

# **How to Increase Georgia's Competitiveness: The Case for Public and Private Partnership**

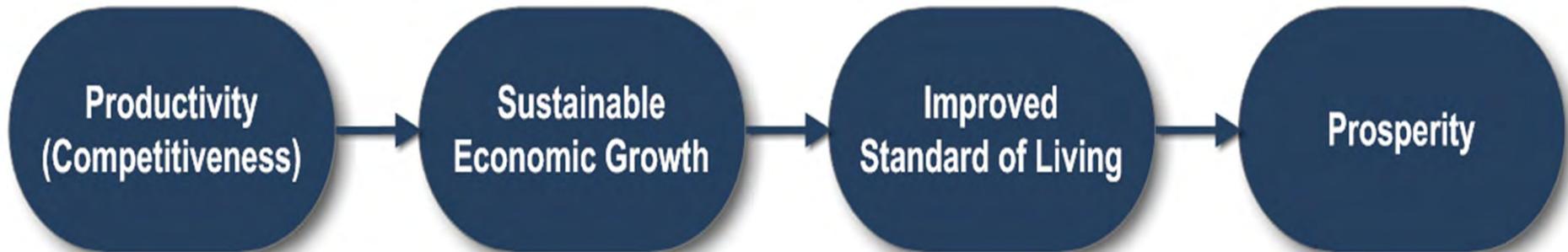
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## Content

- **Competitiveness Definition**
- **Role of Public and Private Partnerships**
  - Types of Public and Private Partnerships
  - Public-Private Competitiveness Framework
  - Competitiveness Council Composition
- **Sector-level Case Study**
  - Innovation Cluster, Jordan
- **Georgia's Competitiveness**
  - Is Georgia Competitive?
  - Georgia's Competitiveness Framework (or lack thereof)
  - Opportunities?

## What is Competitiveness?



- “The set of institutions, policies, and factors that determine the level of productivity of a country” – World Economic Forum
- “Ability of a country to produce goods which meet the test of international markets, while simultaneously maintaining and expanding the real income of its people over the long term” – OECD
- “The efficiency by which an economy utilizes its natural resources, labor, capital and technology to produce goods and services” - Michael Porter

# Role of Public and Private Partnerships



## **Government drives the economic policy**

- Nascent private sector provides no or limited input
- Weak civil society organizations

## **Public and private sector jointly design/implement economic policy agenda**

- Private sector drives economic growth and government as an enabler
- CSOs, universities, and media serve as key contributors

## **PPP used as a tool to implement joint projects**

- Infrastructure development projects
- Special Economic Zones, smart cities

## **New and innovative models to leverage private funds for public good purpose**

- Impact investing
- Corporate social responsibility, “double bottom line”

# Public-Private Competitiveness Framework

- **Analysis and Research**
  - Annual competitiveness report
  - Benchmarking and competitiveness indicators
  - Monitoring and evaluation
  - Short-term, medium-term and long-term recommendations
  - Reporting
- **Coordination and Consensus**
  - National Economic Policy Agenda or Strategy
- **Policy Development and Implementation**
  - Sector or Cluster Strategies and Action Plans
- **Awareness and Communications**
  - Continuous, consistent, and targeted communications with businesses, citizens, investors, visitors

<b>Types of Institutions</b>
Think tanks
Research Institutes
Universities
Competitiveness Observatory
<b>Types of Institutions</b>
Competitiveness Council
Regional Economic Development Units
National Economic Board
<b>Types of Institutions</b>
All of the above

