

# Local Economic Development Plan



## Kvareli Municipality Georgia

- September 2019 -

## Preface from Mayor



Economic empowerment of Kvareli municipality is a major challenge for us. The landscape, tourism and cultural sites of the municipality, traditionally developed agriculture fields actually provide the basis for strengthening economic capacities.

It should be noted that in the process of developing the Local Economic Development Plan we have made efforts to consider the opinions of all social groups and sectors and reflect their priorities in the mentioned document.

Thus, the Economic Development Plan has been developed based on the real needs and demands of the population of our municipality.

It is a great honour for us to join the EU initiative “Mayors for Economic Growth”. By joining this project, we have expressed our willingness and commitment to collaborate with international and donor organizations, share the experience of our partner countries. We hope that this cooperation will be a guarantee for us to enhance and succeed in the local economy.

We are ready to implement the local economic development plan. It is particularly important for us to attract investors, improve tourism potential and create sustainable economic environment that will provide Kvareli municipality with additional opportunities for economic activity.

**Rostom Sesiashvili**  
Kvareli Municipality Mayor

A handwritten signature in blue ink, appearing to read 'R. Sesiashvili', written over a faint circular stamp.

*The document is public and available to all stakeholders.*

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## 1. Executive Summary

This document is a local economic development plan of Kvareli municipality, elaborated within the framework of the EU Initiative “Mayors for Economic Growth” that was developed by local economic partners with equal involvement of public, private and civil sector representatives.

Kvareli municipality is a region with developed viticulture, winemaking and tourism, with resources and conditions for various economic activities, such as: fruit growing, conservation, drinking and mineral waters, timber processing, construction materials production, etc. 2.5 hours (141 km) distance from the capital makes it easy to access Tbilisi market. Today, in Kvareli there is a trend of the growth of large or small companies producing wine and spirits, resulting in an increase in the number of newly established vineyards (this is supported by the presence of well-known viticulture and winemaking micro-zones). In addition, wine production and especially, the existence of traditional Kakhetian wine cellars are key factors, which determine the tourism industry sectors of Kvareli; but this area is not limited to wine tourism only as there is a huge potential for developing a wide variety of tourist destinations; the hotel and restaurant businesses are actively expanding and you can find here accommodation facilities tailored to all needs. The fact that Kvareli is an attractive place for doing business is confirmed by investments and the number of recently registered enterprises, though to achieve actual and large-scale economic growth, it is necessary to overcome a number of weaknesses, such as: limited use of modern agricultural technologies and the lack of relevant knowledge; inadequate and insufficient entrepreneurial skills of the population; lack of private and public cooperation and partnerships, underdeveloped business support infrastructure, high level of youth migration, weak positioning of Kvareli municipality on the international market, poor access to finance, etc.

During elaboration of this document, the partners have identified the strategic vision of the economic development of Kvareli municipality, as follows: Kvareli will be recognized in the region as a place of viticulture, winemaking and developed tourism, with an attractive business environment for diversified economic activities. For this purpose Kvareli municipality has set the following main goals:

1. Further development and promotion of viticulture, winemaking and tourism opportunities of the municipality;
2. Improvement of public and private infrastructure that will support the economic development of the municipality;
3. Improvement of entrepreneurial environment and availability of qualified personnel tailored to the needs of the private sector.

To achieve the strategic goals actions were identified, such as establishing a private and public partnership platform, enhancing the skills and qualifications of entrepreneurs and potential job seekers, organizing media tours, festivals and image-raising events for municipal awareness, elaborating the concept for developing several tourist attractions (Kvareli fortress – defensive wall, Dolochopi archaeological discovery).

Some of the actions specified in the plan will be financed by the municipality from its own budget, some will be financed from the central budget, and part of the actions will be financed by private initiatives and donor organizations (though this will require some work to obtain funding).

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## 3. Annexes and abbreviations

### Annexes:

Annex A. Process of Local Economic Development Plan Development

Annex B. Information and data for local economic analysis of Kvareli municipality

### Abbreviations:

EDM - electronic document management system;

M4EG – “Mayors for Economic Growth”;

LED – Local Economic Development;

SWOT – Strengths, weaknesses, opportunities and threats;

NAT- no auction tender

#### **4. Introduction to Plan**

Kvareli Municipality joined the initiative M4EG and signed an agreement to join the club in April 2018, thus creating, on the one hand, a prerequisite for the M4EG initiative to promote partnerships between local municipal authorities, the private and civil sectors so that their activities are focused on economic growth and provision of employment opportunities; on the other hand, membership of this club imposes a number of obligations on the municipality, namely: to express readiness to work closely with business and civil society communities, to form partnerships with them, to promote sustainable and inclusive growth and development of the local economy.

Kvareli municipality is located in eastern Georgia, in the north-eastern part of Kakheti region. It borders with 3 municipalities of Kakheti region (Telavi municipality, Gurjaani municipality, Lagodekhi municipality) and the Autonomous Republic of Dagestan (Russian Federation).

The administrative centre of the municipality is the city of Kvareli. It received the status of a city in 1964. It is located 151 km away from the capital city of Georgia, the nearest railway station Mukuzani is in 26 km and Kakheti administrative centre - Telavi is in 38 km. There is no railway line running in Kvareli municipality, it is connected with the main centres of the country by roads.

In Kvareli municipality there is 1 city and 21 villages with 14.7 thousand families and 30.3 thousand inhabitants, 7.7 thousand of them live in the city. According to the data of Geostat (National Statistics Office of Georgia) for the last few years the number of population of the municipality has not been decreasing.

