preparation of complex regeneration plans for designated areas within city's boundaries;
- Different types of investment depending on the content of urban regeneration plan including:
 - basic technical infrastructure: electricity, water, sewerage systems;
 - organisation of public spaces, renovation of streets and adjacent buildings, organising recreational facilities;
 - brown field regeneration;
 - development of new investment areas;
 - energy efficiency actions, including energy effectiveness and change of source of energy (e.g. solar panels);
 - development of local e-services;

Main selection criteria of projects:

- existence of urban regeneration plans agreed with local stakeholders and accepted by governmental commission;
- only for designated/delimited relatively small regeneration area (area in which the social, economic and spatial negative processes took place);

- correlation between infrastructural and social and economic activities (under sub-measure 1.2 A);
- clear impact on localisation of SMEs and other companies (preference for projects under measure 3.1)
- clear social restructuring and activation impact (impact on poverty, vulnerable groups, unemployed)
- economic impact (new or preserved workplaces and new business).

Grant recipients:

- municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi);
- possibility for realization of projects in other cities/places on condition that the complex regeneration plan will be prepared.
- public institutions operating in targeted cities;
- owners of private buildings/houses.

Project Promoters:

- municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi);
- possibility for realization of projects in other cities/places of pilot projects on condition that the complex regeneration plan will be prepared.

Sub-measure 1.2. B New skills development (according to labour market demand) and social activation

Under the sub-measure a call will be organised for project proposals fitting into regeneration plans accepted by governmental commission. Decision about projects will be made by the relevant RCC.

Types of activities to be financed

- local labour market analyses with proposal for concrete actions;
- action plans on social activation and poverty elimination;
- advisory services, trainings and coaching for workers in threat of being laid off or/and unemployed;
- trainings and courses in IT for young and other vulnerable social groups;
- self-employment support schemes;
- other trainings and skills development activities depending on labour market analysis
- support for courses organized by VET institutions ;
- development of relevant e-services.

Main selection criteria of projects:

- existence of complex urban regeneration plans agreed with local stakeholders and accepted by GOVERNMENTAL COMMISSION;

- only for designated/delimited relatively small regeneration area (area in which the social, economic and spatial negative processes took place);
- connection with infrastructure (sub-measure 1.2.A) and SMEs support (under measure 3.1);
- special preferences for vulnerable groups (youth, old and groups excluded from labour market);
- impact on reducing social exclusion and poverty;
- connection with national programmes operating in area of education, skills development and social activation.

Grant recipients:

- municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi);
- Possibility for realization of projects in other cities/places on condition that the complex regeneration plan will be prepared;
- VETs,
- Other public labour market institutions;
- CSOs.

Project Promoters:

- municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi);
- Possibility for realization of projects in other cities/places on condition that the complex regeneration plan will be prepared;
- VETs,
- Other public labour market institutions;
- CSOs.

Geographical Area

- The sub activity will be implemented within the pilot regions, in municipalities with industrial functions that have experienced economic downturns and in regional centres. It is possible to implement pilot projects in other cities / areas of the pilot regions in case a complex regeneration plan is prepared.

Output indicators for the Measure

See Annex 1 table 3.

Priority 2. Promoting tourism development with its' unique potential

Measure 2.1 Development of regional tourism potential

Objective and expected results

The specific objective of the measure is to **exploit better potential of endogenous cultural and natural resources to attract tourists**. Under the measure support will be available to two interlinked type of activities:

- development of public infrastructure serving tourists visiting natural and heritage sites;
- preservation of cultural and natural heritage of regional importance.

Special attention under the measure will be paid to two types of needs:

- make better economic use for the benefit of local inhabitants of those sites and protected areas which are already developed for example by national authority (the Ministry of Education, Science, Culture and Sport of Georgia and Ministry of Environment protection and agriculture of Georgia) and donor supported projects and programmes.
- to deliver possibility to renovate and develop those new cultural and natural heritage sites and areas (of regional and local importance), which have huge potential for attracting tourism but until now which have been lacking support from external sources and interest from private sector.

The Measure directly refers to the specific objective of RDP 2018 – 2021 *Promoting fast economic growth, systematically exploiting Georgia's comparative advantages in the dynamic international context, utilization of the potential of the territorial units on different level of governance through elimination of development barriers*, implemented by the Priority 2 of the RDP – *Support to SMEs, growth-oriented sectors of economy and export promotion*, and especially by the Measure 2.3. *Support to Strategic Sectors: Tourism*.

Expected results of the realisation of the measure are directly linked to socio-economic development of concerned regions:

- increased number of visitors to renovated/improved sites/areas
- increased number of tourist destinations within each region;
- Increased number of SMEs offering services in connection with improved sites/areas.

Geographical coverage

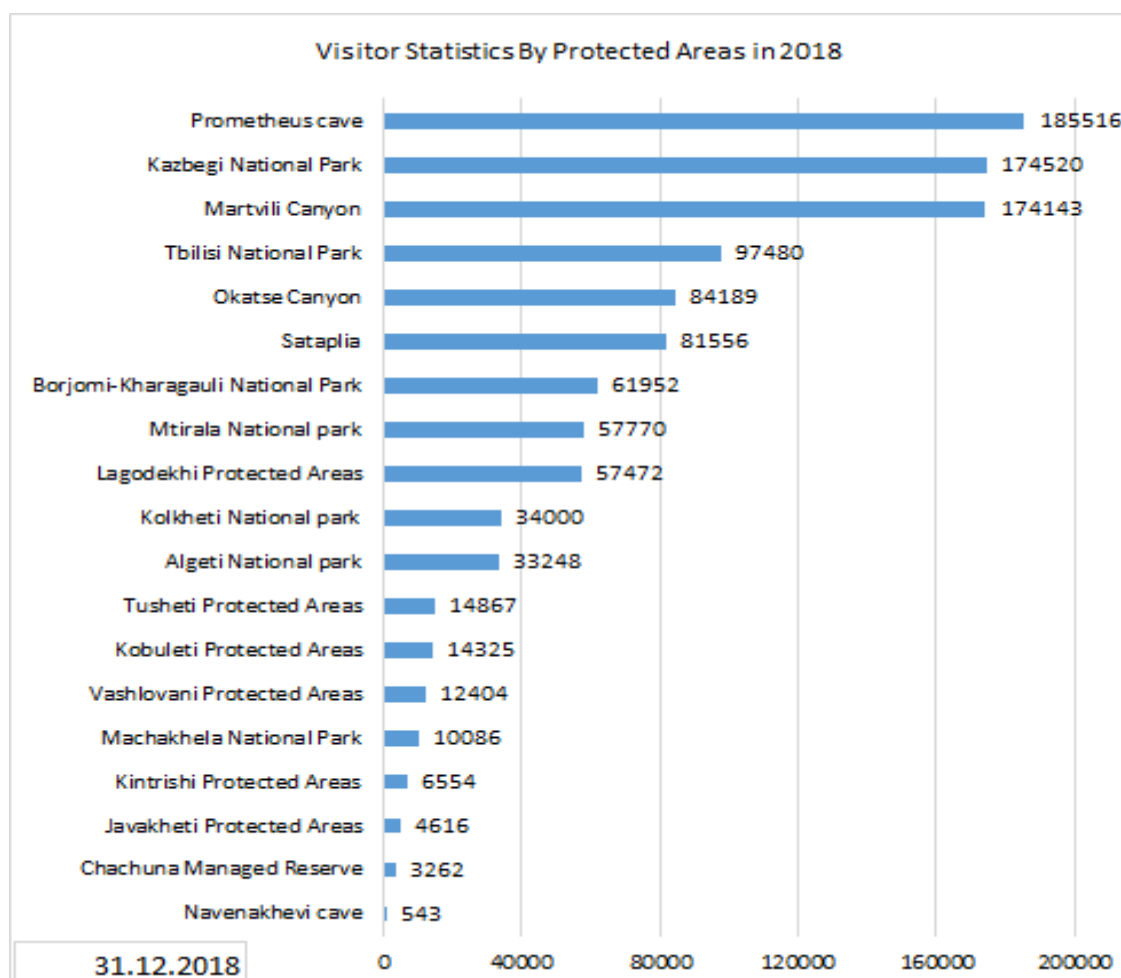
The Measure will be implemented in all 4 targeted regions, however the list of sites and areas to be developed should be preselected at regional level taking into account estimated regional impact.

Justification of the realisation of the measure

The territorial distribution of tourist visits between regions shows that 4 targeted regions only to limited extent are making use of growing interest in Georgia among international tourists. Kakheti attracts 6% of all international tourists, Imereti only 3%, while Guria and Racha-Lechkhumi less than 5% all together with other 4 other regions. Domestic tourism, although also growing, has smaller socio-economic impact. It is important especially in Imereti and Kakheti (organised trips and school visits to many interesting natural protection and cultural sites).

All four regions feature very good conditions for development of various types of tourism – they have beautiful landscape, including mostly mountains and hills but also beaches (Guria), local culture, interesting history, resources to exploit (geothermal water) a lot of natural heritage sites and also influencing positively touristic accessibility – being developed by the state infrastructure of national importance (especially this is the case for parts of Imereti and part of Guria³⁵). Regions also have some potentials to be developed further as home to important international events: festivals, fairs, concerts and so but this requires bot suitable facilities (like Black Sea Arena which is located within administrative limits of Guria, however is promoted in connection with Batumi – capital of Adjara).

Figure 7. Visitors to Georgian protected areas in 2018



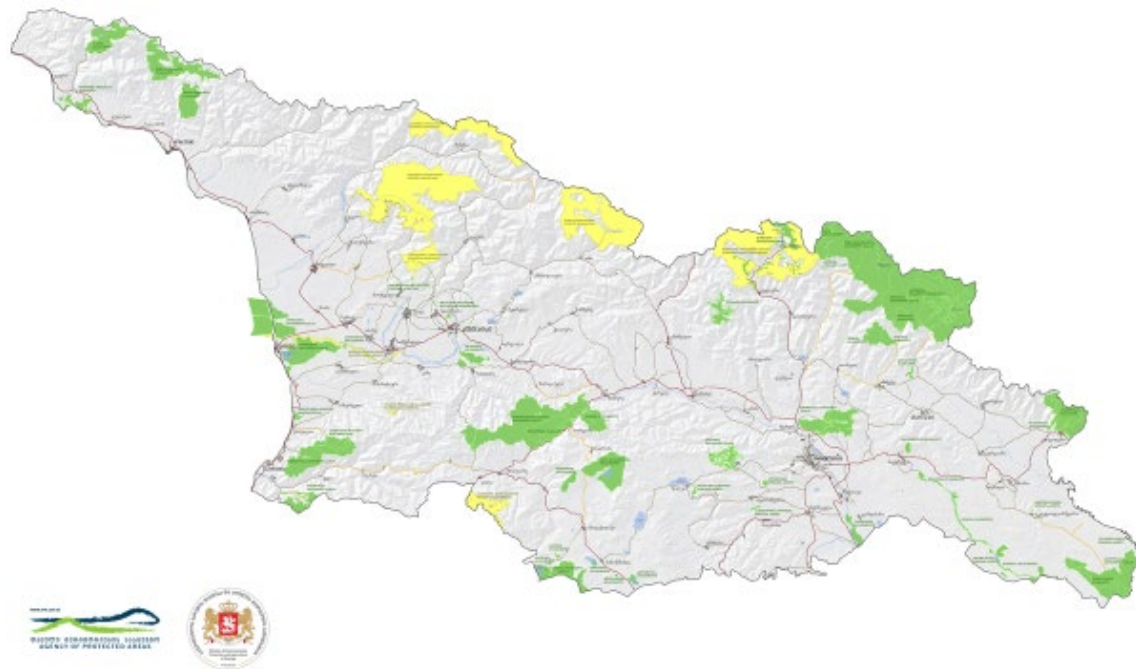
Source: Agency for Protected Areas in Georgia web site, access 02.04.2019, <http://apa.gov.ge/en/statistika/vizitorta-statistika/wlis-vizitorta-statistika-daculi-teritoriebis-mixedvit>

As can be seen from the figure 7, there is a huge interest in visiting natural areas located in Imereti

³⁵ E.g. motorway Tbilisi – Batumi, fast railway line and airports in Kutaisi as well in Batumi though not located in the area but can serve parts of Guria as well.

(Prometheus cave, Sataplia, Okatse Canyon) and Kakheti (especially Lagodekhi). Numbers of visitors however are not translating directly into economic impact - local areas in which those protected areas are located don't have enough and good quality local catering and accommodation base and are served by Kutaisi, Tskaltubo and other places. Other huge and beautiful areas are not so popular because of bad accessibility (especially this is the case for Tusheti), distance from already developed tourism hubs (Kutaisi in Imereti, and Telavi and Signagi in Kakheti) and also lack of proper quality accommodation and catering services.

Figure 8. Map of protected areas in Georgia: ³⁶



Source: APA presentation Ministry of Environment Protection and Agriculture of Georgia, Tbilisi, 24.10.2018

Imereti. Altogether, there are more than 900 historical monuments and many well-known resorts in Imereti. Gelati Monastery (UNESCO site), Bagrati Church, Mtsameta Monastery, Prometheus Cave, Sataplia Cave and Okatse Canyon and waterfall are among top visited places in Georgia. Sataplia protected area and Ajameti area of managed reserves is popular for hikers. There are 35 museums and museum reserves in Imereti. International airport, convenient road and railway connection to the capital city and Black Sea resorts, highly contributes to the increasing tourism statistics. The region is also rich by unique natural and hydro-mineral resources – Tskaltubo and Sairme resorts, famous for the mineral water resources, were popular tourism destinations in the past. Despite the small share of Imereti in the general tourism statistics in Georgia the region is now experiencing the highest growth in interest of international tourists.

³⁶ The total territory of area protected areas is 665 664 Ha, which is 9.55% of the total territory of Georgia.

Despite this positive trends, one should note, that the local touristic base is very spatially concentrated: Kutaisi is the only good quality growing tourist hub offering accommodation, restaurants and cultural events. Many of tourist destination within the region is served from there (both private visits and organised groups). Apart from Kutaisi, the other major tourism centers include: Sairme resort, which however operate on a not big scale and Tskaltubo – former big tourist hub and SPA resort famous for its geothermal baths during Soviet times – now rundown and despite some new investment operating at very low capacity.

The planned activities of the Agency of Protected Areas of the Ministry of Environment Protection and Agriculture of Georgia:

1. Improvement of Tsutskhvat Cave
2. Gordy - 2km road access to Okatse Canyon
3. Arrangement of a bridge at Okatse Canyon
4. Arrange a circular paths on Okatse with bridges
5. Arrangement of Sataplia Visitor Centre
6. Arrangement of 3D attraction of Kinchkha

Kakheti. The comparative advantage of the region is the wine tourism, becoming extremely popular during recent years. Kakheti is also rich in historical monuments. Alaverdi Cathedral, Gremi Church of Archangels and Royal Tower, Kvetera Church (included in indicative UNESCO list of the World's heritage sites) and Tusheti region. But in fact, monuments and protected areas are to be found in every corner of the region. Municipal centers of the region (Telavi, Signagi, Kvareli) are popular among local and foreign tourists, with relatively well-developed tourism infrastructure and many hotels (including small hotels, guesthouses and luxury hotels) and restaurants as well as 32 museums. Very unique landscape, nature and protected area of Tusheti as well as national parks and restricted nature areas of Vashlovani, Lagodekhi, Babaneuri and Batsara make this area one of the most interesting tourist destinations in Georgia. Regarding Tusheti, low accessibility of the area limits the number of visits, especially during winter. Tourism plays important role in Kakheti where in recent years using cultural and natural assets as well wine making culture a lot of investment was made both from public, (renovation of historic centers of Signagi, Telavi; preservation and rehabilitation of historical and protected areas) and private sources (accommodation base in Signagi, Telavi but also some other resorts and several wineries). Taking into account that the monuments, protected areas and interesting local culture are to be found in every corner of the region, still there is a lot of potential to be realised further, in which tourist industry can grow, with increased quality and variety.

The planned activities of the Agency of Protected Areas of the Ministry of Environment Protection and Agriculture of Georgia:

Kakheti:

1. Arrangement of woodcut paths in Lagodekhi (project exists)
2. Arrangement of Mariamjvari Visitor Centre
3. Arrangement of Batsara-Babaneuri Visitor Centre

Guria. With access to the Black Sea and historically developed tourism sector, Guria has a huge, but unexploited tourism potential. Sandy beaches of Ureki, Shekvetili and Grigoleti, mountainous health resorts of Bakhmaro (in Chokhatauri municipality), Nabeghlavi and Gomis Mta (in Ozurgeti Municipality)

located around 2000 m above the sea level and more than 60 historical monuments and 14 museums create good base for further development of tourism in the region. Black Sea Arena which is located administratively in Guria is important centre for organising events of international importance, however it is connected functionally with Batumi. The tourism infrastructure even in existing resorts like Ureki, Bakhmaro and Gomis Mta, is not well developed according to European standards.

The planned activities of the Agency of Protected Areas of the Ministry of Environment Protection and Agriculture of Georgia:

1. Rehabilitation of 10 km section of road to Kolikheti National Park in Lanchkhuti Municipality
2. Arrangement of tourist shelters

Racha-Lechkhumi & Kvemo Svaneti. The mountainous region offers many hiking opportunities, various mineral waters and natural beauty of the landscape. The region is popular among connoisseurs for eco-tourism, including fishing, hunting and horse raiding. However, number of international visitors is low. Very unique semi-sweet wines, “Khvanchkara” in Ambrolauri, “Tvishi” and “Usakhelouri” in Tsageri, and small wine makers are one of the tope destinations of agro and wine tourism in Georgia. There is also potential for ski tourism. More than 160 historical monuments, including Nikortsminda Cathedral (on UNESCO waiting list) dating back from eleventh century and some other ancient fortresses in the region together with 7 museums may attract tourists, as well as natural mineral healing waters of Shovi and Utsersa (both located in Oni Municipality). The potential of Lentekhi and Tsageri are not used due to the absence of modern tourism infrastructure. Today the region has to offer very limited number of high-quality tourism products. In connection with the aim of this measure, one can conclude that in all regions there is a need and potential to:

- develop touristic infrastructure serving touristic places, which are already attracting tourist but don't have proper infrastructure and services to increase income of local population;
- develop new places to territorially balance benefits for local population using existing potentials;
- preserve and make accessible cultural monuments and environmentally rich areas (including national parks) in connection with the activities of central Government;
- develop accompanying infrastructure (low access to water and sewage systems in some remote areas having touristic potential, lack of hospitality infrastructure in the tourist attraction areas);
- improve external accessibility to sites and places being developed.

Measure will be implemented in close coordination with the measure 2.2 Enhancing quality and variety of touristic offers as well as Measure 4.2 “Local infrastructure helping development of local businesses”. In addition, activities of the measure should be correlated with plans of expanding transport infrastructure network and collaboration with private sector willing to invest in tourism (accommodation, catering, new products, crafts, etc.) in many cases this is the condition for effective use of planned investment.

Sources of financing

This measure will be financed by:

- The EU budget Support to implement the PIRDP co-financing from municipalities;

Complementarity with other interventions

There is a lot of ongoing and planned activities financed by the Georgian Government or by donors in the areas covered by the measure, however majority of them are limited in scope and not linked with regional development strategies or regional plans for development of tourism potential. The support provided from the national budget is focused on rehabilitation of heritage sites and natural protected areas having international and national importance. Many of important for tourism development projects have been accomplished recently increasing attractiveness to the visitors but still possibility for using this as local or regional development hubs is limited since marked paths are not connecting places with tourist facilities or possibility for accommodation and rest around renovated cultural and natural monuments is still limited. Support to development of public functions of SPAs is constrained by the fact that facilities for the usage of water have been privatised.

