

POLICY PAPER
(CONCEPTUAL AND TECHNICAL ASPECTS)

“DESIGNING A CREATIVE CLUSTER ECOSYSTEM IN GEORGIA”

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CREATIVE GEORGIA

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We also place on record our sense of gratitude to one and all – those who have directly or indirectly lent their hand in this venture.

Cover image:

Artwork (2021) by Benjamin Foerster-Baldenius, co-founder of Raumlaborberlin and Floating University Berlin. The graphic illustrates a view of the project of the Hub for Art and Social Innovation of Tbilisi

DISCLAIMER:

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Irma Ratiani

Director of LEPL Creative Georgia

For three years LEPL Creative Georgia has been working on the project Designing a Creative Cluster Ecosystem in Georgia with the support of the European Union and UNESCO. The initiative aimed at establishment of the needed environment for development of creative spaces and, among other issues, elaboration of a policy document, recommendations, and an action plan with involvement of international and local UNESCO experts. Today one can already say that the set task has been successfully completed. The main outcome of the project - a well-founded emphasis on the fact that in different countries or cities success of creative clusters depends on the involvement of all three public, private, and civil sectors has been produced.

The research which was conducted in the frames of the given project, as well as the obtained results and the recommendations contained in this policy document, should facilitate carrying out of specific actions directed at strengthening the ecosystem of creative clusters at the national level.

With the support of the Ministry of Culture, Sports and Youth Affairs of Georgia Creative Georgia is ready to implement strategic and legislative initiatives defined in the policy document. Those include creation of targeted or pervasive tools aimed at development of creative spaces, hubs, and clusters.

We would like to thank all institutions and organizations for partnership, which made it possible to successfully implement the project.

Sigrid BRETTEL

*Head of Cooperation, The Delegation
of the European Union to Georgia*

The European Union has been and continues to be a very active supporter of culture and the development of creative industries in Georgia. We are glad to see the concrete results of our support under this project and we count on our Georgian counterparts and other key stakeholders to use this policy paper and implement the action plan to further support the development of the creative sphere.

This sector has great potential thanks to the many talented artists and entrepreneurs in this country. Culture has an immeasurable role in promoting sustainable social and economic development. We should look at culture not only to promote the arts, but also as an opportunity for job creation and economic growth as well as a way to facilitate the mobility of people.

In the preparation of this document, we value the inclusive process and we hope that there will be concrete actions taken by each stakeholder to further make a positive change on the ground, with tangible benefits for Georgian citizens.

Andria Basilaia*Deputy Mayor of Tbilisi*

The Tbilisi City Hall supports creative processes and follows step by step the trends which target the renewal and development of the cultural field.

It is important for us to enable already established artists and the beginners, creative organizations to realize creative ideas, offer them access to the recourses and opportunities to grow. Considering the existing challenges and the overall context, we define the priorities on an annual basis and implement a variety of programs that should contribute to the sustainable development of the cultural sector, make it growth-oriented and economically viable.

With consideration of the above-mentioned factors, it is of utmost importance to create in the city creative spaces, where the artists representing different fields will have the opportunity to exchange experiences and establish collaborations.

Fully understanding the role of the municipality in creation of such spaces and considering the recourses at our disposal, we are ready to cooperate with these institutions and creative organizations that are committed to develop creative field in accordance with the modern standards.

Toussaint Tiendrebeogo

*Secretary of the 2005 Convention on the Protection
and Promotion of the Diversity of Cultural Expressions*

As presented in the UNESCO 2022 Global Report [“Reshaping policies for creativity - Addressing culture as a global public good”](#), cultural and creative industries (CCIs) represent an enormous economic potential: they account for 3.1% of global GDP and 6.2% of employment worldwide. Many countries are exploring how best to formulate strong regulatory and policy frameworks to promote these sectors and to nurture the diversity of cultural expressions. The UNESCO’s 2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005 Convention) provides a framework for informed, transparent, and participatory systems of governance for culture to ensure that people are able to create, produce, disseminate and access diverse cultural expressions. UNESCO recognizes the need for policies and enabling environments at a local level for the transformative impact of CCIs to reach its full potential, as evidenced in the UNESCO-World Bank position paper [“Cities, Culture and Creativity: Leveraging Culture and Creativity for Sustainable Urban Development and Inclusive Growth”](#).

Since 2019, UNESCO and Georgia have been working together to create a more conducive ecosystem for cultural clusters at a local level, resulting in this policy paper. This cooperation is part of the [“EU/ UNESCO Expert Facility on the Governance of Culture in Developing Countries Creating a new regulatory environment for the cultural and creative industries and South-South cooperation”](#) (2018-2022).

UNESCO commends all the stakeholders involved in the elaboration of this policy paper, which reflects the needs of the sector and is the result of a comparative global analysis of good practices in creative cluster management. Georgia’s inclusive and participatory approach to policymaking processes attests to its commitment to making the creativity to take a centre stage for the sustainable development. As an active member of the Intergovernmental Committee of the UNESCO 2005 Convention, we hope that Georgia will widely share its experience to inspire others to follow suit.

Karlo (Kakha) Sikharulidze*First Deputy Minister of Culture, Sports, and Youth Affairs of Georgia*

The Ministry of Culture, Sports and Youth Affairs of Georgia congratulates LEPL Creative Georgia on the successful implementation of the project with the joint support of the European Union and UNESCO.

The project once again identified sectoral needs and developed important recommendations for development of the creative cluster ecosystem.

In parallel, I would like to note that within the scope of its competence and in cooperation with the other agencies the Ministry has already started working on the development of creative spaces to ensure their sustainable management.

We hope that joined efforts will lead to numerous successes.

Oto Berishvili*CEO, Adjara Group*

Adjara Group has been introducing new standards into the Georgian hospitality industry for more than 10 years in parallel presenting the country on the world map. Development of a synergy-based ecosystem has become an integral part of the company's internationally recognized Georgian brands. From the day of its establishment, the projects of Adjara Group are elaborated along with the centers of creative economy for artists, innovative entrepreneurs, and professionals. With our support, people or teams with shared values constantly get connected to each other to strengthen the practice of cultural self-expression and self-organization in Georgia.

Starting from 2022, Adjara Group added to its projects one more direction, which will extend its synergistic ecosystem and make it even more diverse. The new company will lead the management of inclusive and multifaceted spaces, which are currently under development. Thus, Adjara Group will play an even more significant role in the process of cultural transformation of Georgia. Through our projects and initiatives, all stakeholders will be able to implement their innovative and creative ideas, find inspiration and start partnerships based on shared values.

I am glad that we are participating in creation of a strategic document. I would like to thank UNESCO, the Ministry of Culture, Sports and Youth Affairs of Georgia and all other parties involved in the process for supporting such an important project. Adjara Group shares the aspirations of the document, which will definitely have a positive impact on getting the private sector interested in philanthropic projects -one of the important components for sustainable social and cultural advancement.

Vato Urushadze and Elene Toidze

Project Co-authors and Managers

The diverse ways of expression that dominate the modern culture require new areas of action, free, open, and accessible spaces which will allow extending of wider intellectual, artistic, and creative horizons.

Our efforts have been aimed at identifying these needs and creating of effective policy instruments. This policy document, which outlines a vision for development of creative spaces and clusters, defines the tools and a chain of actions targeting promotion of spaces where civic and public ecosystems can unite around culture and creative processes, has been developed as a result of these aspirations.

The last three years have turned into a period of coexistence with variabilities and surprises - a process that has once again reassured us that life and justice will end in victory. It was during this period that a policy document which is not the final stage of a trip, but rather a beacon that will guide us to still unexplored territories and help us in crossing the deep waters were created.

On behalf of Creative Georgia, we would like to express our gratitude to each member of the project development council for their unselfish and dedicated involvement in all phases of its development. Their support strengthened our faith and enhanced our energy to move towards the ultimate goal.

Special thanks go to the UNESCO representatives for excellent cooperation, in particular to Reiko Yoshida, Flor Audendik and Melika Medici Caucino.

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PREFACE

Usually, home is the first thing that children draw. It represents security and stability.

Nowadays, a large number of independent cultural entities (NNLEs) and creative ventures work project based. The lack of constant institutional support makes them feel insecure and unstable... homeless.

The state budget for culture is never sufficient anywhere. In Georgia, the potential of alternative funding schemes, such as corporate and individual philanthropy and crowdfunding, still need to be unleashed as well. Meanwhile, a couple of NNLEs and small-scale cultural enterprises have started to cluster: they are sharing venues, electricity, cleaning fees, desks, computers, sound systems, coffee, and know-how. By exchanging all kinds of material and intellectual resources, they become stronger under one roof.

It is not the trend though. A well-designed creative cluster ecosystem has manifold spillover effects on social, economic, cultural, and urban dimensions. In return, it requires a mobilized endeavor of public, private, and civil sectors to build a sustainable place to call home.

Facing this challenge, LEPL Creative Georgia launched the project “Designing a Creative Cluster Ecosystem in Georgia” with the support of the European Union and UNESCO in 2019. The project, with a two-year lifespan, was aimed at increasing the awareness of policy and decision-makers regarding the benefits of creative clusters and relevant support measures to be implemented.

Upon the launch of the project, the Covid-19 pandemic erupted: it hindered the implementation of provisional activities, but foremost, it made us think about the idea of creative placemaking as such: when everyone tries to isolate, are non-residential places still necessary? As soon as regulations were lifted, citizens expressed an unapologetic wish to re-socialize. We saw that placemaking had become of vital importance for creative professionals as well, those who used to work at home in a less favorable environment during the lockdown: visual artists started to look for places where they could develop large-scale canvases, artisans needed workshops for producing pottery and handicrafts, independent actors needed space for rehearsals, classical singers had to train their voices while opera houses were closed, etc.

So, here we are now – after a series of peer-to-peer exchange learning activities, awareness-raising conferences, discussion panels, and transnational research – ready to share what we have learned and let you know how you can contribute to building a creative cluster (CC) – a cross-disciplinary multifunctional hub or simply, a home for creativity.