In addition, migration processes have not been reduced. The part of the population that is capable of working continues to move abroad and/or to the capital. Most of the migrants are women, which aggravates the demographic situation of the municipality. Young people, who failed to find a job, are also victims of the migration process. Stopping youth migration and promoting birth rate is a challenge that the municipality faces. Therefore, it is important for the municipal authorities and stakeholders to think actively and elaborate a development plan that will, at least, create the conditions for economic growth, which will in turn lead to retaining youth in the municipality and create employment opportunities.

This Local Economic Development Plan is the first document when public, civil and private sectors collaborated in its development. This cooperation has been established as a platform of relationship, where stakeholders are working together to create a plan that will focus on municipal economic growth, promoting employment and private sector development.

The document is in line with the priority document of the municipality for 2019-2021 and also with the following documents: Kvareli Municipality Development Strategy 2018-2021 and Kakheti Region Development Strategy 2018-2021.

As it has already been mentioned, the Local Economic Development Plan is a document elaborated through a partnership between sectors and focuses only on economic development. Consequently, this distinguishes it from the social-economic development strategic plan that already exists in Kvareli municipality.

Approximately 40% of the projects and activities under this plan will be funded by the local budget, this amount will be included in the municipal budgets of 2020-2021; the likely sources of funding of the remaining part of the project are upper level budgets, donor organizations and private initiatives.

#### **5. Process of Local Economic Development Plan Development**

The Local Economic Development Plan of Kvareli municipality is based on the key principles set out in the methodology of M4EG and involves partnership of the private, public and civil sectors. It is

important to mention that the practice of such co-operation did not exist in the municipality and the experience gained in the process of drawing up the plan will certainly be used further.

Following the Mayor's order, a working group composed of 4 members was established, with representatives from the private, public and civil sectors. It is noteworthy that by the decision of the Mayor, the partnership between the sectors was established based on already existing Civil Advisory Board, which includes both private, civil and public sector representatives, as well as individual citizens and interested persons in various professions (physician, local media representative, artist, sportsman, etc.). The partnership also included four representatives from the education sector and representatives of Kvareli Region Youth Association.

During the development of the plan, one extended meeting was held, followed by several group or individual meetings by sectors. An online group was also set up to actively discuss various issues during the planning process. This method of group working turned out to be quite effective, because online working does not require organizing meetings, accordingly process is more flexible and interactive. (<https://www.facebook.com/messages/t/1974829642566109>)

In that part of LED plan, which deals with vision, strategic goals and action plan development, the Mayor and the local government representatives (City Hall services, City Council representatives) were also actively involved.

For detailed information on the working group, see Annex A.

## **6. Local Economic Analysis**

### **6.1. Analysis of Local Economic Structure**

The main sectors of economic development of Kvareli municipality are agriculture, tourism, processing industry, service and trade sectors, and therefore the main sources of income for the population are viticulture, winemaking, trade, provision of services and tourism.

The natural resources available in Kvareli municipality create the precondition and opportunity for further development of such sectors as are: timber processing, production of building materials, in particular brick and tile (Kvareli municipality is rich in clay deposits), there is also marble deposit, which is not utilized at this stage. Kvareli freshwater supplies and Kvareli horizon sub-artesian basin allow for bottling large quantities of drinking water. Solid alluvium of river Duruji is also unutilized, which, on the one hand, threatens the city of Kvareli due to its mountain torrent and, on the other hand, it is a valuable raw material for construction - cement, for ceramide block production, as well as for the production of black glass and mineral fertilizer. According to the annual turnover and revenue of Kvareli municipality, the leading economic sector is winemaking and viticulture; remarkable growth has been observed in this sector in the recent few years. The vast majority, approximately 70% of employed and self-employed population of the municipality, is in this sector. Winemaking, along with viticulture, is a key component of value chain of economics of Kvareli municipality. According to current information, at present 35 small and large wineries operate in Kvareli, while in 2016 their number was 23. The areas where the vineyards are cultivated have also increased. For example, if the area of the vineyards was 4026 ha in 2013, by 2018 their number constituted 7295 ha, and the amount of income received increased several times. The fact that in Kvareli there is a unique viticulture micro zone – “Kindzmarauli” has had a major impact on the growth of the sector, as the market price of grapes harvested in the mentioned micro zone is twice big of grapes harvested in other places, which is a major incentive for viticulture to expand the vineyards. However, there are serious risks of crop damage due to natural disasters (hail, wind), to some

extent compensated by the State Agro Insurance Program and the possibility of private insurance.

Fruit and perennial crops (nuts, berries) growing is also at a certain stage of development and has real prospects, which are intensely cultivated with the support of the state program Plant the Future. Cattle-breeding and cannery also exist in the municipality and there is a real prospect of further development in these areas. In 2018, fruit processing enterprise was opened in Kvareli, which exports most of its products.

As mentioned above, tourism is one of the growing and profitable sectors for Kvareli municipality. Here, the hospitality industry and related industries are dynamically developing. There is 30% growth rate of hotel and restaurant business over the last three years. The accommodation facilities in Kvareli are tailored to various visitors' demands (Kvareli Lake Resort, Kvareli Eden, Royal Batoni).

