

Strategic management of local economic development in Georgian municipalities: A review of municipal and private sector dialogue¹

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DOI: <https://doi.org/10.19275/RSEP156>

Article Type: Review Paper

Article History

Received: 2 Jan 2023 Revised: 20 May 2023 Accepted: 25 May 2023 Available Online: 1 June 2023

Keywords: LED, private sector, Georgian municipalities, policies

JEL classification: F63; R11; R58

Citation: Gamtenadze, Z. (2023). Strategic management of local economic development in Georgian municipalities: A review of municipal and private sector dialogue, *Review of Socio-Economic Perspectives*, 8(2), 53-59.

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Abstract

Strategic management of local economic development in Georgia is a complex and multifaceted process that requires the active participation of both the public and private sectors. Municipal economic policies play a crucial role in promoting the sustainable growth of local communities. The inclusion of the private sector in the local decision-making process is a key factor in this regard, as it allows for the alignment of public and private interests and the identification of mutually beneficial opportunities. Municipal and private sector dialogue has increasingly gained attention as a means of fostering private sector engagement in local decision-making processes. While the private sector has traditionally been viewed as a partner in economic development, its role in shaping public policies and strategies has often been limited. However, with the recognition that the private sector can bring valuable expertise, resources, and perspectives to the table, efforts have been made to enhance dialogue and collaboration between municipalities and private sector actors. This paper aims to explore the various forms of municipal and private sector dialogue. Through a review of the literature and case studies, this paper will examine the benefits and challenges of municipal and private sector dialogue in the different sectors. It will also explore the various approaches and mechanisms used to facilitate dialogue and collaboration, including stakeholder consultations, PPP and advisory committees. The findings of this paper will be of interest to policymakers, practitioners, and academics working in the fields of local economic development. It will provide insights into the potential role of the private sector in shaping public policies and strategies, and the importance of fostering dialogue and collaboration between municipalities and private sector actors. This research will contribute to the broader discourse on municipal and private sector dialogue and its potential to support local economic development and decision-making processes.

¹ This research PHDF-21-446 has been supported by Shota Rustaveli National Science Foundation of Georgia (SRNSFG).

1. Introduction

The strategic management of local economic development is an essential process for promoting the sustainable growth of local communities. This process necessitates the active participation of both public and private sectors. The role of municipalities in facilitating economic growth is undeniable; however, the involvement of the private sector in local decision-making processes remains a key factor in determining the success of these efforts. The purpose of this paper is to explore the various forms of municipal and private sector dialogue (MPSD) in the context of Georgian municipalities, and to examine the potential benefits and challenges that arise from such collaborations. Local economic development relies on the successful implementation of strategic policies and plans that can boost job creation, investment attraction, and the overall improvement of living conditions for the residents. These policies and plans need to be in alignment with the private sector's interests to ensure that both parties are working towards shared goals. As such, fostering dialogue and collaboration between municipalities and private sector actors is crucial in developing sustainable local economic growth strategies.

In recent years, Georgia has witnessed several local initiatives aimed at supporting the inclusion of small and medium-sized enterprises (SMEs) in the decision-making process. Mayors have launched initiatives such as Public-Private Dialogue (PPD) Clubs and Needs Assessment Meetings, which help to facilitate a more inclusive approach to local economic development. These initiatives aim to create opportunities for SMEs to contribute their expertise and insights to the development of local policies and plans. However, a significant challenge faced by Georgian municipalities is their limited power to stimulate local economic development. This has necessitated a greater reliance on dialogue and collaboration with private sector actors to harness their resources and expertise in driving local growth. By engaging the private sector in shaping public policies and strategies, municipalities can work towards overcoming these challenges and creating a more conducive environment for local economic development. Key stakeholders in Georgia involved in local economic development and MPSD include the Ministry of Regional Development and Infrastructure, the Ministry of Economy and Sustainable Development, local SMEs, and civil society organizations (CSOs). International organizations also play a role in supporting and promoting local economic development initiatives in the country.

The paper is structured as follows: the first section provides a comprehensive literature review on the various forms of municipal and private sector dialogue, highlighting its benefits and challenges, as well as the different approaches and mechanisms used to facilitate dialogue and collaboration. The second section delves into the specifics of public-private dialogue (PPD) in the context of Georgia, focusing on case studies and real-life examples to better understand the implementation of PPD within the Georgian context. The final section offers a summary of the paper's findings and discusses the implications for policymakers, practitioners, and academics working in the field of local economic development.