GOAL, OBJECTIVES, AND SCOPE OF THE PAPER

The paper aims to provide stakeholders from state/municipal, private, and civil sectors with information about potential stimulation mechanisms for initiating, developing, and maintaining creative clusters countrywide. Therefore, the objectives are classified as follows:

- [1] To define the main challenges and opportunities of the creative cluster ecosystem in Georgia.
- [2] To identify potential corresponding stimulation mechanisms at the national level and to provide respective recommendations for further policy actions.
- [3] To provide stakeholders with an action plan encompassing the activities for implementing the optimal combination of the stimulation mechanisms described and analyzed throughout the paper. The action plan follows the instructions of *The Policy Planning, Monitoring and Evaluation Handbook* prepared and published by the government administration of Georgia in 2019.

This paper is aimed at communicating information to all the key stakeholders who must act in a collaborative manner to ensure the sustainable development of creative clusters countrywide. The best international practices show that the resilience of the creative cluster ecosystem towards existing challenges is based on the simultaneous endeavor of the state/municipal, private, and civil sectors. The state/municipal government, in addition to implementing ad-hoc support schemes (e.g., competition-based funding programs for developing creative clusters) can provide flexible legislation and fiscal policies for private companies and the non-governmental sector willing to invest financial, material, and intellectual resources in developing CC initiatives. At the same time, the absence of the private sector might result in the lack of financial, material and, at some point, infrastructural resources; moreover, when balanced in a good way, the presence of the private sector encourages CC initiators to consider self-earned income throughout their operations, leading to more secure project sustainability. Last, but not the least, the involvement of the civil sector is crucial within the process: considering the social profile of contemporary CCs (involving locals throughout the programming, ensuring the protection of human rights, and strengthening underrepresented groups), usually non-governmental organizations are the ones who possess specific know-how in this regard.

The conventional definition of creative clusters refers to complex and multidisciplinary structures where different sub-organizations/individuals develop creative and innovative products and services by sharing intellectual and material resources (Varbanova & Nadirashvili, 2021). Although there are some promising projects in Georgia (e.g., [Radio City](#), [Udabno](#), [Fabrika](#), [TEC](#)), most of the initiatives are still having trouble responding to basic challenges, such as owning a workspace, and the material means for production and payroll. Therefore, throughout the paper, the term *creative cluster* will be used interchangeably with *creative space* and *creative hub*, which might refer to more autonomous structures, such as the [Center of Contemporary Art – Tbilisi](#), [Propaganda.network](#), [Club Theatre Bravo](#), [Tsodnis Café](#), and [Cube in Context](#). Those are the organizations which have a multidisciplinary profile but do not necessarily represent sub-organizations of a conventional creative cluster ecosystem **yet**.

GLOSSARY

within this paper

Brownfield – A brownfield is a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant (What is a brownfield, n.d.).

Creative cluster (CC) – within this paper CC refers to a multifunctional and multirole creative platform containing diversified professionals and/or sub-organizations. Although CCs differ in the scope and scale of operations and management and business models, the following 7 dimensions are shared by all CCs: [1] Sharing of the location, resources, facilities, and assets between the companies and individuals involved; [2] Primarily aimed at a social and cultural mission and goals, while also targeting economic objectives; [3] Focused on creativity and innovation; [4] Possessing complex and multidisciplinary creative and cultural programming; [5] Representing autonomous and independent structures (from government or business); [6] Sparking crossover innovations with other sectors; [7] A synergetic coalescence of organizations and individuals combining resources and competences in a way that leads to a higher end result than if working individually (Varbanova & Nadirashvili, 2021).

Creative cluster ecosystem – a territorial/thematic dimension encompassing a complex network of CC initiatives and the favorable (pre)conditions for their development.

Creative professionals – the term unites “cultural worker” and “creative worker”, used in a Georgian culture law (Parliament of Georgia, 1997). Therefore, it refers to a natural person engaged in creating, rehabilitating, or interpreting cultural valuables and/or engaged in an activity in the realm of culture.

Project – the EU/UNESCO supported project: “Designing a Creative Cluster Ecosystem in Georgia” through which this policy paper has been produced.

Crowdfunding (CF) – an alternative source of financing from a large number of people. The market defines four basic types of CF: debt, equity, reward, and donation-based models. The first two models are also known as investment types of CF, while the latter two have no financial incentives (Deloitte Consulting LLP, 2021).

Preferential renting – a reduction and gradual increase of a rent before the initiative reaches the capacity to pay full rent. Usually, the projects benefit from such a scheme while agreeing to renovate the place at their own costs.

Legal Entity of Public Law (LEPL) – an organization separate from legislative and state government bodies, [...] which independently carries out political, state, social, educational, cultural, and other public activities under state control.

Non-entrepreneurial (Non-commercial) Legal Entity (NNLE) – is the legal form of a not-for-profit organization established for a certain purpose and not committed solely to commercial activity in Georgia.

Philanthropy – the voluntary giving away of a financial or other resource by a legal and/or physical person, as well as volunteerism and patronage in support of philanthropic activities. Philanthropic activity – the activities of physical persons, civil society, and business organizations aimed at social justice, peace, security, public wellbeing, and democratic development (Taso Foundation, 2014).

Cultural enterprises – within this paper, these encompass different forms of business entities - an individual entrepreneur, a general partnership (GP), a limited partnership (LP), a limited liability company (LLC), a joint-stock company (JSC, corporation), and a cooperative – all committed to commercial activities in the field of culture; used interchangeably with creative industries.

Placemaking – collaboratively shaping the public realm to maximize shared value. More than just promoting better urban design, placemaking facilitates creative patterns of use, paying particular attention to the physical, cultural, and social identities that define a place and support its ongoing evolution (Project for Public Spaces, n.d.). **Creative placemaking** is a process where community members, artists, arts and culture organizations, community developers, and other stakeholders use arts and cultural strategies to implement community-led change (American Planning Association, n.d.).

Creative space – a platform dedicated to the activities in the field of culture, creativity, and innovations. All CCs represent creative spaces but not all creative spaces represent CCs, as the former are not necessarily multirole, and/or do not encompass diverse individuals/sub-organizations.

Creative hub – an organization¹ that uses the space or infrastructure for networking, organizational and business development within the cultural and creative industries sector (Culture & Creativity, n.d.).

Coworking space – shared workspaces offering affordable office space for those looking to escape the isolation of a home office or coffee shop. These shared workspaces offer a suite of office-like amenities such as hot-desks, private meeting rooms, kitchens, coffee, and more. Often, they also offer a community. [Beneficiaries] typically are freelancers, entrepreneurs, start-ups, and small teams who want to take advantage of a flexible space (Pinto, n.d.).

Creative incubators² – agencies which combine the functions of business incubators and creative ateliers to stimulate creative ideas and to make the best commercial use of them. The services and the benefits from incubation are basically the same as in business incubators. They offer space and office equipment to creative businesses or artists at subsidized rates. Furthermore, they enhance development of these creative ventures by providing consultations and trainings. Each of the services is uniquely designed to meet the needs of the community. The main idea of these incubators is to foster the community in the creation of viable ideas with commercial potential. However, the specific role of creative incubators often is to bridge the worlds of business and arts/culture and to provide space for new encounters which can create innovation with commercial potential (Jaurová, et al.).

Accelerators – typically a for-profit entity, in most cases privately run, accepting equity from participants' startups for providing support services and mentorship. In some cases, they provide seed investment (Varbanova & Nadirashvili, 2021).

1. PROBLEM IDENTIFICATION

A survey “Do You Need a Workspace?”, conducted in 2020 by Creative Georgia through the project, showed that **90%³ of creative professionals lack an appropriate workspace** in Georgia. In addition to networking and business meetings, creative professionals need the space for designing, producing, and distributing products and services⁴. Moreover, the respondents expressed a readiness to pay the rent for the space if it corresponded to their needs.

In another survey – “Your Recommendations for Creative Spaces”, again conducted by Creative Georgia in the same year, the respondents provided a list of the functions/facilities they think creative hubs must be comprised of. The following functions/facilities were identified:

[1] Coworking space
[2] Studios for creative professionals with varied specializations (visual arts, film, music, architecture, etc.), which are equipped with the specific material technical base, such as: machine tools for printing, sound recording equipment, etc.
[3] International residencies for artists/ hostels
[4] Indoor space for large-scale events (e.g., film festivals, performing arts events, etc.)
[5] Outdoor space for performing arts
[6] Educational space (for workshops, masterclasses and other educational activities)
[7] Archive, library, and mediatheque
[8] Hi-tech laboratories and spaces for the gaming industry
[9] Exhibition space: white cube
[10] Cafés and bars
[11] Concept shops and showrooms
[12] Creative incubators and accelerators

Several respondents noted that while developing the functional planning of a space, 60% of the functions must be developed in accordance with site-specific needs and the requirements of locals; moreover, it was noted that locals must be involved in different projects.

“Creative and Art Cluster”, another survey (Author: Creative Georgia) held in 2019, highlighted a couple of state/municipal stimulation approaches which could have a positive effect on strengthening the creative cluster

ecosystem in Georgia. The list of provisional approaches included sector-specific open call programs, providing infrastructure, and implementing tax incentives. Along with these, the respondents thought of democratic and sustainable management models, but also that increasing awareness regarding creative clusters and initiating a pilot project to be of vital importance (Nadirashvili, 2021).

Infrastructure is crucial. In this regard, existing, often abandoned and neglected, large-scale Soviet industrial sites can be considered a promising solution. In 2020, Multiverse Architecture, a Tbilisi-based organization committed to architecture and placemaking, conducted a study of the industrial heritage in Tbilisi with the support of LEPL Creative Georgia. The objectives of the study were to identify and create an accessible database of the respective infrastructure. Although the list of industrial heritage in Georgia extends from the 19th century to the post-Soviet era, the study was mainly focused on sites belonging to the post-WWII period, echoing the International Style flavored with social realism: “The industrial buildings demonstrate the main architectural characteristics of the International Style, such as wide, open, and lucid spaces, horizontal ribbon windows, plain parapets, and “unembellished” concrete walls” (MUA, 2020). The list of buildings MUA managed to collect comprises different types of factories, such as: The Kirov Machine Tool Factory, The Tea Weighing Factory of Tbilisi, The Sarajishvili Factory, The Combined Heat and Power (CHP) Plant, The Bread Factory, The Tobacco Factory, etc.