Kvareli has the ambition of being an international tourism city, which will be included in the major packages of all leading tour operators. New attractions and animations are created here, resulting in increase of tourism sites. This process is facilitated by circumstances such as the development of unutilized or forgotten resources, as well as new archaeological discoveries, as are Dolochopi, Nelkarisi, Chabukauri, etc., untouched natural landscape, traditions, cookery, etc. Cultural and historical tourism is a traditional direction for Kvareli, as we find here Gremi and Nekresi historical complexes, which have the status of cultural heritage of national importance. Wine tourism is one of the most growing, profitable and popular directions in Kvareli due to its high demand. Here you will find both large wineries and family-run wine cellars, which host more and more tourists with their developed tourist infrastructure. From one year to another the number of tourists interested in traditional Kakhetian wines and generally fascinated by the origin of Kvareli wines is significantly increasing: in 2015 - 35 721 and in 2018 - 120 346 tourists. The number of wineries and family wine cellars is also increasing. In addition, additional investments are made in the existing ones, to develop infrastructure and products to offer. It is important for Kvareli to develop balneological-health tourism, which used to be a tradition here. At present, Phikalebi, Zinobiani and Shakriani resorts are inaccessible, where healing waters and unique microclimate are present. The focus on tourism in Kvareli has led to the opening of "Money Museum", which is another interesting attraction for the city visitors alongside with the museums of Ilia Chavchavadze, Kote Marjanishvili, Gremi and Nekresi.

To further develop this area and maintain the image of the tourism municipality, it is necessary to overcome weaknesses that actually hinder the development of the area. These are: malfunctioning of drinking water and sewage system, problem of finding the place of destination, inadequate advertising of tourism opportunities of Kvareli; the absence of bus station tailored to modern needs; bad access roads to some cultural heritage sites.

## **6.2. Local cooperation and networking**

Unfortunately, consistent cooperation between the sectors at the local level in Kvareli municipality needs to be developed. There is no registered business association that would unite one or more business entities and make their cooperation and operations more efficient. Entrepreneurs build personal business relationships at the level of personal connections, where they share information and experiences. There is no structured mechanism or any platform for cooperation or communication in the municipality.

There is some kind of structured cooperation experience in agriculture, which, on the one hand, is demonstrated by the existence of agricultural cooperatives; their development, financial strengthening, enhancing qualification and encouragement are actively promoted by a number of state initiatives or international organizations. On the other hand, based on common interests,

there is a need and willingness of agricultural sector to unite in any form. It is for this purpose that an Agro-farmers Initiative Group has been set up. Although it is not officially registered, the Group provides information and consulting services. They actively cooperate with the Agricultural Information and Consultation Centre and, where appropriate, with local authorities and start-uppers. It is necessary and timely to think of establishing a platform of cooperation between sectors. It may be a business advisory council or a business association in the municipality or some other form of cooperation. The key is to create opportunities for collaboration between the public and private sectors, on the one hand, and local business representatives on the other, to discuss common needs.

Evaluation of local cooperation, see Annex B.

### **6.3. Business-friendly, transparent and corruption-free administration**

In the City Hall the records management is carried out through an electronic document management system, which reduces document turnover period. EDM also improves municipality access to all government or other public agencies. The citizens' service bureau is functioning in the City Hall, where applications submitted by citizens by email or hand-delivered, on the basis of "one window" principle, are registered in the electronic system of document management system of the City Hall. Citizens no longer have to go from one service to another to submit an application and receive a response. They can receive such service at the citizens' service bureau.

There is a responsible person at the City Hall, who issues public information within the current timeframe. There is a City Hall website, though for the time being it is not fully loaded and operational. Also, the Public Relations Department under the Administrative Division of the City Hall actively covers activities carried out with the involvement of the local authorities through social networks.

The Property Management and Statistics Division, Foreign Relations, International Projects and Tourism Division of the Economic Department of the City Hall interact with the business sector in case of an application, issue available information on business development programs supported by the state or international donor organizations. It should be noted, however, that the business sector has a low interest in cooperation with the public sector, which is probably due to the unsystematic rather than institutional nature of cooperation. The Tourism Department also provides management of Tourism Information Centre along with the National Tourism Administration, where, from time to time, meetings are held with business entities or individual stakeholders operating in this sphere. The Tourism Information Centre maintains tourism statistics, creates and updates the database of business entities operating in the sector.

The tenders announced by the City Hall are electronic and are posted on the website of the State Procurement Agency, where all stakeholders can submit their bids. The activities of the tender commission are transparent and all their decisions are uploaded on the Agency's website. From 2018, the City Hall announces NAT tenders thus ensuring healthy competition between the tender participants, with a non-discriminatory and equal approach to the participants. From 2017 until today, one out of three complaints filed with the Municipal Board on Disputes has been rejected, one has been satisfied and one - declared inadmissible.

As for the transfer of the property of the municipality with the right of ownership or privatization, it is carried out through public auction based on Resolution # 7 of Kvareli Municipality City Council of 2017. The data on the property to be privatized and used is posted on the web site of the Service Agency of the Ministry of Finance; it is also published in the local media. Any interested person can participate in the auction.

All prerequisites for citizens' engagement are created in the City Council. Regular and extraordinary sessions are also open to the public and everyone can attend them according to the



regulations. Meetings are also announced in advance through local media, though recent experience has shown that the applications and interest of the civil and especially the private sector in cooperating with the representative body is lowest.

The municipality has an official periodical newspaper of the City Hall, which actively covers the work of the City Hall and the City Council. However, there are no independent media outlets that would promote civic engagement and transparency of the activities of the administration. Municipal government is actively considering creating an efficient collaboration platform with the private sector, which will improve communication with them, provide them with the information on the state and international donor organizations, business support programs, which in turn will lead to systematic, effective and result-oriented mutual cooperation between the private and public sectors and reduce low interest and confidence of business in partnership with the public sector.

Encouraging local authorities to set up business association will set a good precedent for mutually beneficial cooperation.

Information on growing sectors (sub-sectors) and related challenges can be found in Annex B.