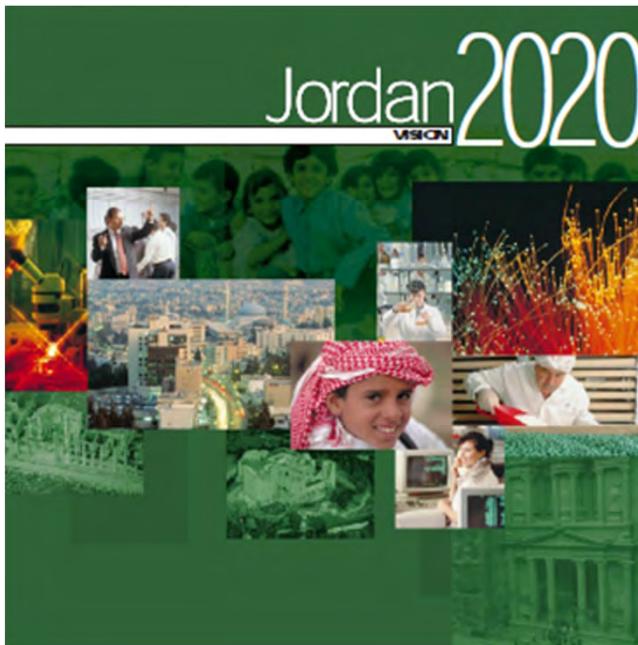
# Competitiveness Council Composition

- Clear role and mandate
  - Observatory and advisory
  - Public-private dialogue
  - Planning
  - Directing and implementing
- Diverse stakeholders
  - Hong Kong – 22
  - Malaysia – 20
  - Singapore – 15
  - Ireland – 14
  - US - 12



## Jordan – Innovation Cluster

- 1999, Jordan Vision 2020: ICT and Innovation identified as a pillar of future Jordanian competitiveness
- 1999, REACH Initiative
- National ICT Strategy for a strong industry (2007-2011)



### Jordan's REACH Initiative

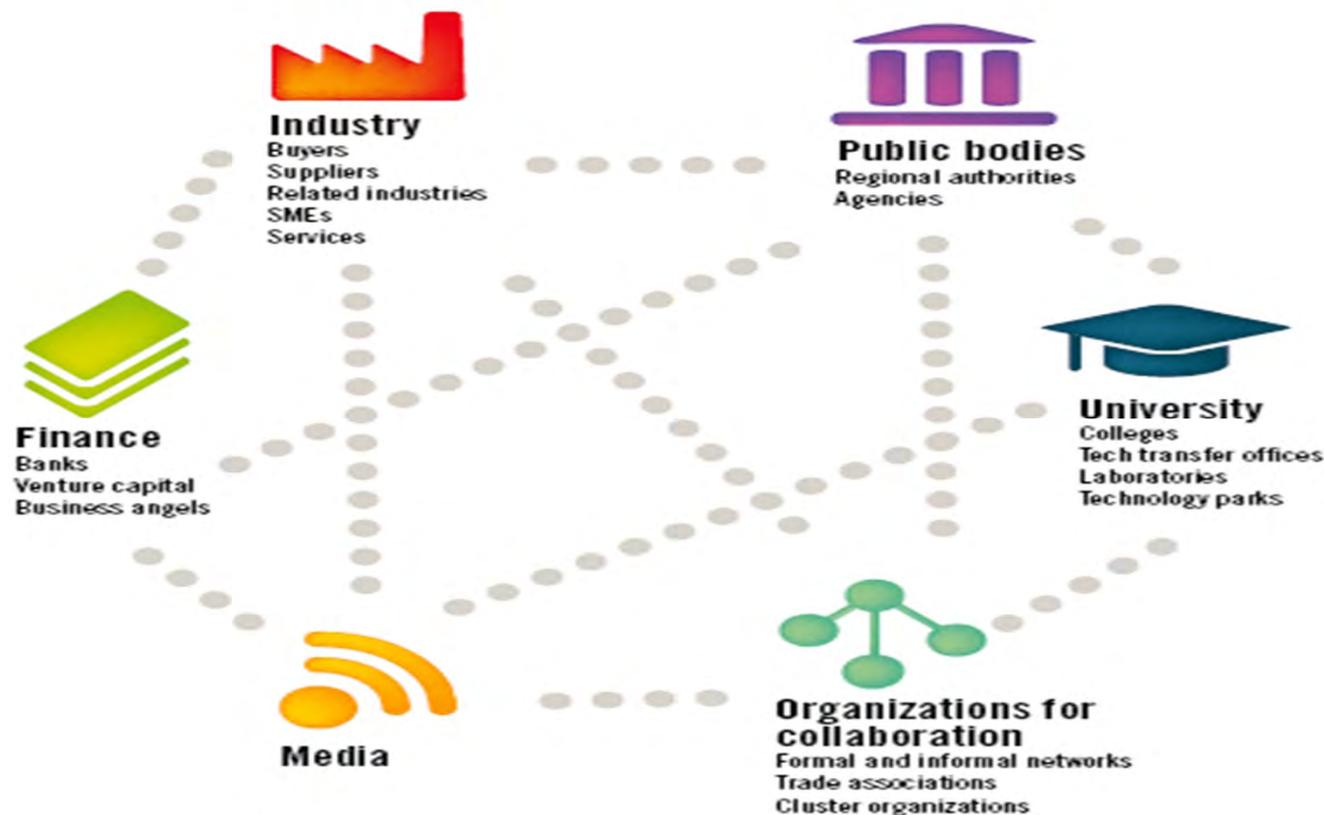
The REACH Initiative was launched in late June 1999 in response to a request from H.M. King Abdullah for a concrete proposal aimed at strengthening Jordan's IT sector. Members of the Jordan Computer Society devised REACH, a comprehensive framework embracing actions in the following areas:

- **R**egulatory framework
- **E**state infrastructure
- **A**dvancement programmes
- **C**apital
- **H**uman resources development

The initiative resulted in a comprehensive strategy for launching Jordan's software and IT services industry, which was presented to H.M. Abdullah in October 1999.

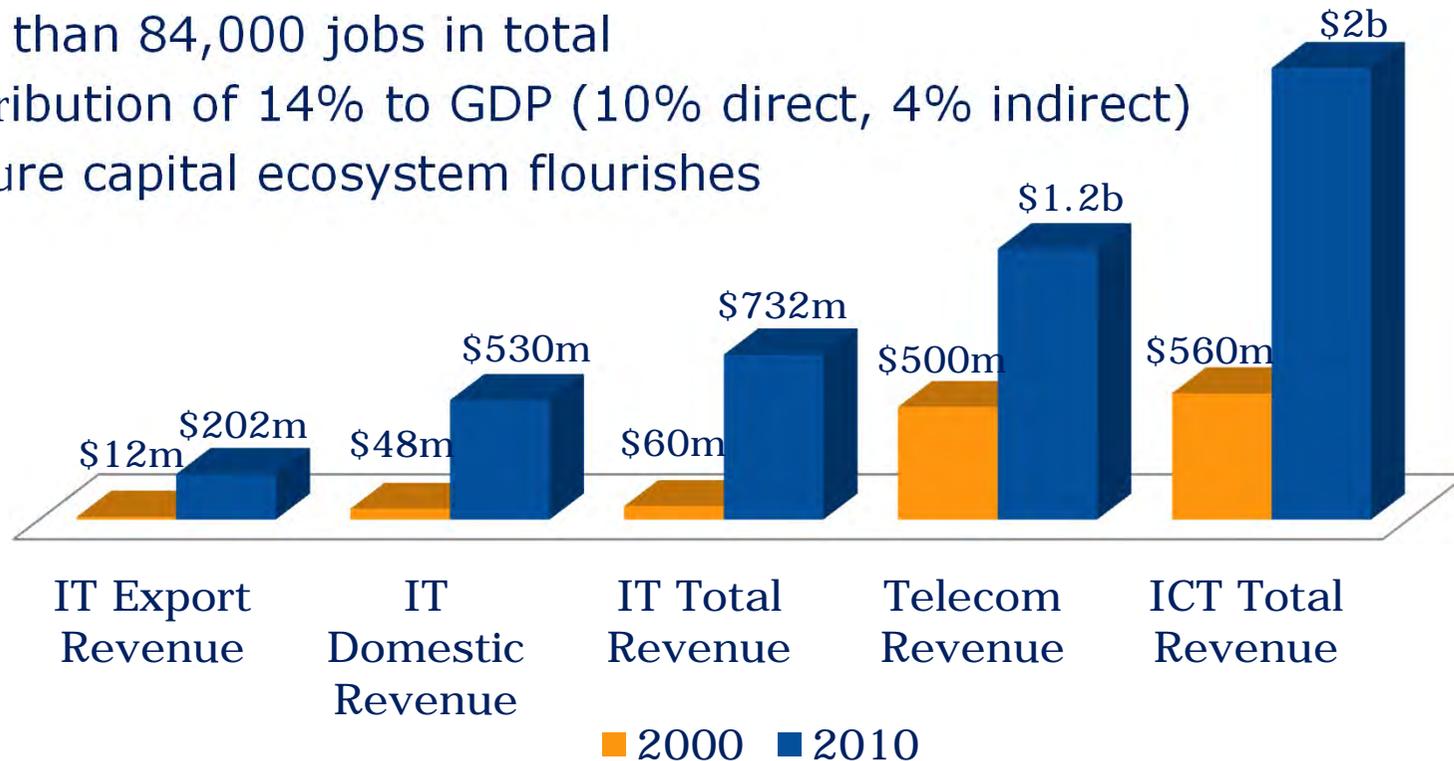
## Jordan – Innovation Cluster (con't)