“All the buildings that were identified and described during this study are in private ownership today,” says the report, moreover:

“Only a small number of plants work with the same or similar functions, with most of the remaining spaces rented out to various businesses having modified and adapted the buildings to new functions. Unfortunately, many of the industrial buildings that once marked this historical moment in Tbilisi are now dismantled, demolished, and plundered. While the International Committee for the Conservation of Industrial Heritage (TICCIH) is fighting to preserve industrial places and buildings along with the machinery and technical equipment connected to them, in Tbilisi and in most regions of Georgia, we can only highlight the conservation and adaptation of buildings and industrial sites. To effectively preserve the diverse and multilayered uniqueness of our city and its industrial past, it is important to acknowledge the full historical, cultural, economic, and social values of this heritage” (MUA, 2020).

Unfortunately, massively exhaustive data at the national and/or city level about unexploited infrastructure/sites with the potential to be transformed into creative hubs is not available. The absence of such information extends to objects classified as both state/municipal and private ownerships. However, the Tbilisi Land Use Master Plan, adopted in 2019, provides some information about the objectives which might have a promising outcome in terms of identifying and classifying relevant infrastructure: e.g., from 2019 to 2021, the municipality of Tbilisi aimed to make an inventory by assessing municipal and state field resources; until 2022, the city aims to [1] develop a strategy for brownfield and industrial development including making an inventory of former industrial sites; [2] to elaborate territory development strategies and implement them consequently; [3] to develop the relevant financial-economic business models, and [4], to initiate pilot projects in partnership with other state agencies. (Tbilisi City Hall, 2019)⁵.

⁵ Here, another study has to be taken into consideration: “Former Industrial Buildings (Brownfields) in Tbilisi” authored by John Burrows.

In parallel with this, the data collected by Multiverse Architecture (MUA) in 2020 lists 94 infrastructural sites⁶, the majority of which represents former industrial buildings across Tbilisi: 76 buildings reside in the city suburbs and most of the data entries represent private ownerships: 38 sites are classified as sites which are functional and whose function is different from what the building meant to serve; 8 buildings operate in accordance with the original function; 4 buildings have mixed occupancy; 7 are dysfunctional/brownfields and the rest is unclassified (referring to the trend, the majority of them (37) must also be neglected/dysfunctional) (MUA, 2020).

During the Soviet times there were “culture houses” in rural areas. These buildings are still under municipal ownership and possess a cultural profile, however most of them are depreciated, and lack a sufficient material-technical base and the managerial know-how to respond to the needs of the locals and be on par with international standards, e.g., in the Ozurgeti Municipality, both in the town and beyond, there are 12 cultural centers, out of which 7 are dysfunctional and in need of urgent rehabilitation (Ozurgeti Municipality, 2021); in the Telavi Municipality, there are 11 cultural centers (aka. cultural houses) – here the condition of the buildings is less challenging, however, they do not offer regular cultural programming to the locals either (Telavi Municipality); in the Akhaltsikhe Municipality, there are 4 cultural centers and like Telavi, they also host ad-hoc events rather than act as permanent catalysts for creativity in the settlements (Akhaltsikhe Municipality, 2021).

Meanwhile, there is a multitude of international support schemes indirectly or directly committed to creative placemaking. The development of creative clusters fosters urban cohesion, artistic and creative processes, and creates jobs and innovations. Therefore, this development can be considered an instrument for achieving the long-term objectives provisioned within national and local social, economic, and cultural policies. Furthermore, it is in line with several transnational reports (2006 European Commission reports), an array of manuals (e.g., *Creative Hubs: Lighthouses for the New Urban Economy*, 2016, a creative enterprise toolkit by Nesta) and national policy papers (“*Culture Strategy 2025, The Roadmap for Developing Creative Industries in Georgia*”, 2016).

This is the reason why international donor organizations and missions run programs aimed at supporting creative placemaking in Georgia.

Through the *EU4Culture*⁷ project, 3 cities (Zugdidi, Kutaisi, or Poti) across Georgia will receive a 30,000.00 EUR grant for developing cultural development strategies. The winning project proposal will further receive 300,000.00 EUR to implement the proposed strategy. Additionally, the leader city will benefit from regular capacity building support from the European Union (Jabua, 2021). Although the program is not exclusively focused on creative placemaking, it is presumable that the winning city will consider infrastructural regeneration and rehabilitation as one of the policy priorities; therefore, it is highly expected that the legacy of this support scheme will include several newly created creative and cultural hubs.

In the framework of “SME Development and DCFTA in Georgia”, a project co-financed by the European Union and implemented through its *EU4Business Initiative* by GIZ, a furniture cluster and film cluster were created in project is aimed at strengthening SMEs and fostering their internalization (in the EU markets). The project is in line with the association agreement between Georgia and the EU and “serves as an indicator for fulfilling commitments on transparency in trade related policymaking (Association Agenda 2.4)” (Steinheim, 2017). In addition to the association agreement, the project contributes to two priority directions of the Ministry of Economy and Sustainable Development of Georgia and Enterprise Georgia, specifically in terms of the Support for the National Apparel Sector Development Strategy. Within the film cluster, among other benefits,

⁶ 250 buildings were studied in total.

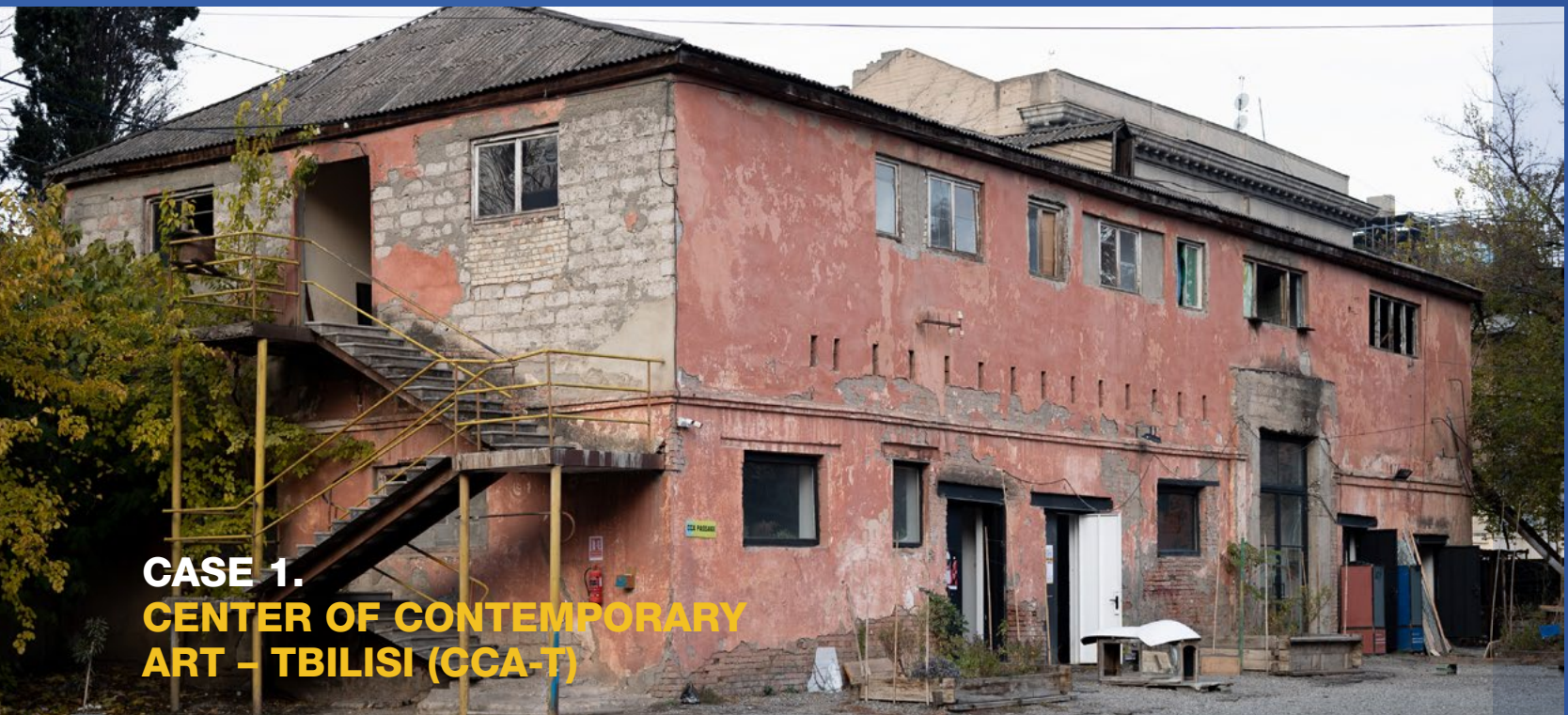
⁷ <https://eu4georgia.eu/eu4culture-to-support-cultural-development-in-five-georgian-cities-2/>

members can receive services from other member companies at discounted prices; the cluster itself organizes and supports networking events for its members. The furniture cluster united 170 furniture producers with special emphases on young entrepreneurs and ensuring their EU-level promotion. The cluster organized a training series for skill development and networking, provided pavilions for showrooms via expos in Europe, and created a favorable environment for forming partnership agreements between European and Georgian producers (Steinheim, 2017). Also, in the frames of GIZ/EU Clusters4Development programme, The Cluster Policy Document has been created, envisaging the main factors, opportunities and needs in the process of developing cluster initiatives in Georgia. At present 8 cluster initiatives are active in the following dimensions: film, furniture, ICT, packaging, construction materials, apparel, seed and seedling and tourism (It must be mentioned that construction and apparel clusters were granted the ECEI BRONZE Label.

The sustainability of a well-designed CC ecosystem in Georgia requires a multidimensional approach and takes a long time. However, considering the opportunities at the national level and by exploiting existing possibilities (following the Action Plan, Appendix 1), it is possible to create a solid basis for an efficient CC ecosystem and have beneficial outcomes in the next 2 years.

2. CREATIVE CLUSTERS IN GEORGIA

Within this section, a number of creative cluster projects will be reviewed, both the existing ones and the ones on hold. This will further emphasize the benefits and the needs of the initiatives, but also show the opportunities at the national level. Please note that the questions within the final editorials vary by project.