This paper aims to fulfill several objectives. Firstly, it seeks to explore the various forms of municipal and private sector dialogue in the context of Georgian municipalities, examining local initiatives such as PPD Clubs and Needs Assessment Meetings. Secondly, the paper strives to examine the benefits and challenges of municipal and private sector dialogue in different sectors, shedding light on the unique challenges faced by Georgian municipalities and the opportunities for collaboration with private sector actors. Thirdly, the paper will investigate the approaches and mechanisms used to facilitate dialogue and collaboration between municipalities and private sector actors, focusing on the role of key stakeholders such as government ministries, SMEs, and CSOs. Lastly, this research will contribute to the broader discourse on municipal and private sector dialogue and its potential to support local economic development and decision-making processes, providing valuable insights for policymakers, practitioners, and academics working in the field.

By addressing these objectives, this paper aims to provide valuable insights into the potential role of the private sector in shaping public policies and strategies in Georgian municipalities, emphasizing the importance of fostering dialogue and collaboration between the two sectors. Furthermore, this research will draw upon the lessons learned from case studies, existing literature, and experiences from other countries, as well as the specific initiatives implemented in Georgia, such as PPD Clubs and Needs Assessment Meetings. This approach will provide a more comprehensive understanding of the mechanisms through which municipal and private sector dialogue can enhance the strategic management of local economic development in Georgia. Ultimately, this research seeks to contribute to a better understanding of the potential synergies between public and private sector actors in promoting sustainable growth and development at the local level, taking into account the unique challenges and opportunities faced by Georgian municipalities.

2. Literature Review

The literature on municipal and private sector dialogue (MPSD) offers a wealth of information regarding the various forms, benefits, challenges, approaches, and mechanisms employed in promoting collaboration between public and private sector actors in local economic development. In this review, the focus will be on

understanding the different aspects of MPSD, drawing upon a range of carefully selected sources to provide a comprehensive analysis of the subject.

The literature identifies various forms of MPSD, including Public-Private Partnerships (PPPs), Public-Private Dialogue (PPD) platforms, and advisory committees (Hodge & Greve, 2007; Herzberg & Wright, 2006). PPPs are contractual arrangements between public and private sector actors for the provision of public goods or services (Grimsey & Lewis, 2007), whereas PPD platforms are geared toward creating opportunities for regular communication and consultation between public and private sector representatives (Herzberg & Wright, 2006). Advisory committees serve as another form of MPSD, where private sector representatives participate in the development and implementation of public policies and strategies (Hodge & Greve, 2007).

MPSD offers several benefits in local economic development, such as improved policy-making, increased investment, and better alignment of public and private sector interests (Bingham et al., 2005; Donahue & Zeckhauser, 2011). The private sector can provide valuable expertise, resources, and perspectives, leading to more informed and effective decision-making processes (Rodríguez-Pose & Tijmstra, 2009). By fostering dialogue and collaboration, public and private sectors can identify mutually beneficial opportunities, leverage resources more effectively, and promote innovation in the local economy (Brinkerhoff & Brinkerhoff, 2011). However, challenges associated with MPSD, such as power imbalances, potential corruption, and the risk of regulatory capture, must be carefully managed to maximize the potential benefits (Stiglitz, 2010; Pérard, 2009). Overcoming these challenges requires establishing clear guidelines, promoting transparency and accountability, and implementing mechanisms to address conflicts of interest and ensure equitable representation of stakeholders (Pérard, 2009).

Several approaches and mechanisms have been proposed to facilitate MPSD. Stakeholder consultations involve meetings and discussions between public and private sector representatives to identify shared priorities and develop collaborative solutions (Brinkerhoff & Brinkerhoff, 2011). These consultations can provide opportunities for diverse perspectives to be considered and for stakeholders to reach a consensus on key issues, thus fostering a more inclusive decision-making process (Reed, 2008). Public-Private Dialogue (PPD) platforms provide another mechanism for facilitating ongoing communication and consultation between public and private sector actors (Herzberg & Wright, 2006). These platforms can be tailored to suit the specific needs and contexts of different localities, allowing for a more flexible and adaptable approach to collaboration (Schmitter & Streeck, 1999). Additionally, the formation of joint committees, task forces, or working groups can bring together representatives from both sectors to address specific issues or projects, ensuring close collaboration and the exchange of knowledge and expertise (Jamali, 2004; Nelson & Zadek, 2000). By focusing on shared goals and objectives, these collaborative arrangements can foster a sense of common purpose and facilitate the development of innovative solutions to local challenges (Huxham & Vangen, 2005).

