

Local Economic Development Plan



**Gurjaani Municipality
Georgia**

September 2019

Preface from Mayor



Gurjaani is a municipality with a growing economic potential, having tourism and agriculture as the main sectors. It is a center of winemaking and viticulture, with a history of grapes and wine, dating back to more than 8,000 years. Most family wine cellars, wine factories and unique micro-zones are located here. Gurjaani Municipality has a natural transit location and is connected to almost all municipalities in Kakheti region, allowing it to play a leading role in terms of logistics, transport and tourism.

Gurjaani should become a European type municipality – this is the main task and the core concept of the Gurjaani development platform. Introduction of the principles and experience of successful governance of the EU member states will guarantee enhancing of local economy in our municipality and will promote a positive dynamic in the process of development.

The Local Economic Development Plan, developed within the framework of the initiative “Mayors for Economic Growth”, based on the local resources and capabilities, is an important document designed to overcome existing challenges and develop economy in 2020-2021. The activities envisaged in the mentioned document will be financed from the municipal budget, some activities will be co-financed from the state budget, with the involvement of private and civil sectors and donor organizations. This project will be a platform for attracting additional financial resources.

I would like to express my commitment to facilitate the effective and proper implementation of the elaborated strategy and activities envisaged in it thus ensuring sustainable economic development of Gurjaani Municipality.

With Regards,
Mayor of Gurjaani Municipality
Archil Khandamashvili

To receive a copy of the plan, please contact: City Hall of Gurjaani Municipality
Name, surname: Nini Ninoshvili
Position: Head of Division of Foreign Relations, International Projects and Tourism Development of the Economic Department
Address: Gurjaani, N13, Noneshvili Street
E-mail: niniininoshvili@gmail.com
Web-site: www.gurjaani.gov.ge

1. Executive Summary

Gurjaani municipality is located in the eastern part of Georgia, Kakheti region. The administrative center is the city Gurjaani, 122 km away from the capital (1 hour 30 minutes driving time). The municipality covers an area of 849.2 km², with a large part occupied by agricultural land. According to data from 2018, the population is 65 571 people, among them, 49.2% are men and 50.8% - women, 64% of them are working-age population. In rural areas live 84.65% of the citizens, in urban areas - 15.35%.

The Local Economic Development Plan of Gurjaani Municipality has been developed in partnership with the EU initiative “Mayors for Economic Growth” to promote sustainable local economic development and create job opportunities, establish transparent, inclusive and friendly environment for the private sector, share European experience, increase access to additional financial resources and improve investment potential of Gurjaani.

The plan is focused only on the development of economy and the growth of the private sector, which in the long run will promote employment and income growth in the municipality. The document outlines analysis of the local economic structure, identifies strengths and weaknesses and sets goals. Also, the activities are defined in the Action Plan to be implemented within 2 years and the monitoring and evaluation mechanisms are provided.

Local self-government together with the private and civil sectors was involved in the development of the local economic development plan. SWOT analysis was made, opportunities and threats were identified. Based on the above analysis it was revealed that Gurjaani municipality is an attractive place for investments, which is proved by the fact that the number of investments was increased 10 times in 2018. The tourism sector is developing in the municipality, especially wine tourism. Mentioned analysis clearly showed the challenges that the municipality faces and networking to be developed to meet these challenges. Marketing activities shall be planned to show the tourism potential of the municipality, also the level of vocational education shall be raised. The vision of local economic development has been developed, under which Gurjaani municipality shall be recognized as the viticulture and winemaking municipality with modern technologies, which has the developed infrastructure and high quality services in the tourism sector. To achieve the vision the main goals of the municipality have been defined such as: popularizing viticulture and winemaking branches, introducing modern technologies and international quality standards; developing tourism infrastructure and carrying out marketing activities; promoting entrepreneurship and small business development.

To achieve its goals the activities have been planned, which are: exporting products produced in Gurjaani municipality to the international markets, rehabilitating and restoring tourist facilities, increasing foreign direct investments, establishing new vocational colleges, and deepening cooperation with international donor organizations. The Action Plan includes 18 detailed projects with a total budget of GEL 45 971 600 (EUR 15 323 867). According to the established goals, the funds are distributed as follows: 2.6% for promotion of viticulture and winemaking, 87.8% for development of tourism infrastructure, 9.6% for entrepreneurship and small business promotion. The plan also includes financing sources and estimated cost. Part of the projects envisaged in the Action Plan will be financed from the local budget, as well as with the financial participation of the private sector and donor organizations. This will further the sustainable economic development of the Gurjaani municipality and the creation of new jobs.

2. Table of Contents

Preface from Mayor.....	2
1. Executive Summary.....	3
2. Table of Contents.....	4
3. Tables, graphs and abbreviations.....	4
4. Introduction to Plan.....	5
5. Process of Local Economic Development Plan Development.....	5
6. Local Economic Analysis.....	5
6.1 Analysis of Local Economic Structure.....	5
6.2 Local Cooperation and Networking.....	6
6.3 Business-friendly, Transparent and Corruption Free Environment.....	7
6.4 Access to Finance.....	7
6.5 Land and Infrastructure.....	8
6.6 Regulatory and Institutional Framework.....	8
6.7 Skills and human Capital, Inclusivity.....	9
6.8 External Positioning and Marketing.....	9
7. Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis.....	10
8. Vision and Objectives (including, expected results).....	11
9. Action Plan.....	11
10. Financing Scheme.....	15
11. Monitoring Indicators and Mechanisms.....	16

3. Annexes and abbreviations

Annexes

Annex A. Process of Local Economic Development Plan Development

Annex 1. Order on creation of Working Group to elaborate the Local Economic Development Plan within the framework of the EU initiative “Mayors for Economic Growth”;

Annex 2. Order on creation of Partnership to elaborate the Local Economic Development Plan within the framework of the EU initiative “Mayors for Economic Growth”;

Annex 3. Minutes and protocols of the meetings of Working Group and various stakeholders in the process of preparing the LEDP;

Annex 4. Photo material of meetings with the private sector;

Annex 5. TV program about the project;

Annex 6. Tables presented for the local economic analysis

Abbreviations

LEDP – Local Economic Development Plan

DRP- The Development Regulations Plan

SWOT - Strengths, Weaknesses, Opportunities and Threats

DCFTA- Deep and Comprehensive Free Trade Agreement

PR – Public relations

IT – Information technologies

USAID – International Development Agency of the United States

DANIDA – Danish International Development Agency

4. Introduction to Plan

In March 2018 Gurjaani Municipality joined the EU initiative “Mayors for Economic Growth” and expressed its commitment to actively cooperate and establish partner relationships with the business sector and civil society, to play an important role in the development of sustainable local economy and creation of jobs.