CASE 1. CENTER OF CONTEMPORARY ART – TBILISI (CCA-T)

The Center of Contemporary Art – Tbilisi (CCA-T) is an independent, non-profit, community-based institution, which functions as a station where people, working in international, regional, and local art scenes (curators, artists, students, and people simply interested in art) can connect and collaborate. Together with other institutions, CCA-T also organizes art exhibitions and fairs to support contemporary Georgian artists; it also contains a library of approximately 2,000 books on contemporary art, art history, and art theory, which is free of charge and open to the public.

Nowadays CCA-T is creating the first art and innovation hub in the Caucasus. The hub will provide new possibilities and create a future oriented ecosystem in the region focused on social innovation, ecology, future thinking, and multidisciplinary directions.

Location

10 Dodo Abashidze Street, Tbilisi

Property size (m²)

1,200.00

Name and legal form of the property owner

Adjara Group Ltd (10-year contract of using the space for a symbolic rental fee of \$1,200.00 per month)

Name and legal form of the managing organisation

CCA-Tbilisi / NNLE

What was the amount of the initial/pre-launch investment?

\$30,000.00

What is the annual operating budget?

\$20,000.00

The main challenge for operating the project and ensuring its sustainability:

Limited institutional support schemes in Georgia

Has the project received any awards/recognition so far? What kind?

CCA-Tbilisi is organizing the Tbilisi Triennial. The Triennial became a full member of the World Biennial Association.



CASE 2. FABRIKA TBILISI

Once a Soviet sewing factory, it has been revived and transformed into a multi-functional urban space bringing together enthusiastic individuals ready to stretch their minds with new exhilarating experiences. The space now continues its life as a popular hotspot uniting urban style cafés and bars, artist studios and shops, educational institutions, co-working space, the biggest hostel in the region, a mind-blowing open space courtyard, and constantly changing one-off events, and creates synergy between them.

For like-minded individuals, both locals and travelers, Fabrika is an alternative hotspot for gathering in Tbilisi with a great vibe and prodigious space to create and share, co-work, learn, socialize, or have a sleepover. With its striking “old-meets-new” attitude, Fabrika oozes genuinely cool Soviet vibes blended with funky industrial elements. It has become a symbol of renovation, recreation, and reinvention (Fabrika Tbilisi, n.d.).

Location

8 Egnate Ninoshvili Street, Tbilisi

Property size (m2)

7,500.00

Name and legal form of the property owner

JSC Nino

What was the amount of the initial/pre-launch investment?

\$6,000,000.00

Where was the initial investment allocated?

Purchase and reconstruction of the buildings

What was the source of the initial investment?

Investment from a private company

When was it launched?

2016

What is the provisional programming of the project?

Space rental, hostel, cultural programs

What are the sources for filling the annual operating budget?

Self-earned income.

Has the project received any awards/recognition so far?

Awards for revitalization, reconstruction, architecture, etc.



CASE 3. TSODNIS (KNOWLEDGE) CAFÉ

The Knowledge Café brings together resources that are crucially important in the development process of the community: a bookstore (selling at the lowest prices in Georgia), multimedia Georgian and English libraries, a café for open discussion and informal learning, and a universal education center in Tsnori (town in Kakheti, eastern region of Georgia).

Tsodnis Café used to operate without own property for many years; however, as a result of a large-scale crowdfunding campaign, the managers of the initiative managed to purchase the land and develop a three-floor building. Therefore, in the forthcoming years it will act as a large-scale hub in the region.

Location Tsnori, Kakheti, Georgia

Property size (m²)

156.00 m² of land, 400.00 m² building in progress

Market value of the property \$87,000.00

Name and legal form of the property owner

Tsodnis Café / NNLE

What was the amount of the initial/pre-launch investment?

\$8,000.00

Where was the initial investment allocated?

Budget for renting and renovating space

What was the source of the initial investment?

Governmental fund (Youth and Children Development Fund) and a local NGO (CSR DG; Fund for Civil Education)

When was the project launched? 2015

What is the provisional programming of the project?

Providing services, a cultural program, entrepreneurial/commercial program, and intergenerational program

What is the annual operating budget? \$15,000.00

What are the sources for filling the annual operating budget?

Private donations, public subsidies, self-earned income, international donors, local and central businesses

What are the 3 main challenges for operating the project and ensuring its sustainability?

1. leading a crowd funding campaign for raising money for space renovation;
2. Managing human resources / providing staff with proper salary;
3. Not having strategic partners for supporting crucial programs annually

Has the project received any awards/recognition so far?

1. KC became the Best Social Enterprise in Georgia in 2018; Also, it became the Best Community Initiative in 2016; and in 2020 KC got the Award for Civil Solidarity.



CASE 4. PROPAGANDA NETWORK - “AN ENVIRONMENT WHERE CONTEMPORARY ART INITIATES CHANGE”

Aimed at developing, internationalizing, and making contemporary art accessible, the mission of Propaganda on the one hand, is to promote the professional development of the artists, increase their visibility, and provide them with a convenient working environment, and on the other hand, to initiate/support research-based and educational projects.

It all started in 2013, when the initiative group received funding from the Zaza Daraseli Foundation for the creation of a contemporary art archive. The archive, along with some other creative projects, was finally realized starting in 2017, when Propaganda was officially institutionalized with the support of a private donor. As a result of collaborations with freelance creative professionals and arts institutions, Propaganda has implemented up to 50 projects, constituting 6 programs (Propaganda, n.d.).

At present Propaganda runs an international art residency program and a collective studio at Stamba D Block.

Location

14 Kostava Street (Stamba D Block), Tbilisi

Scale of the property (m²)

150.00

Name and legal form of the property owner

Adjara Group Ltd

When was the project launched?

2017

What is the provisional programming of the project?

International residencies, a collective studio, exhibitions, support, research, education, and Sonic Arts Lab.

What is the annual operating budget?

\$36,000.00 (excluding large-scale projects)

What are the sources for filling the annual operating budget?

Private donations, public subsidies, international donors, local and central businesses

What are the main challenges for operating the project and ensuring its sustainability?

1. Lack of clustering opportunities
2. Lack of self-earned income



CASE 5. ALTERNATIVE CULTURAL SPACE N12

At present, Alternative Cultural Space N12 is open to all interested creative professionals free of charge. During this experimental timeframe, based on the demand, the potential profile of the space will be envisaged by the Ministry of Culture, Sports, and Youth of Georgia. This will be followed by developing an architectural project and identifying the costs related to infrastructural expenses leading to an elaboration of a business model for the first-ever Ministry-initiated CC project in Georgia.

Location

73 Gorgasali Street, Tbilisi (former Ortachala prison territory)

Property size (m²)

12,800.00

Name and legal form of the property owner

The Ministry of Culture, Sports, and Youth of Georgia

When was the project launched?

2021

What are the sources for filling the budget in order to launch the project?

Private donations, public subsidies



CASE 6. CUBE IN CONTEXT

A former cable station located in a recreational zone is going to be transformed into a creative hub through the project. The platform will include coworking space and encourage dialogue between different members of society; it will also function as a social enterprise. The space will be committed to the contemporary arts by supporting artists and scholars and by creating an enabling environment for their publicity. Cube will rely on the instrumental value of arts and creativity – a contemporary art gallery, media library, coworking space, and concept shop - to increase the awareness regarding social, environmental, human rights issues, and implement projects with high social value.

Location Mziur Park, Tbilisi

Property size (m²) 65.00

Name and legal form of the property owner

Tbilisi City Hall (a two-year transfer of the management free of charge)

Name and legal form of the managing organization

Cube in Context / NNLE

What was the amount of the initial investment?

\$160,500.00

Where has the initial investment been allocated?

Developing an architectural and marketing plan, reconstructing the building

What was the source of the initial investment?

Tbilisi City Hall, Intelcom Group Ltd., TBC Bank, NNLE AHUAHU, Cube in Context team.

How much financial investment is required for the project to be launched (first phase)?

\$56,725.00 (annual budget)

What are the provisional sources to get the funding for launching the project?

Local private sponsors, national and international competition programs, crowdfunding

When is the launch planned? Spring, 2022

In case of provisional self-earned income, please name the sub-programs

Coworking space, online and physical shop, gallery

What are the main challenges for launching the project and ensuring its sustainability?

Pandemics: adapting to digital landscapes

CASE 7. CLUB THEATRE “BRAVO”

The hub is primarily aimed at providing educational arts programs, such as choreography, and visual and performing art training sessions for youth (5-13 years old). It also provides presentation spaces for cultural professionals, both to established and emerging ones. In 2022, the programming will include music education as well: vocal and instrumental training, music engineering, voice recording, etc. to be culminated by the development of a hall ready to host 300 visitors.

Location 30 Shota Rustaveli Street, Rustavi

Property size (m²) 1,800.00

Name and legal form of the property owner

Rustavi City (a rental agreement which will last until 2026)

Name and legal form of the managing organisation

Club Theatre Bravo Ltd.

What was the amount of the initial investment? \$33,500.00

Where has the initial investment been allocated?

Infrastructural expenses, material-technical base, and furniture

What was the source of the initial investment?

Profit reinvestment and business loan from bank

How much financial investment is required for the project to be launched at full capacity? \$15,000.00

What are the provisional sources to get the funding for launching the project at full capacity?

Profit reinvestment and grants

What is the provisional annual operating budget?

\$20,000.00

What are the sources for filling the annual operating budget?

Self-earned income from education fees and space rental

What are the 3 main challenges for running the project and ensuring its sustainability?

1. Encouraging clustering among the programs;
2. Developing infrastructure and a material-technical database, and ensuring public accessibility, respectively;
3. Developing high-on-demand products and services and on-location sales.

CASE 8. RADIO CITY

Radio City is a brownfield project located in the suburb of Gldani and inspired by a former radio factory with a total land area of 118,000 m². Radio City is an innovative project tailored to the interests of the public and communities. The renovated buildings of the former radio factory located in Gldani-Mukhiani will create a new and unique center of attraction for creative industries, SMEs, youth, and innovators in Tbilisi. The Radio City ecosystem will include shared workspaces, shops, restaurants, bars, entertainment, and event venues. The project will unite more than 10 industries, 35 sectors, and support more than 200 economic activities.