- Informal network of stakeholders that are committed to strategic and broad-based action to build a culture of innovation that will lead to prosperity.



## Jordan – Innovation Cluster (con't)

- By 2010, ICT sector reaches \$2 billion in revenue
- Over 500 companies in Telecom, IT, Online and Mobile Content, Outsourcing, and Games Development
- Fastest growing sector (avg. 25% growth)
- More than 84,000 jobs in total
- Contribution of 14% to GDP (10% direct, 4% indirect)
- Venture capital ecosystem flourishes



## Is Georgia Competitive?

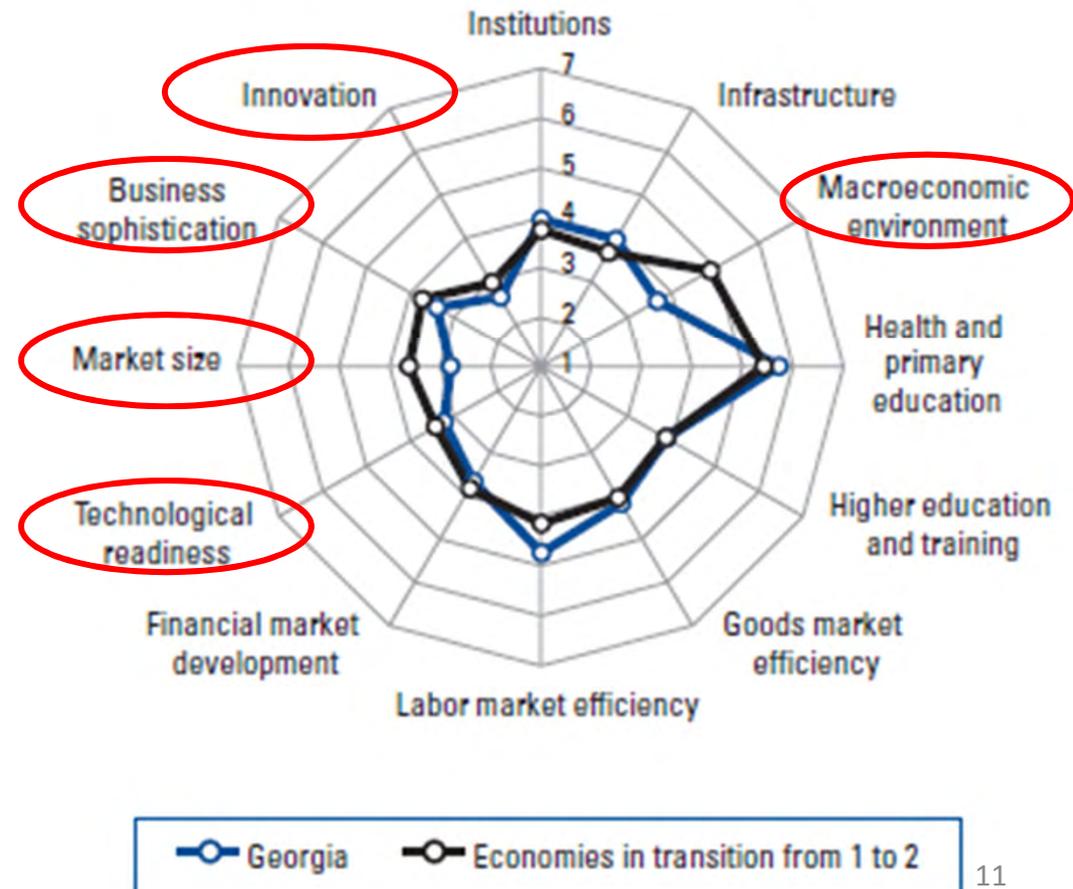
- Productivity levels
- International indicators
  - WB – Doing Business 2012 – 16/183
  - HF – Index of Economic Freedom – 2011 – 29/179
  - WEF – Global Enabling Trade Report 2010 – 37/125
  - WEF – Travel & Tourism Competitiveness Index 2011 – 73/139
  - WEF – Global Gender Gap Index 2011 – 86/135
  - WEF – Global Competitiveness Report 2011-2012 – 88/142
  - WEF – Global Information Technology Report 2010 – 98/139