USAID implements currently the project „Zrda’s holistic approach to tourism” which seeks to support regional tourism development through new tourism product development, promoting new tourism destinations and attractions, and raising international quality standards within players in the tourism sector. The primary regions for Zrda’s tourism sector activities are Samtskhe-Javakheti, Samegrelo-Zemo Svaneti and Kakheti (Pankisi Valley and Tusheti) though capacity building of rural guesthouses is a focus across all target regions.

UNDP implements project “Enhancing Financial Sustainability of the Protected Areas System in Georgia”. The project supports protected areas in securing long-term financial sustainability and effective management to conserve globally significant biodiversity of target protected areas in Georgia. The project has three components: Financial sustainability of sub-system of Protected Areas representing Key Biodiversity Areas (KBAs); Improved management and financial effectiveness demonstrated for targeted large-scale PAs; Knowledge Management and monitoring and evaluation. The project will be implemented during 2019-2023 and has total budget of \$ 9,8 million. The project is funded by Global Environment Fund Caucasus Nature Fund, Government of Georgia and others. Under ADB loan in coming years in Kakheti will be realised several projects in Gurjaani municipality concerning rehabilitation of the small touristic area and establish/upgrade cultural & natural heritage sites for tourism, including roads/trails/facilities & building works.

Some ministries finance from the State Budget development of infrastructure which can be used for development of tourism functions which is the main objective of the measure:

Ministry of Regional Development and Infrastructure of Georgia

- RDF: Rehabilitation of roads, delivery of water and sewerage systems, street lighting etc. improvement, etc.

Ministry of Economy and Sustainable Development of Georgia (and Georgian National Tourism Administration):

- Promotion of tourism;
- Development of small-scale tourism infrastructure;
- Development of tourism info centres.

Ministry of Education, Science, Culture and Sports of Georgia

- Rehabilitation of cultural sites mostly of national importance;

Ministry of Environment Protection and Agriculture of Georgia:

Rural Development Support - Family Hotels for Start-Up Businesses (under which 32 projects have been funded).

Development of protected areas (including national parks) and associated tourism infrastructure.

International donors also support the usage of cultural sites and protected areas for sustainable tourism development

Description of the Measure

The Measure consists of two sub-measures:

- Sub-measure A. Development of public infrastructure serving tourists visiting natural and heritage sites.
- Sub-measure B. Preservation of cultural and natural heritage of regional importance.

Both sub-measures will be implemented through two steps competitive procedure: first will be organised a call for project ideas which will be evaluated and accepted by RCC and subsequently a call (s) for project proposals). Decision about projects to be financed will be done by the relevant RCC.

Sub-measure 2.1.A. Development of public infrastructure serving tourists visiting natural and heritage sites

Types of activities to be financed:

- Small scale accompanying infrastructure (parking, toilets, , electricity, etc.) outside cultural heritage and protected sites) serving tourists
- Small scale tourism infrastructure (information boards, marking of paths, tourist shelters, camping and rest sites, small museum and exhibition centres, others);
- other small-scale public infrastructure related to the recreational and health functions;
- Preparation of places for selling local products and crafts

Principles for project selection

- only sites identified and agreed at inter-municipal level by RCCs (e.g. on the basis of regional development strategy);
- preferably sites of regional importance;
- impact on number of tourists, visitors visiting the region,
- impact on income of municipalities;
- creation of work places for local population.

Grant recipients:

- Municipalities;

Project promoters:

- Municipalities;
- CSOs in cooperation with municipalities;
- National agencies only in cooperation with municipalities;

Geographical area:

- All 4 regions

Sub-measure 2.1.B. Preservation of cultural and natural heritage

Types of activities to be financed:

- support for renovation or rehabilitation of cultural and natural heritage sites of regional importance
- organisation of small museums/exhibition halls;
- renovation of accompanying buildings;
- facilitation of access to touristic places and areas also for disabled;
- basic costs related to promotion (tables, booklets, web-sites, ticketing).

Principles for project selection:

- only in connection with sub-measure 2.1.A;
- preference for new sites not covered by existing programmes and projects;
- impact on number of tourists, visitors visiting the region,
- impact on income of municipalities;
- creation of work places for local population.

Grant recipients:

- Municipalities,

Project promoters:

- Municipalities
- National agencies only in cooperation with municipalities;

Geographical area:

All 4 regions

Output indicators of the Measure

See Annex 1 table 3.

Measure 2.2. Improving quality of tourism services

Objective and expected results

The specific objective of this measure is to **increase the role of tourism industry in the targeted regions** through **increasing of tourism services quality**. The Measure will be implemented through activities aiming at improving the quality of regional tourism services, including support to establishment or expansion of regional educational and training courses for tourism operators, SMEs and individuals

rendering tourism services, including support to establishment of regional educational and training courses.

The Measure directly refers to the specific objective of RDP 2018 – 2021 *Promoting fast economic growth, systematically exploiting Georgia's comparative advantages in the dynamic international context, utilization of the potential of the territorial units on different level of governance through elimination of development barriers*, implemented by the Priority 2 of the RDP – *Support to SMEs, growth-oriented sectors of economy and export promotion*, and especially by the Measure 2.3. *Support to Strategic Sectors: Tourism*. The Measure *Enhancing quality and variety of tourism products* is complementary to the mentioned Measure of the RDP 2018 – 2021.

Measure will be implemented in close coordination with the measure 2.1 Development of tourism potential of SPAs, cultural and natural heritage sites. Many new products and delivery of trainings can be introduced only on condition that there is developed touristic base and attraction point (hence natural or cultural site).

Expected results of realisation of the measure include:

- increased number of visitors in targeted regions and designated local area;
- improved quality of services;
- diversification of touristic offer.

Geographical coverage

The Measure will be implemented horizontally in all 4 targeted regions

Justification of the realisation of the measure

As it was stated above, tourism related activities in Georgia are concentrated mostly in several regions: Tbilisi, Adjara and Mtskheta-Mtianeti, attracting altogether 2/3 of all touristic visits in the country. Only 6% of foreign tourists come to Kakheti and 3% - in Imereti. Guria and Racha Lechkhumi – Kvemo Svaneti, together with other regions are visited by 5% of foreign visitors.

One of the important factors for increasing interest of visitors apart of support to infrastructure and preservation and renovation of the cultural and natural heritage (which is the subject of the measure 2.1), is assuring good quality of offered services and broadening their scope. Although the growing number of visitors the equality of tourism services remains an issue – in many localities and facilities (restaurants, visitors centers, museums hotels, heritage cultural and natural sites is not sufficient especially for the for the taste of the most wealthy tourist which potentially can pay more on condition that the offered service is of a good quality. Existing educational institutions and VET system in the regions don't remedy the situation – their offer is not tailored to the regional and local needs so is not considered attractive to business and potentials pupils and students. Increased quality of the tourism services can assure more income to the regions and its citizens through attracting more wealthy (and demanding) tourists, even in the situation in which number of visitors remain at similar level.

For information about individual region's tourism potential, see description under measure 2.1.

The main challenges of the targeted regions relevant for the objective of this measure are:

- low quality of services offered to tourists, especially in the remote areas;

- lack of developed regional touristic educational base assuring access to good quality training and educational courses in the area of tourism;
- limited number of touristic products and services which are trying to use existing cultural and natural potential (eco-tourism, fishing, horse riding, cycling, qualified mountaineering and hiking);
- lack of additional offers for tourists, having the potential to keep their interest in extending their stay in the region and to spend additional money (local products, souvenirs, crafts, etc.).

Source of financing

- The EU budget support for PIRDP implementation
- co-financing from SMEs and individuals;
- donor programme funding.

Complementarity with other interventions

Until now there hasn't been implemented any direct national or donor financed programme/project focusing exclusively on increasing the quality of tourism services at regional level, however existing and planned programmes can be used for this purpose.

National Tourism Administration financed every year various promotional activities (however mostly without territorial focus):

- advertisement and marketing campaigns
- tourism exhibitions and fairs
- development of tourist products (mostly wine making and culture)
- support to development of small-scale tourism infrastructure.

Ministry of Economy and Sustainable Development of Georgia:

- attraction of international hotel brands to Georgia
- grant up to 20,000 GEL will be issued in the framework of Micro and Small Entrepreneurship Support Program. It is also worth noting that the top priority in the program will be tourism. In addition, in the state program "Produce in Georgia" in 2016 to support the hotel industry was added a component "Host in Georgia", as of August 2019, 111 hotels benefited 149 million. GEL with preferential loan. The program is implemented in all regions of Georgia except Batumi and Tbilisi
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In 2018 EU will start to implement the 45.15 million Euro (plus 3,75 for Abkhazia) programme "Skills Development and matching for Labour Market Needs", which aims at enhancing Georgia's economic resilience and sustainable growth through human capital development and skills matching in the regions of Georgia, including Imereti, Kakheti, Guria and Racha-Lechkhumi. The programme has horizontal character providing support to accessibility of relevant skills matching services, lifelong learning skills provision with focus on youth aged 15-24 as well as entrepreneurial learning and entrepreneurship training opportunities in upper secondary general education and VET, for students and adult learners in higher education and VET institutions. At this stage however, it is not clear to what extent specific needs of targeted regions connected with increasing the quality of the tourism services will be addressed under this programme³⁷.

³⁷ For detailed information on the programme see description under measure 1.2.

Description of the Measure

Under the measure various types of activities will be available for different groups of beneficiaries for improving the quality of regional tourism services. Grants will be provided to SMEs operating in tourism and tourism-related sectors, educational institutions etc. The supported activities may include: preparation of new regional tourism products, increasing the skills of employees and owners of the tourism companies, creation or expansion of regional education centre focusing on tourism, etc. The value of grant shall not be lower than GEL 20,000 and not exceed GEL 200,000.

The sub-measures will be implemented through two steps procedure: first will be collected project ideas for educational and training activities aiming at improving quality of regional tourism educational potential and delivery of services, projects will assessed and identified by RCC and subsequently will be organised call (s) for project proposals submission of the project application with required documentation by project promoter. Decision about projects to be financed will be done by the relevant RCC.

Types of activities to be financed:

- preparation of plans for development of new regional tourism products and improve the quality of services;
- preparation of curricula for studies and courses offered by VET and HIE in area of tourism diversification, promotion and increasing quality;
- Preparing training/education institution to offer regional level quality services in area of tourism (including physical renovation and purchase of equipment);
- organisation of courses and trainings for employees/private people offering tourist services by chosen institutions.

Principles for project selection

- involvement of regional educational and VET institutions;
- preferences for local tourism providers;
- impact on the quality and number of tourists;
- impact on income of inhabitants of targeted regions.

Grant recipients:

- educational institutions from the regions educational institutions **Project promoters:**
- educational institutions from the region (high schools, VET institutions , secondary schools – private and public)

Geographical area:

- All 4 regions

Output indicators for the Measure

See Annex 1 table 3.

Priority 3. Improvement of competitiveness and support to innovations of SMEs

Measure 3.1 Increasing investment and job creation by SMEs

Objective and expected results

The specific objective of the Measure is to enhance economic development of targeted regions through stimulating increase of investments of local SMEs. The Measure is dedicated to two groups of local SMEs:

- **Industrial SMEs** – to increase the industrial potential of targeted regions. The support will be available to enterprises operating in all branches of industry, including food processing which is the main industry sector in all targeted regions.
- **Exporting local enterprises** in order to enhance local economic potential and creation and preservation of jobs.

Priority will be given to companies operating in sectors identified under Smart Specialisation Strategy (if exists).

The Measure directly refers to the specific objective of RDP 2018 – 2021 *Promoting fast economic growth, systematically exploiting Georgia's comparative advantages in the dynamic international context, utilization of the potential of the territorial units on different level of governance through elimination of development barriers*. The objective is directly implemented by the Priority 2 of the RDP – *Support to SMEs, growth-oriented sectors of economy and export promotion*, and especially by the Measure 2.1. *Support to Enterprises, including SMEs*. As a supplementary action the investment of local micro and small enterprises will support creation of new business opportunities and new jobs.

It will directly realize the objective of the PIRDP related to enhancement of entrepreneurship, competitiveness and innovation of local SME's, but at the same time will also support achieving other specific objectives of the Programme: -economic regeneration of industrial cities, development of unique tourism potential and integrated local development.

Expected results of the Measure:

- increased investments of industrial SMEs (among others – in food processing, furniture, metal production, textile industries and other sectors identified under smart specialisation strategy (ies)). Unlocking the potential of industrial SMEs can enhance the GVA of the regions, create new stable job places and increase the living conditions of the inhabitants. Additionally, this can help in restructuring of the regional economies by diversification of production, decreasing dependency of the regions on agriculture and developing other manufacturing specialties;
- increase of the export volume and number of jobs of local companies expanding existing production / provision of services beyond the national borders. The scheme will be available for all types of business activities (manufacturing, services and trade) in all 4 target regions and will aim at providing local communities with more opportunities for creating stable jobs and developing local economies.

Geographical area

The Measure will be implemented in all 4 targeted regions.

Justification of the realisation of the measure

The targeted regions are among the less economically developed areas in Georgia, with low share in GVA creation (altogether creating 18.2% of total Georgian GVA, with Imereti having the greatest share of 10%) and extremely humble share in total investments in fixed assets (altogether 4.3%, with 1.9% in Imereti and 1.8% in Kakheti).

Main economic sectors (by GVA composition) of the targeted regions are³⁸:

- Imereti: services (67.1%), manufacturing (20.1%), agriculture (12.8%);
- Kakheti: services (51.7%), agriculture (31.6%), manufacturing (16.7%);
- Guria: services (67.4%), agriculture (17.8%), manufacturing (14.8%)
- Racha-Lechkhumi: services (73%), agriculture (18.4%), manufacturing (8.6%).

In case of Imereti, during the Soviet time heavy industry, mechanical engineering, chemical and textile industry were well developed. There are manganese and coal mines in the region (coal and manganese ore are among the key export products), the ferroalloy plant (one of the biggest plants in Georgia) but at the same time many plants were closed during last years, the existing ones face problems of outdated technologies and low quality products, and the industrial potentials of the region, including some skilled labour force, are not utilised. Restructuring of old industrial cities, enhancing the technological level of the regional industrial companies and developing their potential through the set of integrated measures are among the biggest challenges for the region. In addition to this, the agriculture is also an important sector of the Imereti economy, with crops being maize, grapes and vegetables, followed by fruits (plums, cherry, pome fruits, pears). Imereti is among the leaders in production of meat (also processed meat), milk (and dairy products) and honey. The important subsectors of food processing are cheese, fruit and vegetable processing as well as wine and soft drinks production. It is also the second biggest producer of honey, with 12.8% of GVA coming from this sector. But still one of the major problems of the whole agriculture sector of Imereti is low productivity in this sector.

Kakheti is an example of the region with agriculture as the most developed sector of economy, followed by retail trade (in which 46% of active enterprises are engaged) and comparatively weak industry, transport and construction sectors. Although the region is leading in production of wheat, barley, maize and fruits (including grapes) the agricultural products are not sufficiently processed in the region and the number of processing companies and available storage facilities do not respond to supply of agricultural products. Development of food processing industry seems to be major challenge for the region and the effective tool for raising the level of living conditions for the inhabitants by providing new and enhancing the quality of existing job places.

Guria is a small region with 110,500 of population, 71% of which live in the rural areas. The region has no major industrial tradition, historically it was dominated by light industry – mostly food processing and textile – of rather small scale. Currently, only 7% of all companies active in Guria are engaged in manufacturing production, out of which 44% manufacture food and beverages and 56% are engaged in manufacturing of mostly construction materials, furniture and clothes. In the past, the favourable climate and large number of population employed in agriculture allowed Guria to be an important producer of

³⁸ Own calculations based on Geostat 2017 data

sub-tropical fruits, berries and tea. This production is still continued, but the potential is not fully used due to the small sizes of local farms and poor agricultural infrastructure (food processing plants – except of some nut and tea processing – and storage facilities), although the region is leading in Georgia in production of tea and second biggest producer of hazelnut. Investments in food processing – mostly fruit and nut processing – can increase the local industrial base and create job places, especially by combining these investments with development of natural and cultural heritage areas.

In Racha-Lechkhumi, the smallest Georgian region in terms of territory and population (with only 30,000 people living in the region), all settlements have high mountainous status. In Racha-Lechkhumi 36.5% of all companies are involved in the retail trade, 13% in services and only 10.3% in manufacturing (mostly food and other agricultural products processing and production of furniture), followed by construction (9.5%) and transport (3.6). The region is mostly agricultural, however due to the small average size of the farms the agriculture has mostly social dimension. Main crops are maize, haricot beans, other vegetables and variety of fruits. But the strategic direction of agriculture is grape and wine production. The region is also known for its famous Racha ham. Despite great potential coming from agricultural production, due to the lack of agricultural infrastructure (processing plants, storage and cooling facilities, etc.) this potential is only partially utilised. Development of agro-food processing, as well as investments in tourism (and especially agro, eco, medical and extreme tourism), together with additional investments in the natural and cultural heritage areas (including investments in basic infrastructure) can increase the economic potential of the region and improve the standard of living for the inhabitants.

Although SMEs play important role in the formation of regional economy in all targeted regions (only in Imereti the substantial part of turnover and employment is connected with large enterprises and in Racha Lechkhumi – Kvemo-Svaneti no large enterprises are registered) their input into the regional economies can be assessed as unsatisfactory. Comparing the data on turnover and employment in SMEs with the GVA for each of targeted region shows the low productivity level of the enterprises, related to high level of machinery amortization, lack of cooperation within the national and international value chains and lack of skilled workers, resulting in low competitiveness. The vast majority of the listed problems is connected with lack of financial resources for investments.

The main challenges related to the overall economic development of the targeted regions are:

- Low level of industrialisation of the regions, with agriculture being the main economic sector. Except of food processing, some other sectors of industry can be developed in the regions, but the barriers are - low technological level of goods produced, low investments leading to high level of machinery amortization and lack of new and better products.
- Unused potential of agriculture. Although all regions are important producers of agricultural products, the agro-food processing sector in all regions is underdeveloped.
- The share of SMEs in the total number of active companies in the targeted regions is very high and mirrors generally the data for the whole Georgia but their performance rates are less impressive in terms of share in GVA, employment, investments in fixed assets;

To address the challenges described above, the proposed Measure will be implemented through two sub-measures:

- **Sub-measure A** – grant scheme to support creation, expansion and modernisation of existing companies through financial support for investments in production facilities (machinery and

equipment, small construction works connected to installation of the machinery and equipment, purchase of services (including consulting services), trainings for management and staff of the enterprises. It will be implemented through the grant scheme, in which the competitive call for proposal will be launched for all industrial companies from the targeted regions.

Sub-measure B - grant scheme for micro and small local enterprises for expanding their abilities to export local products through **various promotional activities** including support of organisation of international exhibitions; organisation of trade missions; connecting foreign buyers with regional and local entrepreneurs; education and training for staff of the companies.

Source of financing

- new budget line for realization of PIRDP (EU supported);
- co-financing from SMEs.