#### **6.4. Access to finance**

Access to the financial resources required for the development of the business sector is basic problem in most municipalities in Georgia. Kvareli municipality is no exception. Some casual factors should be mentioned here. Firstly, there are no municipal programs to improve access to finance of start-ups and small entrepreneurs that would facilitate business development. Financial resources can be obtained mainly from licensed and operating commercial banks and microfinance organizations in Georgia, which issue loans from 2,000 to 500,000 GEL in industry, agriculture, tourism and trade sectors. However, securing a loan is a real problem for small businesses and especially start-ups. There are also micro and small business and agriculture support national programs and donor-funded programs, which imply support with financial resources, though the mentioned resource is not fully utilized for local small entrepreneurs due to unavailability of information about programs and in some cases, lack of relevant skills and knowledge. There is a need for a structure with informational and/or consulting function that would help the business sector in finding additional and cheap financial resources. For access to finance, see Annex B.

#### **6.5. Land and infrastructure**

Presently, business demand for buildings, land and infrastructure is on the rise. Consequently, the number of people who want to use land or buildings within the administrative boundaries of Kvareli municipality is increasing day by day.

Agricultural land in Kvareli municipality amounts to 35.8 thousand ha. 13 355 ha is arable land; perennial plantations hold 10 290 ha; pastures - 11 439 ha, non-agricultural plots of land - 6055 ha, while forests and shrubs occupy 58 941 ha.

The Property Management and Statistics Division of the Economics Department of the municipality City Hall identifies plots of land at the territory of the municipality, registers unregistered plots of land into ownership of the municipality, and carries out inventory-taking of buildings. At present municipal property looks like this: arable land - 188294 sq.m; pastures - 20 000 sq.m; pond - 28,000 sq.m; non-agricultural land - 13 581 729 sq.m; buildings - 43700 sq.m.

Municipal-owned property is privatized and office spaces are leased. At this stage, 10 facilities have been passed through lease, as well as usufruct, although the demand for office spaces by micro and small businesses is much higher. There are also privately-owned facilities for rent, however, due to the disadvantageous location and high cost, small entrepreneurs are generally

unable to rent these spaces. The municipality is considering the creation of a business incubator tailored to the interests of the private sector, but at this stage the resources required have not been found.

A significant portion of the buildings and land within the municipality is state-owned, which makes it difficult to use them for further investment. Upon a substantiated request, the property is transferred to the balance sheet of the municipality, but the process is not so simple and often is delayed.

Within the framework of the state project of systematic and sporadic registration of land rights more than 3200 real estates (plot of land, dwelling) were registered with the support of the municipality. See the requirements of the private sector in terms of plots of land and infrastructure in Annex B.

### **6.6. Regulatory and institutional framework**

In Kvareli Municipality, the following can be distinguished from the regulations of the local self-government that affect business sector activities: street trade rules and tariffs; permit for construction and the relevant fee; also, the issues of introducing, abolishing and administering local taxes at the municipal level are regulated.

From November 2015, construction permits are issued through an electronic records management MMS system.

An administrative act shall be issued at all stages of issuing the permit within the time limits specified by the Decree No 57 of the Government of Georgia of March 27, 2009 and prescribed by the MMS system. Exceptions are cases when the project should be agreed with another administrative body (Roads Department, Cultural Heritage Protection Agency, Environmental Protection Agency, utility networks and linear structure owners, etc.). In such cases, it is possible to extend the terms for administrative proceedings, but for no longer than 3 months.

Although the “one window” service principle has been introduced in Kvareli municipality City Hall secretariat, which makes easier access of citizens and businesses to the municipal services, still in some cases business sector representatives think that they have to face bureaucratic barriers when applying for a construction permit, and that the process is often delayed.

### **6.7. Skills and human capital**

Compared to other regions of Georgia, employment rate and activity rate in Kvareli are better. It is higher than an average Georgian indicator and is close to average Kakheti indicator. It is noteworthy that the unemployment rate in Kvareli is lower than in Georgia and is close to average Kakheti indicator. This is mainly due to the number of employed and self-employed in agriculture.

In Kvareli, 52% of the total population is workforce, 6.8% is unemployed and 75% of the active population is self-employed, whose income is unstable mainly due to seasonality.

As mentioned above, the majority of the population (75%) in Kvareli municipality is self-employed in agriculture, commerce, provision of services and tourism and their income is determined by their activities. Budget organizations hold the second place in terms of employment. Private companies employ a relatively small portion of the active population.

Apart from public schools, there are no other teaching and education providers in the municipality. As the school only provides general education to the child and its programs are designed and agreed at the central level and do not allow for vocational and environmental adaptive education, therefore, any dialogue between potential employers and public schools is

complicated. Although Kvareli municipality has a long tradition of vocational education, today Kvareli youth lacks this opportunity.

The local population receives higher and vocational education mainly from educational institutions in the capital city and neighbouring municipalities. There are no organizations providing trainings or short-term courses on site. During the consultations with the private sector, it was identified that situation shall be changed and a precondition created for establishing a vocational college or other education centre tailored to the local employment market. As mentioned above, employees or jobseekers have to gain knowledge and qualifications mainly in other municipalities and more often in the capital. Some employer organizations themselves provide staff training with internal resources as needed. There is no employment agency in the municipality either. Job seekers look for vacancies through personal contacts and online resources. In this context, space may be allocated on the web-site administered by the municipality and a platform created for job seekers and employers to publish free information on Kvareli municipality employment opportunities.

