

# Innovative Development Trends in Georgia

Berdznishvili Karina \*

*Georgian, 2<sup>nd</sup> deadlock of Todria, Building 3, Apartment 102, Rustavi 3700, Georgia*

*Email: karina\_berznishvili@mail.ru*

## Abstract

The problems of management of innovative systems that exist in Georgia at the present stage of development were studied in this research. Based on the objective, the project solves the following tasks: a) collect data on the innovative development of Georgia; b) comparing the data with those of other countries) analysis of the results. The subject of the study was the data on the innovative development of Georgia during the last period. In the process, applied general economic research methods: a) observation and collection of information, b) the method of scientific abstraction, c) analysis and synthesis, g) a systematic approach, d) induction and deduction, e) logic. The methodological basis for the study were research and publications Forbs Georgia, The Strategic Plan of Social and Economical Development of Georgia "Georgia 2020" and others. Studies have shown that problems are fixed in the following areas: protection of the rights of the owner, innovation, secondary and higher education, research, the level of competition in the internal market, the availability of financial resources, professional workforce, the degree of trust in politicians and political instability. Development of Georgia can be achieved only by means of economic transition to the innovative type of development, and this requires an individual approach to solving the country's problems of innovation. The study gives a complete picture of Georgia's innovative development and a list of the problems that exist at the present stage of development. The study shows in which direction should work the new government of the country, to the innovative development of the Georgian economy has translated into a new stage of development.

**Keywords:** innovation; innovative development; development strategy; Innovation Development Index.

## 1. Introduction

For the innovative development of Georgia today it is important to develop a strategy for the development of innovations and science [1].

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\* Corresponding author.

The most important objectives of this strategy are: development of basic research, improve the performance sector of science and inventions, integration into the global economy, the development of innovation infrastructure [2]. Effective management of innovation at all levels will give Georgia an opportunity for sustainable economic development of the country as a whole, individual regions and territories [1].

## **2. Materials and Methods**

In the process, applied general economic research methods: a) observation and collection of information, b) the method of scientific abstraction, c) analysis and synthesis, g) a systematic approach, d) induction and deduction, e) logic. The methodological basis for the study were research and publications Forbs Georgia, The Strategic Plan of Social and Economical Development of Georgia "Georgia 2020" and others.

In the "Global Competitiveness Report" of the World Economic Forum for 2014-2015, Georgia has improved its position in comparison with the previous year and has moved from 72th place (4.15 points) to 69th (4.22 points) [3].

The structure of the "Global Competitiveness Index" consists of three blocks:

- Basic requirements (public institutions, infrastructure, macro environment, basic education, health care)
- Factors that promote efficiency (higher education, market efficiency products and services, development of financial markets, technology, the size of the wound)
- Innovative factors (business development, innovation).

## **3. Results**

According to the Report for 2014-2015, on the main requirements of Georgia holds 48th position (4.88 points), according to the factors stimulating the efficiency of the 79th (3.92 points), on innovative factors - 118th place (3,1 points) [2].

Macroeconomic stability is one of the basic requirements of components. According to the Report for the 2014-2015 years, Georgia is on this indicator on 48-th place, she was awarded 5.14 points. The indicator of macroeconomic stability is determined five factors [3]:

1. The budget deficit (Georgia: 40-th place, 1.3% in relation to GDP)
2. Internal storage (Georgia 72-th place, 19.4% in relation to GDP)
3. Inflation (Georgia: 78-th place, 0.5% in relation to GDP)
4. Public debt (Georgia: 41-st place, 31.8% in relation to GDP)

5. The credit rating of the country (Georgia: 84-th place, 38.3 points).

In the Report for 2012-2013, Georgia for the same indicators held the following positions: macro-economic stability – 88-th place, the budget deficit – 37-th place (0.9% of GDP), domestic savings – 122-th place (10, 9%), inflation – 115-th place (8.5%), government debt – 53-rd place (33.9% of GDP), the country's credit rating – 91-th place (35.7 points) [3].

In the Report for 2014-2015, Georgia has the most difficult position in innovation and business development. According to these indicators, it ranks 113-th (business) and 121-th (innovation) space [3].

Among the factors that determine the effectiveness of the most problematic is the size of the market, according to which Georgia has the 103-rd position (2.98 points), higher education and trainings - the 92-nd place (3.89 points) [3].

**Table 1:** Georgia in the ranking of "Global Competitiveness Report" [3]

	<b>Competitiveness Ranking</b>	<b>Basic Requirements</b>	<b>The effectiveness of stimulating factors</b>	<b>Innovative Factors</b>	<b>Macroeconomic Stability</b>
<b>2014-2015</b>	69	48	79	118	48
<b>2013-2014</b>	72	57	86	122	61
<b>2012-2013</b>	77	64	87	120	88
<b>2011-2012</b>	88	86	89	117	137
<b>2010-2011</b>	93	95	94	121	130
<b>2009-2010</b>	90	85	89	117	117
<b>2008-2009</b>	90	91	87	109	118
<b>2007-2008</b>	90	87	90	119	-
<b>2006-2007</b>	85	82	87	113	93

As can be seen from the table, Georgia improved its position: from the 72th place moved to 69th place. In the ranking of 2012-2013, Georgia ranked 77th place [3].