The Local Economic Development Plan will promote establishing the transparent, inclusive and friendly environment with the private sector, sharing European experience, increasing access to additional financial resources and improving investment potential of Gurjaani.

The economic development document elaborated within the initiative comply with the Gurjaani development strategy “Gurjaani 2021”, the tourism development strategy of Gurjaani Municipality, 2014-2021 Kakheti region development strategy and the social-economic strategy of Georgia “Georgia 2020”. The plan is focused on the development of the private sector and creation of new business facilities.

The Local Economic Development Plan was elaborated based on the continuous dialogue and mutual cooperation with stakeholders. Based on the pre-designed questionnaires, 3 discussion-type meetings were held to identify the problems and find effective ways to solve them. Each meeting was attended by representatives of the relevant field, both from the private and public sectors and from civil society. The LED officer performed the facilitator function. Representatives of both the private sector and civil society were actively involved in it. For implementation of the projects 45 971 600 GEL (15 323 867 EUR) is envisaged, of which 14.36% will be financed from the municipal and state budgets, 26.25% by the private sector, 58.29% by donor organizations and the funding gap is 1.1%. Each project is specific, timely, achievable and measurable.

5. Process of Local Economic Development Plan

By the Order of the Mayor, the LED plan development group comprised of four persons (2 females and 2 males) and the partnership with 20 members (6 females and 14 males) was established. The Working Group was led by the Local Economic Development Officer. The group was composed of 1 representative from the private sector, 1 representative from the civil society and 1 representative from the municipality City Hall. Most of partnership members – 15 persons are from the business sector, 3 persons from the civil society and 2 persons from the local administration. The members of the partnership were selected due to their qualifications and experiences, with the capability to influence the process of economic development of the municipality. This enabled us to clearly identify the challenges in different areas of the economy and to analyze the specifics of each sector.

At the implementation stage of the plan, 3 meetings with the focus groups were held. The meetings were conducted in the format of group workshop, open discussion and constructive dialogue. For the further partnership and joint work, various activities were planned which have been outlined in the Action Plan. The prospect of cooperation between the sectors has become clear.

6. Local Economic Analysis

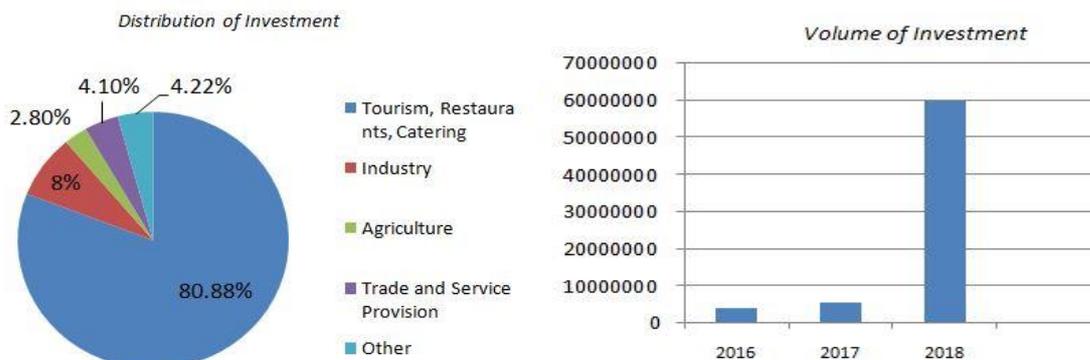
6.1. Analysis of local economic structure

The main sectors of economy of Gurjaani Municipality are industry, tourism, agriculture and trade and service provision. According to the data of the National Statistics Office of Georgia, as of 2018, 737 micro, 805 small and 1 medium businesses operate in the municipality. Classification of enterprises by economic activity and size, see in Annex 6, table 6.1.

In the period of 2016-2018, 117 new business entities were opened in Gurjaani municipality, which was significantly facilitated by the state programs. The evidence of this is 65 new business entities funded by the Micro and Small Business Support Program and 10 entities funded within the young entrepreneurs program.

In 2016–2018 the volume of investments in the municipality considerably increased and amounted to 69 139 300 GEL (23 046 433 EUR), most of which was allocated to the tourism and industry sectors.

Figure 1. Volume of investments in the municipality in 2016-2018 and their distribution according to the types of economic activity



Viticulture is a priority sector in Gurjaani municipality. 6 out of 18 micro-zones in Georgia are located in Gurjaani municipality (with an area of 17,000 ha), which allows to produce the world famous wines such as Mukuzani, Akhasheni and others. According to the data of the National Wine Agency, in 2016-2018, 111 wineries processed 195,000 tons of grapes in Gurjaani municipality, producing over 140 million liters of wine. Important portion of the produced wine is sold in the domestic market, which clearly shows the market diversification problem and the need to enter new markets. About 30% of the area for vineyards is to be cultivated and irrigation system has to be improved. It will lead to a substantial increase in productivity and income in the future.