## Is Georgia Competitive? (con't)

World Economic Forum, Global Competitiveness Report

- Georgia's ranking hovers around 90<sup>th</sup> place over past three years
- Lagging in five pillars when compared to its peer countries

	Rank (out of 142)	Score (1-7)
GCI 2011-2012 .....	88	4.0
GCI 2010-2011 (out of 139).....	93	3.9
GCI 2009-2010 (out of 133).....	90	3.8



# 9<sup>th</sup> Pillar: Technological readiness

Georgia, Pillar 9 <sup>th</sup>			
2011-2012		2010-2011	
Rank	Score	Rank	Score
100	3.2	98	3.1
Pillar 9: Technological Readiness			
	Country	Rank	Score
1	Estonia	27	4.95
2	Czech Republic	31	4.82
3	Croatia	38	4.5
4	Bulgaria	50	4.11
5	Turkey	55	3.95
6	Romania	60	3.76
7	Macedonia, FYR	67	3.67
8	Serbia	71	3.63
9	Azerbaijan	74	3.6
10	Moldova	78	3.52
11	Ukraine	82	3.47
12	Armenia	88	3.43
13	Georgia	100	3.23

Indicator Name Survey question	Georgia's Rank and Comparators	Other Countries at that Rank
<b>Availability of latest technologies</b> To what extent are the latest technologies available in your country? [1 = not available; 7 = widely available]	<b>99</b>  AZE - 87 ARM - 116 EST- 34	Venezuela, Cambodia, China, Suriname
<b>Firm-level technology absorption</b> To what extent do businesses in your country absorb new technology? [1 = not at all; 7 = aggressively absorb]	<b>115</b>  AZE - 66 ARM - 114 EST- 36	Kazakhstan, Armenia, Nepal, Romania
<b>FDI and technology transfer</b> To what extent does foreign direct investment (FDI) bring new technology into your country? [1 = not at all; 7 = FDI is a key source of new technology]	<b>98</b>  AZE - 69 ARM - 77 EST- 26	Tanzania, Finland, Croatia, Kazakhstan

# 11<sup>th</sup> Pillar: Business sophistication

Georgia, Pillar 11 <sup>th</sup>			
2011-2012		2010-2011	
Rank	Score	Rank	Score
110	3.4	111	3.3