Complementarity with other interventions

Increasing investments of local companies is one of the conditions necessary for enhancement of regional economies. In case of SMEs, and especially the SMEs in the targeted areas, access to external financing can be estimated as insufficient. Bank loans are difficult to obtain for SMEs due to high costs and tough collateral provisions. Some governmental programs supporting SMEs exist, but the volume and value of grants is rather low and conditions for obtaining the support in the form of loan are rather difficult to fulfil. Main governmental programs supporting SMEs include: Enterprise Georgia programs for SMEs, Agricultural Cooperatives' Development Agency support for agricultural cooperatives and Agricultural Projects' Management Agency programs supporting agricultural products processing.

Enterprise Georgia:

- Micro and Small Entrepreneurship Support Program: available for physical persons for economic activities. In 2019 it is expected to receive 25,000 applications out of which projects will be chosen for financing – mostly purchase of equipment and machinery. 20% of the total project cost will be covered by the grantee (10% in high mountain regions).
- A Credit Guarantee Scheme has been developed in 2019 to improve access to finance for small and medium-sized businesses that are unable to meet loan requirements. Under the Credit Guarantee Scheme, a credit guarantee is issued on each loan, issued by a commercial bank, with no more than 70% of the basic amount of the loan and no more than 15% of the loan portfolio available for each commercial bank. Since 2014, the industry component of the program has been launched, with a total of 441. GEL 7 million as of August 2019, with 321 projects benefiting from GEL 7 million across Georgia.
- To support the country's export potential, the Export Support Department of Produce in Georgia organized and co-financed the participation of up to 100 Georgian companies in 12 international events in 2019 in the area of food and beverage, textile, toys and furniture production. More than 500 Georgian companies have participated in more than 50 international events since 2014 with the financial and organizational support of the agency.

ARDA provides support to cooperatives having the status of agricultural cooperatives:

- 6 programs available for the cooperatives from the territory of whole Georgia, within some of them support for manufacturing of agricultural products is available (for example for milk production, bee-keeping, wine production) as well as for marketing and branding of agricultural products and standardization of agricultural production.

High mountain settlements have a program to encourage the rational use of pastures in highland settlements. 39 agricultural cooperatives from different regions are participating in this state program. Agriculture and Agriculture Development Agency

- The program for mountainous areas for rational use of hay-land pastures in the highlands. 39 agricultural cooperatives from different regions of Georgia are involved in the state program

Agricultural Projects' Management Agency:

- Support for newly created companies for manufacturing of agricultural products (60 companies are supported with the value of the project up to GEL 600,000: 60% of the value of the project – grant, 10% is the own financing of the beneficiary and the rest – preferential loan). These 60 projects were chosen from 300 applications.
- Support for existing and newly created companies in fruit processing and bee-keeping (value of the projects up to USD 100,000, with 40% of grant and 60% of preferential loan).
- Support for legal persons for storage facilities (40% of grant, the rest to be financed by the beneficiary).
- Support for rural development – guest houses for start-up businesses (32 projects financed).
- GEL 50,000,000 available for preferential credits.

Support programmes for SMEs are also financed by the EU and other international donors. The biggest programme (5 Million Euro), which in 2019 is coming to the end, is financed by the EU: EU4Business and has two main components:

- One programme is devoted to support regulatory and institutional reforms (implemented by GIZ): “SME Development and DCFTA in Georgia. The project supports the implementation of DCFTA-related institutional and regulatory reforms in Georgia.
- Second component - EU4Business-EBRD Credit line – is a joint EBRD-EU facility supporting loans to SMEs (active since 2016). Up to date over 100 Georgian companies have received 60 million euros in financing so far. This programme offers loans and grant incentives to SMEs through local partner banks, in order to finance investments to achieve compliance with EU rules and standards under DCFTA and to help businesses better define those investments and improve their international competitiveness. Investments can range from upgrading equipment and technologies to introducing new quality, health or safety standards.

USAID Zrda (has been mentioned in Measure 2.1) supports the development of several value chains including Fruit - berries (strawberries, raspberries, blackberries and blueberries) and fruit trees (apples, pears, plums, and cherries); Vegetable (broccoli, cucumbers, tomatoes, peppers, eggplants, and lettuce); and Bee Products by introducing modern production techniques. Zrda works across Shida Kartli, Samtskhe-Javakheti, Samegrelo-Zemo Svaneti, Kvemo Kartli, and Kakheti (Akhmeta municipality) regions of Georgia.

Description of the Measure

The Measure consists of two sub-measures:

- A. Support for creation, expansion and modernisation of SMEs;
- B. Export promotion of local goods and services.

Sub-measure 3.1.A. Support for creation, expansion and modernisation of SMEs

The sub-measure will be implemented through a competitive call (s) for project proposals organised at the level of 4 regions with guaranteed minimum allocations for individual regions. Grants will be available for new companies and SMEs already operating in manufacturing industry (for example food processing, textile, metal production, furniture etc.) as well as those manufacturing sectors which are listed in the regional smart specialisation strategy in all 4 target regions. To lead to the expansion of already existing production or to introducing new products, as well as construction works necessary for implementation of the project, training and consulting services. The separate grant scheme can be launched for start-ups and micro firm.

In addition, the ultimate goal of business hub activities is to set up an SME advisory centre at the regional level to provide relevant technical or advisory support, trainings in different directions, according to identified needs.

Types of activities to be financed:

- grants for local SMEs from 4 regions
- purchase of machinery and equipment;
- small construction works related to the installation of the machinery and equipment purchased within the framework of the project (production and storage facilities);
- consultancy services and training for management and staff of the company.
- Establishing business hubs for SME development (project concept and action plan development; procurement of project inventory; business hub operations services (training, educational programs, etc.).

Principles for project selection

- manufacturing industry, including food processing and creative industry projects;
- preferences for investments in regional centres and post-industrial cities (link with measure 1.1.A);
- clear impact of project on exports;
- clear impact of project on job creation;
- In case of lack of state budget or other alternative financing; lack of cross-financing with projects supported by national agencies and international donors;
- in case of investments in buildings energy efficiency and environment protection standards to be ensured;
- business plan for the project prepared;
- Cooperation between regional and local authorities is ensured;
- Cooperation between educational institutions (regional, national, international);
- Interest in participating in the local and nationwide business community (Business Association, Chamber of Commerce, Clusters, Regional Development Agencies) (Signed Cooperation Agreement);

Possible implementing agency of sub-measure

- LEPL Georgia Produce;

- LEPL Agency for Rural and Rural Development.

Grant/Service recipient:

- SME representation operating in the four regions;

Entity interested in doing business in the regions

Project promoters:

- LEPL "Produce in Georgia"

Geographical area

All 4 regions

Sub-measure 3.1.B. Export promotion of local goods and services

Micro grants (up to GEL 50,000) and/or by funding international events (e.g. exhibitions) for companies, for export promotion activities will be available for micro and small companies (manufacturing and service providers) trying to expand their activities beyond national borders of Georgia in all 4 regions. The preference will be for micro and small companies operating in sectors being regarded as a regional specialisation (Smart Specialisation Strategy methodology), including manufacturing of local products, gifts, delivery of tourism products excluding export wine promotion which is the subject of support of many national and donor programmes. The sub-measure will be implemented through a call for project proposals organised at the level of 4 regions with guaranteed minimum allocations for individual regions.

Types of activities to be financed:

- Supporting organisation of international exhibitions;
- organisation of trade missions
- connecting foreign buyers with regional and local entrepreneurs;
- registration on trade platform: www.tradewithgeorgia.com
- providing information on the export procedures existing in Georgia
- providing information on customs tariffs in foreign markets;
- retraining of export managers;
- other export promotion activities.

Principles for project selection:

- available for legal entities registered and running their activities in 4 regions;
- target group are micro and small companies operating in sectors being regarded as regional specialisation (Smart Specialisation Strategy methodology) excluding wine export promotion (only for some regions);
- business plan for the project prepared;
- preferences for business setting up in regenerated areas (Measure 1.2):
- clear impact on export turnover;
- impact on job creation;
- co-financing of 25% of the value of the project ensured by the grant recipient;

Sub-measure implementing agency

- LEPL "Produce in Georgia"

Grant recipients:

- local SMEs operating in 4 regions

Project promoters:

- Local SMEs operating in 4 regions

Geographical area

All 4 regions.

Output indicators for the Measure

See Annex 1 table 3.

Measure 3.2. Increasing innovativeness and R&D capacity of local companies**Objective and expected results**

The specific objective of the Measure is **to increase the level of innovativeness and ability to acquire or produce R&D of local enterprises in order to enhance the economic competitiveness of the regions**. The Measure will be implemented through support to local SMEs in updating their technologies allowing them to deliver new products and services to the market, to enhance the regional value chains and increase productivity levels of the regional economies. Another aim of the Measure is to increase capacities of regional enterprises to base their activities on the results of R&D works in order to improve the technological level of products and services and to make them competitive on national and international markets.

The intervention will aim at three groups of enterprises:

- direct support to SMEs operating in pilot region by providing them with financial resources for acquiring innovative production methods, purchase of new machinery and equipment and/or technologies in order to start manufacturing new products or to deliver new services to the market;
- for enterprises planning to start cooperation with scientific institution or engaged in R&D activities – grants for covering costs of expenditures related to R&D activities (purchase of R&D and other related services, purchase of small equipment necessary for conducting R&D activities, costs of prototype, etc.). The support can also be provided to companies participating in the collaborative projects with R&D institutions.

The Measure will directly support the objective *Enhancing entrepreneurship, competitiveness and innovation of local SMEs* and will additionally impact two other objectives of the Programme – *Strengthening socio-economic role of regional centres (Kutaisi, Telavi, Ozurgeti, Ambrolauri)* and *Socio-economic revitalization of industrial cities* by supporting local enterprises in increasing their competitiveness through the introduction of new, innovative projects.

The expected results of the Measure are:

- increased capacity of SMEs to use innovative solutions and products

- increased technological level of production among regional SMEs;
- new products and services provided to local, regional and international markets;
- improved cooperation between the business sector and academia.

Geographical area

The Measure will be implemented in all 4 targeted regions.

Justification of the realisation of the measure

Due to the very low level of innovativeness of the targeted regions' economies main potential for increasing competitiveness of regional enterprises is investment in food processing – wine production, fruit and vegetables processing, milk products manufacturing (cheeses, yoghurts), meat processing. Additionally, in Imereti there is a potential for re-development of some industrial sectors for which the region was famous in Soviet times (like mechanical engineering, chemical industry, textile industry, ferroalloy processing). Guria historically had well developed light industry (textile, furniture) which can constitute the base for re-industrialisation and provides opportunity to increase this potential also through introducing innovative, technologically advanced production. In Racha-Lechkhumi, except for food processing, there is a potential to develop enterprises manufacturing furniture and construction materials.

Very low capacity of Georgia and its regions to produce goods and services which are tradable on international markets and can ensure stable development of the national and regional economies is also impacted by the very low level of expenditures on research and development (including the extremely low spending by business sector). Additionally, weak and non-systemic cooperation between enterprises and academia in R&D&I activities does not support development of the modern, technologically advanced and competitive economy.

In all 4 regions the number of companies with good quality products is rather limited. Among the major challenges for improving the quality of production by introducing innovative solutions the following may be listed:

- low level of technological advancement of the enterprises;
- high level of depreciation of fixed assets;
- insufficient own financial resources of enterprises and barriers in access to external financing;
- lack of skills (quality of human capital);
- lack of cooperation between research and business sectors.

Encouraging SMEs of targeted regions to increase their engagement in R&D activities lays among the main goals of the Measure. This can be done only in collaboration with the science sector – introducing links between business and academia and strengthening their cooperation may bring added value for the regional economies and result in increasing their economic potential.

The interventions proposed within this Measure are addressed to three groups of local/regional SMEs:

- already existing industrial enterprises willing to increase technological level of their production by acquiring innovative production methods, machinery and equipment allowing them to start manufacturing of new products and services;
- enterprises having no or little experience in R&D activities but seeking solutions for their problems related to quality or technological advancement of products and services;

- companies planning to engage more seriously in R&D activities (both committed to external research institutions and conducted internally) will be supported with financial resources to cover part of expenditures related to such activities.

Although the number of SMEs having capacities to invest in innovative solutions, engage in R&D activities and those seeking for simple research services in the targeted regions is currently not high, the Measure can be treated as the pilot with the aim of testing the proposed approaches.

This will increase of SMEs expenditures on innovation and R&D which will result in developing new, more technologically advanced products and services. At the same time the interest raised among the entrepreneurs for services of research institutions will create the market for their services and will result in closer cooperation between business and research societies, which can be beneficial for the economic development of the regions.

Sources of financing

- new budget line for realisation of PIRDP (EU supported);
- co-financing from SMEs.

Complementarity with other interventions

Innovativeness of Georgian enterprises is supported through the Georgian Innovation and Technology Agency (GITA), established in 2014. Main fields of GITA's activities include:

- A small grant program for start-ups and individuals to promote ideas, participate in international events and promote projects, and strengthen the local innovation ecosystem by organizing innovation and technology development events. Grant amount - up to GEL 5,000. Those interested in the grant program will have both distance consultations and individual meetings. In the period of 2016-2018, approximately 250 projects were funded under this grant program.
- Commercialization of R&D (Research and Development) activities - In 2018, in cooperation with the World Bank, a € 2.7 million project has been launched to strengthen the agency's institutional capacity and identify potential for commercialization of research. Under this project 1 million € is allocated for the development and commercialization of scientific innovation and projects (Pilot Technology Transfer Program).
- The Agency for Innovation and Technology of Georgia actively promotes the process of formation of innovative ecosystem in the country. Projects implemented by the agency are designed to stimulate innovation and create innovative enterprises.
- innovative Infrastructure Development: Technopark (in Tbilisi, Zugdidi and Telavi) and 22 Fablabs (FabLab) as well as 74 Community Innovation Centers (CICs) were opened in 2016-18.
- The applied research grant scheme of Shota Rustaveli National Science Foundation providing funding for innovative research projects, with the special focus on innovative project proposals which will result in high quality products being in demand on local and international markets. Business is expected to participate and co-fund such projects but there is no co-funding from the SRNSF to business partners of the projects.

In addition, with the support of the European Union, two important activities have been implemented /are under implementation to promote innovation in Georgia:

- Collaboration platform for ICT industry stakeholders that supports member companies to establish business links locally and internationally to enhance the competitiveness of the Georgian ICT industry, which will ultimately contribute to the country's economic development.
- Institutional Approach to the Development and Clustering of Innovation System - Establishment of integrated models of entrepreneurship that will enhance business links as well as improve access to services, technologies / investments. As a result of these activities, an Information and Communication Technology (ICT) cluster - a platform of partnerships that supports member companies locally and internationally to establish business links to enhance the competitiveness of the Georgian ICT industry has been established.
- Support the capacity building of the Agency for Innovation and Technology of Georgia to enable it to implement and develop innovative and entrepreneurial policies, medium and long-term programs, as well as to play the role of a complex service body for innovative activities. This support will mainly be provided through technical assistance and twinning projects through EU Member State agencies and specialized international agencies.

Description of the Measure

The Measure will be implemented through a competitive call (s) for project proposal organised at the level of 4 regions without guaranteed minimum allocations for individual regions. Grants will be available for new companies and SMEs which implement innovation activities and/or already operating in one of the priority sectors of the Smart Specialisation Strategy.

Support will be available for:

- purchase of machinery and equipment necessary to start the production of innovative (new or substantially improved) products and services, with additional financing for accompanying construction works, training and advisory services. The value of the projects should not be lower than GEL 200,000 and should not exceed GEL 600,000 (the grant will cover maximum 75% of the value of project);
- proposals for SMEs R&D projects (for expenditures related to purchase of R&D and other related services, purchase of small equipment necessary for conducting R&D activities, costs of prototype, etc.). The support can also be provided to companies participating in the collaborative projects with R&D institutions. Value of the grant: GEL 50,000 to GEL 200,000 (with 10% of value of the project to be secured by SME).

Types of activities to be financed:

- purchase of machinery and equipment;
- construction/renovation/building works and purchase of other services related to instalment and application of the purchased machinery and equipment;
- training for management and staff of the supported companies;
- services related to intellectual property rights protection and quality of the design;
- purchase of small equipment for implementing R&D activities;
- purchase of R&D and other related services;

Principles for project selection

In case of innovation projects:

- available for legal entities from 4 regions;

- the result of the project should be new product or service;
- for industrial enterprises only (including creative industries);
- impact on productivity of the enterprise;
- business plan for the project prepared;
- in case of investments (construction works) energy efficiency and environment protection standards to be ensured.

In case of R&D activities:

- project is implemented by the legal entity registered and running business activities in targeted region(s);
- R&D project is positively evaluated by the research institution;
- cooperation with scientific institution (regional, national, international) is ensured and/or own researchers will be employed for realisation of the project;

Possible entity that will implement sub-measures

- LEPL Agency for Innovation and Technology Development of Georgia
- Shota Rustaveli National Science Foundation of Georgia;
- Organizations working in the field of youth affairs;
- Other research institutions

Grant recipients:

- local SMEs operating in 4 regions

Project promoters:

- local SMEs operating in 4 regions

Geographical area

All 4 pilot regions.

Output indicators for the Measure

See Annex 1 table 3.

Priority 4. Integrated Local Development

Measure 4.1. Preservation and commercialisation of local traditional crafts and products.

Objective and expected results

The objective of the measure is **to support development of local economic base through preservation and expansion of local traditional crafts and products in 4 targeted regions.** . Under the measure support will be provided in the form of small grants for projects proposed by local partnership with the cooperation of eligible project promoters (SMEs – local producers and craftsmen, as well as CSOs active in the field) **for preservation and commercialisation of local traditional crafts and products.** Grants will be available for projects aiming at preserving, development and commercialisation of traditional crafts and products, marketing and promoting them (also by organising local fairs and exhibitions) as a part of economic development plan of the area;

Support will be provided exclusively to projects identified by municipalities with support of **local partnership** consisting of local authorities, CSOs and business established for the purpose of realisation of the priority 4.

The Measure will help to improve business opportunities based on unique assets (potentials) of remote areas, increase level of the local population's income as well as quality of life in 4 regions concerned. The expected results of realisation of the measure include:

- preserving traditional crafts and products;
- commercialisation of local crafts and products;
- increased attractiveness for visitors;
- Increased income of the local population.

Realisation of the measure is directly connected with RDP's 2018-2021 measures realised under priority 4: 4.1. Support to realization of regional development strategies: development of small scale technical and social infrastructure; 4.2. Development of rural areas and 4.3. Development of High Mountainous Areas.

Justification of the realisation of the measure

As shows information presented in the previous sections (see Chapters II, III and description of the priority 4) remote areas (especially very rural areas, mountainous and those located far from cities and main communication lines) cannot develop their existing, non-agriculture potential because of the lack of financial resources, low skills of population, lack of basic technical infrastructure and low quality of available public services. Many of those areas are home to vanishing (due to lack of markets and shrinking, aging population) local traditional crafts and feature a great tourism potential (based on natural or cultural assets), which with relatively small support for proper infrastructure, equipment, skills development and cooperation among citizens can be used as a basis for economic recovery of the whole area. Proposed under the measure approach which implies activation of citizens, local authorities and business

community in the form of local partnership to decide about local economic development is already practiced under created within ENPARD programme Local Actions Groups, however their spatial coverage is very limited. Under PIRDP the focus will be on preservation and commercialisation of non-agricultural local rooted activities.