Wine tourism is actively developing, as proved by the fact that the number of family wine cellars has increased from 10 to 48 in the last 3 years. Currently there are 9 family-run hotels with 176 beds and 6 standard type hotels with 395 beds in the municipality. According to the National Statistics Office of Georgia, 183 accommodation facilities with 3614 beds are registered in Kakheti region. Based on the data of the National Tourism Administration, in 2018 most of visitors were registered in Kakheti and this trend is increasing. Along with the increase in tourists' flow, demand for new hotels in Gurjaani municipality is growing, so the main part of investments is oriented on this sector. The balneological resort Akhtala which is unique in the Caucasus makes Gurjaani particularly attractive for tourists. For its development 12 million GEL (4 000 000 EUR) was invested in 2018.

In the field of agriculture, in addition to viticulture, fruit growing is also developed. Gurjaani municipality produces on average 25–30 thousand tons of peaches and nectarine annually. Out of this, 80–85% is the high quality product for sale. 22% of primary product is exported. 70% of exported goods are sold in the Russian market, and the rest goes to Azerbaijan, Armenia, Ukraine, Belarus and Kazakhstan.

Despite the irreversible process of development of tourism, industry and agriculture sectors, the problem of skilled specialists and modern technologies remains acute. The irrigation system shall be arranged in the municipality. There are no cooperatives working on the export of products, no cannery, juice and other processing enterprises, which will considerably increase sales of agricultural products. Attention should be paid to defining appropriate PR and marketing strategies and fulfilling relevant activities.

6.2. Local cooperation and networking

Association of Berry Producers is operating in Gurjaani municipality, which unites about 80 individuals, the Association of Women Farmers and the Kakheti Regional Chamber of Commerce and Industry, with about ten enterprises registered from Gurjaani municipality. Periodically they are invited to trainings and conferences. The Associations of Berry Producers and Women Farmers are mainly focused on introducing the latest developments in agriculture to their members and helping them find new markets.

Mayor's advisory, youth and gender councils are established in the municipality, which organize meetings on a regular basis. However, the representatives of civil organizations are less involved, they do not cooperate with those councils.

The municipality City Hall expresses its readiness to actively cooperate with the private sector and implement joint projects, but effective steps forwards are less made. Networking between business companies is also poorly developed. Business forums, trainings, business meetings are not held in the municipality. A unified platform should be established that will serve as a link between the municipality, the private and civil sectors and enable business representatives to share information and experience with each other.

6.3. Business-friendly, transparent and corruption free administration

In Gurjaani municipality City Hall the communication with the governmental and public institutions is carried out through the record management electronic system. The City Hall has its own web-page, which is temporarily unavailable due to a shortage of qualified personnel in web-development and IT technologies. Information on the latest news in the municipality is mainly available through social networks (facebook), which reduces the area of information dissemination.

The Division of Tourism, Foreign Relations and International Projects cooperates with the business entities operating in the tourism sector and the staff employed in the same sector and provides qualified consultations on the international and local projects. The Division promotes popularizing tourist facilities and assists start-ups in this field in organizing information tours and collaborating with the National Tourism Administration. It also supports wine-cellars to get involved in the Wine Route and grants projects.

During the project meetings, there was not revealed any problem raised from the private sector that showed signs of corruption from the municipal administration. According to them, it is important for the municipality to offer all services in one space, which will make their business more efficient and transparent.

Information on tenders announced by the municipality administration is published on the website of the State Procurement Agency and any interested person, who is eligible to participate in the tender under the Law on State Procurements, may submit a bid. The activity of the tender commission is transparent and all decisions made by it are uploaded on the website of the Agency. The right to use the municipal property or to privatize it is assigned through electronic auctions and anyone can participate in it.

The sessions of the municipality City Council are open for citizens and they can submit their remarks and initiatives. However, the number of applications submitted to the City Council is quite small, especially from the business sector. A local TV station is broadcasting in the municipality, which actively covers local news and the activities of the municipality administration.

6.4. Access to finance

There are 10 financial institutions operating in Gurjaani municipality. Mainly small and micro loans under 50 000 GEL (16 667 EUR) are issued to business entities. For the loans above 40 000 GEL (13 333 EUR) a guarantee or deposit is required. Loans for working capital are issued for up to 2 years and for fixed assets – up to 10 years. The maximum limit of the loan above 50 000 GEL (16 667 EUR) is 1 000 000 GEL (333 333 EUR). The large corporate loans are disbursed in the head offices of banks and are approved there by the Risks Department. Businesses are heavily burdened by high interest rates and service charges. Particularly, start-up companies face stringent requirements, which is an impeding factor to the development of business sector.

Except for banking services, there are state programs promoting to establish and develop agriculture, tourism, micro and small businesses, start-ups and nursery farms. In total, 10 state programs are implemented, the funding is issued in the form of a grant or a preferential loan with interest rate from 0% to 4%.

Bureau of Gurjaani majoritarian member of the Parliament, together with the Division of Foreign Relations, International Projects and Tourism Development provides consultations to the citizens and assists them in finding additional financial resources to start or develop a business. The main focus is

on the state programs and the cooperation with the private donor organizations (USAID, DANIDA and EU-ENPARD PROGRAM).

Information on the projects implemented by foundations or non-governmental sector is limited. Also, some state programs do not provide the specific criteria on the basis of which a particular beneficiary is winning. All of the above problems create a shortage of access to financial resources. However, in recent period a positive trend should be noted in this area. See detailed information in Annex 6, table 6.4.

6.5. Land and infrastructure

With the development of business, the demand for buildings, land and infrastructure is increasing. The total cost of infrastructural projects implemented in Gurjaani municipality amounts GEL 27 524 603 million (EUR 9 174 868). Asphalt pavement is in good condition on the roads of internal state importance in the municipality, but the drainage system has to be improved. The problem of drinking water supply for the population is acute and the private sector often mentions a need for a complete rehabilitation of access roads to tourist sites. The municipality lacks access to office space, which impedes business development. The demand is increasing steadily, but the supply is meeting only 43%.