Pillar 11: Business Sophistication			
	Country	Rank	Score
1	Czech Republic	36	4.42
2	Estonia	53	4.16
3	Turkey	58	4.09
4	Azerbaijan	73	3.81
5	Croatia	88	3.66
6	Bulgaria	96	3.55
7	Romania	102	3.48
8	Ukraine	103	3.48
9	Macedonia, FYR	105	3.47
10	Armenia	107	3.43
11	Georgia	110	3.39
12	Moldova	117	3.27
13	Serbia	130	3.08

Indicator Name Survey question	Georgia's Rank and Comparators	Other Countries at that Rank
<b>Local supplier quantity</b> How numerous are local suppliers in your country? [1 = largely nonexistent; 7 = very numerous]	<b>138</b> AZE - 73 ARM - 111 EST- 92	Belize, Swaziland, Lesotho, Venezuela
<b>Local supplier quality</b> How would you assess the quality of local suppliers in your country? [1 = very poor; 7 = very good]	<b>130</b> AZE - 102 ARM - 113 EST- 39	Algeria, Iran, Mozambique, Cape Verde
<b>Control of international distribution</b> To what extent are international distribution and marketing from your country owned and controlled by domestic companies? [1 = not at all, they take place through foreign companies; 7 = extensively, they are primarily owned and controlled by domestic companies]	<b>95</b>  AZE - 76 ARM - 102 EST- 71	Belize, Bulgaria, Bolivia, Hungary
<b>Extent of marketing</b> In your country, to what extent do companies use sophisticated marketing tools and techniques? [1 = very little; 7 = extensively]	<b>107</b> AZE - 90 ARM - 116 EST- 53	Macedonia, Bolivia, Zambia, Mozambique
<b>Willingness to delegate authority</b> In your country, how do you assess the willingness to delegate authority to subordinates? [1 = low – top management controls all important decisions; 7 = high – authority is mostly delegated to business unit heads and other lower-level managers]	<b>116</b> AZE - 85 ARM - 113 EST- 29	Moldova, Kyrgyz Rep., Russia, Paraguay

# 12<sup>th</sup> Pillar: Innovation

Georgia, Pillar 12 <sup>th</sup>			
2011-2012		2010-2011	
Rank	Score	Rank	Score
118	2.6	125	2.5

Pillar 12: Innovation			
	Country	Rank	Score
1	Estonia	30	3.81
2	Czech Republic	33	3.77
3	Azerbaijan	60	3.2
4	Turkey	69	3.15
5	Ukraine	74	3.11
6	Croatia	76	3.09
7	Bulgaria	93	2.94
8	Romania	95	2.91
9	Serbia	97	2.9
10	Macedonia, FYR	105	2.81
11	Armenia	112	2.74
12	Georgia	118	2.62
13	Moldova	128	2.44

Indicator Name Survey question	Georgia's Rank and Comparators	Other Countries at that Rank
<b>Capacity for innovation</b> In your country, how do companies obtain technology? [1 = exclusively from licensing or imitating foreign companies; 7 = by conducting formal research and pioneering their own new products and processes]	<b>103</b> AZE - 52 ARM - 61 EST- 34	Kazakhstan, Namibia, Botswana, Mali
<b>Company spending on R&amp;D</b> To what extent do companies in your country spend on R&D? [1 = do not spend on R&D; 7 = spend heavily on R&D]	<b>124</b> AZE - 83 ARM - 117 EST- 40	El Salvador, Nicaragua, Dominica, Haiti
<b>Availability of scientists and engineers</b> To what extent are scientists and engineers available in your country? [1 = not at all; 7 = widely available]	<b>120</b> AZE - 53 ARM - 87 EST - 62	Mauritius, Venezuela, Jamaica, Moldova

# 5<sup>th</sup> Pillar: Higher education and training

Georgia, Pillar 5 <sup>th</sup>			
2011-2012		2010-2011	
Rank	Score	Rank	Score
88	3.9	90	3.7