Sources of financing

- EU budget support for PIRDP implementation
- new budget line for realisation of PIRDP (EU supported);

Complementarity with other interventions

Support to preservation of local crafts and development of additional to agriculture income source for rural population is one of the pillar of ENPARD Programme operating in Georgia since 2013. Implemented since 2018 third edition of the programme ENPARD III (77,5 million EURO) is aiming at reduction of rural poverty and has two major components:

- **Enhancing competitiveness of the agriculture** providing support to Ministry of Environment and Agriculture in policy making according to EU standards, farmers in access to finance, training and education on agribusiness, developing value chains for commodities; improving food safety, quality standards and procedures for inspection and control;
- **Improving Employment and living conditions in rural areas** implemented by UNDP and direct grants from EUD and providing support in all regions of Georgia, including Ajara Autonomous Republic. This component focuses on the improvement of rural development policy and governance, diversification of rural economies, sustainable environmental practices, increased engagement of all stakeholders, including local communities, in rural development. Specific pilot initiatives (using LEADER approach under Cohesion Policy in EU countries) are implemented through Local Action Groups established in 8 municipalities of Lagodekhi, Dedoplistskaro, Tetrtskaro, Borjomi, Akhalkalaki, Kazbegi, Keda and Khulo, out of which two are located in targeted under PIRDP regions: Dedoplistskaro and Tetrtskaro (Kakheti). They are plans to established additional LAGs in 2019 in Tskaltubo (Imereti) and Tsalka (Kvemo Kartli). Supported projects (local infrastructure, support to diversification of employment and income sources, social infrastructure and initiatives) must be locally born and in line with specific LAG's Strategy.

For 2020 is foreseen start of new ENPARD IV, which will have two components: rural development and food safety. Support to rural development will be continuation of the approach used under previous editions of the Programme and its infrastructural part will be implemented through limited number of LAGs. As before the focus will on enhancing employment opportunities for population and improving the quality of local services. In addition under the programme will be financed actions aiming at improving agricultural competitiveness, improving environmental protection and management of natural resources and empowerment of rural population, in particular women and youth.

Description of the measure

The projects selection will be organised in two steps:

- a. regional call (s) for submission of project ideas and local development planning document;

- b. regional call (s) for project proposals.

Acceptance of the project ideas and projects should be in compliance with the measure's goals. The proposed project ideas and the projects should be consistent with the objectives (goals) of Local development planning document accepted by the municipality. The decision about a project ideas and project should be made by the relevant RCC.

Types of activities to be financed:

- adaptation of production process/technology to offer products based on traditional receipts;
- support for creation and promotion of new products
- marketing activities of traditional crafts and products (new channels of distribution including digital tools, new design, packaging);
- recovery of historically important traditional crafts, products and services;
- modernisation/adaptation of buildings for production, exhibitions and selling traditional crafts and products;
- organising festivals of local products;
- trainings for supported individuals and SMEs.

Principles for project selection

- existence of adopted local development planning document describing priorities and planned activities to enhance socio-economic development of targeted municipality³⁹ (e.g. Local Economic Development Plan – M4EG; Municipal Development Plan – UNDP programme, LAG strategy, others);
- involvement of local partnership representing local stakeholders (e.g. LAGs, Strategic Partnership Consultative Councils);
- in Kakheti coordination with activities of Local Actions Groups (currently relevant only for Kakheti and in the future Imereti);
- coordination with other sources of funding mentioned under *Complementarity with other interventions* section⁴⁰;
- impact on turnover of businesses;
- connection with traditional occupation of citizens;
- impact of number of visitors;
- impact on employment for local population.

Grant recipients:

- local entrepreneurs;
- CSOs.

Project promoters:

- local entrepreneurs in collaboration with municipalities;
- CSOs in collaboration with municipalities.

Geographical Area:

Villages and towns (daba) in targeted areas agreed at the level of Regional Consultative Councils.

³⁹ Minimum criteria for such local development plan are to be developed jointly with donors

⁴⁰ Please note that strict demarcation lines between eligible types of projects can be introduced at the later stage;

Output indicators for the Measure

See Annex 1 table 3.

Measure 4.2 Local infrastructure helping development of local businesses

Objective and expected results

The objective of the measure is **to support development of small-scale infrastructure to support establishment of new business activities including tourism activities and increase in the standards of living of local population**. Under the measure will be financed various types of technical infrastructure depending on the local needs. Projects will be identified by local partnership consisting of local authorities, citizens, CSOs and business established for the purpose of realisation of the priority 4. The measure will be realised in limited number of villages in the most remote areas of targeted regions (preferably in the same areas as under measure 4.1), in which additional investment can boost new economic activities for example connected with tourism. Types of supported infrastructure range from public environmental infrastructure (provision of water, sewerage, treatment plants), transport (local roads, parking places); energy (electricity, gas delivery) to infrastructure small scale public infrastructure helping development of tourism and other types of local activities.

Support will be provided exclusively to projects identified by municipalities with the help of local partnership consisting of local authorities, CSOs and business established for the purpose of realisation of the priority 4.

The expected results are:

- increased attractiveness for business;
- increased attractiveness for visitors;
- increased quality of life;
- improved conditions for job creation.

In longer perspective realisation of the measure will help in diversification of local economies, increased in quality of delivery of public services and increasing the quality of life.

Justification of the realisation of the measure

One of the development factors having important influence on development perspectives of remote areas is lack of proper technical infrastructure. As analyses presented under description of the priority 4 show targeted regions in general and their remote areas (peripheral rural and mountainous) in particular are very poorly equipped with modern technical infrastructure. Lack of infrastructure influence negatively prospects for investment in any sector of local economy, quality of life of citizens and in fact is one of the important cause of outmigration. Accessibility of those regions is low due to the poor local roads network - local products cannot be transported and people cannot commute to work and educate. There is still a lot of villages in which inhabitants don't have access (through water pipe systems or individuals' wells) even to potable water in their homes. Sewage systems are virtually none existent in rural areas. The

available data shows that in 2017 50% of households of Imereti and Racha Lechkhumi and Kvemo Svaneti had access to potable water in dwellings, in Kakheti this indicator was even lower – only 35 % of households had it. Information about sanitation and water conditions in schools and kindergartens in 2013 UNICEF Georgia WASH (Water, Sanitation and Hygiene) survey also might be used. The figures show that in 80 % of village schools the water supply was placed outside the buildings. In the majority of the inspected schools located in villages the water system didn't function. Only one out of five school had toilet in the building. Only 40% of villages' schools were connected to sewerage system (including half built or partly built). In half of inspected schools waste was collected inside the building or nearby. Although some progress has been achieved since 2013, the situation still has to be improved. According to the data provided by the United Water Supply Company of Georgia (UWSCG) there are 57 locations (villages and small towns) in Imereti, 15 villages in Racha-Lechkhumi and Kvemo Svaneti, 24 villages in Guria and 32 – in Kakheti without water and sewerage systems. 146 GEL million is needed to provide water and sewerage supply in those locations.

Sources of financing

- new budget line for realisation of PIRDP (EU supported);
- co-financing from municipalities.

Complementarity with other interventions

There is a variety of financial sources and instruments supporting development of local infrastructure in remote areas, however their scope and overall value is not sufficient to cover even the most pressing needs. In addition, there are implemented by various Ministers and agencies using different selection criteria what complicates implementation. Municipalities themselves, especially those located in the remote rural and mountainous areas, have too small resources (even with equalization mechanism in place) to deal with very basic infrastructural needs. The major sources of support to development of local infrastructure are following:

- **The Regional Development Projects Fund of Georgia (RDF)** – the Fund under the State Budget of Georgia, from which 75% is spent to finance local projects to improve access to public services (e.g. rehabilitation of roads, water supply and sewage system, underground communications, bridges, street lightening, waste management, houses and public buildings). All projects must be in line with the relevant regional development strategy. Choice of projects is done by GOVERNMENTAL COMMISSION and is based on proposals submitted by Municipalities and endorsed by relevant RCC.
- **Village Support Program** – since 2018 the program supports small scale projects important for development of villages, including roads, water and etc. Projects proposed by eligible villages are chosen by Municipalities. The funds are distributed among villages based on the number of population. It is estimated that in four target regions RDP in year 2019-2021 could spend more than 155 M EURO.
- **Mountain Development Fund** – The implementation will be based on (being developed) Strategy for Development of High Mountain Settlements of Georgia 2019-2023. The funds are allocated for settlements having the status of high mountain settlements. The funds are spent for rehabilitation and construction of roads, sewerage, kindergartens, sports facilities and etc. and allocated based on the number of inhabitants of the target settlements. It is estimated that in four target regions RDP in year 2019-2021 could spend around 10. M GEL

- **ENPARD⁴¹** – within the Program EU supports projects supporting competitiveness of agriculture as well as rural development. The programme is implemented through FAO (agriculture part) and UNDP (rural development part). Besides, the Program is financing projects of the Ministry of Environmental Protection and Agriculture of Georgia. In order to support rural development, under the Program was created 9 local activity groups (LAGs), out of which 2 are operating in Kakheti (Lagodekhi and Dedoplistskaro). Currently under ENPARD III two new are being established, including one in Imereti (Tskaltubo).
- **Asian Development Bank** –since 2020 the loan from ADB (106.43 Million EURO) will allow to finance already identified, mostly infrastructural, projects in Kakheti region (North Kakheti cluster: Gurjaani, Akhmeta and Telavi). The Project will support integrated, complex development of the selected geographical clusters by financing roads, water supply and sewage systems, tourist infrastructure, revitalization of selected settlements, support to SMEs, etc.

Description of the measure

Under this measure support will be provided for rehabilitation/building new technical infrastructure helping to attract new businesses, visitors and improving the quality of life of local population. Delivery of local technical infrastructure is the primary responsibility of Municipalities and their role in this regard will be strengthened under planned decentralisation reform. Realisation of the measure will consist of implementation of grant scheme for municipalities from limited number of villages or small towns (daba) identified at regional level. The projects selection procedure has the following two steps:

- c. regional call (s) for submission of project ideas and local development planning document;
- d. regional call (s) for projects

Acceptance of the project ideas and projects should be in compliance with the measure's goals. The proposed project ideas and the projects should consistent with the objectives (goals) of Local development planning document accepted by the municipality. The decision about a project ideas and project should be made by the relevant RCC.

Types of activities to be financed

- Projects related to business and other activities;
- development of local infrastructure;
- improvement of local roads (and accompanying infrastructure) offering access to local businesses;
- renovation and construction of small-scale infrastructure (serving citizens, tourist and business including organisation/rehabilitation of recreational areas; streets, pavements, parking areas, fountains, squares, monuments, playgrounds for children, recreational and sport facilities);
- construction/rehabilitation of water and wastewater systems related to a particular project (individual and collective water supply facilities, sewage systems, wastewater treatment plants and equipment (including bio treatment facilities);
- activities aimed at increasing energy efficiency.
- Installation of broadband infrastructure, underground communication channels, telecommunication networks / installation of high-speed fibre-optic Internet cable lines

⁴¹ See more details under description of Measure 4.1

Principles for project selection

- financing possible only in connection with proved business interest;
- projects proposed by local partnership;
- existence of the local economic development planning document;
- in Kakheti coordination with activities of Local Actions Groups (currently relevant only for Kakheti)
- impact on turnover of businesses;
- impact of number of visitors;
- energy efficiency;
- impact on employment for local population;
- ensuring sustainability (covering the cost of maintenance after the programmes is finished);
- linkage with activities under measure 4.1 and 4.3.

Grant recipients:

- municipalities

Project Promoters:

- municipalities

Geographical coverage

Villages and towns (daba) in targeted areas agreed at the level of Regional Consultative Councils

Output indicators for the Measure

See Annex 1 table 3.

Measure 4.3 Improvement of delivery and quality of local public services***Objective and expected results***

The objective of the measure is **improvement of local social infrastructure and quality of services for local population including IT solutions.**

The measure will be realised in limited number of municipalities/villages in the targeted regions with poor quality and access by citizens to basic local services like pre-school care, primary education, basic health care and so on. In this regard realisation of the measure is closely connected with other measures of the PIRDP realised under Priority 4: Integrated Local Development

Support will be provided exclusively to projects identified by local partnership consisting of local authorities, citizens, CSOs and business established for the purpose of realisation of the priority 4.

The expected results include:

- improved social infrastructure in targeted areas;
- improved quality, delivery and accessibility of local population to local public services;
- increased access of local population to local services through the use of IT tools.

In longer perspective this should help in diversification of local economies and increasing the quality of life.

Justification of the realisation of the measure

As experience from many EU countries shows the quality of and access to local basic services (essential public services) influences in many ways the development prospects of regions and smaller areas. In Georgia, poor access of population to and poor quality of basic services (pre-school education, primary education, basic health care but also quality of administration e.g. measured by public satisfaction or use of internet to deal with local issues) in majority of remote areas (rural, peripheral and mountainous) combined with low transport accessibility and poor infrastructure is one of the reasons of low level of development of those areas (and poor prospects for the future!) and poor quality of life. In turn these areas are subject to huge outmigration and cannot - due to low quality of human capital – attract new investment.

Complementarity with other interventions

Since a lot of services available at local level in those areas is still provided by the national government⁴² (like basic health care and primary education) relevant ministries in charge which very often don't communicate properly with local level about planned investment, must be involved in the process of selection of local social projects.

Actions envisaged under the measure shall be also coordinated with activities undertaken under **Public Administration Reform** (the Road Map until 2020 was adopted by the Government in 2015), which goal is to improve efficiency, accountability and transparency of the public administration in line with the European Principles of Public Administration. The Reform supported by the EU (30 Million EUR under SSF 2014-2017 and around the same amount planned under SSF 2018-2021). Some elements of this Reform which has 6 policy areas (policy development and cooperation, human resource management, accountability, service delivery, public finance management, and local self-government) directly concern delivery of local services and e-governance.

Civil Service Bureau (LEPL) is responsible for development of professional, career-based civil service and promotion of transparent governance, that meets the highest ethical standards and supporting the implementation of anti-corruption policy in civil service organizations. Among others the Bureau since 2009 has been implementing the e-governance projects, which gradually support transfer of all possible government services to online space.

With the support of the Ministry of Regional Development and Infrastructure of Georgia, a unified municipal electronic services platform will be implemented in the municipalities of Georgia.

⁴² Although this situation can change over in coming years in line with principles of governmental strategy of decentralisation.

This will be implemented by LEPL Municipal Development Fund of Georgia, within the framework of Municipal Service Development Agency (MSDA), sharing the experience of Tbilisi Municipality with the aim of enhancing the efficiency and transparency of local self-government by establishing a unified standard of e-government.

The project will integrate three main systems: Municipal Employee Task Force - Unified Information Flow Processing System; Citizen's Municipal Cabinet - Online Services System; Interactive Map - Geospatial Data Management System.

The duration of the project is 25 months and covers 63 municipalities. Within the project municipalities will be assessed, adapted / developed and implemented. Evaluation and implementation is divided into three phases - Services will be implemented in 21 municipalities in each phase, 17 in total, in 63 municipalities will be implemented 17 Modules / Services: HR - Human Resources Management, Electronic Chancellery, Electronic Document Returns, Online Applications, Spatial Management System Interactive Map, City Council, Projects Cycle Management (Infrastructural facilities management), citizen assistance, the idea of the mayor, free dinner beneficiaries management, parking management, bus registration and monitoring, social and health programs, municipal calendar, cleaning and waste management, asset management, spatial management system, recreational areas. Appropriate training will be provided to municipal staff within the project.

Public Service Development Agency (LEPL) is implementing projects designed to facilitate the development of e-governance in local self-governments. This will lead to optimization and transparency of activities, including the provision of services; Since December 7, 2011, the Public Service Development Agency, with the financial assistance of the EU has been implementing the project "Introduction of e-Governance in Local Self-Governments". IV phase of the project includes a period of 2017-2020.

Since 2011 LEPL gradually is implementing the programme of establishing Community Centers in villages and town across the whole Georgia. Community Centers ultimately will offer access to more than 200 services, high-tech library, digital and printed books, 24-hour wireless free internet and conference room as well as banking services (in cooperation with sponsor the Liberty Bank and MagtiCom telecommunication operator). Up to date (15 May 2019) exist more than 65 community centers throughout the country offering services of the Public Service Development Agency (e.g. ID card, marriage registration, etc.), the National Archives of Georgia, the National Agency of Public Registry and Social Services Agency Services as well as services of the Ministry of Education, Sciences, Culture and Sports, the Ministry of Agriculture and others.

Description of the measure

Under this measure support will be provided for rehabilitation/building new infrastructure of basic local social services as well as for improvement of the quality of those services which are crucial for development prospects of local population. This may involve direct support to deliver services and development of IT tools for better communication and accessibility of citizens. Delivery of local services is the primary responsibility of Municipalities and their role in this regard will be strengthened under planned decentralisation reform. Access of citizens to information about local matters and services is very

often limited or requires a lot of time and efforts. IT tools can offer remedy to this situation on condition that they are well designed, and people know how to use it.

Realisation of the measure will consist of implementation of grant schemes for municipalities from limited number of villages or small towns (daba) identified at regional level. The projects selection procedure has the following two steps:

- e. regional call (s) for submission of project ideas and local development plan;
- f. regional call (s) for projects

Acceptance of the project ideas and projects should be in compliance with the measure's goals. The proposed project ideas and the projects should consistent with the objectives (goals) of Local development planning document accepted by the municipality. The decision about a project ideas and project should be made by the relevant RCC.

Sub-measure 4.3. A. Improvement of Social infrastructure

Under this measure support will be provided for rehabilitation/building new infrastructure of basic local social services. A call will be organised for project proposals fitting into development planning document accepted by governmental commission. Decision about projects will be made by the relevant RCC.

Types of activities to be financed

Only those proving to improve quality of the service:

- rehabilitation or construction of small social infrastructure like kindergartens, schools, basic health care and other facilities serving local population
- purchase of equipment necessary to offer improved services;

Principles for project selection

- Only as an element of complex projects aiming at improving quality of local services: proving to improve quality of the service:
- Prepared Local Economic Development Plan, Municipal Development Plan, etc.;
- prepared feasibility study;
- ensuring sustainability (covering the cost of maintenance after the programmes is finished);
- impact on improvement accessibility, quality and delivery of local services;
- linkage with activities under measure 4.1 and 4.2.

Grant recipient:

- municipalities;

Project Promoters:

- Municipalities and through them partners: private sectors, CSOs and Public agencies

Geographical coverage (per operation)

Villages and towns (daba) in targeted areas agreed at the level of Regional Consultative Councils.

Output indicators for the Measure

See Annex 1 table 3

Sub-measure 4.3. B. Promote introduction of IT systems, e-services and other services

Under this measure support will be provided for improvement of the quality of those services which are crucial for development prospects of local population. This may involve direct support to deliver services and development of IT tools for better communication and accessibility of citizens.

Types of activities to be financed

- purchase of equipment and promote introduction of E-learning, E-health, municipal information systems and other depending on needs);
- design of municipal services (local permits, fees, petition and feedback from citizens mechanisms) through digital/electronic platforms;
- Digitalization of local data base concerning locally provided products and services (spatial development plans, cadastres, registries, etc.);
- organization of point of single contact/one stop shop for citizens and business;
- renovation of public buildings in order to offer good quality services to citizens;

Principles for project selection

- Only as an element of complex projects aiming at improving quality of local services: proving to improve quality of the service;
- Prepared Local Economic Development Plan, Municipal Development Plan, etc.;
- prepared feasibility study;
- ensuring sustainability (covering the cost of maintenance after the programmes is finished);
- impact on improvement accessibility, quality and delivery of local services;
- linkage with activities under measure 4.1 and 4.2.