### **6.8. External positioning and marketing**

The research carried out in the process of developing the Local Economic Development Plan has revealed that most of the local respondents consider Kvareli to be a developed winegrowing - viticulture and tourism region. When talking about the competitive advantages of Kvareli municipality, first of all the emphasis should be made on the tradition of viticulture and wine-making in the unique viticulture areas (micro zone of Kindzmarauli viticulture and “Kindzmarauli” wine produced from Saperavi grape sort grown here) and local wine and wine brandy (Eniseli, Gremi). In the recent years, the private sector has invested heavily in vineyard cultivation sector, as well as in the production of wine and other spirits.

Tourism, which has several directions in the municipality, is also one of the main spheres defining economic activities in the municipality. Tourism development is also a good opportunity for external positioning of the municipality, as an attractive place for visitors for its landscape and location, with historical monuments of national significance, culture and hospitality traditions and wine tourism destinations, high level hotels and recreation parks, real opportunities for the development of balneological (Kvareli resort, resort Pikalebi), ethnic tourism and several rare tourism destinations. About 100,000 tourists annually visit the municipality for various tourist purposes.

The goal of Kvareli municipality is to make it more attractive for local residents, as well as for the visitors and potential investors of the municipality.

From marketing viewpoint Kvareli is in favorable condition. Kvareli awareness was always high based on the above listed factors, while its branding process started a few years ago, when the state made large-scale infrastructure works to turn Kvareli into more active and popular tourist district and make it more attractive and varied, for both internal and external visitors. In particular, the central and adjacent streets were rehabilitated and architecturally styled, the Ilia Lake recreation park was constructed, modern outdoor lighting was installed in the streets, etc. This in turn has increased the interest of investors, especially in the directions of hotel, resort and wine tourism (Kvareli Lake, Kvareli Edem, Royal Batoni, Chateau Kvareli, etc.).

In order to be more firmly positioned and maintain the status in the future of what Kvareli municipality is known for, or to have the prospect of developing new directions in Kvareli, it is necessary to continuously analyse the new capabilities of the municipality. Promoting popularity and attractiveness of Kvareli should also be a continuing process, which is reflected in specific actions: identification logo of Kvareli, as a sign of quality and the products manufactured under it, image-building videos or brochures and disseminating them at various exhibitions or business

forums, encouraging local production through entering new markets, permanent infrastructure development and proper spatial planning - this is an incomplete list of specific actions that will further create a precondition for Kvareli municipality to properly position itself in a market that is important for its further development.

## 7. SWOT analysis

S – strengths	W – weaknesses
<ul style="list-style-type: none"> <li>• Forest resources;</li> <li>• Quality of land resources and micro zones known for wine production;</li> <li>• Production of famous brand alcoholic beverages;</li> <li>• Increasing number of grape processing plants;</li> <li>• Abundance of family wine cellars and traditional methods of wine making;</li> <li>• Development of other areas of agriculture (perennials, cattle-breeding, fruit growing, etc.);</li> <li>• Favourable conditions for tourism development in different directions;</li> <li>• Accommodation facilities tailored to the needs of tourists of all categories (hotels, family hotels);</li> <li>• Hydrological resources (healing springs, natural springs, wells).</li> </ul>	<ul style="list-style-type: none"> <li>• Weak cooperation between the private, public and civil sectors;</li> <li>• Lack of access to alternative financial resources;</li> <li>• Weak branding and positioning of Kvareli municipality;</li> <li>• Lack of employment opportunities and high level of migration;</li> <li>• Lack of information on state programs supporting business and entrepreneurship development;</li> <li>• Out-dated and insufficient irrigation systems for agricultural land;</li> <li>• Poor inland roads in some parts of the city and most of the villages;</li> <li>• Lack of warehouse and cold storage facilities;</li> <li>• Lack of fruit and vegetable processing plants;</li> <li>• Low frequency of use of modern agricultural technologies and lack of relevant knowledge;</li> <li>• Poorly developed agricultural cooperatives;</li> <li>• Improper use of water resources, incomplete metering of dwellings throughout the municipality;</li> <li>• Damaged and amortized water supply system;</li> <li>• Factors impeding tourism development; <ul style="list-style-type: none"> <li>• Problem with finding the place of destination, lack of signs indicating streets and destinations;</li> <li>• Inadequate advertising of Kvareli tourism opportunities;</li> <li>• Unqualified guides and low level of foreign language skills;</li> <li>• Public transport timetable not available for tourists;</li> <li>• Absence of a bus station tailored to modern requirements;</li> <li>• Non-regulated access to some cultural heritage sites;</li> </ul> </li> </ul>
O – opportunities	T – threats
<ul style="list-style-type: none"> <li>• Special state programs to support agriculture development and agricultural cooperatives;</li> <li>• Promoting local wine by the state;</li> <li>• EU-Georgia Association Agreement and DCFTA</li> </ul>	<ul style="list-style-type: none"> <li>• Natural disaster hazards, threats from river Duruji (mudflow river, which due to its mountain torrent poses risk to the population and damages agricultural plots of land);</li> <li>• Environmental pollution, soil pollution;</li> </ul>

<ul style="list-style-type: none"> <li>• Existence of active civic groups and organizations outside the municipality and their willingness to cooperate with the municipality management;</li> <li>• Start-ups and small business government support programs;</li> <li>• Provision of adequate information by the state on tourism and investment potential of the country.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of forest cover, soil erosion;</li> <li>• High migration rate in the country;</li> </ul>
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Traditionally developed forms of economic activities in Kvareli municipality, existence of its image-making micro zones of viticulture, land resources and climate conditions required for the development of various agricultural sectors, business support state programs, developed tourist products facilitate economic growth if challenges and weaknesses, faced by the municipality are successfully addressed. Namely:

Inadequate level of awareness of the municipality and its investment potential; poorly developed cooperation between the private and public sectors; less diversified forms of economic activity; limited access to financial resources; lack of entrepreneurial skills of local entrepreneurs; scarcity of new technologies and limited access to them, low level of development of production capacity; low level of standard of tourism services and development of new tourism products; the urgent need for further development of tourism infrastructure.

