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DEVELOPMENT DIRECTIONS OF THE INNOVATIVE STARTUP ECOSYSTEM IN POST-PANDEMIC GEORGIA

Abstract. To restore the economy of post-pandemic Georgia, it is essential to solve problems in creative and innovative ways, and build an economy based on knowledge and innovation. The paper analyzes the impact of the global pandemic and other negative factors on the development of the startup ecosystem in Georgia, the main challenges, and the measures taken.

The work is based on the review of statistical data, the anti-crisis policy of the state, and the assessment of the main directions of the government program 2021–2024 “For the construction of the European state”.

Opinions got expressed about the mobilization of existing opportunities for the development of the startup ecosystem in Georgia in the post-pandemic period and the introduction of innovative technologies and products in the new reality.

Keywords: COVID-19 pandemic, innovation, startup ecosystem.

Introduction. As a result of the COVID-19 pandemic, significant damage got done to almost all sectors of the Georgian economy, and businesses faced new challenges. Utilization of the latest technologies and national innovative potential has become a necessary condition for raising the economic competitiveness of our country and achieving universal well-being. Post-pandemic Georgia faced new challenges: the establishment of a national innovative ecosystem was defined as a strategic task; Internet infrastructure development; Development of electronic communications, entrepreneurship and competition, electronic commerce, and others [1].

Aim of research. The purpose of the paper is to study the impact of the global pandemic and other negative factors on the development of the innovative startup ecosystem in Georgia and evaluate and develop recommendations to overcome the existing

challenges. The object of research is the innovative startup ecosystem in Georgia, which represents a connecting link between the results of scientific research and investors, entrepreneurs, and the state. A plurality of experts in the innovative startup ecosystem considers the range of public and private structures that ensure the development and maintenance of all stages of the innovation process.

Research methodology. A systematic approach was used in the research process, and to identify the main challenges of the innovative ecosystem, in-depth analysis of the current situation, scientific studies and state programs, statistical data got studied, and certain conclusions and recommendations got developed.

Results and discussion. Startups are the main generator of new jobs nowadays: on the one hand, the more companies of this type get created, the

more jobs will get created, and on the other hand, in the future, successful companies will become taxpayers. The practice of developed countries has shown how the presence of startups has developed urban regions. However, this is not only the merit of a good idea, the creation of new startups and the development of existing startups also require appropriate environmental conditions, and creating and developing startup ecosystems is essential.

A startup ecosystem is made up of people, startups at different stages, and organizations that exist in a particular space or city. However, the first and foremost ingredient for startup success is innovation. Innovation in everything from agriculture to public administration, justice, and defense should all be involved in this process, and public policy should be built around it. According to the Law of Georgia “On Innovations”, the innovation ecosystem is defined as – a combination of the national and regional innovation system, which promotes the cooperation of the state, educational, industrial, scientific and private sectors in the field of innovations and technologies and is aimed at the creation, development, dissemination, and use of scientific and technological knowledge, in order to build an economy based on knowledge and innovation in the country and to increase the competitiveness of the private sector [2].

The basis of the innovative startup ecosystem is such forms of organization of innovative activity as technoparks, “Fablabs,” innovation laboratories, innovative-technological centers, and business incubators. The process that creates and strengthens this ecosystem is multifaceted and involves organizations directly focused on building the ecosystem, including higher education institutions, incubators, accelerators, co-working spaces, startup event organizers, and others. In this process, new ideas, inventions, and researches emerge, which means the possibility of forming new startup teams.

Entrepreneurs who have already achieved success and have become startup mentors play a big role in the process of building a startup ecosystem;

Investors interested in new projects; Investor clubs, venture capital funds, and loan and grant-giving organizations, from which additional capital raising opportunities got created.

The goal of the Government of Georgia is to create a basis for long-term inclusive economic growth and increase the well-being of the population, to achieve which one of the priority directions is the development of the field of innovations and technologies. That is why, back in 2014, under the Ministry of Economy and Sustainable Development of Georgia, the “Innovations and Technologies Agency” was established, the purpose of which is to: form the necessary ecosystem for the development of innovations and technologies in the country; Promotion of commercialization of knowledge and innovation; Stimulating the use of innovations and technologies in all sectors of the economy [3].