Grant / Service recipient:

- municipalities;

Project Promoters:

- Municipalities and through them partners: private sectors, CSOs and state institutions.

Geographical coverage (per operation)

Villages and towns (daba) in targeted areas agreed at the level of Regional Consultative Councils.

Output indicators for the Measure

See Annex 1 table 3

Priority 5. Technical support and capacity building of central and local administration

Measure 5.1 Capacity building for regional policy making and PIRDP implementing institutions at national level

Objective and expected result

As was already indicated in RDP 2018-2021 recent efforts of the Georgian Government supported by international donors helped to increase the capacity of national level administration to deal with modern regional development issues. Notably RDP 2015-2017 contributed to strengthening inter-ministerial coordination and monitoring systems. However, it is obvious that in the new phase – implementation of PIRDP Georgia needs to invest further in the capacity of its national level administrative system to programme and implement effectively PIRDP as well regional policy capable of delivering cohesion and improving development prospects in all regions. Targeted institutions are identified under Chapter 7 Institutional arrangements with key role of the MRDI which, being a part of GoG structures, play the role of institution responsible for programming and management of regional policy.

The objective of the measure is to **enhance institutional capacity of national level institutions to support implementation of modern regional development polity, including PIRDP**, especially in terms of the components such as: coordination of territorially oriented public intervention, implementation, monitoring and evaluation. Similar capacity building activities for regional and local level institutions will be offered under Measure 5.2.

Realisation of those two measures will be also helpful in relation to the decentralisation plans which are now being formulated by the GoG in the form of the Action Plan.

The realisation of the measure is directly linked with measure 5.1, 5.2 and 5.3 of the RDP 2018-2021.

Expected results of the realisation of the measure include:

- MRDI fully prepared to implement PIRDP effectively;
- improvement of analytical and programming skills of national level administration;
- effective management and implementation system of PIRDP involving various stakeholders set;
- efficient implementation of PIRDP assured.

Geographical coverage

The measure will be implemented at national level.

Justification of the realization of the measure

In Georgia, most of the bodies and institutions needed to effectively implement regional policy already exist. The system of regional policy has been recently supported by EU TA projects such as Support to Implementation of regional policy in Georgia Phase I and Phase II but also through other schemes financed by international donors like GIZ, UNDP and others. Supported bodies acquired also practical experience during the preparation and implementation of the RDP 2015-2017 and now RDP 2018-2021. However, further capacity building is required. In particular:

- There is a need to establish/improve and introduce **procedures and methodologies** for effective inclusion of the territorial characteristics into sectoral policy planning, monitoring and implementation practice. This includes policy planning, strategic programming, project preparation and implementation, financial management and control, as well as the monitoring and evaluation of public investments. For this must be developed statistical regional development base.
- **Building effective system of management and coordination of PIRDP.** Although Georgian administration has been assisted in the past with capacity building actions in the field of regional development, project design and implementation, the assistance was somewhat fragmented, targeting chiefly the MRDI and relevant line Ministries on topics related to planning, programming and monitoring on strategic level but missing operational aspects such as project feasibility, selection methodologies, etc. On the contrary, public administration on national, sub-national and local level were not actively engaged in those administrative strengthening activities since they were not active system players. They were only target groups of various capacity building actions aimed at the development of skills in the area of municipal governance, local economic development, etc. delivered by several donor-funded projects. Meanwhile, PIRDP comes with a new dimension of partnership and multi-level governance concepts and for that there is a need to reach out with capacity building interventions down to the local level so that all stakeholders can meaningfully participate in the implementation of the Programme.
- A range of **trainings and other human capacity building opportunities** needs to be offered to the staff of the ministries and implementing institutions involved in the realisation of the RDP 2018-2021 in general and PIRDP in particular. They will encompass the legal background, policy frameworks, methodologies and practice of regional development in Georgia and in the EU. Relevant curricula may be mainstreamed into the overall national framework for public administration trainings and also offered for use by higher education institutions.

Sources of financing:

- EU TA (EU 4 Integrated Territorial Development)
- donor funding.

Description of the Measure

The measure will be implemented through service contract: service provider will be selected through international restricted tender procedure in compliance with PRAG.

Types of activities to be provided by TA Team

The TA project will play an advisory role to the MRDI and other PIRDP operators and stakeholders in the roll-out of the PIRDP and in general in conducting efficient regional development actions. Complementary support will include further enhancement of skills, expertise and capacity in the area of territorial development and cohesion. TA intervention will be multi-faceted and cover the entire life-cycle of the Programme, including publicity actions:

- elaboration of procedures, guidelines and methodologies -pre-selection/selection of projects under PIRDP
- general support on regional policy issues;
- advisory services during PIRDP implementation (support in contract management and ensuring

- future project sustainability);
- Consultancy on management verification/controls alongside accounting and financial management functions (studies, guidelines and analytical documents);
- supporting the process of implementation of Decentralisation Strategy Action Plan 2019-2020;
- Visibility actions.

Service recipients

MRDI and other public institutions dealing with regional policy and regional policy programming, monitoring and implementation of PIRDP.

Geographical area:

Four pilot regions

Specific indicators for the Measure

See Annex 1 table 3.

Measure 5.2 Capacity development of regional and local administration

Objective and expected results

The specific objective of the Measure is to increase capacities of State Trustee's Governor's Administration, local self-governments and local stakeholders to deal effectively with socio-economic challenges affecting the live of citizens of 4 concerned regions. This include support for increasing their skills for programming management, coordination and monitoring of public intervention focused on place based-development of respective areas but also direct support in implementation of PIRDP measures in which they play key role as project promoters, grant recipients and decision-making agents (through the system of inter-municipal selection committees operating at regional level). Authorities and local and regional administration will be also giving opportunity to strengthen their role as promoters of multi-governance system, which allow for cooperation between various development partners (State Administration, public institutions, academic, CSOs and business partners) thus contributing to increase efficiency and effectiveness of delivery of services and implementation of public policies.

The expected results of the Measure are:

- increased capacities of the municipal and regional administration to deal with economic development issues;
- increased analytical and monitoring capacities of the municipal and regional government representatives;
- increased number and quality of pro-investment activities at regional and local level (business forums and conferences).

The realisation of the measure is in line with measures implemented under RDP 2018-2021:

- 5.2. Strengthening the analytical base for conducting evidence based regional development policy
- 5.3. Active involvement of local authorities and promotion of partnership and cooperation with development partners

Geographical coverage

The Measure will target all four regions concerned however, taking into account limited size of Guria and Racha-Lechkhumi and Kvemo Svaneti regional investment centre created in Kutaisi (Imereti) will cover all these planning regions. Another regional investment centre will be created in Telavi to serve Kakheti.

Justification of the realization of the measure

The Measure addresses both RDP 2018-2021 priority 5 of the RDP 2018-2021, which focuses on increasing the quality and effectiveness of regional development policy institutions as well provisions of the Single Support Framework 2017-2020, which specific objective is to support capacity development of the Georgian institutions to deliver better services for citizens and businesses.

The quality of institutions and services that they provide to citizens and entrepreneurs is one of the most important factors of socio-economic and territorial development. The ability of Governmental institutions, local authorities and other development partners, including business, NGOs and citizen organisations to cooperate effectively in all aspects of the management of territorial development issues (including setting realistic programmes and instruments, creating effective system of implementation, using monitoring and evaluation for improving the quality of public policies), determine to a large extent the effectiveness of regional policy in addressing needs and potentials identified in the strategic documents.

One of the pressing challenges of the country today is to boost economic development, especially outside centres of growth (Tbilisi, Batumi) and thus decrease imbalances in the development of the regions. In tackling this challenge crucial role is to be played by municipalities, regional administrations and active local stakeholders (CSOs private sector, academia). As examples from other countries show, internal motivation, ability to cooperate and adequate skills of the local public authorities are important factors of any regional and local development strategy focused on economic growth. In this regard skills and capacity of Georgian administration especially sub-national, should be described as not satisfactory – in being elaborated by the Government decentralisation strategy as well as in many EU and funded from other sources (UNDP, USAID, bilateral aid) analyses and programmes tackling this issue properly is considered as one of the most important factors for successful modernisation of the country. Municipalities do not have economic capacity, neither tools (like for example investment or development plans) to conduct local economic development policy focused on attraction of new investment and development of local assets and potentials. Coordination and cooperation among different stakeholders: local authorities, business community and NGOs are very weak. Municipalities' abilities to analyse, develop and monitor different programs and projects based on information concerning development trends and needs is insufficient. To tackle these problems the measure will be realised through free closely interrelated schemes (sub-measures) focusing on:

- **Development of capacity of RCCs, administration of State Trustees and other local stakeholders** in organising and implementation of local economic development projects and activities jointly with local stakeholders.
- **Development of regional analytical and monitoring capacity** under which together with GEOSTAT a program of improving regional and local statistics together with improvement of analytical skills

of governor's administration will be proposed.

- **Organisation and supporting operations of regional investment promotion centre** in Kutaisi and Telavi to help to attract to targeted regions businesses with required under their respective strategies and municipal plans profiles of economic activity.

Sources of financing:

- EU TA (EU 4 Integrated Territorial Development)
- donor funding.

Complementarity with other interventions

Capacity development activities for municipalities are carried out by various national and international organizations. Some of them are listed below. Under SSF 2015-2017 the EU supports Public Administration Reform with 30,2 million of Euro. One of the component of this broad programme is to strengthen the structures and processes of local governance and facilitate the reforms of decentralisation of responsibilities in order to achieve broader goal which is Improvement of strategic framework for local government in line with the European Charter on Local-Self Government”.

With funds from the Swiss, Austrian and Denmark governments the UNDP implements programs aiming at enhancing capacities of local authorities in regard to local development and delivery of public services: *Fostering Regional and Local Development* (FRLD) and *Fostering Decentralisation and Good Governance* (FDGG) assist Georgia to implement a systemic reform of local and regional governance, increase citizen engagement in decision-making and create an enabling environment for the local economic growth, enhance capacities of the local and national duty bearers and empower the right holders with the focus on all social and economic groups. To achieve that, they work in following areas:

- enhancement of capacities of national and local government institutions to deliver quality services at the local level, enable business environment and promote local economic actors;
- economic and social empowerment of local communities to ease their access to decision-making;
- improvement of the municipal service delivery.

Their working area comprises in the 3 targeted regions Guria, Imereti and Racha-Lechkhumi and Kvemo Svaneti.

UNDP project Sustainable Rural Development in Georgia is part of the ENPARD works to address the structural and systemic challenges that hamper rural development in Georgia and ensure that more diverse rural services are delivered to the population in an efficient, effective and sustainable way. The project supports improving the governance systems for rural development and providing direct delivery of rural services in Georgia.

Mayors for Economic Growth (M4EG) is a new initiative of the European Union, which was set in operation in January 2017 within the Eastern Partnership framework. The initiative supports Mayors and municipalities of the Eastern Partnership countries to become active facilitators for economic growth and job creation at the local level. M4EG delivered special training programs and other support to municipalities – how to develop local economic development plans.

The German Society for International Cooperation (GIZ) has been supporting Georgia primarily operates in many fields cooperating with state agencies, as well as private sector. They are providing trainings for municipal and regional administration in the following topics: Introduction of International Accounting

System (IPSAS), local audit, Local Financial Management, Local HR, e-governance. Also, GIZ is helping the government in the decentralization reform.

Polish Ministry of Investments and Development (Polish Aid) in coordination with the MRDI is implementing 2 year project “Preparation of Georgian Public Administrations for Implementation of PIRDP within investment”. Project aims to strengthen capacities of Georgian administrations to elaborate professional investment offers and to ensure proper investor services at local and regional levels in 4 targeted regions.

Description of the Measure

The measure will be implemented under direct management by EUD through grant to chosen service providers.

The Measure will be implemented through three sub-measures:

- A. Development of capacity of RCCs, administration of State Trustees and other stakeholders**
- B. Development of regional analytical and monitoring capacity**
- C. Support to investment promotion activities in the regions. .**

Sub-measure 5.2.A. Development of capacity of RCCs, administration of State Trustees and other local stakeholders

Types of activities to be financed:

- advisory services for building professional capacities of RCCs and Administrations of State Trustees in targeted regions;
- support implementation of ongoing public administration and accountability reforms in targeted regions;
- preparation of Training Needs Assessment (TNA) for municipal and regional administration (one for 4 regions);
- preparation of the curricula and manuals for trainings;
- organising and ensuring the delivery of studies, courses and trainings
- awareness rising and promotional activities for Smart Specialisation focusing on mid-to high tech and other fast growing sectors especially in Imereti;
- fostering participation of CSOs and other stakeholders in policy design and implementation of PIRDP's actions.

Principles for project selection:

- establishment of necessary bodies to deal with regional development issues and implementation of PIRDP;
- assured coordination with existing programmes and projects;
- involvement of local education and academic community;
- assured employment after training or educational course.

Service recipients:

- Regional Consultative Councils;
- municipalities;

- administrations of State Trustees,
- CSOs;
- other stakeholders.

Project Promoters:

- municipalities;
- administrations of State Trustees;
- MRDI.

Geographical coverage

- All four regions.

Sub measure 5.2.B. Development of regional analytical and monitoring capacity

Types of activities to be financed:

- research studies concerning development trends in 4 targeted regions
- monitoring and evaluation reports required under PIRDP to be prepared by RCCs and Administrations of State Trustees;
- preparing and acquiring of statistical data by GEOSTAT relevant for 4 regions.

Principles for project selection

- cooperation between MRDI, municipalities, administrations of State Trustees and development partners, including educational and academic society;
- involvement of GEOSTAT;
-

Service recipients:

- Secretariat of Administrations of State Trustees
- GEOSTAT;
- MRDI.

Geographical coverage

- All four regions.

Sub-measure 5.2.C. Support to investment promotion activities in the regions.

The sub-measure will be implemented in support of investment projects in the regions. The activity includes the creation of an additional incentive mechanism for investors to fully or partially cover the costs of finding and retraining a workforce needed for an investment project.

Types of activities to be financed:

- Supporting Investors in the area of workforce retraining supporting Investors in the area of human resources;
- Trainings, certification courses, other educational activities

- Identification of investment opportunities in the regions, preparation of feasibility studies and proposals for investment;
- Identifying potential investment proposals at each regional level, in coordination with public agencies, local authorities and the private sector;
- Preparation of feasibility studies for priority investment proposals;
- Preparation of relevant investment proposals for projects whose feasibility studies will end with positive evaluation
- Conducting internationally targeted activities to submit investment offers;
- Organizing specialized training for employees responsible for investment promotion
- Implementing other measures needed to promote investment

Principles for project selection

- Cooperation with regional and local authorities, as well as with private sector Compatibility with priority and high potential sectors for Georgia;
- Relevant costs will be reimbursed, partially or fully, under the program priorities in the region with high potential (including in the areas of intelligence services) will also be favoured by investors seeking new directions in the region

It is important for an investment project to have a high employment rate or amount of investment.

Service recipients:

- Administrations of State Trustees;
- municipalities;
- Regional Investment Promotion Centre.

Project initiators

- Secretariat of the Regional Advisory Council;
- Municipalities;
- State Trustee Administrations;
- Civil society organizations and other stakeholders.

Geographical coverage

All four regions, however regional observatories will be created only in Kutaisi and Telavi.

Output indicators for the Measure

See Annex 1 table 3.

Indicative list of key projects

Measure 5.3 Support to preparation of project pipeline

Objective, justification and expected results

The objective of the measure is to **support the process of development projects ready to be financed under various schemes of PIRDP proposed by municipalities and other development partners.**

Taking into account decentralised decision making and implementation system of PIRDP and low capacity of local administration in this regard there is also a need to assure TA resources for development of **project pipeline**, especially that of infrastructure character, however also more general support at project's concept phase and preparation of required strategic documents and plans represent major challenge for all development stakeholders in Georgia. Grant recipients, such as municipalities and NGOs which are expected to be main beneficiaries of the PIRDP lack sufficient finances to invest in drawings and technical designs as Georgian municipalities feature very low level of fiscal sustainability and non-state actors mostly rely on donor funding. They also lack experience in infrastructure design and efficient management of built environment. Small grants will thus be offered to selected project promoters to provide much needed funding towards the design and development of technical and tendering documents for stand-alone standard (non-integrated) projects where works and supply contracts are expected. Special focus will be given to developing inter-municipal project involving various development partners.

Expected results of the realisation the measure are:

- developed project's applications through the support of TA project pipeline facility;
- increased capacity of local municipal services to prepare and implement PIRDP's projects;
- inter-municipal projects designed and implemented

Sources of financing:

- EU TA (EU 4 Integrated Territorial Development)
- Funds from International donors

Scope of the support under the measure.

The Measure will be financed as a grant scheme (or service contract (s)) to support project promoters in the development of their project pipeline at early stages. Grants/subsidies or TA will finance preparation of project proposals on the basis of proposed ideas (concepts), support in preparation of required under PIRDP documents (e.g. strategies and plans, including transport, regeneration plans, labour market analysis etc.) and the cost of preparation of technical and tendering documents for future works and supply contracts. Technical and Tendering Documents (TTD) will include (but not be limited to): pre-feasibility and feasibility studies, technical specifications, market research (supply), preliminary design, detail design, design drawings (such as: site layout, foundation layout, excavation plan, structural drawing, column layout, beam-column layout, brickwork layout, floorplan with notes, ceiling drawing, roof drawing, electrical drawing, PHE (Public Health Engineering) drawing, HVAC (Heating, Ventilation and Air Conditioning) drawing, elevations, sections), specific reports (e.g. land survey, geological survey, static reports/calculation) bill of quantity, cost estimates, EIA reports, etc. Grants will chiefly finance stand-alone projects (such as: roads, buildings, water supply system, supply of equipment etc.).

Types of activities to be financed

- development of project ideas preparation of necessary documentation (feasibility studies, technical plans, contracting documents, environmental impact assessment, business plans) to start implementation of projects after decision of the RCC and GOVERNMENTAL COMMISSION;

- support to municipalities in preparation of strategies and plans required by procedures of PIRDP;
- Project evaluation and selection support;
- support in project's implementation.
-

Main selection criteria:

- multi-stakeholder project ownership will be promoted;
- reasonable balanced geographical coverage across the regions will be ensured;
- only projects to be financed under PIRDP in years 2020-2022.
- co-financing higher than the minimum required will be promoted.

Service recipients:

- Grant and service recipients and stakeholders of the PIRDP

Geographical coverage

- All four regions

Output indicators of the measure

See Annex 1 table 3.

Chapter VI. Financial plan

The overall indicative budget of PIRDP is estimated at around **67.23 million Euro** to be spent between 2020 and 2022 (3 years).

The sources of financing:

- **10 million EURO**, which will be available in accordance with the established rule from the state budget.
- **Estimated 1.28 million Euro** from municipalities will be allocated from municipalities according to the established rule for co-financing of PIRDP projects (co-financing rate is forecasted at 3% of project. On the other hand, percentage of co-financing from the municipalities could be used as one of the criteria for project selection).
- **53.75 million EURO** from the EU budget out of which:
 - **40.5 million Euro will be directed to the state budget within** the Budget Support Scheme and available to for financing the measures envisaged under the PIRDP.
 - **13.25 million Euro directly managed by the EUD and financing some measures (see next chapter) including technical assistance for the implementation of PIRDP;**
- **Estimated 2.2 million EURO** from private sources for co-financing projects.

In addition it is expected that realisation of some measures will be supported by various international donors, however at this stage it is difficult to assess financial allocation.