The City Hall Property Management and Logistics Department carries out identification of the land in the territory of the municipality and registers unregistered plots of land in the municipality ownership. The total area of arable land in Gurjaani Municipality is 19 287,0 ha and 5600,0 ha of pastures. The municipality owns 340,0 ha of arable land, 960,0 ha of pastures and 1,6 ha of non-agricultural land, while the rest of the land is state-owned.

Some of the buildings on the territory of the municipality are enlisted in the privatization list, but most of them are amortized and require major reconstruction for entrepreneurial activities.

Gurjaani municipality has developed an investment database, which includes a list of both municipal and state-owned immovable property. At the International Investment Forum held in Kakheti and the Investments, Technologies and Prospects Forum held in Belarus we made specific suggestions to potential investors. An inventory of agricultural land and development of a comprehensive database of landowners are planned in the future.

There are cases when the National Agency of State Property hinders the process of property transfer (non-agricultural land and buildings) to the municipal ownership. In addition, the agency often does not provide information to local authorities on the property they sell or lease in the territory of the municipality, which impedes coordination between agencies. The state-owned property has a high privatization price, which prevents the sale of property. The municipality cannot register the agricultural land with a pasture category in its ownership because the Public Registry stops the case management process.

The Municipal Development Fund in Gurjaani municipality is constructing a technological park (Center for Regional Innovations), which will also serve as a business incubator.

6.6. Regulatory and institutional framework

The procedures to obtain a construction permit and the list of documents to be submitted are set out in the regulations of the Government, the number of documents are reduced to a minimum. Accordingly, the construction permits are issued on time in Gurjaani municipality.

The Commission on Recognition of Land Ownership of Gurjaani municipality City Hall reviews, studies and takes the relevant decisions on the recognition of the right of ownership on arbitrarily taken plots of land by natural persons. The Commission sessions are held regularly, once a week. The Commission is composed of 11 members and works smoothly.

Out of taxes provided in the legislation, in the municipality there are three types of taxes/duties. These are: for construction permits, cleaning of residential areas and gambling business. These taxes/duties have been determined based on the interests of relevant tax-payers and do not pose a problem to natural persons, including entrepreneurs, although the payment of taxes is a problem.

An important challenge for the construction sector is obtaining a natural resource license, which is a lengthy and costly process. The license is issued by the Ministry of Agriculture, Environment and Natural Resources. The private sector expresses a desire to transfer the right to license to the Gurjaani municipality, which will make the process faster, easier and more efficient.

6.7. Skills and human capital, inclusivity

The current educational system fails to meet the demands of a globally competitive staff and lag technological processes taking place in the world. Qualification of the higher education institutions often does not meet business requirements. The universities focus on the theory and the obtained knowledge is not applied in practice neither in the vocational, nor the higher education institutions.

The highest demand for qualified personnel is observed in the field of tourism. The problem of service personnel, guides with the knowledge of foreign languages and tourism management specialists is one of the biggest challenges for businesses in this field. Specialists in various fields of agriculture, especially winemakers and agronomists are in high demand. This issue is particularly crucial because Gurjaani is a winemaking municipality and qualified personnel are the basis for the development of the local economy in this sector. In general, there is a demand for the qualified staff in almost all sectors: culinary, IT technologies, mechatronics (automation of production line), bio-farming, logistics management, PR specialists, engineers, hotel and restaurant management.

The shortage of qualified staff is mainly due to low remuneration. In Gurjaani municipality the average salary for 2018 is 554 GEL (185 EUR). Low wages cause the outflow of qualified staff to the center of the region, large urban cities and abroad.

Job seekers in the private sector are looking for vacancies through personal contacts or internet resources on job portals such as jobs.ge and hr.ge, and those seeking employment in the public sector are registered on the hr.gov.ge website. There are 4206 job seekers registered in the Labor Market Management Information System www.worknet.gov.ge in Gurjaani municipality. Among them are women - 2 197, young people - 1 057, socially unprotected persons - 3 178, IDPs - 6, disables persons- 99. According to the National Statistics Office, the number of unemployed amounts 22% of the population.

Business spends little money on investing in human capital. Business is distant from the education system and requires only skilled and educated staff. There is no coordination between the business sector, Gurjaani municipality and educational institutions. Although some business companies provide trainings for its staff according to specific needs, especially in the tourism and agriculture sectors, but they are not regular.

6.8. External positioning and marketing

Gurjaani municipality is considered an attractive place for investors and tourists. This is proved by the data of 2018, according to which the number of investments, compared to the previous years, has increased by 8 times and amounted to 47 648 000 GEL (15 882 667 EUR). The large part of investments - 81% was allocated to the tourism sector. Gurjaani municipality is focused on improving the standard of living, as proved by infrastructure projects implemented in Gurjaani, amounting to 27 524 603 GEL (9 174 868 EUR) in 2013-2018.

Based on the data of 2018, it became clear that the number of visitors to Kakheti has exceeded Adjara, which was greatly promoted by the recognition of Georgia as the homeland of vine and wine. Gurjaani municipality is positioned as the winemaking and viticulture municipality, with the largest number of wine factories and cellars. It is noteworthy that out of 18 micro-zones in Georgia 6 are in Gurjaani municipality. The harvested grapes and wine made here are distinguished by their unique taste, the product is completely natural and it has no alternative in the world. The municipality organizes a large-scale wine festival annually. In May 2019, the first annual conference of viticulturists took place and it will be systematic. Winemakers regularly participate both in the local and international wine competitions, as well as in international wine and spirits exhibitions and the City Hall provides financial support to them. During the last 3 years 37 wine cellars and 9 hotels have been opened in the municipality, which play an important role in popularizing the Georgian wine and raising awareness of the municipality.

With the financial support of the Municipal Development Fund and the Ministry of Regional Development and Infrastructure of Georgia, the village Velistsikhe is being rehabilitated, which is distinguished by its unique cultural heritage sites and 1500 years of history. In addition, it should be noted that the population thinks, the village should become a center of wine and tourism. That is why new wine cellars are actively being opened by citizens in Velistsikhe, the houses are being

transformed into hostels, the landscaping, and beautification of the yards. The Development Regulations Plan of the village Velistsikhe has been developed, which is the relevant urban development document and on the basis of which the rehabilitation project will be implemented.