“Startup Georgia” was founded by JSC’s “Partnership Fund”, the purpose of which is to promote the development of startup businesses (startups) in Georgia. Any Georgian citizen or group of individuals who have an innovative business idea can obtain financing in the innovative component of “Startup Georgia”. It is allowed to finance any field/sector that is not prohibited by the legislation of Georgia.

The COVID-19 pandemic has become a challenge and also an opportunity to generate innovative ideas. In the first stage of the pandemic, the share of new innovative products introduced to the markets increased from 48.1% (2019) to 52.6% (2020). However, in 2021, the share of enterprises that implemented innovations in products decreased: this indicator was 3% in 2019, increased to 7.3% in 2020, and decreased to 6.4% in 2021 [4].

During the pandemic, the main financial supporter of innovative activity was the Government of Georgia. 55.4% of the financial support received by enterprises for innovative activity in 2020, and 50.7% in 2021 will come from the Government of Georgia. The share of local and regional authorities is also important: respectively, 12.5% (2020) and

15.6% (2021); EU institutions account for 5.9% (2020) and 4.2% (2021); on other financial institutions – 26.2% (2020) and 29.6% (2021). In total, 4.6% of enterprises received financial support in 2020, and 2.2% of enterprises in 2021 [4].

Based on research, a number of factors were identified that became an obstacle to innovative activities in 2020–2021: lack of internal financial resources, lack of credit or private capital, difficulties in obtaining state grants and subsidies, high costs, lack of qualified personnel in the enterprise, difficulty in finding partners, external Difficulty in accessing knowledge, high competition in the market and others.

The main goal of the 2021–2024 government program – “Building a European State” created for the purpose of rapid recovery from the economic crisis caused by the Covid-19 pandemic is the recovery and development of the economy, creating a stable and safe environment for each citizen [5]. The most important thing for post-pandemic Georgia is the promotion of the entrepreneurial sector, which is implemented with a wide variety of projects and accelerators. At present, 43 projects are underway throughout Georgia, of which 7 are current startup projects: “Hardware Startup Incubator 2022”, Small grant program up to 15.000 GEL (prototyping), Shark Tank Georgia, Startup Leasing – TBC Bank, Startup Agro Loan – TBC Bank, Startup hotel, loan – TBC Bank, Startup loan – TBC Bank [6].

A new era of business discovery has begun in post-pandemic Georgia, and it is called “Shark Tank”. What sets it apart from other projects is that it is a reality show, and all business ideas are evaluated publicly. This is a new investment in Georgian business, a joint project of the First Channel and Stanley Show – the mega-popular show of SONY Pictures, owner of 4 Emmys, and many other television awards – “Shark Tank” Georgia. “Through the show, 250 million dollars got invested in more than 40 countries of the world. Originally, it was founded in Japan under the name “Money Tigers” in 2001. With its 20-year history, “Shark Tank” has

financed completely different businesses and individuals in more than 40 countries of the world, thanks to which many people have become their own business owners and entrepreneurs [6].

One of the main supporters of the Georgian startup ecosystem is the “Startup Bureau”. The Startup Bureau works closely with the private and public sectors to successfully implement hackathons, business camps, pre-acceleration and acceleration programs, trainings, conferences, and other skills and capacity development programs for entrepreneurs, innovators, and creatives in the country [6]. All this helps startups and innovation-oriented entrepreneurs to go from idea to market with less risk and more confidence. Also, already established businesses – get new knowledge, finance and expand contacts.

Conclusion. Thus, in our country special attention is paid to the development of innovative startup infrastructure. However, we consider a necessary condition for the further innovative and technological development of the country: increasing the stimulation of innovative activities from both the state and the private sector, more activities and involvement of both private and state or donor organizations is needed, more mutual cooperation and support-strengthening of organizations focused on the development of the startup ecosystem, increasing financing of innovative startups of national importance; In order to create an environment conducive to innovative activities, more involvement of local and international organizations; revision of the tax policy for innovative enterprises; Promotion of the emergence of export-oriented scientific-technological innovations and information technology products, development of electronic services, electronic commerce from the side of the state; promotion of utilization of technologies created in other states in Georgia, as well as introduction and export of intellectual property and technologies created in Georgia; Taking care of cyber and information security, providing a legislative and normative base stimulating the innovative economy.

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