The table below shows an indicative distribution of funds allocated for implementation of PIRDP from different sources by priority and measure/sub-measure.

Table 20. Indicative allocation of PIRDP's funds for 2020-2022 by priority

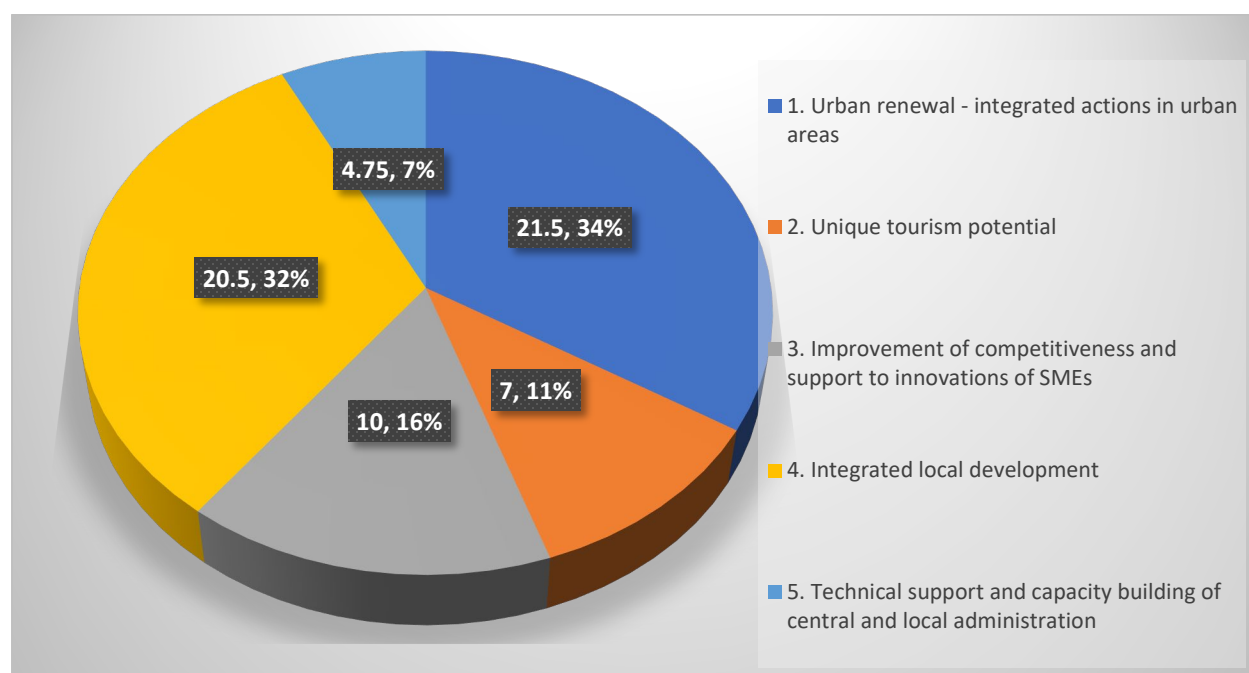
Name of the priority Name of the Measure/sub measure	National budget		EU Technical and Expert Support (M EURO) -	Co-financing required from grant recipients		Total funds involved in the realisation of PIRDP M EURO
	Georgian Government (M EURO)	EU budget Support) (M EURO)		Municipalities	Companies and individuals	
1	2	3	4	5	6	7
1. Urban renewal - integrated actions in urban areas	3,00	16,00	2,50	0,57	0,00	22,07
2. Promoting tourism development with unique potential	1,00	5,00	1,00	0,18	0,00	7,18
3. Improvement of competitiveness and support to innovations of SMEs	3,00	7,00	0,00	0,00	1,60	11,60
4. Integrated local development	3,00	12,50	5,00	0,53	0,6	21,63
5. Technical support and capacity building of central and local administration	0,00	0,00	4,75	0,00	0,00	4,75
Total	10,00	40,50	13,25	1,28	2,20	67,23

Note: Allocation per priorities are indicative only. After one year of the implementation of PIRDP in line with the assessment of the overall performance of individual measures the Governmental Commission on Development of Pilot Region can make decision to reallocate up to 15% of allocated funds (EU and national budget part) between priorities.

Thematic distribution of allocated funds is justified by identified needs and the structure of existing financing for regional and local development.

Only the programs / projects submitted by the relevant public agencies and municipalities will be funded from PIRDP. Funding for other possible grantees will be allocated from the EU technical and expert assistance budget.

Figure 8. Thematic distribution of PIRDP's funds by priorities



The biggest share of funds is allocated to **Priority 1** - urban renewal activities (34%), which reflects enormous needs and unused potentials of the regional centers and other cities for regional development as well as non-existence of complex programmes aiming at supporting development of cities, including its socio-economic regeneration and support to development of their industrial functions. The second biggest share (32%) shall be allocated for **Priority 4** - Support to integrated local development. EUR 10 million is envisaged for **Priority 3** Improvement of competitiveness and support to innovations of SMEs ⁴³ which underlines the importance of support to companies and diversification of productive base for development prospects, job creation and structural change in the regions of Georgia (16% of funds). Promotion and development of unique tourism potential (**Priority 2** – 11% of funds) should be seen as the important direction of PIRDP complementing actions which are currently implemented already by the central government or financed by the international donors.

⁴³ Enterprise or Entrepreneur doing economic activity in the territory of the selected pilot regions of Georgia

Priority 3 will also offer support to local enterprises operating in the most promising sectors from the regional point of view and having high development potentials, while the Priority 4 supports development of traditional products and services as well as development of infrastructural base and quality of local services in order to enhance income of the local population.

It is important to note that apart of the funds allocated to the integrated local development, the Government and donors support development of local infrastructure through such schemes and institutions like Fund of Projects to be Implemented in the Regions of Georgia, projects of LEPL Municipal Development Fund and possibly in the nearest future, Asian Development Bank's programme – "Integrated Urban Plans for Balanced Regional Development"⁴⁴. PIRDP will create a territorially focused coordination mechanism of various funds supporting tourism and enterprises improving efficiency of the public support in those areas.

Allocation to **Priority 5** (11% of total funds) – supporting various TA activities for central and local administration, including preparation of programming documents, developing concepts of projects and producing necessary documentation, as well as engagement of CSOs and other development partners in regional and local development actions, reflects a need to strengthen further the potential of Georgian administration and development partners to effectively implement modern integrated regional policy with the use of its own institutional system.

Allocation of funds per region

To allocate funds in fairly manner among regions EU cohesion policy and most of the EU Member States take into consideration criteria such as: total number of population, unemployment rate and GDP per capita difference between the concerned region and the EU average. Other criteria are also broadly debated, including: increase in the number of economically active population, changes in sectoral employment, spatial concentration of mono-cultural industries, household income per capita, other criteria related to the labour market, unemployment in sectors other than agriculture and others.

In Georgian context most of the indices disputed in the EU cannot be taken into consideration on account of limited availability of statistics and data. Also, there is no need to compute complex algorithm as the PIRDP financial envelope is limited and the size of regions of Georgia is not big in comparison to NUTS II regions, which are primary allocation units under EU Cohesion Policy.

If the number of population would be used as the only criterion the smallest region Racha Lechkhumi and Kvemo Svaneti would only benefit from circa 3% of the total PIRDP financial envelope while Imereti would receive 53%, Kakheti - 33% and Guria - 11%. However, to reflect better the content of PIRDP and knowing that small peripheral regions like Racha-Lechkhumi and Kvemo Svaneti as well as Guria, have more rural and remote status than two other regions, is proposed allocation formula apart of a number of population is also taking into account level of investment in business sector reflected by share of investment in fixed assets in business sector in total 4 regions and reliance on agriculture reflected by share of agriculture GVA in total 4 regions agriculture GVA. Those criteria are blended in the proportion 60%, 20% and 20%. The formula supports therefore following principles: reflection of potential absorption capacity/business growth based on local potential and consideration given to rural economies.

⁴⁴ According to the data provided by MRDI in total current level of Governmental spendings supporting development of local infrastructure under various funds (Regional Development Fund, Village Support Programme, Mountain Development Fund, Municipal Development Fund) is estimated at around 52 million Euro per year in 4 regions concerned.

The table below illustrate indicative split of 50.5 M EURO (value of PIRDP budget line – 40.5 million from EU (excluding TA assistance) and 10 M EURO of additional resources provided by the Georgian Government in accordance with the established rule).

Please note, that figures in the table 21 are **indicative** and can vary up to 25%. Governmental Commission will be in charge of examining the situation and making decision about reallocation of funds, with provision of relevant justification.

Table 21. Share of population and indicative regional allocations

Region	Population (in thousand)	Share of population in total of 4 regions (%)	Indicative Regional share of funds according to formula (%)	Indicative Allocation (MEURO)	Per capita (EURO)
Imereti	507.00	52.68	43.8	22.1	43.8
Kakheti	314.70	32.70	35.6	18.0	57.5
Guria	110.50	11.48	14.0	7.1	64.4
Racha Lechkhumi and Kvemo Svaneti	30.20	3.14	6.6	3.3	110.6
Total	962.4	100.0	100.0	50.5	52.7

Chapter VII. Institutional system of management and implementation

The Majority of PIRDP measures will be implemented directly by the Georgian Government and municipalities, however 13,25 million out of 53,75 million Euros of EU allocation will be implemented indirectly by the EUD and through entrusted international organizations (Complementary Support).

Institutional system to accomplish PIRDP's objectives and efficient and effective use of the Programme funding, includes the relevant organisations, bodies and rules and norms of interaction between them. The detailed institutional framework for the implementation of the program will be elaborated at a later stage and in accordance with the legal act (s) of the Government of Georgia, where the composition and functions of the entities involved will be determined.

The main elements of the proposed institutional system of PIRDP are as follows⁴⁵:

Governmental Commission⁴⁶ (hereinafter the Commission) is inter-ministerial coordination body of the Government of Georgia, ensuring common management, supporting and coordinating development process of the targeted regions. The Commission consists of representatives of line Ministries. Based on the content of the meetings, representatives of the Administrations of State Trustee Governors, European Union, public entities, CSOs and other stakeholders can be invited. The Commission is chaired by the Ministry of Regional Development and Infrastructure of Georgia.

In regard to PIRDP its role is to:

- Submitting proposals to the Government of Georgia and relevant state agencies for support in planning and implementation of the pilot regional development state policy;
- ensure effective coordination of the activities of the involved parties in the implementation of the programme,
- Approval of an appropriate legal framework that ensures smooth implementation of PIRDP, including project selection, evaluation and accepting procedures, selection criteria, guidelines and other strategic documents, if any
- ;Review and approve possible program changes and submit them for approval to the Government of Georgia, except of changing program priorities and activities.
- making strategic decisions regarding program implementation, Making decision on funding programs and project financing, according to the program activities, or conducting compliance checks and submitting them to the Government of Georgia for funding;
- Selection of strategic projects, decision-making on implementation and submission to the Government of Georgia for funding, In accordance with the program activities.
- determining annual allocation for program priorities and pilot regions and submitting them for approval to the Government of Georgia;; Making decisions on the budget allocation of program measures and sub-measures under the program, within the total amount of program priorities to be spent annually,
- Preparing and announcing the terms of applications for programs / projects within the PIRDP as needed;

⁴⁵ For overview of the role of different institutions in the realisation of various measures/ sub-measures of PIRDP see Annex I Table 3.

⁴⁶ The Government currently is considering the creation of the inter-ministerial body to deal specifically with PIRDP: Governmental Commission on Development of Pilot Regions, which after creation would take over responsibilities of GOVERNMENTAL COMMISSION in relation to PIRDP

- review and approve the strategic documents related to the process of monitoring and evaluation of PIRDP.
- Monitoring the progress of project implementation, reviewing periodic reports and developing proposals to increase the effectiveness of implemented and planned activities;
- Approve planning documents and regeneration plans necessary for the implementation of the programme;
- Implement other measures provided for the Legislation of Georgia for effective implementation of the Programme;
-
-

Managing Authority – Technical Coordination Unit of the Commission has the function supporting the Commission in the overall management and coordination of the PIRDP and is responsible for the efficient management and implementation of the Programme. This function of the secretariat of the Commission and the Technical Coordination Unit will be assigned to the relevant structural unit(s) of MRDI, which shall be in charge to:

- Support the Commission to manage and coordinate implementation of the programme,
- assure coordination of activities within the programme and complementary activities to be realised by the Government and all other development partners;
- Involve in monitoring of implementation of the programme and projects, including preparation of annual monitoring reports and their submission to the Commission;
- initiate and propose necessary changes to the programme and submission to the Commission;
- Verify that programs and projects meet the set criteria and ensure their submission to the Commission;
- Implement other measures commissioned by the Commission to ensure effective implementation of the program..

In relation to measures implemented by the EU/international entrusted institutions MRDI will play overall supervising role – being responsible for controlling the progress in implementation of relevant measures, including achievement of set expected results and indicators as well as assuring overall complementarity with actions undertaken under other PIRDP’S measures..

Regional Consultative Councils (RCC) are advisory bodies for municipalities under chairmanship of Government Trustees, aiming to ensure that municipal interests are represented and taken into account in the planning and implementation of the respective territorial development policies. Within the PIRDP, the role of RCCs shall be the following:

- Making decision on projects evaluated by the Expert Appraisal Group for defined measures;
- Submitting a list of approved projects to the Technical Coordination Unit of the Commission after the decision is taken to determine the compliance to the approved criteria;
- collecting and verifying regular progress reports prepared by grant recipients;
- ensure preparation of monitoring and financial reports.

Based on the content of a measure in the decision-making process except municipalities other development partners can also participate including representatives of MRDI, relevant line ministries and local and regional CSOs, academia and business sector representatives.

Depending on the content of the Programme, the role of implementing body within the technical coordination unit may be fulfilled by the Ministry of Regional Development and Infrastructure of Georgia or other public agencies, as well as by other public agencies independently (E.g. Ministry of Regional Development and Infrastructure of Georgia, LEPL - Produce in Georgia; LEPL - Innovation and Technology Agency of Georgia).

As for the part of the program (activities) to be implemented by international organizations, the implementing agencies will be selected by the EU and the MRDI.

Expert Appraisal Group (EAG) - is a working group designated to assist bodies in charge of making decisions on projects ensuring evaluation of project ideas and full project applications against objective criteria defined in the call for projects and/or directly in the PIRDP. EAG doesn't not make final decisions - it provides recommendations to Regional Consultative Councils, state agencies, and in case of strategic projects to the Government Commission. EAG personal composition vary from measure to measure - it should consist of representatives of the state agencies, representatives of Administrations of State Trusty Governors and municipalities and external experts having sufficient qualification to evaluate projects.

Persons involved in the appraisal of projects cannot represent or be project promoters. After appraisal of projects, EAG prepares the list of projects ranked according their compliance with the set criteria which is presented to the relevant Regional Consultative Councils, relevant implementing institution or the Commission to finance the projects, which meet the set criteria and gain relevant number of scores.

Decision on financing of projects and programs

Decision on project/programs ideas and projects is done by:

- a) **The Government Commission** under specific measures for which submission of a program application is organised at national level and for projects of strategic importance;
- b) **Regional Consultative Councils** under measures for which implementation of projects is organised at regional and municipal level;
- c) **Implementing bodies** for measures under which the projects to be financed need specific knowledge and experience like SMEs support, innovation and R&D.

When decision is made by Implementing Institution, it is advisable to consult with the Regional Consultative Councils.

All projects accepted by the Government Commission and accepted by Regional Consultative Councils will be subject to final compliance check by Technical Coordination Unit of the Commission's and the Ministry of Regional Development and Infrastructure of Georgia.

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Project promoter – is an entity that submits a project idea or full project application for funding from the Programme resource

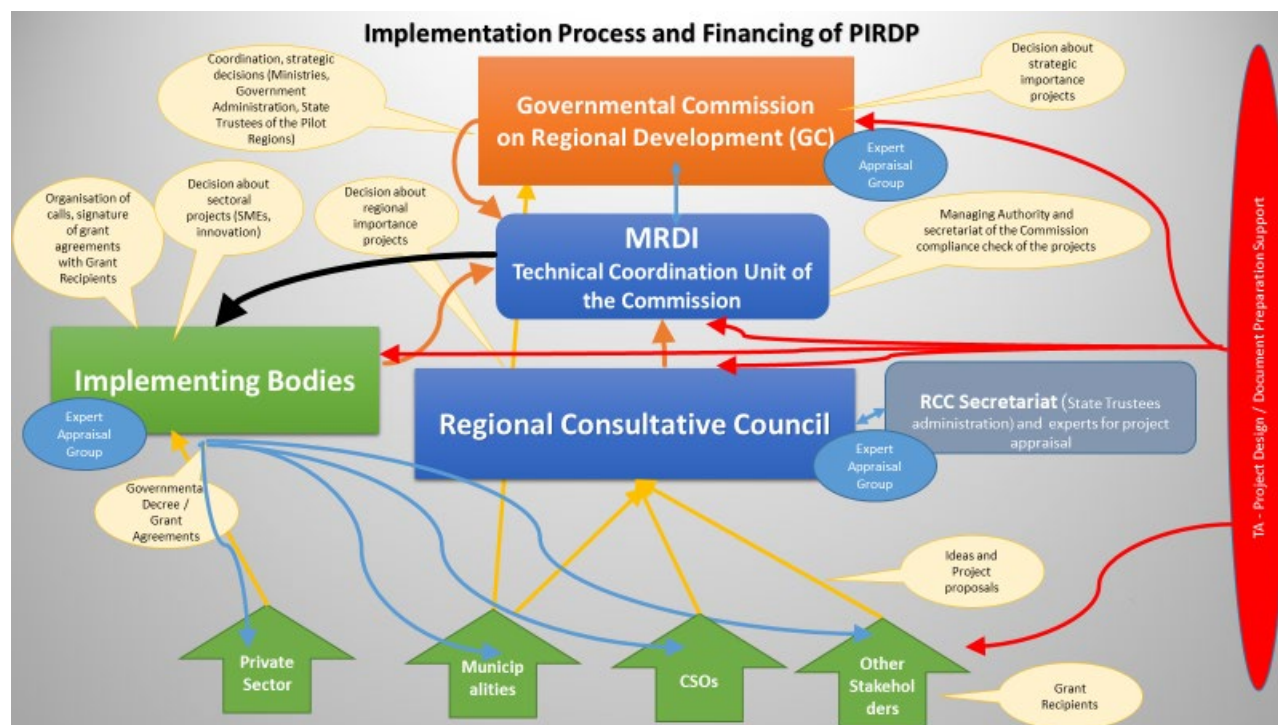
Project promoter, according to priorities and measures, may be representative of private sector or civil society, in other cases - municipality or state agency. In case of certain priorities and measures of the Programme, Project Promoter can address a municipality with a project proposal to submit it to the Regional Consultative Council.

Grant Recipient – is an entity that receives financial support from the Programme. The Grant Recipient is accountable for managing the project and its sustainability.

The program / project will be funded in case of a positive decision by the relevant entity mentioned above about the implementation of the program/project.

Below is presented the general implementation scheme of this part of PIRDP which will be implemented by Georgian Authorities.