Location Gobronidze Street, Mukhiani, Gldani District, Tbilisi

Property size (m²) 117,955.00

Market value of the property \$10,000,000.00

Name and legal form of the property owner

Industrial City / LLC

Name and legal form of the managing organization

Collective Development / LLC

What are the provisional sources to get the funding for launching the project?

Equity financing from the owner/ private investor, debt financing from local and international banks and IFIs

What is the provisional programming of the project?

Space rental, providing services, a cultural program, an entrepreneurial/commercial program, coworking spaces, an event space, light manufacturing

In case of provisional self-earned income, please name the sub-programs.

Space rental, tenants, F&B outlets, retail spaces, public and recreational space

CASE 9. TEC TBILISI

At TEC Tbilisi, one can experience 100 years of history at one of its most impressive locations. In the spirit of contemporary Tbilisi, TEC will represent and embody urban aesthetics, the revitalization of high-quality standards, as well as indulgent sensorial experiences. It will offer everything from multi-day conferences to photo and film shoots, parties till dawn, international roadshows, pomp-filled awards ceremonies, and fashion shows...day parties, night clubs, F&B, coworking spaces, exhibitions to create a natural flow of energy throughout the day drawing and guiding guests and locals throughout the property.

Location

10 Dodo Abashidze Street, Tbilisi

Property size (m²)

12,182.00

Market value of the property

\$15,000,000.00

Name and legal form of the property owner

Urban Electric / LLC

Name and legal form of the managing organization

Collective Development / LLC

What are the provisional sources to get the funding for launching the project?

Equity financing from the owner/ private investor, debt financing from local and international banks and IFIs

What is the provisional programming of the project?

Space rental, providing services, a cultural program, an entrepreneurial/commercial program, music clubs, studios.

In case of provisional self-earned income, please name the sub-programs

Space rental, tenants, F&B outlets, retail spaces, public and recreational space

What are the profiles of the organizations/individuals to be committed to the project (program-wise)?

TESI will also work with existing Adjara Group partners as well as new ones to further position the brand in the high-class event location segment; state institutions, international organizations, NGOs, foundations, & civil society.



CASE 10. UDABNO VILLAGE (AKA PANDORA)

With an artisan village of the Adjara Group “Sataple” (“Honeypot”) comes a new vision of simplicity and abundance. Udabno Village is a synergy-based community of local artisans, farmers, and craftsmen who have chosen the Udabno project as a parent space.

The village will further advance synergetic community building by developing unconventional co-living and coworking spaces outside the capital. Sunk in the vast, undiscovered landscapes of Udabno, rural houses will be renovated, and new establishments will be erected. Through its architecture, design, governance structure, and services, the project will spark collaboration, creation, and inspiration, while also promoting a healthy lifestyle.

Udabno is a crossroad for creatives from different disciplines to come together to present and share their works and processes. The main concept of the village would be to facilitate the proximity and interaction of creative individuals, and nourish creative discussion and work, while discarding aspects typical of living such as privacy, organization, and comfort in favor of constant creative production and socialization.

Location Sataple Village, Sagarejo Municipality, Kakheti

Property size (m²) 1,428,817.00

Market value of the property \$5,000,000.00

Name and legal form of the property owner

Udabno Village / LLC

Name and legal form of the managing organization

Collective Development / LLC

What are the provisional sources to get the funding for launching the project?

Equity financing from the owner/ private investor, debt financing from local and international banks and IFIs

What is the provisional programming of the project?

Space as well as house rental, providing services, a cultural program, an entrepreneurial/commercial program, co-living houses, artist studios, residences; food and beverage spots, a pop-up kitchen, bakery, conference spaces, educational and vocational establishments

What are the profiles of the organizations/ individuals to be committed to the project (program-wise)?

Artist residencies, craft studios, hospitality houses, local artisan shops, markets.

3. STIMULATION MECHANISMS

Stimulation Mechanisms for Developing Creative Cluster Projects

Since creative clusters differ in accordance with many characteristics, including the scale and scope of the operations, there is a multitude of approaches and endless combinations of mechanisms for initiating, developing, and maintaining them. However, the best international practices provide a number of tested schemes.

In the following chapter, 6 approaches will be further discussed. The respective information was first obtained after researching the EU-supported [URBACT: Refill](#) project, which was about discussing policies and developing respective action plans regarding the Temporary Use (TU) practice of vacant urban spaces in 10 partner cities across the European Union. The information was further researched and filtered through P2P experience sharing meetings with the representatives of 6 cities (Riga, Athens, Bremen, Helsinki, Cluj-Napoca, and Ghent) throughout April/May 2021. TU is a practice when usually abandoned or neglected spaces are appropriated by bottom-up initiatives, including artistic collectives, craftsmen, urban farmers, community centers, etc. TU can be either supported by the government or developed with little political or administrative intervention. As a result of TU, usually the real estate owners benefit from the maintenance and commercial value increase of their premises and on the other hand, the tenants (such as start-up companies, community centers, and social initiatives) benefit from the low rent (preferential rent) to test their business models (Jégou, Bonneau, Tytgadt, Tabaku, & Descheemaeker, 2016). The support schemes for TU can be further extended to be beneficial for initiating, developing, and maintaining any type of space-based creative clusters. In September 2020, we also developed a panel discussion in partnership with the Tbilisi Architecture Biennial, whereby three international counterparts from North Rhine-Westphalia region, Lisbon, and Brussels contributed with their knowledge regarding the stimulation mechanisms for placemaking. These suggestions are also reflected throughout the subsections.

1 Mapping

While deciding on contributing to the development of creative clusters, a city administration might invest its resources in a mapping exercise. Usually, it happens in a collaborative manner with research institutions, including universities, e.g., in a study from 2011, it was revealed that 383 buildings (partially or entirely) were abandoned in the municipality of Athens (ibid.). The universities can play a crucial role not only in the research process but also in developing respective strategies and action plans, e.g., the University of Thessaly oversaw the development of the Integrated Action Plan for the city of Athens in 2013 (ibid.). In addition to the top-bottom approach, cities might initiate an online platform, where citizens can report vacant/endangered areas themselves, e.g., under the motto: “Let’s fix up environmentally degrading buildings so that Riga becomes more beautiful!”, the City of Riga operates the online platform [GRAUSTI](#). Visitors to the webpage have the possibility of observing the decisions of the committee in reference to specific vacant infrastructure they have reported. The mapping can also take the form of a vernacular practice – this was the case when the citizens of Latvia put stickers on abandoned/neglected sites in the frames of the “Free Riga” movement (ibid.).

Another example of an online mapping platform is [Leerstandsmelder](#), which provides nationwide coverage of information regarding vacant places in Germany. The following information is collected and published for each site detected: the address, vacancy period, current condition, function, and ownership (public vs. private).

In Georgia, Multiverse Architecture has already contributed to the mapping exercise with the support of LEPL Creative Georgia, whereby the team identified abandoned and neglected sites classified as Soviet Industrial Heritage. If the scientific know-how and research expertise of different institutions of higher education in Georgia (e.g., the Georgian Technical University, Tbilisi State Academy of Arts, Business and Technology University, etc.) are committed to mapping exercises and properly combined with the policy priorities of the municipalities, it can result in assessing the infrastructural assets in a massively exhaustive manner.

2

Ad-hoc support and/or program funding

There are the times when the state/municipal administration boldly contributes to the development of creative spaces in a case-by-case manner, e.g., the development of The Traces of Commerce (a vacant shopping passage) in Athens was financially supported by the Athens Development Agency and synAthina initiative. Based on the municipal support, the Traces of Commerce team announced an open call for applications from young entrepreneurs who wanted to test their businesses (such as fablabs, design shops, etc.) in the venue. As a result, the committee selected 12 winning project proposals/tenants out of 300 applications. “The agency help[ed] Traces of Commerce to work both as an incubator coaching the emergence of new businesses and as a revitalization process of an abandoned public commercial space in Athens” (ibid., pg. 36).

Although the ad-hoc approach does not guarantee constant/program-wise support on behalf of the state/municipal sector, the success factor can have multiplier effect. It was the case with Traces of Commerce: after two successful editions, with the personal involvement of the city mayor, another project - Kypseli Market – was implemented in Athens. The latter was more focused on social entrepreneurial projects rather than commercial ones (ibid.).

In case of ad-hoc support schemes, the state/city administrations must think “outside the box” and reflect on the initiatives which are popular and/or serve the needs of the citizens. Ad-hoc support can have diverse forms, such as transferring management rights of the public property to potential CC managers and/or selling the property to potential investors/developers of CC projects, e.g., In 2019, Tbilisi City Hall sold the former radio factory to Adjara Group Ltd. with the precondition that the company would transform the brownfield into a multifunctional creative hub. Through ad-hoc support, a city/state might directly invest in the development and rehabilitation of CCs, e.g., Tbilisi City Hall invested in the rehabilitation of the Cube in Context project and transferred the management rights of the infrastructure to a NNLE for 2 years, so that the latter can implement cultural and education programming.

However, the cities which provision the creation of creative spaces in neglected/abandoned and vacant areas in their policy priorities, engage in program funding. These schemes are sometimes run by a single agency, but they mostly get their funding from diversified agencies. One of the finest examples of a specially designed funding program for temporary use is the Fund for the Temporary Use of the City of Ghent, launched in 2006. The fund, with an annual budget of 300,000.00 EUR, provides financial support on an open-call basis. The main criterium is that the applicant must have a temporary use contract with the landlord. Other criteria are

comprised of the degree of the involvement of locals, a creative legacy, preventing vandalism, etc. It is important to mention that the city of Ghent initiated a crowdfunding platform for temporary use projects in 2015, which acts as an additional support scheme for the CC projects (ibid.). These two initiatives were followed by creating the “Community-based Planning Unit” in the city administration of Ghent in 2003 (Now it has changed the name to “Policy Participation Unit”). The unit comprises the elected representatives of the citizens and public administration. Within the unit, the culture of listening is encouraged and strengthened, learning networks are being created, and a tailored approach is promoted (ibid.).