Pillar 5: Higher Education and Training			
	Country	Rank	Score
1	Estonia	23	5.15
2	Czech Republic	30	4.95
3	Ukraine	51	4.58
4	Romania	55	4.42
5	Croatia	56	4.41
6	Bulgaria	70	4.16
7	Turkey	74	4.02
8	Azerbaijan	75	4.01
9	Armenia	76	4.01
10	Macedonia, FYR	80	3.98
11	Serbia	81	3.98
12	Moldova	83	3.93
13	Georgia	88	3.87

Indicator Name Survey question	Georgia's Rank and Comparators	Other Countries at that Rank
<b>Quality of the educational system</b> How well does the educational system in your country meet the needs of a competitive economy? [1 = not well at all; 7 = very well]	<b>116</b> AZE - 113 ARM - 97 EST- 42	Côte d'Ivoire Brazil, Slovak Rep., Madagascar
<b>Quality of math and science education</b> How would you assess the quality of math and science education in your country's schools? [1 = poor; 7 = excellent – among the best in the world]	<b>100</b> AZE - 99 ARM - 81 EST- 20	Ghana, Uganda, Nigeria
<b>Quality of management schools</b> How would you assess the quality of management or business schools in your country? [1 = poor; 7 = excellent – among the best in the world]	<b>115</b> AZE - 125 ARM - 131 EST- 48	Honduras, Serbia, Ukraine, Tanzania
<b>Local availability of specialized research and training services</b> In your country, to what extent are high-quality, specialized training services available? [1 = not available; 7 = widely available]	<b>115</b> AZE - 59 ARM -114 EST- 37	Serbia, Brunei, Venezuela
<b>Extent of staff training</b> To what extent do companies in your country invest in training and employee development? [1 = hardly at all; 7 = to a great extent]	<b>106</b> AZE - 67 ARM - 105 EST- 46	Nicaragua, Vietnam, Tajikistan

# Georgia's Competitiveness Framework (or lack thereof)

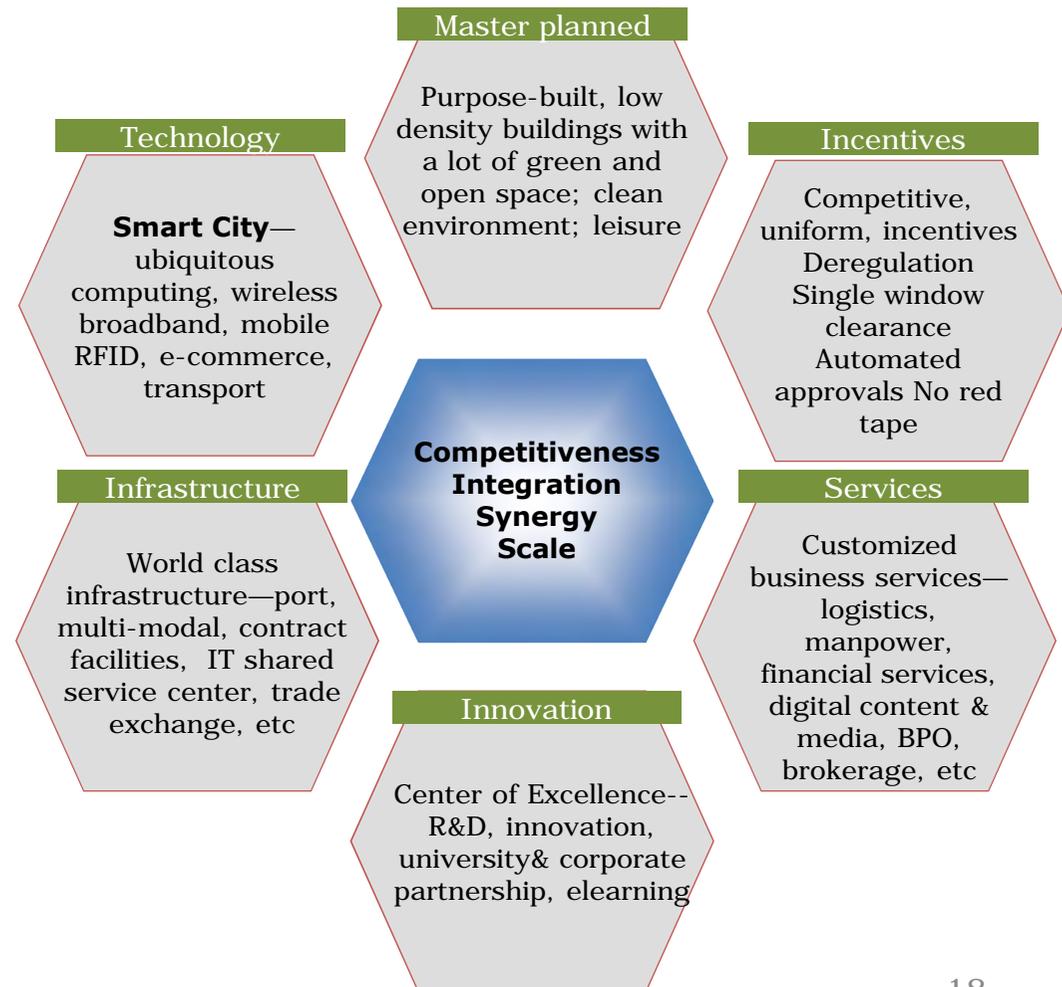
- Analysis and Research
  - Lack of data analysis, research and absence of comprehensive competitiveness reports
  - Focus on indicators that show progress and are within GoG control (WB DBI)
  - Lack of monitoring or evaluation of policies, no performance indicators
  - Limited reporting
- Coordination and Consensus
  - Competition and weak coordination among government agencies; only limited coordination with private sector and academia
  - Lack of consensus on long-term national economic policy agenda or strategy
  - Limited planning
- Policy Development and Implementation
  - “Laissez-faire” approach to sector development
  - Policy decisions not always fact-based or informed
  - Infrastructure decisions and city developments look for shortcuts and lack rigorous master plans
- Awareness and Communications
  - Inconsistent or often contradicting messages with businesses, citizens, investors, visitors