Figure 10. Organizational system of management and implementation of PIRDP



Project cycle management is organised in **5 phases** (see chart below presenting preparation, appraisal and decision-making part):

1. Preparation, submission and acceptance of required strategic documents to be prepared by municipalities

In order to keep integrated character of interventions under many measures of PIRDP are required to be prepared before the submission of ideas/or projects various programming documents e.g. transport plan or development document of a city's functional area (measure 1.1), urban regeneration plan (measure 1.2), , economic development plan of municipality (priority 4). They should be prepared by the concerned municipalities. Minimum criteria of the content of such documents will be elaborated before the start of realisation of the programme. In case such documents don't exist (some of them are already developed and ready to use) it will be possible to prepare them with the support under TA (priority 5.4). Prepared strategies and other required documents **will be submitted to the Governmental Commission** for adoption before announcement of calls for project ideas and calls of project under given measure.

2. Preparation, appraisal and acceptance of project ideas by authorized project promoters.

The relevant implementing agency organizes the process of submitting and receiving project ideas and complete project applications. . Eligible project promoters can present (if the procedure allows it) project ideas before submitting a full application form containing all required documentation. Those project ideas prepared by eligible project promoters will be appraised by the relevant EAG and presented for the decision to RCC, relevant IBs or the Commission (in case of strategic and regional projects), in the form of the ranking list. After positive decision the

project promoter should prepare in due time the full project's application form – preparation of the full application form and required additional documents can be supported **by TA** (priority 5.4).

3. Preparation, appraisal and acceptance of full project applications by project promoters.

Relevant IB organises a call the relevant implementing agency organizes the process of submitting the complete project applications according to the application form (to be developed). . Appraisal of project proposals is made by the relevant EAG, which after assessment prepares recommendations to RCC, IB or the Commission (in case of strategic projects).

The Decision on the realisation of the project is made by RCC, relevant IB or the Commission in case of strategic projects. After making the decision, the relevant implementing agency concludes a contract with successful project initiators outlining the terms of use of public funds, including deadlines, co-financing and physical indicators to be achieved (sample to be prepared).

4. Realisation of the project

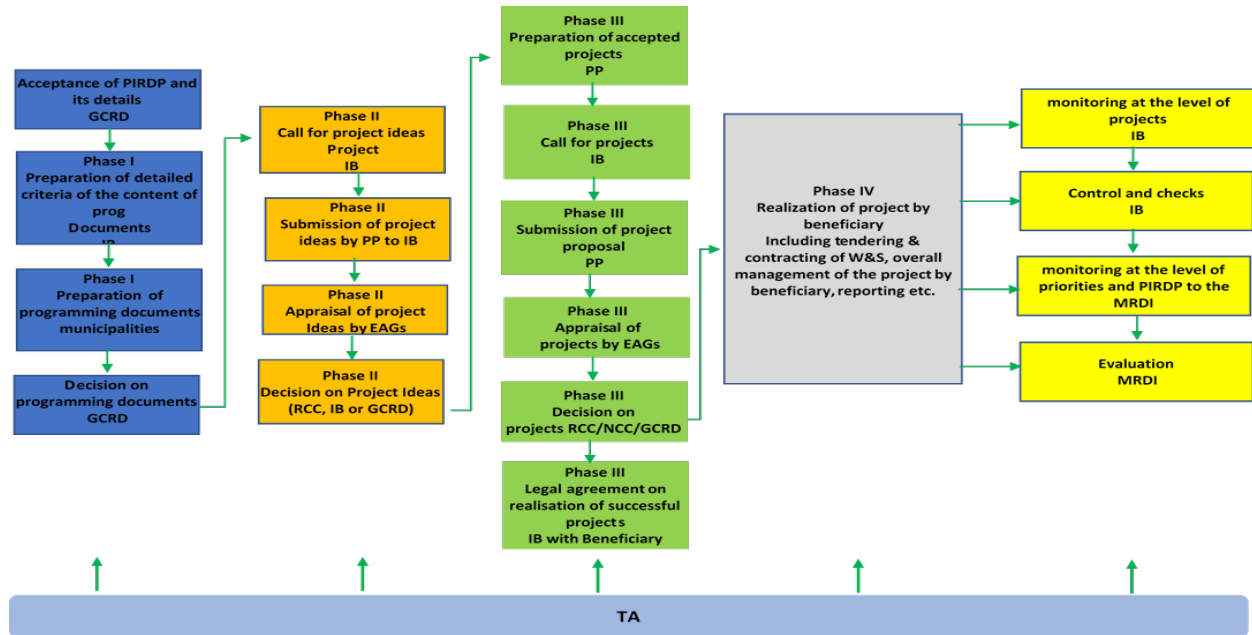
The projects are implemented in accordance with the agreement or the rule established by the legal act of the Government of Georgia.

5. Monitoring and project evaluation.

Secretariats of RCCs and State agencies (depending on Implementing Agency on measure level) are responsible for preparing periodic reports on the progress of implementation of the measures and the results achieved in accordance with the agreed monitoring principles. The reports are to be submitted to MRDI. MRDI shall present implementation reports to the Governmental Commission.

The final evaluation of the program against the identified targets and indicators will be carried out by the Ministry of Regional Development and Infrastructure, with the support of the technical assistance project upon completion.

Figure 11. Management cycle of projects under PIRDP



ANNEX I. Objectives, expected results and indicators of PIRDP. For measures and sub-measures also: eligible type of projects, target groups, implementation provisions, allocations.

Table 1. PIRDP overall objective, expected impact and indicators

Overall Objective	Expected impact	Impact indicator (s)	Baseline (2017)		Target (end of 2022)	Source of information
Increase investment in development factors and support employment creation in all 4 targeted regions to assure more balanced and sustainable development of the whole country.	Increased competitiveness <ul style="list-style-type: none"> • Increase in productivity level (GDP per employee according to LFS) • Increase level of investment in 4 regions • 4 regions increase their contribution to the national GDP • Increase of employment in 4 regions 	Productivity per employed person at market prices - thousands GEL/YEAR, average of 4 regions	13.4		17.0	Geostat
		Share of investments in fixed assets as percentage of GDP, (%), average of 4 regions	4		4.5	Geostat
		Nominal GDP growth (national 11.2%), average of 4 regions	9.7		At least 20%	Geostat
		Employment rate, (%), average for 4 regions	64.1	Women 55.2%, men 66.9% (at national level: women 50.8%, men 63.4%)	66	Geostat
	Increased social equality and improved delivery of public services <ul style="list-style-type: none"> • Decrease in the level of poverty in 4 regions; • Decrease outflow/migration from 4 regions; • Increase in accessibility to and quality of essential public services (water, health, pre-school and general education, social and vocational services); 	Absolute Poverty, (%), average for 4 regions	27.4	Women 26.6%, men 28.3% (at national level: women 21.6%, men 22.4%)	25.5	Geostat
		Number of population (thousands), sum of 4 regions	972,6		933,7 (decrease of depopulation trend to at least 4%)	Geostat

	<ul style="list-style-type: none"> Increased quality of the government 	Availability of central sewage system, proper functioning of the system by regions, (%)	Imereti 41, Racha-Lechkhumi and Kvemo Svaneti 21, Kakheti 14, Guria 14	Increase at least by 10% in all regions	Study of Citizens' Satisfaction with Public Services in Georgia, UNDP
		Satisfaction with government officials communication with the population by regions, (%) ⁴⁷	Imereti 60, Racha-Lechkhumi and Kvemo Svaneti 74, Kakheti 64, Guria 70	Increase at least by 5 % in all regions	Study of Citizens' Satisfaction with Public Services in Georgia, UNDP
	Decreased disparities between Tbilisi and 4 pilot regions	GDP of 4 regions at current prices	5903.6	Increase at least by 15%	Geostat

⁴⁷ Percentage of respondents thinking it is effective

Table 2. Objectives, expected results and indicators for the Priorities

Title of priority	Correspondence with RDP 2018-2021 priority	Objective	Expected results	Result indicators	Baseline (2017)		Targets (end of 2022)	Source of information
1. Urban renewal – integrated actions in urban areas	1. Improvement of key infrastructure supporting competitiveness and environmental sustainability of the country and its regions 2. Promoting local development and support to specific areas based on their endogenous development	Support the process of development and regeneration of cities	<ul style="list-style-type: none"> Stabilisation of urban population and attracting new citizens especially to regional growth centers Increased socio-economic and cultural role of regional centers Concentration of economic activities in cities 	Persons employed in 4 regional centres (municipality level) Kutaisi, Telavi, Ambrolauri and Ozurgeti (thousands), sum of 4 regions	56288	Women 43%, men 57% (proportion, business sector employment at national level: women 40%, men 60%)	Increase by 10%	Geostat
				Turnover of business sector in regional centres (Kutaisi, Telavi, Ambrolauri and Ozurgeti), million GEL, sum of 4 regional centres	2634,7		Increase by 40%	Geostat
				Share of persons employed in business sector in regional centres (Kutaisi, Telavi, Ambrolauri and Ozurgeti) in total regional employment, average for 4 regional centres	48.0	43% of persons employed in 4 regions are women and 57% men (proportion, business sector employment at national level: women 40%, men 60%)	51	Geostat
2. promoting tourism development with Unique potential	1. Improvement of key infrastructure supporting competitiveness and environmental sustainability of	Development of unique tourism potential	<ul style="list-style-type: none"> Increased turnover in tourism sector Increased number of 	total turnover in accommodation and food service for 4 regions (million GEL),	128.6		Increase at least by 90%	Geostat

	the country and its regions 2. SMEs, growth-oriented sectors of economy and export promotion 4. Promoting local development and support to specific areas based on their endogenous development		<ul style="list-style-type: none"> visitors in targeted regions Improved quality of services 	Number of visitors in Imereti and Kakheti ⁴⁸	70.3	Increase at least by 30%	Geostat
				Satisfaction with tourism infrastructure by 4 regions, (%), (share of respondents thinking it is completely proper) ⁴⁹	Imereti 30, Racha-Lechkhumi and Kvemo Svaneti 26, Kakheti 4, Guria 1	Increase at least by 10% in all regions	Study of Citizens' Satisfaction with Public Services in Georgia, UNDP
3. Entrepreneurship, competitiveness and innovation of local SMEs	2. SMEs, growth-oriented sectors of economy and export promotion 4. Promoting local development and support to specific areas based on their endogenous development	Improvement of conditions for growth of regional SMEs and development of regional innovation eco-systems	<ul style="list-style-type: none"> New stable jobs created in business sector Increased investments of industrial SMEs; Increased capacity of SMEs to use and innovative solution and products New products and services developed, including those with export potential 	Number of persons employed in business sector, sum of 4 regions	86736	Increase at least by 25%	Geostat
				Investment in fixed assets in business sector in 4 regions, 2017, (million GEL), sum of 4 regions	192.5	Increase at least by 30%	Geostat
				Value added created in business sector in 4 regions, 2017, (million GEL), sum of 4 regions	1306	Increase at least by 50%	Geostat
				Value of export in 4 regions (million GEL)	268,3	Increase at least by 40% (375,7)	Geostat
4. Integrated local development	1.Improvement of key infrastructure supporting competitiveness and environmental sustainability of the country and its regions 4. Promoting local development and support to specific areas based on their endogenous development	Improvement of local infrastructure and delivery of local services to stimulate new economic activities in the remote areas	<ul style="list-style-type: none"> Increased local population income; Increased quality of life Improved business opportunities in remote areas; 	Average monthly income of the total population in 4 regions (million GEL) ⁵⁰	288.4	Increase at least by 15%	Geostat
				Share of households having access to water, the water supply system installed in the dwelling, (%) average of 4 regions	45.6	55	Geostat
				Number of active business entities in 4 regions	37945	Increase at least by 10%	Geostat

⁴⁸ Data on Number of visitors in Guria and Racha-Lechkhumi are not available separately on Geostat

⁴⁹ Satisfaction of survey respondents are evaluated by three levels “completely proper”, “somewhat proper” and “completely improper”

⁵⁰ Data on average monthly income of Guria is combined under category “other regions” in Geostat

5. Efficient local administration and partners for development (TA)	5. Increase the quality and effectiveness of regional development institutions and preparation of pilot integrated regional development programmes	Strengthen capacity of the public administration and development partners in conducting modern regional policy and enhance/ensure smooth and effective implementation of PIRDP.	<ul style="list-style-type: none"> Increased programming and management skills of MRDI and other national and local level administration Increased involvement of local authorities and development partners Smooth implementation of PIRDP 	Disbursement rate of national budget money at end date of PIRDP (% of M GEL)	50.5 M GEL	At least 80%	Monitoring system of PIRDP
				Number of staff of MRDI and other institutions involved in PIRDP programming and implementation	0	15	Monitoring system of PIRDP
				Share of projects identified and selected at regional level under PIRDP (%)	0	At least 60%	Monitoring system of PIRDP

Table 3. Types of activities to be financed, output indicators, grant recipients, implementation arrangements and indicative allocation from national and EU sources at the level of measures/sub-measures

* The types of activities listed have indicative character and depend on the projects presented. Accordingly, this does not imply any obligation to implement every type of activity.

Additionally, the targets of output indicators also have indicative character of instant results, fulfilling of which depends on the quality and quantity of projects submitted.

Priority	Name of the Measure	Name of sub-measure	Eligible types of projects/activities to be financed	Output indicators	Target value (end of 2022)	Main grant recipients/Project promoters	Implementing Bodies	Form of support
	Short description	Short description				Area of realisation	Decision about projects	
1	2	3	4	5	6	7	8	9
1. Urban renewal - integrated actions in urban areas	1.1 Strengthening socio-economic role of regional urban centres	A – Increase accessibility of regional centres and integration of urbanised areas	Group 1. Development of programming documents <ul style="list-style-type: none"> - Preparation of development planning document for the city and its functional area - Preparation of transport plans for the city and its functional area 	- Number of supported strategies and plans	Max 4	Grant recipient: <ul style="list-style-type: none"> - municipalities belonging to/forming functional areas of Kutaisi, Telavi, Ozurgeti, Ambrolauri - private transport operators; 	IB: MRDI Decision about Strategies/PPlans GOVERNMENTAL COMMISSION	Two steps procedure:
			Group 2. Transport infrastructure <ul style="list-style-type: none"> - Building and rehabilitation of infrastructure directly serving public transport systems e.g.: bus stops and when relevant railway stations, bus depots, bus lanes, smart information systems (e.g. traffic signals informing about the bus waiting time, etc.) - Infrastructure helping to increase safety of traffic (local roads, road crossings, traffic lights meeting the requirements for visually impaired people, other) - Construction of parking places or/and pedestrian zones - Construction of facilities helping integration of different modes of transport; - Development of alternative (no bus) transport systems and related infrastructure - Purchase of transport vehicles 	<ul style="list-style-type: none"> - Number of transport infrastructure facilities supported - Number of implemented projects helping to increase safety of traffic - Number of projects promoting integration of different modes of transport; - Number of alternative (no bus) transport infrastructure projects - Number of buses 	20 4 2 2 Dependin g on demand and co- ordinatio n with other sources of financing	Project promoters: <ul style="list-style-type: none"> municipalities: Kutaisi, Telavi, Ozurgeti, Ambrolauri Geographical coverage: <ul style="list-style-type: none"> - Municipality of Kutaisi, Telavi, Ozurgeti and Ambrolauri and adjacent municipalities belonging to defined functional area of the regional centre. 	Decision about projects: Regional consultative council Role of other institutions: MOESD – assure legal framework and policy consistency	I – Preparation of Action Plans together with the list of project ideas II project applications with required documentation

		B - Promoting regional centre as economic, cultural and educational hub of the region	Group 1 Social Infrastructure and services <ul style="list-style-type: none"> - Development and modernization of social infrastructure serving supra local functions of the city (e.g. theatres, concert halls, exhibition halls, sport facilities, etc.) - Modernisation and development of infrastructure of universities, high and other educational facilities of regional importance (including equipment, dormitories and other types of infrastructure), - Converting existing facility into or building new multipurpose activity building/centre necessary to enhance the socio-economic or cultural role of the city - Other infrastructure contributing to development of regional functions of cities; - Development of local e-services 	<ul style="list-style-type: none"> - Number of build/modernized social infrastructure facilities serving regional functions (theatres, concert halls, sport facilities, etc.) - Number of modernized educational facilities (universities, schools) - Number of created multipurpose activity centers; 	4 2 2	Grant recipients: <ul style="list-style-type: none"> - municipalities belonging to/forming functional areas of Kutaisi, Telavi, Ozurgeti, Ambrolauri - public institutions operating in cities, including high education entities; - Project Promoters: <ul style="list-style-type: none"> - 4 municipalities (Kutaisi, Telavi, Ozurgeti, Ambrolauri); - public institutions operating in cities, including high education entities (or relevant ministries); - CSOs Geographical coverage Municipality of Kutaisi, Telavi, Ozurgeti and Ambrolauri	Direct management: Budget Support IB: MRDI Decision about projects: Relevant RCC	Two steps procedure: I – project ideas II project applications with required documentation
			Group 2 Cultural, business and promotional activities <ul style="list-style-type: none"> - Organizations of events with regional impact (international business forums/meetings, cultural events) - Regional/country/international fairs, conferences - Organization of promotional campaigns dedicated to investors and tourists (tourism organizations, journalists) etc. - Training and other types of skills development for staff of supported institutions; 	<ul style="list-style-type: none"> - Number of supported events at least with regional impact - Number of promotional campaigns - Number of trained staff of supported institutions 	8 6 50			
	1.2 Socio-economic regeneration urban areas This measure aims at supporting cities in the process of	A – Development of infrastructure of designated urban areas	Group 1. Preparation of plans Preparation of complex regeneration plans for designated areas within city's boundaries	- Number of prepared regeneration plans	Max 4	Grant recipients: <ul style="list-style-type: none"> - municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi); - possibility for realization of projects in other cities/places on condition that the complex 	Direct management: Budget Support IB: MRDI Decision about cities and revitalization	Two steps procedure: I – Preparation of Regeneration Plans together with the list of project ideas.
			Group 2. Infrastructural investment	- Number of technical infrastructure projects realized;	12			

	diversification of their productive base and development of new businesses. Integral part of the measure development of capacities and new skills for population		<ul style="list-style-type: none"> - basic technical infrastructure: electricity, water, sewerage systems; - organisation of public spaces, renovation of streets and adjacent buildings, organising recreational facilities; - Brown field regeneration; - Development of new investment areas; - Energy efficiency actions, including energy effectiveness and change of source of energy (e.g. solar panels); - Development of local e-services; - Arrangement of wired structures, underground communication channels, telecommunication channels (underground communication) for the transmission / installation of high-speed Internet fibre-optic cable lines 	<ul style="list-style-type: none"> - Number of rehabilitated brownfields; - Number of supported energy efficiency facilities and actions 	8 At least 4	<p>regeneration plan will be prepared.</p> <p>Project Promoters:</p> <ul style="list-style-type: none"> - municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi); - possibility for realization of projects in other cities/places on condition that the complex regeneration plan will be prepared. <p>Geographical Area</p> <ul style="list-style-type: none"> - municipalities with industrial functions and threatened by socio-economic decline. 	<p>plans for designated areas: GOVERNMENTAL COMMISSION after consultation with relevant RCC</p> <p>Decision about projects fitting into regeneration plan Relevant RCCs</p>	II project applications with required documentation
	B - New skills development demanded on labour market and social activation	Group 1. Preparation of programming documents	<ul style="list-style-type: none"> - Local labour market analyses - Action plans on social activation 	- Number of local labour market analysis and action plans	Max 4	<p>Grant recipient:</p> <ul style="list-style-type: none"> - municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi); - Possibility for realization of projects in other cities/places on condition that the complex regeneration plan will be prepared; - VETs, - Other public labour market institutions; - CSOs. <p>Project Promoters:</p> <ul style="list-style-type: none"> - municipalities with industrial functions and threatened by socio-economic decline (Tchiatura, Tkibuli, Zestaponi, Samtredia and main regional centres – Kutaisi, Ambrolauri, Ozurgeti, Telavi); 	Indirect management with the entrusted entity(ies)/EUD	I – Preparation of Regeneration Plans together with the list of project ideas (the same as in previous sub-measure).
		Group 2. Skills and human resources development activities	<ul style="list-style-type: none"> - advisory services, trainings and coaching for workers in threat of being laid off; or/and unemployed; - Trainings and courses in IT for young and other vulnerable social groups; - self-employment support schemes; - other trainings and skills development activities depending on labour market analysis - support for courses organized by VET colleges; - development of relevant e-services 	<ul style="list-style-type: none"> - Number of employees participating in skills development trainings and courses - Number of youths participating in IT trainings and courses; - Number of people receiving support for self-employment; 	500 120 80		<p>Decision about programs: EUD/IOE (TBD)</p> <p>Policy making and legislative role: MESD MIDPLHS</p>	II project applications with required documentation