Another successful funding program at the regional level (North Rhine-Westphalia) is the “Dritte Orte”/Third Places program, which provides funding for either the creation of new cultural centers or the development of existing ones. This program was initiated by the Conservative Party and later it was supported by the coalition government. The program is implemented and promoted by the Ministry of Culture and Science. Through competition-based support, the applicants get funding for developing skills and cultural programming. However, since infrastructural rehabilitation plays a crucial role in placemaking, the applicants are also given the opportunity to apply for infrastructural development funds from the Ministry of Urban Development. Moreover, the applicants can additionally apply to the Ministry of Culture and Science for extra funding for small-scale cultural events to be held via the placemaking projects supported by the Dritte Orte plan. Therefore, there is a three-fold support matrix for cultural and creative placemaking projects in the North Rhine-Westphalia region. When asked about the general criteria for selecting the winning projects, the following preconditions/dimensions were emphasized by Dr. Ina Rateniek, program manager of the project:

- Has it been ensured that the place can be used for the project purposes for many years?
- Does the project respond to the policy priorities of the towns/cities in terms of urban and/or cultural development?
- Is the town/city administration involved? How?
- (In case an NGO applies), how many different partners from public and private sectors are involved? Who and how?
- Has a broad participatory process taken place?
- Are the proponents of the project really open to new ideas and are they ready to share the responsibilities with others? How?
- Do the participants care enough about the revenue side to ensure the sustainability of the project – do they have any concept of making money, any concrete business plan?
- How is a multidisciplinary approach encouraged and is crossdisciplinarity provisioned in an authentic manner? (Rateniek, 2020).

There are also the cases when the cities do not necessarily have a separate budget line for running the funding programs for initiating, developing, and maintaining creative spaces, however, they allocate some funds from the cultural budget to creative placemaking projects, e.g., about 15% of the city budget for cultural programs goes to creative placemaking in Cluj-Napoca, Romania (Forna, 2021).

There is also the opportunity to exploit the possibility of participatory budgeting by enabling live voting for the projects to be implemented. OmaStadi is one of the best practices in this regard,

OmaStadi is the city of Helsinki’s way of conducting participatory budgeting, and the city has allocated 8.8 million euros to implement the ideas proposed by the residents. Ideas are submitted and developed on this website. During the co-creation phase, ideas are turned into viable proposals in a collaborative manner. In autumn 2021, the city’s residents will vote to the proposals and the city will implement those proposals that receive the most votes (OmaStadi, n.d.).

The state/cities can indirectly contribute to creative placemaking by providing tax reductions to property owners in case their property serves a public benefit:

[The city administration] highlighted the need for “Free Riga” to apply for and acquire the status of a “public benefit NGO”, as this status is a precondition for closer cooperation with the municipality and for possibility to use municipal properties free of charge. Even more interestingly, “Free Riga” discovered that municipal law is already granting a 90% property tax reduction for properties used by NGOs with public benefit status and hosting public benefit activities. A 90% property tax reduction was the discovery of a real, feasible benefit to the owners as the property tax for a five-floor residential building in the city center can amount to 10,000.00 – 20,000.00 EUR a year! (Rubenis).

In Georgia there is no CC-specific public funding program, either at the local or national level. There are cases of ad-hoc support, e.g., with the support of the Ministry of Culture, Sports, and Youth of Georgia, a former prison hospital is going to be transformed into a creative hub (please refer to pg. 24); with the support of Tbilisi City Hall, another small-scale cultural hive, Cube in Context, will function in Mziuri Park (please refer to pg. 25). In 2019, LEPL Creative Georgia launched a competition-based funding program for creative industries ecosystem development, with a specific focus on supporting the development of hubs, clusters, and networking platforms. However, the winning applicants could not allocate the funds for institutional development and/or infrastructural expenses. By eliminating bureaucratic limits and mobilizing financial, intellectual, and infrastructural resources from different state and municipal agencies, it is possible for a united CC-focused competition-based support program to operate at the local and/or national level.

3

Smart systems for reserving vacant spaces

In Georgia, there is a shortage of infrastructural facilities for hosting permanent/temporary creative clustering projects and/or for being exploited by creative professionals for cultural purposes. However, because not all public spaces are fully occupied (especially during the pandemic), it is possible to define the timetable when these spaces are vacant and enable creative professionals to use the space by considering the specific prerequisites of the space managers. We encounter a good example in Helsinki in this regard:

Varaamo (<https://varaamo.hel.fi>) is an online service maintained by the city of Helsinki enabling you to book the city's public premises and workstations for private use [...] you can use the service to reserve the premises, workstations, and equipment of the city library, Youth Department, and the Department of Early Education and Care. Varaamo is based on the city of Helsinki's public reservation booking system, which has been implemented as a part of the 6Aika - Open and Smart Services project of the six largest cities in Finland.

On the other hand, the municipality can maintain the space for permanent/temporary use by different stakeholders. In this regard, Athens provides another example:

The abandoned municipal kiosk in front of the Athens Central Market has been transformed into a synAthina kiosk rooting the social innovation network into this symbolic and central location in the city. The transformation was proposed by Imagine the City, a network of architects and was carried out by an innovative synergy between the private sector, municipal services, and independent architects. The kiosk is small and offers only relatively small spaces but its central location in the city and the square space available around make it an interesting place for gathering and organizing the events. Whereas most public spaces have fixed opening and closing hours and require paperwork each time when applying to use them, the kiosk is the first municipal space in Athens left to user management: initiatives and NGOs willing to use the kiosk for their activities just need to book it online in advance, pick up the keys at the municipal office nearby, and return them after they clean up the place (Jégou, Bonneau, Tytgadt, Tabaku, & Descheemaeker, 2016, pg. 37)

4

Stakeholders Matchmaking

Matchmaking is a practice during which all stakeholders (public, private, and the representatives of civil organizations) get to know each other. The process can be conducted in instances: first when project initiators (the representatives of cultural and social enterprises) meet the representatives of different departments of the municipality to discuss the benefits of the project in question, especially if it goes in line with city policy priorities, such as: social inclusion, youth employment, poverty reduction, etc. This instance can be followed by matchmaking with the private sector, especially if the project requires infrastructure under private ownership and/or additional financial support for launching (seed funding) and operating the project. During this phase, it is possible to agree on a preferential rent scheme by highlighting the direct and indirect benefits of the project.

The matchmaking sometimes proceeds with the support of a mediator agency. And this is the case for Bremen

The ZZZ is a temporary use agency that works as an intermediate organization between users, owners, and the [city] administration [...] The agency is supported and jointly financed by three departments of the city (economy, construction, and finances). The agency is run by an active temporary use crew with strong networks to users and the subculture. [...] Beyond its core space brokering activity, the ZZZ Agency works as broader coaching and development support for project promoters. About a fourth of its budget (120,000.00 EUR

out of 560,000.00 EUR over a programming period of 4 years) is being spent to support projects themselves at start. The sums allocated are very low (below 2-3,000.00 EUR). This seed money is very important as a starting incentive for cultural and social entrepreneurs (Jégou, Bonneau, Tytgadt, Tabaku, & Descheemaeker, 2016, p.44, 46).

Here again, constant support on behalf of the municipality might play a crucial role: once, ZZZ found a vacant former meat factory (the property of a private company), it contacted the landlord multiple times, but the feedback was not effective. However, with the intervention of the Economic Board of the Municipality of Bremen, ZZZ was able to meet the owners eventually and get the temporary renting project approved (ibid.).

One successful matchmaking between project initiators and the city administration took place in Ghent. The city was looking for some ideas to fill in the building of the former City Central Library. During an evening reception, 147 bottom-up initiatives got together to mingle with each other and enrich and refine some initial projects (ibid.). Another example took place in Amersfoort, in the form of a speed dating event between local companies and non-governmental organizations: “All day, parties were dating for short periods of time with the aim of exploring possible mutual collaborations, enough to draft an imaginary contract signed between the parties. About 140 such symbolic contracts were signed in one day” (Jégou, Refill Match-makers, 2019).

5

Neighborhood Managers

Neighborhood managers (usually city civil servants) are the mediators between the stakeholders of the process of initiating, developing, and maintaining social initiatives dealing with urban areas, including creative cluster projects. Usually, they are the ones who report to the local government:

[T]hey go outside a lot and have good relationships with various stakeholders and signal what happens in the city and city districts. New initiatives often get in contact with district managers, because they function as the ‘the entrance’ to the city hall [...] they are also involved in mapping vacant opportunities (Jégou, Bonneau, Tytgadt, Tabaku, & Descheemaeker, 2016, pg. 27).

Usually, these people have flexible working hours, and they are encouraged to not think from the inside, but vice versa. Based on the job description of a borough liaison from Helsinki, the main task is the development and implementation of participatory budgeting, which means enabling citizens to contribute to the city’s budget planning.

In Ghent, each of the 25 districts has a district manager and they “are the key to governance evaluation in the sense that they feedback both problems and innovative practices from temporary use projects to the city administration of Ghent.” (Jégou, Bonneau, Tytgadt, Tabaku, & Descheemaeker, 2016, pg. 63)

6

Prototyping Creative Placemaking

There are different art projects (festivals, biennials, etc.) which could act as platforms for prototyping the potential use of abandoned/neglected areas for further consideration. Athens' Biennale of Contemporary Art acts as one such platform, “The focus on temporary use as a generic artistic concept provides the occasion to investigate concretely and raise awareness of the possibilities of temporary use in the Omania area where the Biennale takes place.” (ibid., 35)

The first edition of the Tbilisi Architecture Biennial also acted as a platform for experimenting with neglected/abandoned and degraded areas and improvising what would happen if creativity penetrated those sites. Although the projects were classified as purely conceptual artistic installations rather than as a prototyping utilitarian use of degraded areas, the Biennial still catalyzed the intellectual discourse about the “creative inhabitation” of such areas (Tbilisi Architecture Biennial, n.d.). Another example of the same practice in Georgia is the Oxygen Biennial: the first two editions were held at a construction site of a former publishing house and represented a case of temporary artistic intervention. The fourth edition took place in the premises of a former electricity factory and again provided visitors with an intriguing adventure in a semi-ruined and abandoned space – ready to be transformed into a creative hub (please, refer to pg. 21).