In the Georgian context, specific initiatives such as PPD Clubs and Needs Assessment Meetings, led by mayors, have been implemented to support the inclusion of SMEs in the decision-making process (Georgian Government, 2019). These initiatives are examples of how MPSD can be facilitated at the local level, aiming to create a more inclusive environment for local economic development. By actively engaging SMEs and other local stakeholders in these initiatives, Georgian municipalities can foster a sense of ownership and shared responsibility in the development process, which can lead to more sustainable and effective outcomes (Reed, 2008). A variety of studies and reports highlight successful examples of MPSD in different countries, offering valuable insights into factors that contribute to the success of these collaborations. A World Bank study by Herzberg and Wright (2006) presents case studies from different countries, showcasing the effectiveness of PPD platforms in promoting private sector engagement in public policy-making processes. The study emphasizes the importance of building trust, fostering transparency, and promoting inclusiveness as key success factors for these platforms. In a similar vein, Tennyson (2011) discusses the role of partnerships and dialogue in fostering sustainable development, emphasizing the importance of multi-stakeholder collaboration and shared learning as drivers of successful outcomes.

Researchers have also explored the role of institutional factors in shaping the success of MPSD. Jamali (2004) suggests that the quality of governance and the presence of a supportive legal and regulatory framework play a critical role in fostering successful public-private collaborations. This highlights the need for a strong institutional environment that enables and supports the effective functioning of MPSD mechanisms, by providing clear rules and guidelines, ensuring access to relevant information, and promoting accountability and transparency (OECD, 2016). Furthermore, Hodge and Greve (2007) argue that trust, transparency, and mutual understanding are essential elements for facilitating effective dialogue between public and private sector actors. They emphasize the importance of building and maintaining strong relationships between stakeholders, which can be achieved through regular communication, joint problem-solving, and the development of shared goals and objectives.

In conclusion, the literature on MPSD presents a diverse range of approaches, mechanisms, and success factors for fostering collaboration between public and private sector actors in local economic development. While there are numerous benefits associated with such collaborations, it is important to carefully manage the potential challenges and risks. By drawing on international best practices and tailoring approaches to local contexts and needs, MPSD can contribute significantly to more inclusive and sustainable local economic development outcomes.

3. Research Methodology

This chapter outlines the research methodology employed in this study to investigate the strategic management of local economic development in Georgian municipalities, with a focus on municipal and private sector dialogue (MPSD). The study employs a qualitative research design and analyzes the "Organic Law of Georgia - Local Self-government Code" as the primary source of data, alongside a review of the relevant literature.

A qualitative research design was chosen as it allows for an in-depth exploration of the complex nature of MPSD in Georgian municipalities. The primary source of data, the "Organic Law of Georgia - Local Self-government Code," provides an authoritative account of the legal framework governing local governance in Georgia. In addition to the primary source, a review of the relevant literature was conducted to gain insights into the international best practices and experiences related to MPSD. To analyze the data, qualitative content analysis techniques were employed. This method involves the systematic examination and interpretation of textual data to identify patterns, themes, and categories. Throughout the research process, ethical considerations were carefully addressed to ensure the integrity and validity of the study.

The study has several limitations. First, the reliance on the "Organic Law of Georgia - Local Self-government Code" as the primary source of data restricts the analysis to the legal and institutional framework governing MPSD in Georgian municipalities. This means that the study may not capture the full range of practices, initiatives, and experiences related to MPSD in the country. Second, the lack of available case studies of MPSD initiatives in Georgian municipalities limits the empirical examination of the benefits and challenges of such dialogue in the local context. However, the study addresses this limitation by drawing on international best practices and experiences. Third, the qualitative research design employed in this study may not allow for the generalization of the findings to other contexts or settings. Nevertheless, the study provides a detailed account of the legal and institutional framework governing MPSD in Georgian municipalities, as well as a comprehensive analysis of the benefits and challenges of such dialogue.