Taking into account the economic structure of Kvareli municipality, building blocks and SWOT analysis, the vision and strategic objectives of the municipality local economic development were developed with the involvement of all stakeholders, which are common for the public.

## **8. Vision and objectives**

### **Strategic vision**

Kvareli Municipality is recognized in the region as a place of viticulture, winemaking and developed tourism, with favourable conditions and attractive business environment for various economic activities.

### **Strategic objectives**

1. Further develop and promote wine-growing and tourism opportunities of the municipality;
2. Improve public and private infrastructure that will support the economic development of the municipality;
3. Improve entrepreneurial environment and availability of qualified personnel tailored to the needs of the private sector.

## **9. Action Plan**

Part 9, in particular, the Local Economic Development Action Plan has also been developed with the active involvement of the partnership, relevant services of City Hall, municipality City Council and other stakeholders. Such engagement should ensure the implementation of activities envisaged in the Action Plan. Projects outlined in the Plan are focused on developing winegrowing and tourism opportunities of the municipality and improving its image, as well as

enhancing entrepreneurial environment, which implies both entrepreneurial skills and infrastructure development. Kvareli municipality City Hall and its respective structural units are accountable and responsible for the implementation of the LED Plan and the activities specified in its Action Plan.

<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>
1.External positioning and marketing ;	1. Further develop and promote wine-growing and tourism opportunities of the municipality	1.1. Organize annual wine festival and competition	08/2020 10/2020	Kvareli municipality City Hall, local entrepreneurs	15 000 GEL  5000 EUR	Number of conducted festivals, number of products sold by family cellars	Increased popularity of the municipality, increased awareness of family cellars; another exciting and attracting destination for tourists during active tourist season is created.
		1.2. Participate in local and international exhibitions and fairs and use the twin city factor	03/2020- 07/2020	Kvareli municipality City Hall, twin cities	30000 GEL  15 000 EUR	Number of selected activities, in which Kvareli municipality will participate	Increase of the popularity of the municipality, its investment potential and products produced there. Increase of number of visitors from the twin and partner cities
		1.3. Create image (promotional) video and brochure of Kvareli	11/2019- 11/2020	Kvareli municipality City Hall, local entrepreneurs	15 000 GEL  5 000 EUR	Image (promotional) video of Kvareli municipality is created to show tourism and investment attraction of Kvareli. The video is disseminated through media and social networks	Increase of awareness and popularity of the municipality. Increased number of visitors over the next two years
		1.4 Open a wine library	01.02.2020 – 01.06.2020	Kvareli municipality City Hall	5 000 GEL  1600 EUR	Wine library is operating in the vicinity of the Tourism Information Center. Its service will be used by both local farmers and interested persons, as well as tourists interested in a short 5-minutes long tours (provided in several languages) about Georgian winemaking. Number of people using the library / number of foreign tourists	Existence of a new product that will, on the one hand, promote skills of farmers and entrepreneurs, and on the other hand, raise awareness of interested tourists about Georgian wine and in particular, Kvareli as a prominent place of winemaking and viticulture.

		1.5 Elaborate tourism development strategy of Kvareli municipality	01.05.2020 - 01.05.2020	Kvareli municipality City Hall, donor organization	30 000 GEL 10 000 EUR	Tourism development strategy is developed  The document is approved.	New tourist product and tourist directions are created in Kvareli municipality. Increased number of tourists.  New tourist destinations, number of tourists
		1.6 Establish a modern wine lab jointly with the municipality having similar priority and offer bottling service to small wine cellars	01.02.2020 - 01.05.2021	Kvareli Municipality, partner municipality, donor organization	25 000 GEL 8500 EUR	Wine lab is established for small entrepreneurs in two municipalities, who bottle and label small volumes of wine in the wine lab.  Wine laboratory is established, number of lab users.	Increased capacity of small cellars by creating a lab to refine and control the quality of wine, bottle and label the wine. Promotion of small cellars. Interesting and quality wine on the market.
		1.7 Develop a concept of creating a tourist attraction in Kvareli historical fortress (defensive wall)	05/2020 - 05/2021	Kvareli municipality City Hall, private initiative	40 000 GEL 13 300 EUR	Concept is developed for more active use of Kvareli historical fortress for tourist purposes (today there is a playground in that territory) and arranging tourist attractions there.	A concept has created precondition to obtain funding or investment and to use the fortress and wall more efficiently, which will become a new profit-oriented tourism product. Amount of funding or investment; Newly created tourism product, increased number of visitors
2. Land and infrastructure;	2. Improve public and private infrastructure that will support the economic development of the municipality;	2.1. Design Kvareli sports complex (stadium) in tourist area	10/2019-02/2020	Municipal Development Fund	50 000 GEL 16 600 EUR	Design a sports complex in tourist-active zone, which envisages arrangement of large stadiums according to UEFA standards.	Created precondition for construction of mentioned complex; number of individual beneficiaries, amount of rental income. Possibility of sport-recreation activities for the guests of nearby hotels.
		2.2. Open technology park in the municipal property in Kvareli	04/2020 - 10/2020	Kvareli municipality City Hall, LEPL Innovations and Technology Agency“	40000 GEL 13 300 EUR	Newly opened technology park in Kvareli, which helps young entrepreneurs and start-uppers to introduce innovative approaches and technologies in their production, also to increase entrepreneurial skills in this field	Increased number of local successful entrepreneurs, who use modern technologies in production. Number of entrepreneurs, who used the resources of technology park.