Gurjaani municipality is home of a famous mud volcanic resort Akhtala of international importance, which is the only mud treatment resort in the Caucasus. Currently, the resort is being rehabilitated; infrastructure is arranged and equipped with modern technologies.

The Tourism Department of Gurjaani municipality works on developing the Wine Route and Tourist Sights Maps, also a book on tourist facilities located in Gurjaani municipality will be published soon.

7. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • An attractive investment environment based on Liberal tax policy and simplicity of doing business (€ 23 046 433 invested by the private sector in 3 years); • 6 unique micro-zones for producing wine; • Geographical location of Gurjaani municipality – a transit center of Kakheti region; • Balneological resort Akhtala; • Abundance of family wine cellars and wine factories, wine tourism (83 facilities); • Technopark, which will additionally complement the business incubator function; • Successful infrastructural projects (EUR 9 174 868); • Grant programs to support the agricultural sector, both from the state and various funds (USAID, NPARD); • A fast increase in the number of tourist facilities (38 new wine cellars and 9 new hotels); • Participation in international exhibitions, festivals and conferences and popularization of local products (37 international awards); • The Development Regulations Plan of the village Velistsikhe 	<ul style="list-style-type: none"> • Market diversification problem; • Poorly arranged irrigation system; • Shortage of qualified staff in the field of agriculture, tourism and services and education; • Lack of access to modern technology in the field of agriculture and IT technologies; • Lack of cooperatives working on sales of product; • Lack of tourist and public transport; • Poor PR and marketing strategy for the development of economy; • Lack of networking relationships between the private, public and civil sectors; • Malfunction of municipal website; • High interest rate and service charges on loans; • Lack of access to information on investment projects; • Amortized municipality owned buildings for privatization; • Ineffective system of collecting municipal taxes; • Low salaries
Opportunities	Threats
<ul style="list-style-type: none"> • State grant projects for business development and cheap agro-credit; • State involvement in finding new wine and tourism markets; • Rehabilitation of a central part of the village Velistsikhe and tourism development with financial support of the Municipal Development Fund; • State support at the regional and international investment forums to show the potential of the municipality; • Twin Municipalities in 7 different countries that enable the private sector to develop new markets and business relationships; • Joint projects of Gurjaani municipality and DMO- 	<ul style="list-style-type: none"> • Outflow of qualified staff; • New diseases and pests spread in agriculture; • Keen climate changes (hail, rainfall and drought) • Demographic problem within the municipality

<p>Visit Kakheti for tourism promotion in Gurjaani municipality;</p> <ul style="list-style-type: none"> • Participation in regional and international investment forums; • Dynamical increase of tourists' flow in Georgia; • Partnership of International donor organizations with the municipality; • Improving coordination between the business, public and education sectors; • State programs to establish the primary product processing enterprises; • The European Union Deep and Comprehensive Free Trade Agreement with Georgia (DCFTA); • State tax policy supporting the primary product processing entrepreneurs 	
---	--

The SWOT analysis has clearly identified specific challenges and opportunities, the need for a holistic approach to the development of the economic sectors and the circumstances that are affecting Gurjaani municipality.

To develop the leading branches of economy in the municipality – tourism and agriculture, it is crucial to attract qualified staff, introduce modern approaches in the field of services and offer services and products in line with international standards, conduct marketing activities to raise awareness and enter into new markets, attract investments, ensure sustainable economic growth and create jobs.

8. Vision and objectives

Gurjaani is recognized as a viticulture and winemaking municipality with modern technologies, developed infrastructure and high quality services in the tourism sector.

The vision of the municipality is a long-term, involving both the local self-government as well as the private and civil sectors. The activities envisaged in the Action Plan are long-term and significantly contribute to the sustainable development of economy.

Objectives:

1. Popularize viticulture and winemaking branches, introduce modern technologies and establish international quality standards;
2. Develop tourism infrastructure and fulfill marketing activities;
3. Promote entrepreneurship and small business development.

9. Action Plan

The Local Economic Development Action Plan has been developed with the direct involvement of partners, the private sector and civil society. It will be implemented from September 2019, over two years. The Plan is focused on the development of tourism infrastructure, popularization of viticulture and winemaking and promotion of small business and entrepreneurship. The activities set out in the Action Plan will be monitored by a specially created group. The Infrastructure Department of the City Hall is responsible for implementing infrastructure projects and the Departments of Economics and of Foreign Relations, International Projects and Tourism are accountable for promoting winemaking and small business.