In conclusion, this study provides an initial exploration of the legal and institutional framework governing MPSD in Georgian municipalities and contributes to the broader discourse on the potential role of MPSD in supporting local economic development and decision-making processes in Georgia. It is hoped that this research will inspire further investigation and foster a deeper understanding of the dynamics and potential impact of MPSD in Georgian municipalities and beyond.

4. Municipal and Private Sector Dialogue in Georgia

In Georgia, municipal and private sector dialogue (MPSD) has played an essential role in local economic development, despite the lack of well-documented case studies in the literature (Huggins & Thompson, 2015). This chapter aims to explore the various forms and approaches to MPSD in Georgian municipalities, using the information provided in the "Organic Law of Georgia - Local Self-government Code" and other relevant sources, while recognizing the potential limitations in the availability of comprehensive case studies (Parliament of Georgia, 2014). It is important to acknowledge the nascent stage of the PPD process in Georgia; however, municipal management has always included dialogue with stakeholders to some extent, demonstrating the country's ongoing commitment to incorporating diverse perspectives in local decision-making (Huggins & Thompson, 2015; Brinkhoff, 2016).

The "Organic Law of Georgia - Local Self-government Code" outlines the legal framework and powers of Georgian municipalities in managing local affairs, including local economic development (Parliament of Georgia, 2014). According to the Code, Georgian municipalities have the responsibility to design and implement local development policies in consultation with relevant stakeholders, such as the private sector and civil society organizations (CSOs). This highlights the importance of fostering dialogue and collaboration between municipalities and private sector actors in the local decision-making process, as their joint efforts can lead to more effective and inclusive policies that better address the needs of local communities (Brinkhoff, 2016; Besussi et al., 2017).

One way that Georgian municipalities have sought to engage the private sector in local economic development is through Public-Private Dialogue (PPD) clubs (World Bank, 2018). These clubs bring together representatives from the municipal government, private sector, and CSOs to discuss and address local economic challenges and opportunities, enabling an open and constructive exchange of ideas (Krause et al., 2016). Although there is

limited empirical evidence on the success and impact of PPD clubs in Georgian municipalities, the existence of such initiatives suggests an awareness of the need for a more collaborative approach to local economic development. It also underscores the potential for PPD clubs to serve as platforms for enhancing trust and fostering stronger relationships between the public and private sectors, which are essential for effective collaboration (Besussi et al., 2017; Arenas et al., 2018).

Furthermore, Georgian municipalities have engaged in stakeholder consultations and Needs Assessment Meetings to involve the private sector, particularly small and medium-sized enterprises (SMEs), in decision-making processes (Porter et al., 2016). These meetings allow for an open exchange of ideas and the identification of mutually beneficial opportunities for public and private sector collaboration. By engaging SMEs in these consultations, municipalities can better understand the needs and priorities of local businesses and develop targeted policies to support local economic development. Such targeted policies can, in turn, contribute to improved economic outcomes for both SMEs and the broader community, reinforcing the value of engaging the private sector in local decision-making processes (Arenas et al., 2018; European Commission, 2020). In this context, municipalities may need to seek creative solutions and leverage the expertise of external partners, such as international organizations, to overcome these limitations and achieve their local economic development goals. By collaborating with international organizations that have experience in promoting PPD and fostering MPSD in various contexts, Georgian municipalities can learn from best practices and adapt them to their unique local circumstances (Söderbaum & Sohn, 2015; World Bank, 2018; European Commission, 2020).

Another challenge facing MPSD in Georgian municipalities is the lack of institutional capacity and resources needed to effectively engage the private sector in local decision-making processes (Meyer-Stamer, 2008). Limited funding, personnel, and technical expertise can constrain the ability of municipalities to initiate and sustain meaningful dialogue and collaboration with private sector actors. This challenge is exacerbated by the often fragmented nature of the private sector in Georgia, which can make it difficult for municipalities to identify and engage relevant stakeholders in a comprehensive manner (Besussi et al., 2017). To overcome these challenges, municipalities may benefit from capacity-building initiatives and support from international organizations, such as the World Bank or the European Union, which have experience in promoting PPD and fostering MPSD in various contexts. These organizations can provide valuable resources, such as training programs, technical assistance, and financial support, to help Georgian municipalities build their capacity to engage the private sector effectively in local decision-making processes (World Bank, 2018; European Commission, 2020).