		2.3. Repair access road to Dolochopi chapel and arrange tourist-camping and recreational infrastructure around it	09/2020-08/2021	Kvareli municipality City Hall, Regional Projects Fund (Ministry of Regional Development)	1 000 000 GEL 330 000 EUR	Road connecting the Ilia Lake recreation area with Dolochopi archaeological discoveries is arranged, which creates an interesting and attractive tourist complex. Arranged and organized camping and recreational places for tourists and visitors. Opportunity to develop small merchants on site.	Another important tourist attraction is creation in Kvareli municipality for cultural-educational, hiking, eco and pilgrim tourism. Number of visitors, amount of income earned, additional product is created in Kvareli in the field of tourism
		2.4 Develop spatial planning document of Kvareli city	05/2020 - 05/2021	Kvareli municipality City Hall, donor organization	350 000 GEL 116 66 EUR	Developed spatial planning document of Kvareli city	The city is developed in the right direction. It maintained and refined (where needed) the architectural appearance. Increase of number of visitors. Increase of image of Kvareli.
3. Skills and human capital, inclusivity	3. Improve entrepreneurial environment and availability of qualified personnel tailored to the needs of the private sector.	3.1 Create investment catalogue of Kvareli municipality	01.02.2020 - 01.10.2020	Kvareli municipality City Hall, donor organization	65 000 GEL 21 600 EUR	Investment catalogue is created	Increase volume of investments. Number of implemented investments
		3.2 Develop a concept and for restoring early existing vocational school in Kvareli	01.04.2020 - 01.09.2020	Kvareli municipality City Hall	30 000 GEL 10 000 EUR	A concept of vocational school is developed. Needs for vocational school development are identified.	Restored vocational school. Educational programs tailored to local employment market requirements.  Vocational school, number of programs, number of vocational school graduates annually
		3.3 Organize short-term training courses to improve skills of young people, women, ethnic minorities and start-up entrepreneurs	01.09.2020 - 01.03.2021	Kvareli municipality City Hall, donor organization	30 000 GEL 10 000EUR	Programs of trainings and seminars is developed and organized. Trainings for start-up entrepreneurs, women, ethnic minorities and young people are conducted. Number of conducted trainings, number of trained people.	Increased number of qualified people. Increased employment opportunities of young people, women, ethnic minorities and other vulnerable groups.  Number of persons employed after training.
		3.4 Establishment of advisory council, comprised of representatives of private and civil sectors and institutional strengthening of it as a new	01.04.2020 - 01.06.2020	Kvareli municipality City Hall, donor organization		The advisory council of the mayor is created as a platform for cooperation between sectors, which meets according to the statute of needs	An effective collaboration platform between sectors. Number of initiatives supporting business at the local level.

		platform for cooperation					
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## 10. Financing Scheme

<i>Actions</i>	<i>Estimated costs</i>	<i>Sources of financing</i>				<i>Funding gaps</i>	<i>Remarks</i>
		<i>Local budget</i>	<i>Upper level budget</i>	<i>Business</i>	<i>Donors</i>		
1.1 Organize annual wine festival and competition	15 000 GEL (5 000 EUR)	9000 GEL (3000 EUR)		6 000 GEL (2000 EUR)			
1.2. Participate in local and international exhibitions and fairs and use the twin city factor	30 000 GEL (10 000 EUR)	20 000 GEL 6500 EUR		6000 GEL 2000 EUR	4000 GEL 1350 EUR		
1.3. Create image (promotional) video and brochure of Kvareli	20 000 GEL 7 000 EUR	15 000 GEL 5 000 EUR		5000 GEL 1600 EUR			
1.4. Open a wine library	5 000 GEL 1600 EUR	5000 GEL 1600 EUR					
1.5. Elaborate tourism development strategy of Kvareli municipality	30 000 GEL 10 000 EUR	15 000 GEL (5000 EUR)			15 000 GEL (5000 EUR)		
1.6 Establish a modern wine lab jointly with the municipality having similar priority and offer bottling service to small wine cellars	250 000 GEL 85 000 EUR				50 000 GEL 16 000EUR	200 000 GEL 66 000 EUR	
1.7 Develop a concept of creating a tourist attraction in Kvareli historical fortress (defensive wall)	40 000 GEL 13 300 EUR	10 000 GEL 3 300 EUR		30 000GEL 10 000 EUR			
2.1. Design Kvareli sports complex in tourist area	50 000 GEL 16 600 EUR		50 000 GEL 16 600 EUR				

2.2 Open technology park in the municipal property in Kvareli	40 000 GEL 13 300 EUR	10 000 GEL 3300 EUR	30 000 GEL 10 000 EUR				
2.3. Repair access road to Dolochopi chapel and arrange tourist-camping and recreational infrastructure around it	900 000 GEL 333 000 EUR	100 000 GEL 33 000 EUR	740 000 GEL 246 600 EUR	60 000 GEL 20 000 EUR			
2.4. Develop spatial planning document of Kvareli city	350 000 GEL 116 660 EUR	100 000 GEL 33 000 EUR				250 000 GEL 83 300 EUR	
3.1. Create investment catalogue of Kvareli municipality	65 000 GEL 21 600 EUR				65 000 GEL 21 600 EUR		
3.2. Develop a concept for restoring early existing vocational school in Kvareli	30 000 GEL 10 000 EUR	30 000 GEL 10 000 EUR					
3.4 Organize short-term training courses to improve skills of young people, women, ethnic minorities and start-up entrepreneurs	30 000 GEL (10 000 EUR)	15 000 GEL 5000 EUR			15 000 GEL 5000 EUR		
<b>Total sum</b>	<b>1 855 000 GEL (618.333 EUR)</b>	<b>329 000 GEL 108 700 EUR</b>	<b>820 000 GEL 273 300 EUR</b>	<b>107 000 GEL 35 600 EUR</b>	<b>149 000 GEL 48 950 EUR</b>	<b>450 000 GEL 149 300 EUR</b>	