						<ul style="list-style-type: none"> - Possibility for realization of projects in other cities/places on condition that the complex regeneration plan will be prepared; - VETs; - Other public labour market institutions; - CSOs <p>Geographical Area Municipalities with industrial functions and threatened by socio-economic decline.</p>		
			Group 3 Social activation: <ul style="list-style-type: none"> - social economy projects (social enterprises); - Community Based Initiatives; - other types of social support and activation to vulnerable groups 	<ul style="list-style-type: none"> - Number of social economy projects - Number of implemented of Community Based initiatives - Number of people taking part in social activation schemes (youth/old/vulnerable groups, IDPs, women) 	4 12 200			
2. Unique tourism potential	2.1 Development of regional tourism potential This Measure aims at increasing income of local population, SMEs operating it tourism sector and municipalities through exploiting tourism potentials of natural and	A – Development of public infrastructure serving tourists visiting natural and heritage sites	<ul style="list-style-type: none"> - Small scale accompanying infrastructure (parking, toilets, , electricity, etc.) outside cultural heritage and protected sites) serving tourists - Small scale tourism infrastructure (information tables, marking of paths, tourist shelters, camping and rest sites, small museum and exhibition centres, others); - other small-scale public infrastructure related to the recreational and health functions; - Preparation of places for selling local products and crafts 	<ul style="list-style-type: none"> - Number of small-scale accompanying infrastructure projects supported - Number of places for selling local products and crafts developed 	16 8	<p>Grant recipients:</p> <ul style="list-style-type: none"> - Municipalities; - CSOs <p>Project promoters:</p> <ul style="list-style-type: none"> - Municipalities; - CSOs in cooperation with municipalities <p>Geographical area: All 4 regions</p>	<p><i>Direct management: Budget Support</i></p> <p>Decision about programs: MRDI</p> <p>Decision about projects: relevant RCC</p>	Two steps procedure: I – project ideas II project applications with required documentation
		B – preservation of cultural and natural heritage	<ul style="list-style-type: none"> - Support for renovation or rehabilitation of cultural and natural heritage sites of regional importance - Organisation of small museums/exhibition halls - Renovation of accompanying buildings; 	<ul style="list-style-type: none"> - Number of renovated cultural sites/areas; 	8	<p>Grant recipients: Municipalities, National agencies;</p> <p>Project promoters: Municipalities</p> <p>National agencies only in cooperation with municipalities;</p>	<p>Policy making and legislative role; MCS, MESD</p>	Two steps procedure: I – project ideas II project applications with required

	heritage sites of regional importance		<ul style="list-style-type: none">- facilitation of access to touristic places and areas also for disabled;- Basic costs related to promotion (tables, booklets, web-sites, ticketing)			Geographical area: All 4 regions		documentatio n
	2.2. Improving quality of tourism services This measure aims at improving the quality of regional tourism services and diversification of tourism offer by supporting active tourism activities.		Group 1. Plans and programs for diversification and improvement of quality <ul style="list-style-type: none">- Preparation of plans for development of new regional tourism products and improve the quality of services;- Preparation of programs for studies and courses offered by VET and HELin area of tourism diversification, promotion and increasing quality.	<ul style="list-style-type: none">- Number of prepared/implemented plans and programs	Max. 4	Grant recipients: <ul style="list-style-type: none">- educational institutions from the region HEI, VET centers, secondary schools private and public) Project promoters: <ul style="list-style-type: none">- educational institutions from the region HEI, VET centers, secondary schools – private and public) Geographical area: All 4 regions	<i>Direct management: Budget Support</i> Decision about programs: MRDI Decision about projects: relevant RCC Policy making and legislative role: MCS, MES	Two steps procedure: I – project ideas II project applications with required documentation
			Group 2 Institutional and human resource development increasing regional capacity to offer good quality services <ul style="list-style-type: none">- Preparing training/education institution to offer regional level quality services in area of tourism (including physical renovation and purchase of equipment)- organisation of courses and trainings for employees/private people offering tourist services by chosen institutions;	<ul style="list-style-type: none">- Number of supported training/educational institutions- Number of participants of organized courses and trainings;- Number of trained firms/tourists service providers	Max 4 200 60			
3. Improvement of competitiveness and support to innovations of SMEs	3.1 Increasing investment and job creation by SMEs	A - Support for creation, expansion and modernisation of SMEs	<ul style="list-style-type: none">- Grants for local SMEs from 4 regions- purchase of machinery and equipment; small construction works related to the installation of the machinery and equipment purchased within the framework of the project (production and storage facilities);- consultancy services and training for management and staff of the company.- Creation of business hubs to support SME development (project concept and action plan development; procurement of project inventory; business hub operations services (training, educational programs, etc.);	<ul style="list-style-type: none">- Number of supported SMEs;- Number of food processing enterprises supported- Number of industrial enterprises supported;- Number of staff of SMEs trained- Number of created business hubs	40 10 10 150 2	Grant recipients: : local SMEs from 4 regions; Project promoters: <ul style="list-style-type: none">- local SMEs from 4 regions; Geographical area: All 4 regions	Decision about programs: LEPL Enterprise Georgia; LEPL Rural and Agriculture Development Agency Project Evaluation: Expert Assessment Team Decision about projects:	call for project proposals

			<ul style="list-style-type: none"> - preparation of sites and other materials; Organize specialized training for employees of business hubs 				<p>LEPL Enterprise Georgia after opinion of relevant RCC</p> <p>Policy making and legislative role: MRDI, MOESD, MEPA</p>	
	B. Export promotion of local goods and services	<ul style="list-style-type: none"> - Organisation of international exhibitions; - Organisation of trade missions - Connecting foreign buyers with regional and local entrepreneurs; - registration on trade platform: www.tradewithgeorgia.com - providing information on the export procedures existing in Georgia - Providing information on customs duties existing on foreign markets - Education and training of export managers; - Other activities supporting export of regional products 	<ul style="list-style-type: none"> - Number of organized exhibitions - Number of organized trade missions - Number of trained export managers 	3 4 20		<p>Grant recipients:</p> <ul style="list-style-type: none"> - local SMEs from 4 regions; <p>Project promoters:</p> <ul style="list-style-type: none"> - local SMEs from 4 regions; <p>Geographical area: All 4 regions</p>	<p><i>Direct management:</i></p> <p><i>Budget Support</i></p> <p>Decision about programs : LEPL Enterprise Georgia)</p> <p><i>Project Evaluation:</i> Expert Assessment Team</p> <p>Decision about projects: LEPL Enterprise Georgia after opinion of relevant RCC</p> <p>Policy making and legislative role: MOESD</p>	call for project proposals
	<p>3.2 Increasing innovativeness and R&D capacity of local companies</p> <p>The measure aims at increasing productivity of local SMES through purchasing innovative machinery and equipment, introduction of innovative production methods as well as stimulate</p>	<ul style="list-style-type: none"> - Arrangement of innovation infrastructure - Formation of IT Academy - Digital nomads program in regions - acquiring innovative production methods; - purchase of machinery and equipment; - construction/renovation/building works and purchase of 	<ul style="list-style-type: none"> - Number of enterprises supported - Number of enterprises with new machinery and equipment - Number of staff of enterprises trained; - Number of enterprises equipped with new machinery for implementing R&D activities - Number of prototypes developed; 	80 30 60 30 4		<p>Grant recipients:</p> <ul style="list-style-type: none"> - local SMEs from 4 regions; <p>Project promoters:</p> <ul style="list-style-type: none"> - local SMEs from 4 regions; <p>Geographical area: All 4 regions</p>	<p><i>Direct management:</i></p> <p><i>Budget Support</i></p> <p>Decision about programs: GITA; Shota Rustaveli Georgian</p>	<p>For innovation: call for project proposals;</p> <p>For R&D two steps procedure: Call for project ideas;</p>

	cooperation of business and scientific institutions	<p>other services related to instalment and application of the machinery and equipment;</p> <ul style="list-style-type: none"> - training for management and staff of the supported companies; - Providing services related to industrial designSupport for prototype creation activitiesProviding services related to quality control of productsIntellectual property rights protection services - Implement a grant scheme for companies' research and development activities - Purchase of R&D 				<p>National Scientific Fund; Organisations dealing with youth affairs; other Research Institutions</p> <p>Decision about projects: Governmental commission</p> <p>Policy making and legislative role: MOESD, MRDI, MESCS, ARDA, LTD Georgian Amelioration</p>	Call for Project proposals;
4. Integrated Local development	4.1 Preservation and commercialisation of traditional crafts and products	<ul style="list-style-type: none"> - Adaptation of local production process/technology to offer products based on traditional receipts; - Support for creation and promotion of new products; - Marketing activities of traditional crafts and products (new channels of distribution, including digital tools, new design, packaging); - Recovery of historically important traditional crafts, products and services - Modernisation/adaptation of buildings for production, exhibitions and selling traditional crafts and products - Organising festivals of local products; - Organising exhibition rooms and small museums; activities of population and traditional products; - Trainings for supported individuals and entrepreneurs 	<ul style="list-style-type: none"> - Number of projects preserving traditional crafts and products - Number of modernized buildings for production, exhibitions and selling traditional crafts and products, - Number of local exhibitions and festivals organised; - Number of individuals and staff of enterprises trained 	12 8 4 60	<p>Grant recipients:</p> <ul style="list-style-type: none"> - Local entrepreneurs in collaboration with municipalities; - CSOs entrepreneurs in collaboration with municipalities. <p>Project promoters:</p> <ul style="list-style-type: none"> - Local entrepreneurs in collaboration with municipalities; - CSOs in collaboration with municipalities <p>Geographical Area</p> <p>Villages and towns (daba) in targeted areas agreed at regional level</p>	<p>Indirect management with the entrusted entity(ies)/EU D</p> <p>Decision about programs : MRDI</p> <p>Decision about projects: Relevant RCC</p>	<p>Two steps procedure:</p> <p>I – project ideas</p> <p>II project applications with required documentation</p>

	4.2 Local infrastructure helping development of local businesses		<ul style="list-style-type: none"> - Local infrastructure helping business development - Improvement of local roads (and accompanying infrastructure) offering access to local businesses - Construction/rehabilitation of water and wastewater systems related to a particular project (including Individual and collective water supply facilities, sewage systems, wastewater treatment plants and equipment (including bio treatment facilities)) - renovation and construction of small-scale infrastructure (serving citizens, tourists and business, including organisation/rehabilitation of recreational areas; streets, pavements, parking areas, fountains, squares, monuments, playgrounds for children, recreational and sport facilities); - activities aimed at increasing energy efficiency - Arrangement of wired structures, underground communication channels, telecommunication channels (underground communication) for the transmission / installation of high-speed Internet fibre-optic cable lines 	<ul style="list-style-type: none"> - Number of supported Villages and daba - Number of small scale infrastructure projects supported; - Number of households with improved access to water and sanitation - Length of new water and sewage pipes; - Number of renovated public buildings - Length of rehabilitated/constructed local roads - roads 	12 36 6 km 4	Grant recipients: - Municipalities Project Promoters: - Municipalities Geographical Area: - Settlements agreed at the level of the Regional Consultative Council in the target areas	<i>Direct management:</i> Budget Support IB: MRDI Identification of supported areas/villages: relevant RCC after consultation with the State Trustee Decision about projects: Relevant RCC	Two steps procedure: I – project proposals II project applications with required documentation
	4.3 Improvement of delivery and quality of local public services	A - Improvement of Social infrastructure	<ul style="list-style-type: none"> - rehabilitation or construction of small social infrastructure like kindergartens, schools, basic health care and other facilities serving local population - purchase of equipment necessary to offer improved services; 	<ul style="list-style-type: none"> - Number of supported Villages and daba - Number of supported social infrastructure facilities - Number of IT projects facilitating access of citizens to local services managed by municipalities - Number of municipalities with digitalized local data base - - 	12 18	Grant/Service recipient Municipalities; Project Promoters: - Municipalities and through them partners: private sector, CSOs and the state institutions. Geographical Area:	<i>Indirect management with the entrusted entity(ies)/EU D</i> IB: MRDI Identification of supported	Two steps procedure: I – project proposals II project applications with required documentation

		B - Promote introduction of IT systems, e-services and other services	<ul style="list-style-type: none"> - purchase of equipment and promote introduction of E-learning, E-health, municipal information systems and other depending on needs) - design of municipal services (local permits, fees, petition and feedback from citizens mechanisms) through digital/electronic platforms; - Digitalization of local data base concerning locally provided products and services (spatial development plans, cadastres, registries, etc.) - organization of point of single contact/one stop shop for citizens and business; - renovation of public buildings in order to offer good quality services to citizens; 	<ul style="list-style-type: none"> - Number of projects improving local services delivery - Number of single point contact/one stop shop for citizens and business organized; - Number of trained employees of local administration and institutions delivering local services (e.g. teachers) - Number of pupils participating in exchanges with schools in other regions/areas 	6 6 12 4 60 240	Villages and towns (daba) in targeted areas agreed at regional level	areas/villages: <i>relevant RCC after consultation with the State Trustee</i> Decision about projects: Relevant RCC	
5. Technical support and capacity building of central and local administration	5.1 Capacity building for regional policy making and PIRDP implementing institutions at national level This measure aims at supporting development of capacities of MRDI and national administration to conduct modern reg. policy and implement effectively PIRDP		<ul style="list-style-type: none"> - Elaboration of procedures, guidelines and methodologies pre-selection/selection of projects under PIRDP - General support on regional policy issues; - Advisory services during PIRDP implementation (support in contract management and ensuring future project sustainability) - Consultancy on management verification/controls alongside accounting and financial management functions (studies, guidelines and analytical documents) - Visibility actions. 	<ul style="list-style-type: none"> - Number of prepared manuals and advisory services for PIRDP implementation - Number of organized workshops on various aspects of regional policy - Number of supported institutions by TA team; - Number of participants of trainings from national administration 	4 12 MA and IBs 50	Service recipients: MRDI and other national level institutions dealing with regional policy and programming, monitoring and implementation of PIRDP. Geographical area: Central level administration	<i>EUD/Direct management: service contract</i>	TA
	5.2 Capacity developme	A Development of capacity of	<ul style="list-style-type: none"> - Advisory services for building professional capacities of RCCs 	<ul style="list-style-type: none"> - Number of advisory services provided to RCSs and 	12	Service recipients - RCCs, - municipalities;	<i>EUD/Direct management: grant</i>	TA

<p>nt of regional and local level administration</p> <p>This measure aims at supporting development of capacities of local and regional administration to deal with socio-economic bottom-up development including management, coordination, programming and monitoring of public interventions</p>	<p>RCCs and Administrations of State Trustees and other local stakeholders</p>	<p>and Administrations of State Trustees in targeted regions;</p> <ul style="list-style-type: none"> - Support implementation of ongoing public administration and accountability reforms in targeted regions; - Preparation of Training Needs Assessment (TNA) for municipal and regional administration (one for 4 regions); - Preparation of the curricula and manuals for trainings; - Organising and ensuring the delivery of studies, courses and trainings - Awareness rising and promotional activities for Smart Specialisation focusing on mid-to high tech and other fast growing sectors especially in Imereti; - Fostering participation of CSOs and other stakeholders in policy design and implementation of PIRDP's actions 	<p>Administrations of State Trustees</p> <ul style="list-style-type: none"> - Number of prepared manuals and curricula for trainings/courses - Number of participants of trainings from local administration (receiving a certificate) 	<p>4</p> <p>50</p>	<ul style="list-style-type: none"> - administrations of State Trustees; - CSOs; - other stakeholders. <p>Project promoters</p> <ul style="list-style-type: none"> - RCCs, - municipalities; - administrations of State Trustees; - CSOs; - other stakeholders. <p>Geographical area: All 4 regions</p>		
	<p>B - Development of regional analytical and monitoring capacity</p>	<ul style="list-style-type: none"> - Research studies concerning development trends in 4 targeted regions; - Monitoring and evaluation reports required under PIRDP to be prepared by RCSs and Administrations of State Trustees; - Preparing and acquiring of statistical data by GEOSTAT; 	<ul style="list-style-type: none"> - Number of prepared studies and analysis - Number of supported monitoring and evaluation reports - Number of new statistical indicators concerning monitoring of regional development acquired due to cooperation with GEOSTAT 	<p>Max 12</p> <p>8</p> <p>10</p>	<p>Service recipients</p> <ul style="list-style-type: none"> - Administrations of State Trustees - GEOSTAT - MRDI <p>Geographical area: All 4 regions</p>		TA
	<p>C - Implementation of measures to promote investment in the regions</p>	<ul style="list-style-type: none"> - Investor support in retraining the workforce - Investor support for HR Trainings, certification courses, other educational activities - Identification of investment opportunities in the regions, preparation of feasibility studies and investment proposals - Identify potential investment offers at each region level, in coordination with public agencies, local authorities and the private sector 	<ul style="list-style-type: none"> - Number of supported investors - Number of employees responsible for promoting training investments - Number of identified investment offers - Number of feasibility studies 	<p>3</p> <p>3</p> <p>20</p> <p>8</p>	<p>Service recipients:</p> <ul style="list-style-type: none"> - Administrations of State Trustees; - municipalities; - MOESD - LEPL Produce Georgia- Potential investors <p>Geographical area:</p> <p>All 4 regions, however regional observatories will be created only in Kutaisi and Telavi</p>		TA

			<ul style="list-style-type: none">- Preparation of feasibility studies for priority investment proposals- For projects whose feasibility studies will yield a positive result, the preparation of relevant investment offers will be completed- Conduct internationally targeted activities to submit investment offers- Organize specialized training for employees responsible for investment promotion- Implement other measures needed to promote investment					
	5.3 Support to preparation of project pipeline	<ul style="list-style-type: none">- Develop project ideas- Preparation of documents necessary for implementation of projects after the decision of the regional consultative Councils- support to municipalities in preparation of strategies and plans required by procedures of PIRDP;- preparation of necessary documentation (feasibility studies, technical plans, contracting documents, environmental impact assessment, business plans) to start implementation of projects after decision of the RCC- Support for project evaluation and selection- support in project's implementation.	Number of: <ul style="list-style-type: none">- Number of projects designed- Number of assessors deployed- Number of advisory packages;	60 8 8	Service recipients: <ul style="list-style-type: none">- Grant recipients and stakeholders of the PIRDP Geographical area: All 4 regions	EUD/Direct management: grant or Indirect management with the entrusted entity(ies)/EUD	TA	