Moreover, the importance of trust and transparency in facilitating MPSD cannot be understated. In Georgia, as in many other countries, building trust between the public and private sectors can be challenging due to historical factors, cultural differences, and the prevalence of corruption (Söderbaum & Sohn, 2015). Addressing these issues is crucial for fostering a positive environment for MPSD, as trust is a key factor in facilitating open dialogue and effective collaboration between municipal governments and private sector actors (Porter et al., 2016; Brinkhoff, 2016). To enhance trust and transparency in MPSD, Georgian municipalities can implement various strategies and initiatives. One possible approach is to establish clear and transparent procedures for engaging the private sector in local decision-making processes, including the selection of representatives, the organization of meetings, and the dissemination of information (Porter et al., 2016). Another strategy is to establish a clear code of conduct for MPSD participants, outlining their rights, responsibilities, and ethical obligations (Krause et al., 2016). This can help to ensure that all parties involved in MPSD adhere to high standards of integrity and professionalism, thereby building trust and credibility over time (Arenas et al., 2018).

In addition to trust and transparency, effective communication is crucial for fostering successful MPSD in Georgian municipalities. Municipal governments should prioritize the establishment of open and accessible channels of communication with the private sector, allowing for an ongoing exchange of information and ideas (Meyer-Stamer, 2008). This can include the use of technology, such as online platforms and social media, to facilitate communication and information sharing between municipalities and private sector actors (Porter et al., 2016; Brinkhoff, 2016). By fostering a culture of open communication, municipalities can ensure that private sector actors are actively involved in local decision-making processes, leading to more inclusive and effective outcomes (Arenas et al., 2018). In conclusion, while there is limited empirical evidence on MPSD in Georgian municipalities, the available information and the legislative framework provided by the "Organic Law of Georgia - Local Self-government Code" indicate a clear commitment to fostering dialogue and collaboration between municipalities and private sector actors (Parliament of Georgia, 2014). Various initiatives, such as PPD clubs, stakeholder consultations, and Needs Assessment Meetings, demonstrate the ongoing efforts of Georgian municipalities to involve the private sector in local decision-making processes and promote local economic development (World Bank, 2018; Porter et al., 2016; Arenas et al., 2018).

However, several challenges remain, including the limited powers of municipalities to stimulate local economic development, a lack of institutional capacity and resources, and the need to build trust and transparency between

public and private sectors (Parliament of Georgia, 2014; Meyer-Stamer, 2008; Söderbaum & Sohn, 2015). To address these challenges, Georgian municipalities can draw on the support and expertise of international organizations, implement capacity-building initiatives, and focus on fostering trust, transparency, and effective communication in their interactions with private sector actors (World Bank, 2018; European Commission, 2020; Krause et al., 2016). By adopting these strategies and learning from global best practices, Georgian municipalities have the potential to strengthen their MPSD efforts and create a more inclusive, collaborative, and effective approach to local economic development. As more successful case studies emerge and lessons are learned, the importance of engaging the private sector in municipal decision-making processes will likely become even more apparent, leading to continued growth and development in Georgian municipalities and beyond (Huggins & Thompson, 2015; Besussi et al., 2017; Arenas et al., 2018).

In light of the challenges and opportunities presented by MPSD in Georgian municipalities, future research should aim to further explore and document the processes, successes, and challenges associated with these initiatives. Longitudinal studies could provide valuable insights into the long-term impact of MPSD on local economic development, while comparative analyses between different municipalities and regions could help to identify best practices and factors that contribute to successful MPSD outcomes. Additionally, engaging with the private sector and other relevant stakeholders in the research process could help to ensure that the findings are relevant, timely, and reflective of the realities and complexities of MPSD in Georgian municipalities (Krause et al., 2016; Porter et al., 2016; Brinkhoff, 2016). Overall, the case of MPSD in Georgia highlights the potential for dialogue and collaboration between municipal governments and private sector actors to contribute to local economic development, as well as the challenges that must be overcome to ensure effective and inclusive decision-making processes. By examining the Georgian context and drawing lessons from other countries, municipalities around the world can learn from these experiences and develop strategies for fostering successful MPSD, ultimately leading to more inclusive and prosperous local communities (Huggins & Thompson, 2015; Besussi et al., 2017; Arenas et al., 2018).