<i>Building blocks</i>	<i>Key Objectives</i>	<i>Actions / Projects ideas</i>	<i>Duration (start/finish)</i>	<i>Partners involved</i>	<i>Estimated costs, national currency (equivalent in EUR)</i>	<i>Output (product) indicators and targets</i>	<i>Outcome (Result) indicators and targets</i>
2. Skills and human capital development; 5. External positioning and marketing	1. Popularize viticulture and winemaking branches, introduce modern technologies and establish international quality standards	1.1 Design a Winemaking and Culinary College	03/2020 - 09/2021	Ministry of Education, Science, Culture and Sports of Georgia	1 000 000 GEL 333 335 EUR	Concept is developed, project is prepared	Increased number of qualified personnel in winemaking and viticulture branches (100 students) and in culinary (50 students) every year; innovations in the field are introduced; increased level of vocational education through exchange programs in foreign countries;
		1.2 Organize annual Wine and Fruit Festivals	09/2019-09/2021	Gurjaani municipality City Hall, GEPRA, Development Company m ² , National Wine Agency, Bank of Georgia	135 600 GEL 45 200 EUR	Local festivals are held, number of conducted events	Increased awareness of the municipality, local products popularized (30 000 participants); increased sales of products (5000 bottles of wine sold).
		1.3 Organize annual conference of viticulturists	09/2020-09/2021	Ministry of Environment Protection and Agriculture of Georgia, National Wine Agency, Gurjaani municipality City Hall	50 000 GEL 16 670 EUR	Meetings with viticulturists are held, number of organized conferences	Increased awareness of local viticulturists about the latest news and new technologies in the field (400 participants); problems of winemakers are identified and effective ways of solving these problems are developed; increased cooperation between the farmers and the field experts, concept of future partnership is developed;
		1.4 Organize 1month duration visits for high school graduates to the wine factories and cellars every year, getting acquainted with winemaking technologies and production process	09/2019 - 09/2021	Gurjaani Municipality City Hall, Ltd. "Bolero & Co", Ltd. KTW, Ltd. "DUGLADZES Wine Company", the "Nagdi Marani ", "Tamara's Cellar"	5 000 GEL 1 670 EUR	Awareness of high school graduates about winemaking is increased; number of visits, number of participants	Increased awareness of young people about Georgian wine and winemaking (engagement of 120 high school graduates); increased awareness of young people about the specifics of making wine and modern technologies.
		1.5 Promote small wine-cellars' participation in local and international exhibitions, fairs and competitions annually	06/2020 - 07/2021	Gurjaani Municipality City Hall, Kakheti Regional Development Agency, Expo Georgia	30 000 GEL 10 000 EUR	Popularization of wine cellars is increased, number of participants, number of winners of the competition	Increased awareness of the municipality; popularized local products (37 different medals); Interest of foreign and local investors increased (Japan, Canada); increased opportunities to find new markets;
5. External positioning and marketing	2. Develop tourism infrastructure and fulfill marketing activities	2.1 Construction and reconstruction of the central park in Gurjaani city	09/2019 - 09/2021	Municipal Development Fund	3 500 000 GEL 1 166 670 EUR	Visitors' centre is arranged, infrastructure is improved, new services are introduced and provided, improved ecological environment	improved infrastructure of the municipal central park; dendrological works are carried out; 15 new job opportunities are created; the meeting and entertainment areas for local population, tourists and youth is

						created; rehabilitated summer (open air) cinema, amphitheater and playground; created visitor centers, pavilions, children playgrounds, and the area of winemaking and viticulture.
	2.2 Rehabilitation project of the central part of the village Velistsikhe	09/2019-09/2021	Asian Development Bank, Municipal Development Fund	20 000 000 GEL 6 666 670 EUR	Tourists' flow is increased, number of investments in the tourism sector is increased, infrastructure and communications network is improved	Velistsikhe became a tourist center; 80 buildings were rehabilitated; 6 cultural heritage sites were popularized; developed tourist services; increased number of tourists by 20 000; developed family wine cellars, hotels, small business and agriculture; improved infrastructure.
	2.3 Rehabilitate connecting road of the village Ziari and Gurjaani city and arrange archeological open museum in Ziari	2019/2020	Regional Development Fund, Gurjaani Municipality City Hall, National Agency of Cultural Heritage protection of Georgia	4 700 000 GEL 1 566 670 EUR	Archeological open museum is arranged; 6.35 km road is paved	Arranged infrastructure for access to tourist facilities in the village Ziari; developed archeological tourism; increased number of tourists; developed tourist services; popularized Georgian culture and history.
	2.4 Create Wine Routes and Tourist Sites maps in the form of mobile application	11/2019-11/2020	Gurjaani Municipality City Hall, DMO-Visit Kakheti	10 000 GEL 3 340 EUR	Information material on tourist facilities is prepared, 2 applications are created on the wine route and tourist sites, in the form of the maps	Popularized 70 tourist facilities located in Gurjaani municipality, the facilities are included in tourist routes; simplified provision of information on tourist facilities to the vulnerable tourists groups; improved navigation quality by modern technologies;
	2.5 Rehabilitation of balneological resort Akhtala	09/2019-09/2021	LLC Global Victory Georgia	12 000 000 GEL 4 000 000 EUR	Infrastructure is improved, new technologies are introduced, number of services increased	Medical tourism is developed; increased number of tourists (7000 visitors); 50 new jobs are created; new tourist facilities are opened and services are improved; improved infrastructure; arranged recreational zone.
	2.6 Make street banners at the entrance of the city Gurjaani (popularization as a winemaking municipality)	02/2020 - 02/2021	Gurjaani Municipality City Hall	100 000 GEL 33 400 EUR	Sketches are prepared, info-signs are placed at the entrances of Gurjaani	Enhanced positioning of Gurjaani as winemaking municipality; improved view (cityscape) of the municipality

		2.7 Create a photo catalogue for tourists	11/2019-08/2020	National Agency of Cultural Heritage Protection of Georgia	30 000 GEL 10 000 EUR	Photo material is prepared, catalogue of tourist sites is published	Tourism potential, traditions and culture of the municipality is demonstrated; 500 travel agencies were informed about the catalog.
		2.8 Place information on tourist facilities on google map	03/2020-09/2021	Gurjaani Municipality City Hall	10 000 GEL 3 340 EUR	Tourism information materials are prepared, number of tourist facilities placed on google map	Increased awareness of the municipality; information on the sites and tourist routes in the municipality is rapidly and effectively disseminated to a wide range of people.
4. Access to finance; 1.Regulatory and institutional framework; 4. Land and infrastructure;	3. Promote entrepreneurship and small business development	3.1 Annual start-up funding program for beneficiaries (wine cellars, food processing enterprises, mushroom greenhouses, vineyards)	09/2019-09/2021	Ministry of Agriculture, Ministry of Economics	1 000 000 GEL 333 335 EUR	Number of funded projects, number of new business facilities	65 Existing enterprises and other business entities are strengthened; availability to additional financial resources for start-up companies increased (6 grant and 6 cheap loan programs are created); increased job opportunities and local production.
		3.2 Systematic development of networking	12/2019-09/2021	Gurjaani Municipality City Hall, Berries Producers Association, Cooperative Gile, Women Farmers Association	10 000 GEL 3 340EUR	Number of conducted meetings, number of participants, discussed issues	Increased cooperation between civil, business and public sectors (30 business representatives, 25 persons from civil society and 25 persons from public sector);
		3.3 The Development Regulations Plan of the city Gurjaani	03/2019-09/2021	Municipal Development Fund	800 000 GEL 266 670 EUR	The draft Development Regulations Plan is developed	Development potential of the city Gurjaani was fully demonstrated; Urban development concept is developed.
		3.4 Construction of technological park incorporating the IT and business incubator functions	09/2019-09/2020	Municipal Development Fund	2 500 000 GEL 833 350 EUR	Infrastructure is developed, technological and innovation services are introduced, new business incubator is established	Ecosystem necessary for innovations and technology development in the municipality is formed; the level of knowledge and innovations commercialization is increased; Open space for young people is created; IT and business incubators are established and developed; increased awareness about current news.