Transversal Stimulation Mechanisms

In line with CC-oriented stimulation mechanisms, there are multiple transversal mechanisms which contribute to the sustainability of the clusters. Creative clusters incorporate organizations committed to cultural programming and innovations. On one hand, non-governmental cultural organizations lack the funding for cultural programming and on the other hand, for-profit organizations, such as small and medium-size enterprises and start-ups do not have sufficient seed funding. Therefore, the identification of the respective support schemes for these entities could lead to the overall sustainability of the clusters they belong to. Along with NNLEs (both state-subsidized and non-governmental), LEPLs such as the National Culture Fund, the Georgian National Film Center, etc. could also benefit from the schemes described below.

Within this section, current affairs will be covered, and recommendations will be provided regarding corporate and individual (aka percentage) philanthropy, fiscal (VAT) policies on cultural goods/services, social entrepreneurship, and crowdfunding.

1

Corporate and Individual (Percentage) Philanthropy

“The Ministry of Finance is currently unenthusiastic about developing and supporting sponsorship and philanthropy arrangements of the type which are found in [most] European countries” (Sandell, 2017, pg. 8). This citation refers to a list of unenacted fiscal measures which could lead to an increase of private funding in the cultural sector and out of which corporate philanthropy has the largest stake. “Strengthening the practice of philanthropy and charitable activities makes countries richer, not poorer. Adopting the draft law [of Georgia on Philanthropy, Charity and Social Partnership] would indicate that the government of Georgia strives towards the development of democracy. Later, an implementation of the law would further act as a steppingstone towards EU integration,” (Taso Foundation, 2016) we read in the foundation’s descriptive documentary publication about the decade-long attempt to implement the law.

Encouraging philanthropic and charitable activities in Georgia is of vital importance since the funding for most culture-related initiatives comes only from state/municipal entities, including the autonomous republics of Georgia. The main beneficiaries of these funding schemes are LEPLs and NNLEs registered by the state/municipal agencies themselves. In line with this, there are cases when enterprises (the business sector) and individuals engage in philanthropy only through (corporate) social responsibility as there are no fiscal stimulation mechanisms within the existing legislation which could act as an efficient catalyst for encouraging the business sector and individuals to donate.

Efficient stimulation mechanisms would lead to the following benefits:

first, the non-governmental organizations committed to the cultural activities would have alternative funding sources;

second, by supporting and implementing philanthropic and charitable activities, individuals and enterprises (the business sector) would contribute to the implementation of democratic principles and to the development of civil society, as their giving would be aimed at the following life areas: human rights, fighting against poverty, sustaining peace, meeting the needs of vulnerable groups of society, protecting the environment, developing arts and culture, sports, education, etc.;

third, NNLEs are usually the entities well-experienced (with knowledge and competencies) in dealing with specific causes and/or critical issues in specific life areas. Therefore, when these NNLEs receive funding from donors for philanthropic and charitable activities, there is a greater chance that the received donations are allocated in a more efficient way to serving the needs of the final beneficiaries;

fourth, when it comes to enterprises (the business sector), philanthropy and charity-oriented stimulation mechanisms encourage a sense of corporate social responsibility, while regulating the relations between donors (the business sector) and beneficiaries (NNLEs conducting philanthropic and charitable activities). As a result, the dependencies amongst these two are transparently put within a contractual agreement;

fifth, the endeavor of the state, business, and civil sector aimed at developing democratic society is united;

sixth, when the donor is an international organization, local NNLEs are accountable towards these organizations. Strengthening individual/corporate philanthropy-related stimulation mechanisms at the national level makes the beneficiaries accountable to the citizens of Georgia. On the other hand, Georgian citizens receive the rights to monitor and evaluate the efficiency of the NNLEs carrying out philanthropic and charitable activities;

seventh, an implementation of the legal acts related to charity and philanthropy in the sphere of culture would further act as a catalyst towards EU integration (from 1998 onwards, international experts have highlighted the importance of the implementation of the respective legislation).

In response to these arguments, the Taso Foundation drafted the “Law of Georgia on Philanthropy, Charity, and Social Partnership” (final edition in 2016). In 2016 the draft law was presented to different parliament committees for consideration; however, the document was not adopted by the Parliament.⁸

According to Article 117 of the Tax Code of Georgia, “The amount donated by a natural enterprise/entrepreneur person to a charitable organization shall be deducted from gross income, [...], but not more than 10% of the amount remaining after deductions under this code from gross income [...].” (Parliament of Georgia, 2010)

Enterprises benefit from this tax incentive when it comes to donating to a “charitable organization” only; the same benefit is not applied when donating to a wider spectrum of NNLEs carrying out philanthropic and charitable activities in Georgia.

Out of the 114 active “charity organizations” in Georgia, only 9 operate in the arts and culture sector: this again points to the inefficiency of the existing stimulation mechanism within the CCI sector. Even in the case of these 9 organizations, arts and culture do not represent their main priorities (Revenue Office, 2020).

Therefore, it is suggested that the status of “Qualified Cultural Organization” be introduced in Georgia, which would permit an enterprise to deduct the amount of a donation to a wider spectrum of LEPLs and NNLEs (qualified cultural organizations) (here again, the 10%-veiling rule applies). This recognition would imply the entry of data on the respective entities in the integrated public registry administered by the Revenue Office of the Ministry of Finances of Georgia.

For additional stimulation, the practice of Portugal and/or Latvia can be adapted to the local context. According to Latvian legislation, an enterprise shall not be taxed by a profit tax on a donation made to a NNLE during a calendar year not exceeding 10% of the net profit gained by the enterprise during a previous calendar year or below 2% of the sum of the payroll from the last fiscal year. Moreover, enterprises can choose the third option to reclaim 85% of the donation (max. 20% of the profit tax paid). In this case the enterprise can develop a flexible approach while identifying the donation amount by considering the representativeness of the parameters from the last fiscal year. In case the Latvian approach is adopted, the state budget of Georgia would be reduced by 140 mil GEL (theoretical limit amount); however, the amount of philanthropy is provisioned to equal 211 mil GEL (theoretical limit amount) (Ostapenko, 2021).

If the Portuguese model is practiced, the enterprise is not taxed by a profit tax on a donation made to a NNLE during a calendar year not exceeding 10% of the net profit gained by the enterprise during a previous calendar year and in addition, the tax authority returns (on the organization’s tax balance) 7.5% of the amount paid to charity purposes. In this case, the state budget of Georgia would be reduced by 27 mil GEL (theoretical limit amount); however, the amount of philanthropy is provisioned to equal 600 mil GEL (theoretical limit amount) (ibid.).

Individual philanthropy (aka percentage philanthropy) enables citizens to make donations to non-profit organizations serving social causes with a specific amount from their income tax. A study by Marianna Török and Boris Stre anskýb “Percentage designations assessed: Redistribution and the idea of the school of philanthropy” (2017) shows the efficiency of percentage philanthropy by observing five post-socialistic countries (where traditionally philanthropy was not practiced), e.g., Lithuania has the highest degree of taxpayers practicing percentage philanthropy: There, 80% of the non-commercial organizations represent the beneficiaries of this scheme. The fiscal policies of percentage philanthropy vary by country.

The following model is suggested for Georgia: An income taxpayer shall be authorized to designate 2% of taxable income (out of 20%, which is an income tax rate) to an organization (NNLE) carrying out philanthropic and charitable activities.

⁸ Methodology-related comment: Through the project, in collaboration with financial analyst Nikoloz Ostapenko (who worked for the Taso Foundation as well), we studied the best international practices regarding philanthropy-related legislation and identified the most appropriate schemes for Georgia.

In this case, considering the average rate of practicing this scheme in Eastern Europe, which equals 43%, the state budget of Georgia would be reduced by 30 mil GEL, which would be re-allocated to the NNLEs committed to creating social benefits in the culture sector and beyond (Ostapenko, 2021). It must be highlighted that not all individuals would practice donation, as there would be some individuals who would continue transferring the revenue tax fully (20%) “untouched” to the state budget. Besides, by analyzing the trend of donations, the government would have a tool to monitor the factors most important/sensitive to citizens and could use these data to plan and optimize the annual state budget, respectively.

Please, refer to the document, authored by N. Ostapenko: **Overview and Economic Justification of Legislative Mechanisms for Supporting Culture**. The document covers a detailed description of international legislative models of corporate and individual/percentage philanthropy and provides economic simulations of the most optimal models at the national level.

2

Tax Benefits for Consuming and Producing Cultural Products and Services

One of the stimulation mechanisms for fostering the consumption of creative goods and services is the reduction of prices with tax relief support. Here the Value Added Tax (VAT) acts as an important variable. Across different countries of the European Union, the governments adopt sector-specific fiscal policies regarding the VAT (sometimes, VAT is totally abolished as well, e.g., the zero rate is applied to books in the U.K., Finland, Latvia, and Ireland)⁹ (Ostapenko, 2021). In some countries, VAT-related fiscal stimulation mechanisms are only valid for state institutions and/or specifically authorized institutions; while there are multitude of cases when they extend to non-profit organizations as well.

Throughout the 1990s, Sweden had been applying its standard VAT rate of 25% to books. Because of the high VAT, books appeared more expensive to the consumer, as compared to other cultural products. Publishers expressed the view that high prices on books lowered turnover and margins and therefore argued for a lower VAT in their industry. Small bookstores in remote areas were deemed to be particularly affected, prompting the state to hand out subsidies (SEK 10 million in 2002). Lowering the VAT on books in Sweden was intended to lower prices and increase sales in order to promote readership, the quality of books, and the variety of content.

In 2002, a decision was reached to bring down the level of the VAT on books to 6%. The VAT reduction was immediately reflected in lower prices. The year following the VAT reduction, sales rose by 16%, thus confirming earlier estimates that the books' price elasticity of demand was close to -1. The effect has been persistent, with 2005 being described as a bumper year in the industry. The benefits of greater volume partly spilled over to the rest of the value chain. The VAT reduction has been equivalent to a sectorial subsidy, costing the government some SEK 600 million in foregone tax receipts, according to one

⁹ Companies can claim back the VAT incurred prior to point of sale (input VAT) as well as being exempt from charging a VAT on their goods and services at point of sale; please, visit: <https://expathub.ge/understanding-vat-in-georgia-country/>

estimate (Ahlmark, 2003). Greater turnover seems to have eliminated the need for bookstore subsidies in remote regions and such subsidies have consequently been dismantled. Similarly, the greater turnover brought a number of small publishers specializing in quality or niche content, to the market (Čopič, et al., 2011).