In addition to the strategies and approaches discussed above, there is also a need for greater public awareness and understanding of the benefits and potential of MPSD in Georgian municipalities. Often, the public may not be fully aware of the role that the private sector can play in local economic development, leading to skepticism or resistance to collaboration between municipal governments and private sector actors (Brinkhoff, 2016; Arenas et al., 2018). To address this issue, municipalities can implement public information campaigns and educational programs to inform citizens about the importance of MPSD and the positive impact it can have on local economies and communities (Huggins & Thompson, 2015; Porter et al., 2016). Furthermore, there is a need for stronger coordination and collaboration among different levels of government in Georgia to support and promote MPSD. While municipal governments play a crucial role in fostering dialogue and collaboration with the private sector at the local level, there is also a need for support and guidance from higher levels of government, such as the Ministry of Regional Development and Infrastructure and the Ministry of Economy and Sustainable Development (Parliament of Georgia, 2014; World Bank, 2018). By working together and aligning their policies and initiatives, different levels of government can help to create a more conducive environment for MPSD in Georgian municipalities, ultimately leading to more effective and sustainable local economic development outcomes (European Commission, 2020; Besussi et al., 2017).

Finally, it is important to recognize the role of civil society organizations (CSOs) in promoting MPSD in Georgian municipalities. CSOs can play a crucial role in advocating for greater private sector engagement in local decision-making processes and facilitating dialogue and collaboration between municipal governments and private sector actors (Krause et al., 2016; Söderbaum & Sohn, 2015). By involving CSOs in MPSD efforts, municipalities can ensure that a diverse range of perspectives and interests are represented, leading to more inclusive and effective decision-making processes (Porter et al., 2016; Brinkhoff, 2016). In conclusion, the successful implementation of MPSD in Georgian municipalities requires a multifaceted approach that involves capacity-building initiatives, the fostering of trust and transparency, effective communication, public awareness and understanding, and greater collaboration between different levels of government and civil society actors. As more municipalities in Georgia and around the world adopt MPSD strategies, it is crucial to continue to document and learn from these experiences in order to refine and improve the processes and outcomes of these important efforts. By doing so, municipalities can better leverage the potential of MPSD to contribute to local economic development and create more inclusive, prosperous, and resilient communities for all citizens.

5. Conclusion

In conclusion, this research paper has explored the strategic management of local economic development in Georgian municipalities, with a particular emphasis on the role of municipal and private sector dialogue in shaping public policies and strategies. The study aimed to shed light on the potential role of the private sector in influencing public decision-making and the importance of fostering collaboration between municipal governments and private sector actors. The literature review highlighted the significance of public-private

dialogue in enhancing local economic development. Several studies emphasized the benefits of collaboration between municipalities and the private sector, leading to better resource allocation, increased efficiency, and higher competitiveness. The challenges associated with public-private dialogue, such as potential power imbalances and conflicts of interest, were also discussed. Through the research methodology, which focused on a qualitative analysis of relevant documents and legislations, primarily the "Organic Law of Georgia - Local Self-government Code," the study acknowledged the limitations of available data on public-private dialogue in Georgia and the constraints imposed by the research's scope.

The examination of the Georgian context in the "Municipal and Private Sector Dialogue in Georgia" chapter revealed that, despite the scarcity of data on public-private dialogue initiatives, Georgian municipalities have been increasingly adopting new approaches to involve the private sector in local decision-making processes. Key stakeholders in these dialogues include municipal governments, private sector actors, civil society organizations, and different levels of government. The research paper also recognized the challenges Georgian municipalities face in promoting local economic development, such as limited resources and capacities. This often necessitates creative solutions and external support from international organizations. Aligning the interests of public and private sector actors, focusing on shared goals like enhancing local competitiveness, fostering innovation, and promoting social and environmental sustainability, emerged as crucial factors in successful dialogue.

In light of the findings, it is evident that municipal and private sector dialogue plays a vital role in the context of Georgian local economic development. By fostering collaboration and aligning public and private interests, municipalities can leverage the expertise, resources, and perspectives of the private sector to support local decision-making processes and achieve sustainable growth. These insights contribute to the broader discourse on public-private dialogue and its potential role in supporting local economic development and decision-making processes not only in Georgia, but also in other countries with similar contexts.

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