10. Financing Scheme

The Financing Scheme outlines 18 projects in details, with a total budget of 45 971 600 GEL (15 323 867 EUR), of which 92.8% is estimated for capital expenditure. To implement these activities, 388 498 GEL (129 500 EUR) will be allocated from the local budget, 6 213 102 GEL (2 071 034 EUR) from the state budget, the donor organizations will finance projects in amount of 26 800 000 GEL (8 933 333 EUR), and the private sector will provide 12 070 000 GEL (4 023 333 EUR). The financing is allocated according to the defined objectives, as follows: popularizing

viticulture and winemaking branches - 1 220 600 GEL (406 867 EUR), developing tourism infrastructure - 40 350 000 GEL (13 450 000 EUR), promoting entrepreneurship and small business - 4 401 000 GEL (1 467 000 EUR).

Actions	Estimated costs	Source of financing				Funding gaps	Remarks
		Local budget	Upper level budget	Business	Donors		
1. Annual start-up funding program for beneficiaries (wine cellars, food processing enterprises, mushroom greenhouses, vineyards)	1 000 000 GEL 333 335 EUR		500 000 GEL 166 667 EUR			500 000 GEL 166 667 EUR	
2. Construction and reconstruction of the central park of Gurjaani city	3 500 000 GEL 1 166 670 EUR				3 500 000 GEL 1 166 670EUR		
3. Rehabilitation project of the central part of the village Velistsikhe	20 000 000 GEL 6 666 670 EUR				20 000 000 GEL 6 666 670 EUR		
4.Rehabilitation of connecting road of the village Ziari and Gurjaani city	4 500 000 GEL 1 500 000 EUR	225 000 GEL 75 000 EUR	4 275 000 GEL 1 425 000 EUR				
5. Arrange archeological open museum in the village Ziari	200 000 GEL 66 670 EUR		200 000 GEL 66 670 EUR				
6. Systematic development of networking	10 000 GEL 3 340 EUR	10 000 GEL 3 340EUR					
7. The Development Regulations Plan of Gurjaani city	800 000 GEL 266 670 EUR				800 000 GEL 266 670 EUR		
8. Construction of technological park incorporating the IT and business incubator functions	2 500 000 GEL 833 350 EUR				2 500 000 GEL 833 350 EUR		
9. Design a Winemaking and Culinary College	1 000 000 GEL 333 335 EUR		1 000 000 GEL 333 335 EUR				
10. Create the Wine Route and Tourist Site maps in the form of a mobile application	10 000 GEL 3 340 EUR	10 000 GEL 3 340 EUR					
11. Rehabilitation of balneological resort Akhtala	12 000 000 GEL 4 000 000 EUR			12 000 000 GEL 4 000 000 EUR			
12. Make street banners at the entrance of the city Gurjaani (popularization as a winemaking municipality)	100 000 GEL 33 400 EUR	100 000 GEL 33 400 EUR					
13. Create a photo catalogue for tourists	30 000 GEL 10 000 EUR		30 000 GEL 10 000 EUR				
14. Organize wine and fruits annual festivals (4 festivals)	135 600 GEL 45 200 EUR	13 498 GEL 4 499 EUR	52 102 GEL 17 367 EUR	70 000 GEL 23 333EUR			
15. Place tourist facilities on google map	1 000 GEL 330 EUR	1 000 GEL 3 30 EUR					
16. Organize annual conference of viticulturists	100 000 GEL 16 670 EUR		100 000 GEL 16 670 EUR				
17. Organize 1month duration visits for high school graduates to the wine factories and cellars every year, getting acquainted with winemaking technologies and production process	5 000 GEL 1 670 EUR	5 000 GEL 1 670 EUR					

18. Promote small wine-cellars' participation annually in local and international exhibitions, fairs and competitions annually	30 000 GEL 10 000 EUR	24 000 GEL 8 000 EUR	6 000 GEL 2 000 EUR				
Total sum	45 971 600 GEL 15 323 867 EUR	388 498 GEL 129 499 EUR	6 213 102 GEL 2 071 034 EUR	12 070 000 GEL 4 023 333 EUR	26 800 000 GEL 8 933 334 EUR	500 000 GEL 166 667 EUR	

11. Monitoring indicators and mechanisms

Monitoring of the quality of implementation of activities under the Action Plan will be provided by the Monitoring Group established by the Partnership. The group will be equally comprised by female and male members. The group will meet once every 3 months to assess the conducted works and identify effective approaches of implementing future activities. The Working Group will be guided by the Internal Monitoring Plan and the timeframe provided in it under the Local Economic Development project.