# Georgia's Competitiveness Opportunities

- **Set-up the Right Competitiveness Framework**
  - Analyse data to understand trends, develop and implement policies, and monitor/evaluate impact to again adjust policies
  - Produce Georgia's first Competitiveness Report
  - Develop sectoral policies (short-term, medium-term, long-term)
  - Eventually.... establish dialogue between public sector, private sector, academia and CSO and reach consensus on a National Economic Strategy (long-term) and establish an institutional framework for competitiveness
- **Pilot one or two clusters to drive competitiveness**
  - Trade and logistics cluster – initial coordinated group of public and private sector stakeholders already established as part of Trade Facilitation System initiative
  - ICT Innovation cluster – as a complement to existing eGovernance initiatives and several donor initiatives (USAID, GIZ), and interest of universities, youth
  - Wine tourism cluster

## Georgia's Competitiveness Opportunities (con't)

- Adopt proven approaches and use tested competitiveness tools
  - Special Economic Zones with master plans and driven by private developers to meet the needs of global companies (Tbilisi, Poti, Batumi)
  - Learn from PPP trailblazers when developing infrastructure to leapfrog to more mature and innovative models of PPP



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## Georgia's Competitiveness Opportunities (con't)

- Communicate with the citizens, businesses, investors and visitors
  - Remove the disconnect by engaging with constituents to seek their opinion and feedback (surveys, focus groups, social media)
  - Report on progress against performance indicators

## Conclusions

- Public and private partnerships are critical for increasing competitiveness
- Available structures and frameworks exist and can be replicated in Georgia
- Georgia has achieved tremendous reform to date
- And is now ready for a public-private consensus and national economic strategy to determine Georgia's place in the 21<sup>st</sup> century
  - Limited resources require focus and targeting
  - Limited resources require participation of all stakeholders in economy and society
  - Small market requires focus on export-driven economic growth
  - Innovation is critical to success