## 11. Monitoring Indicators and Mechanisms

<i>Actions / Projects ideas</i>	<i>Duration (start / finish)</i>	<i>Expected results months 1-6</i>	<i>Expected results months 7-12</i>	<i>Expected results months 13-18</i>	<i>Expected results months 19-24</i>
1.1. Organize annual wine festival and competition	01.08.2020 10.10.2020		Concept of the festival is created, date of the festival is set, festival participants and the composition of the jury are determined	One wine festival and competition are conducted	Date of the next festival is set, festival participants and the composition of the jury are determined. The awareness of local wine producers has increased.
1.2. Participate in local and international exhibitions and fairs and use the twin city factor	03/2020- 07/2020		International exhibition/fair/festival is selected to participate; composition of the delegation is determined; exhibition material for participation	Participation in international exhibition / fair / festival	International exhibition/fair/festival is selected to participate, composition of the delegation is determined, exhibition material for participation

			in the event is prepared.		in the event is prepared.
1.3. Create image (promotional) video and brochure of Kvareli	11/2019 11/2020	Content of the image video and brochure is developed, funding is allocated.	Image video is created and brochures are printed	Image video is shown on the internet and through various media outlets	Image video is shown on the internet and through various media outlets. The number of visitors has increased. Brochure is re-circulated.
1.4. Open a wine library	01.02.2020 01.06.2020	Concept of a wine library is developed, space for the library is found and equipped, wine library is opened	Wine library is operating in Kvareli, serving interested readers, farmers and tourists	Wine library is operating in Kvareli, serving interested readers, farmers and tourists	Wine library is operating in Kvareli, serving interested readers, farmers and tourists. Increased number of users within six months.
1.5 Elaborate tourism development strategy of Kvareli municipality	01.05.2020 01.11.2020		Group of experts working on the strategy is defined, funds are sought	Tourism development strategy of Kvareli municipality is elaborated	
1.6 Establish a modern wine lab jointly with the municipality having similar priority and offer bottling service to small wine cellars	01.02.2020 01.05.2021	Inter-municipal group is set up to work on the project and fundraising issues.	Funding is found to establish a laboratory	Wine lab is opened at the selected location.	Number of local farmers using lab and wine bottling services
1.7 Develop a concept of creating a tourist attraction in Kvareli historical fortress (defensive wall)	05.2020 05.2021		Working group is created to work on the concept,	The concept tourist attraction in Kvareli historical fortress (defensive wall) is developed	The concept of tourist attraction in Kvareli historical fortress (defensive wall) is developed and it is possible to start work on finding sources of funding.
2.1. Design Kvareli sports complex in tourist area	10/2019 02/2020	Funds are allocated for the design of the sports complex with a large and small stadiums in accordance with UEFA standards, tender is announced for the procurement of design work	Design work of sports complex is completed.	Design work of sports complex is completed.	Design work of sports complex is completed.

2.2 Open technology park in the municipal property in Kvareli	04/2020 10/2020		The building is assigned and proper repair works are carried out	There is a technology park in Kvareli	Number of users of technology park
2.3 Repair access road to Dolochopi chapel and arrange tourist-camping and recreational infrastructure around it	09/2020 – 08/2021		Funds are allocated for repairing (paving) the road. Design works for the road construction are completed.	There is a road linking the Ilia Lake recreational park with Dolochopi archaeological discoveries. Funds are found. Design works of tourist-camping and recreational infrastructure nearby Dolochopi chapel are completed.	Tourist-camping and recreational infrastructure nearby Dolochopi chapel is arranged.
2.4 Develop spatial planning document of Kvareli city	05/.2020 05/2021			Funds are found for the procurement of the planning document, tender is announced.	Spatial planning document of Kvareli city is developed
3.1 Create investment catalogue of Kvareli municipality	01.02.2020 01.10.2020	Catalogue working group is defined	Investment catalogue is created	Investment catalogue is published on the internet	Investment catalogue is published on the internet. Quantity of investment/interest expressed in municipality
3.2 Develop a concept for restoring early existing vocational school in Kvareli	10.04.2020 01.09.2020		Research of market needs is conducted and the concept of vocational school is developed on the basis of it.	Active work is ongoing to obtain funding.	
3.3 Organize short-term training courses to improve skills of young people, women, ethnic minorities and start-up entrepreneurs	01.09.2020 01.03.2021		Training topics are selected, study program is developed, training participants are identified, 30 persons are trained		Training topics are selected, study program is developed, training participants are identified, 30 persons are trained
3.4 Establishment of advisory council, comprised of representatives of private and civil sectors and institutional strengthening of it as a new platform for cooperation	01.04.2020 01.06.2020		The statute of the council is drawn up, the members of the advisory council are selected, and the first meeting is organized.	An action plan of the council has been drawn up and the form and periodicity of the meetings have been determined	There exists platform of effective cooperation among public, private and civil sectors.
<b>% of total budget (estimated)</b>		10%	60%	30%	10%