<i>Actions / Projects ideas</i>	<i>Duration (start/finish)</i>	<i>Expected results months 1-6 (September – February)</i>	<i>Expected results months 7-12 (March-August)</i>	<i>Expected results months 13-18 (September-February)</i>	<i>Expected results months 19-24 (March-August)</i>
1. Design a Winemaking and Culinary College	03/2020-09/2021		The Ministry of Education has developed a concept	The design of a winemaking and culinary college is procured	A tender has been announced according to the design of the college of winemaking and culinary
2. Organize wine and fruits annual festivals (4 festivals)	09/2019-09/2021	The concept of wine festival is developed, foreign delegates are invited	Wine festival is held, about 100 wine producing companies took part in the festival; the government delegation, foreign delegations and private business participated in the event, a presentation on the latest news in the municipality is made, winners are identified.	Concepts of wine and fruit festivals are developed, foreign delegates are invited	Wine festival is held, about 250 wine producing companies took part in the festival, the government delegation, foreign delegations and private business participated in the event, a presentation on the latest news in the municipality is made, winners are identified. Fruit festival is held, 50 farmers took part in the festival, winners are identified
3. Organize annual conference of viticulturists	09/2020-09/2021		The conference program is developed, the viticulturists are informed about the news in the field, participants of the conference (400 participants) are selected, future activities are planned, the elder winemaker and viticulturist are identified and honorary diplomas are		The conference program is developed, the viticulturists are informed about the news in the field, participants of the conference (600 participants) are selected, future activities are planned, the elder winemaker and viticulturist are identified

			awarded to them		and honorary diplomas are awarded to them
4. Organize 1month duration visits for high school graduates to the wine factories and cellars every year, getting acquainted with winemaking technologies and production process	09/2019-09/2021	Interested persons (30 high school graduates) are selected, wine cellars and factories are selected, the participants are introduced winemaking technologies		Interested persons (50 high school graduates) are selected, wine cellars and factories are selected, the participants are introduced winemaking technologies	
5. Promote small wine-cellars' participation in local and international exhibitions, fairs and competitions annually	06/2020- 07/2021		10 wine cellars are selected to participate in international exhibitions, winners of the competition are identified		15 wine cellars are selected to participate in international exhibitions, winners of the competition are identified
6. Construction and reconstruction of the central park of Gurjaani	09/2019-09/2021	The design of the municipal central park is procured, tender is announced on the implementation of the works under the project	¼ Part of the reconstruction, construction and repair works under the project is implemented	½ Part of the reconstruction, construction and repair works under the project is implemented	¾ Part of the reconstruction, construction and repair works under the project is implemented
7. Rehabilitation project of the central part of the village Velistsikhe	09/2019-09/2021	Competition for the procurement of rehabilitation project of the central part of the village Velistsikhe is announced and the project is prepared.	1/3 Part of the rehabilitation and reconstruction works under the project is implemented	2/3 Part of the rehabilitation and reconstruction works under the project is implemented	Rehabilitation and reconstruction works under the project are completed
8. Rehabilitate connecting road of the village Ziari and Gurjaani city, arrange archeological open museum in Ziari	11/2019-09/2021		1/3 part of the rehabilitation works of the road connecting the village Ziari and Gurjaani city under the project is done. Project of the archeological open museum in Ziari is procured.	2/3 Part of rehabilitation works of the road connecting the village Ziari and Gurjaani city under the project is done. ½ Part of the project of the archeological open museum in Ziari is implemented.	Rehabilitation works under the project are completed. Implementation of the project of the archeological open museum in Ziari is completed
9. Create the Wine Route and Tourist Site maps in the form of a mobile application	11/2019-11/2020	Information on wine cellars in Gurjaani municipality is collected, photo-material is prepared	Wine Road map is created in the form of a mobile application, information on tourist facilities in Gurjaani municipality is collected, photo material is prepared.	Tourist sites map is created in the form of an application	
10. Rehabilitation of balneological resort Akhtala	09/2019- 09/2021	2 buildings in the territory of the resort Akhtala are demolished.	Construction of 120-room hotel and rehabilitation of existing buildings has started.	The second part of the construction of 120-room hotel and rehabilitation of existing buildings continued.	The third part of the construction of 120-room hotel and rehabilitation of existing buildings continued.
11. Make street banners at the entrance of the city Gurjaani (popularization as a winemaking municipality)	02/2020-02/2021		At the entrance of Gurjaani city info signs are placed, sketches of the signs are designed	Project of installing info signs of Gurjaani city at the entrance is implemented	
12. Create a photo catalogue for tourists	11/2019-08/2020	High quality photo material on tourist facilities is prepared	A photo catalogue for tourists is created		
13. Place tourist facilities on google map	03/2020-09/2021		Information on tourist facilities is prepared	Information reference material about 10 villages is placed on google map and information on new tourist	Information reference material on the remaining 14 villages is placed on google map and

				facilities is prepared	information on new tourist facilities is prepared
14. Annual start-up funding program for beneficiaries (wine cellars, food processing enterprises, mushroom greenhouses, vineyards)	09/2019- 09/2021	Beneficiaries are trained in project writing, 20 business projects are written and funded.	Within the framework of start-up funding program 20 new business facilities are opened	Beneficiaries were trained in project writing, 31 business projects were written and funded.	Within the framework of startup financing, 31 new business units were opened
15. Systematic development of networking	12/2019 - 09/2021	Focus groups are selected, working meetings are held, level of awareness is increased, 50 persons are engaged in the process	Focus groups are selected, working meetings are held, level of awareness is increased, 75 persons are engaged in the process	Focus groups are selected, working meetings are held, level of awareness is increased, 100 persons are engaged in the process	Focus groups are selected, working meetings are held, level of awareness is increased, 120 persons are engaged in the process
16. The Development Regulations Plan of Gurjaani city	03/2020 - 09/2021		The project of the Development Regulation Plan of Gurjaani city is procured, tender is announced	The main part of project of the Development Regulation Plan of Gurjaani city is implemented	The project of the Development Regulation Plan of Gurjaani city is completed
17. Construction of technological park incorporating the IT and business incubator functions	09/2019-09/2020	½ Part of the reconstruction, construction and repair works under the project are done	Reconstruction, construction and repair works are completed and inventory is purchased		
% of total budget (estimated)	100 %	6.58%	27.66 %	43.27%	22.49%