In order to establish whether the situation has improved in the ratings of Georgia over the past 10 years, we have studied all the reports for the period 2006-2015. Then we presented the results of our research in the form of a table (Table 1). In accordance with the table in the ranking of global competitiveness, Georgia's position began to improve from 2010-2011. In 2011, all major indexes rose except the innovation factor. It keeps stable position 118-122 place [3].

Over the past two years, according to reports, more than others improve performance macroeconomic stability. Georgia in the ranking of 88th place (2012-2013) moved to 48th place (2014-2015). So as you improve the performance of the market, the country has moved from 82nd place to 60th. According to the development of the financial market with a 93rd place Georgia has moved to 76<sup>th</sup> [3].

None of the indicators are not deteriorated over the past two years. Stable problematic are innovation, business development and wound size (respectively 118th, 122nd, 103rd place).

We analyzed the World Economic Forum reports and concluded that the competitiveness of Georgia improved in the past two years.

In the ranking of the Global Innovation Index, Georgia ranked 73rd place, compared with the previous year, improved its position by two notches. According to the business school INSEAD and the World Intellectual Property Organization, Georgia is ranked second in the region, ahead of Azerbaijan (105th place) and behind Armenia (59th place) [3].

Global Innovation Index consists of seven components: institutions, human capital and research, infrastructure, the degree of market development, the degree of business development, knowledge and technology, creative achievements. For ease of business start Georgia ranks 5th place, the simplicity liquidation business - 73rd place, in simplicity of the tax system 20th place [3].

In the component "Level of Development of the Market" (34th place), Georgia occupies the 4th position on the simplicity of the loan, the simplicity of credit to the private sector - 93rd place, the degree of investor protection - 21th place [3].

Today Georgia is in the list of 18 countries that are trying to dramatically improve their own capabilities in terms of innovation [4].

In 2015, a forum was held on the theme "Global Innovation Index and Georgia", which dealt with the results of research organizations such as Cornell University, INSEAD and the World Intellectual Property Organization (WIPO). The question of Georgia's position in the World Ranking of development was considered. With the 142-th place moved to Georgia 73ed. Note, though, that in the previous year, the country ranked 7st.

Global Innovation Index embraces many parameters and indicators, which in turn make it possible to calculate a variety of ratings. By many indicators, Georgia marked failures, such as: the degree of extension of ISO 14001 environmental certification, in Georgia the worst position among neighbors in the region [1].

The same failure and indicators: current expenditure on education (109th position), political stability (111th position), market capitalization (99th position), the intensity of local competition (123rd position).

For the rapid economic development of Georgia is important to the competitiveness of the country came to a global level.

Improvement occurred on the following criteria: 1) measure to protect the owner of the rights - with the 120th to 85th place, 2) independence of the court - from the 91st to the 65th place, 3) an increase in internal competition - 123th to 105th place, 4) the growth of exports to GDP - from 97th to 76th place, 5) a strong banking sector - from 82th to 67th place. It should be noted that all criteria (except for exports) are established by surveys and are not based on official statistics.

**Table2:** Position Criteria of Georgia\*

<b>Criteria for groups</b>	<b>Position</b>	<b>World points</b>
<b>Basic Requirements</b>	<b>48</b>	<b>4.9</b>
<b>Institutions</b>	48	4.2
<b>Infrastructure</b>	59	4.3
<b>Macroeconomic environment</b>	48	5.1
<b>Health and primary education</b>	63	5.8
<b>Boosting Performance</b>	<b>79</b>	<b>3.9</b>
<b>Higher Education and Training</b>	92	3.9
<b>Goods Market Efficiency</b>	60	4.4
<b>Labor Market Efficiency</b>	41	4.5
<b>Financial Market Development</b>	76	3.9
<b>Technological readiness</b>	67	3.8
<b>Market Size</b>	103	3.0
<b>Innovation and sophistication factors</b>	<b>118</b>	<b>3.1</b>
<b>Business sophistication</b>	113	3.5
<b>Innovations</b>	121	2.7

The deterioration occurred in the following areas: 1) foreign direct investment and technology transfer - from 101th place in the 113-th, 2) ease of lending - from 98th place to 110th, 3) inappropriate allocation of public spending - a 52-th place on the 57th, 4) power quality - from 52th to 57th place, 5) quality of roads - from 60th to 65th place [3].

#### **4. Conclusion**

To sum up the advantages and disadvantages of Georgia, the following picture: Georgia has a comparative advantage: the development of institutions, infrastructure, labor efficiency wound, low taxes, a lack of fiscal control, low level crime, a small amount of bureaucratic procedures.

Problems are fixed in the following areas: protection of the rights of the owner, innovation, secondary and higher education, research, the level of competition in the internal market, the availability of financial resources, professional workforce, the degree of trust in politicians and political instability.

Development of Georgia can be achieved only by means of economic transition to the innovative type of development, and this requires an individual approach to solving the country's problems of innovation.

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