The sustainability of creative clusters usually depends on different revenue sources, such as public funding and private donations, but also self-earned income. The latter is possible if the enterprise provides creative goods and services. Therefore, tax reliefs for the creative goods/services produced will act as a stimulus for potential consumers to buy creative products and services and will lead to an increase in the revenue of CCLs, representing the cornerstones of creative clusters.

Based on an international comparative analysis and economic justification, the following amendments are suggested within the Tax Code of Georgia: In the first part of Article 170 of the Tax Code of Georgia, the list of operations exempted from the VAT without the right of deduction, should be extended to cultural events¹⁰ and contractual agreements with authors of creative content.

Moreover, Article 180 of the Tax Code of Georgia could be amended and include the following: qualified organizations which have purchased the products/services in the framework of the events envisaged within Article 10 of the Tax Code of Georgia, shall be entitled to a deduction or a refund of the VAT paid for the goods/services on the basis of a tax invoice or, in the case of a reverse charge, of a document evidencing payment of the VAT (ibid.).

According to the data of the National Statistics Office, the GDP portion of the arts, entertainment, and recreation sector equaled 3-3.5% in 2019 and 2020, respectively. If we consider the typology of these operations, the arts sector constitutes 1-1.5%; Therefore, approximately 50 mil GEL. It must be also noted that the majority (99%) of the entities who are subjected to the VAT represent large-scale enterprises, while the organizations committed to arts and culture might not be even registered as VAT payers. Therefore, VAT exemption will not have a drastic effect on the state budget. In contrast, reducing prices on creative goods and services will further lead to an increase in the employment rate, revenue, and eventually the state budget via income and profit taxes (ibid.).

3

Social Entrepreneurship

The business model of creative social entrepreneurship exploits the possibilities of creative/cultural assets, both intellectual and material ones, to come up with products and services benefiting consumers, on the one hand, and producers, on the other hand. When it comes to a social enterprise with a strong sense of community, social entrepreneurs encourage a sense of unity within the community and ensure that both the creative self-expression and the economic sustainability of the community members are safeguarded. In addition, if the social entrepreneurship is practiced in a permanent space, creative placemaking becomes an additional benefit for the community and the urban/rural area in question, further boosting the popularity and attractiveness of the area.

¹⁰ The classification of the events should be conducted by the state agency responsible for developing sectorial policies.

Bearing this in mind, a multitude of small, medium, and large-scale projects and programs have been initiated to exploit the possibilities of creative social entrepreneurship.

Content-wise, the scope of operations is limitless: creative social entrepreneurs can represent a diverse spectrum of creative industries from traditional art practices to information technologies and cross-disciplinary and experimental projects. The common ground for all creative social entrepreneurial initiatives is that: [1] primarily they serve a social mission shared by the members of the enterprise which is beneficial for society and [2] the profits are reinvested into operations, again serving the mission of the community.

Rodney Trapp, adjunct instructor at the George H. Heyman, Jr., Center for Philanthropy and Fundraising, NYU School of Professional Studies brings a couple of creative social entrepreneurship examples from around the world, which emphasize the cross-disciplinarity of the business models:

Earthen Symphony, a decorative art and design studio in Bangalore, India, provides untrained women with employment opportunities as designers, artisans, and craftsmen, as well as promotes a healthy work culture in the local community. Indego Africa is a lifestyle brand company in Uganda that works with women artisans through local cooperatives to generate income to support women and their families in the present, provide them with training to build profitable and sustainable businesses for the future, and gain access to international export markets. The avatar therapy project, led by Thomas Craig of King's College London, is a computer-based system that aims to treat people with schizophrenia who suffer with hallucinations despite drug treatment. There are even digital artists and health care providers coming together to tackle bold projects, like PR:EPARe, a video game developed by the Serious Games Institute designed to help teenagers deal with sexual coercion during adolescence. These are just some examples of the many socially driven entrepreneurial businesses effecting change all around the world and in virtually every sector of the creative industries (Trapp, 2015).

The Creative and Social Entrepreneurial (CASE) Program is one of the large-scale translational programs aimed at exploiting the possibilities of creative entrepreneurship. The program is implemented by In Place of War, a global organization committed to conflict regions. By mobilizing different support mechanisms (training programs and P2P exchange, pilot projects, etc.), a multitude of arts-based businesses have been developed through the program:

Four years ago, In Place of War piloted our Creative and Social Entrepreneurial Program in Srebrenica. Late last year, some of the participants, using ideas and tools from the program, successfully lobbied the municipal government to purchase the old, dilapidated venue in the center of town, which was a huge accomplishment. They've partnered with PortAgora of Tilburg to put together plans to finance and build a multifunctional community center, with a café, stage for performances, rooms for playing music, space for youth led businesses to open and get started, and a few sleeping rooms for musicians in residence to stay when they come to hold trainings or shows. It's basically a venue at night and a learning/meeting center by day (In Place of War: Creative and Social Entrepreneurial Program, n.d.).

There are no specific legislative measures and fiscal policies at the national level for supporting the initiation, development, and maintenance of creative social entrepreneurial projects and for providing their respective legal status in Georgia. However, based on the business models the following entities adhere to, they can be still classified as creative social enterprises from Georgia: e.g., Social Enterprise Babale was founded in 2015 by the NNLE For Real Changes. Babale comprises of 2 spaces: a creative workshop where young people with special needs get an education, and an exhibition space where items (wooden chests, stationary, bags, accessories, practical and decorative figures) are displayed and sold (Social Entrepreneurship Development Program, n.d.). Arabuli Art House is another social enterprise which strives to popularize the Khevsureti region. In order to achieve this goal, a social workshop in Korsha Village was established. The social workshop, on one hand, preserves traditions and hands them down to future generations, on the other hand, it uses cultural heritage as a modern business tool and, in this way, facilitates employment and ameliorates migration processes from the mountains. Currently the beneficiaries of the social enterprise are local citizens, mainly women and people who have migrated from Khevsureti. The enterprise employs 7 local citizens who don't have access to any alternative jobs. It also offers pupils in the Barisakho community a chance to participate in education courses and social activities developed specially for them (ibid.). Another example: in 2018, a team of professionals created Potteria to maintain and promote Georgian traditional crafts - clay and ceramics. The social enterprise employs women in conflict with the law to produce ceramics, which is doubly important: in addition to employment, it also includes art therapy that promotes their reintegration (ibid.).

Some broader examples can be observed via the Social Enterprise Alliance Georgia database, which is a non-governmental organization committed to the sustainable development of the ecosystem of social enterprises. More than 30% of the listed enterprises produce design products; therefore, they can be classified as creative social enterprises. In addition to the Alliance, the Center for Strategic Research and Development of Georgia published the *Manual for Social Entrepreneurship* in 2019. The document discusses the current affairs of social entrepreneurship in the global arena and provides practical recommendations to potential initiators of social entrepreneurial projects.

Despite both the global and local achievements and a focus on social entrepreneurial practices, there are no fiscal policies and/or flexible legislative measures which would foster the development of social enterprises in Georgia. Here again, the Center for Strategic Research and Development of Georgia started to lobby the creation of a favorable legal environment in 2015. The process was hindered because of a lack of interest on behalf of the MPs. Then, in 2018 the process was revived, and a draft law was presented to the Parliament of Georgia. The main goal of the draft was to institutionalize and create the legal status of social entrepreneurship. According to the document, an entity could be granted with the status of social enterprise if: a) it promoted social equality, employed vulnerable groups of society, and targeted social goals in the following life areas: education, culture, health protection, sports, and environmental protection; b) it is committed to entrepreneurial activities and the majority of the revenue is accumulated via entrepreneurial activity; c) a min. 70% of the profit of the enterprise is to be reinvested in order to accomplish the goals envisaged within the organization's mission; d) it is administered in accordance with democratic principles, whereby the code of conduct can be only amended by the consensus of a min. 80% of the members; e) it is not related/subordinated directly or indirectly to national and/or municipal agencies. It is important to note that the draft law permitted limited companies, cooperatives, and corporations to be registered as social enterprises. The draft law did not introduce any specific fiscal measures aimed at social entrepreneurship (The Center for Strategic Research and Development of Georgia, 2018).

While addressing both the economic and social needs of different vulnerable groups, but also those of youth and women, on one hand, and considering rich cultural and creative resources at the national level, on the other hand, the creative social entrepreneurship business model can act as an effective corresponding measure for these issues and represent a solid basis for creative cluster initiatives.

4 Crowdfunding

Online crowdfunding as a form of innovation is expected to have the same impact on economic development as mobile phone penetration or microcredit.

(Rau, 2020)

[Tsodnis \(Knowledge\) Café](#) (pg. 23) is not only a website but also a donation-based crowdfunding platform for the project. With the support of a well-structured public campaign, the project managed to attract more than 79,000.00 GEL to buy land for the new multifunctional hub. Now the managers are committed to collecting more for the construction and refurbishment. The number of donors exceeds 1,500 people.

The Tsodnis Café example shows that crowdfunding can be considered as one of the most effective instruments for creative entrepreneurial projects to acquire financing, including culture-based creative cluster initiatives.

Crowdfunding is regarded as one of the most rapidly growing funding practices nowadays globally: “In 2021, the global crowdfunding market was valued at 12.27 billion U.S. dollars and was forecast to double by 2027, growing at a compound annual growth rate (CAGR) of 11 percent” (Statista, 2021).

The unpracticed culture of philanthropy by the backers, on one hand, and the limited know-how of the fundraisers and fundraising platform operators, on the other hand, hinder the development of crowdfunding in Georgia, even if it only considers donation and reward-based crowdfunding schemes. Some further challenges are present when it comes to equity and loan-based crowdfunding schemes (Deloitte Consulting LLP, 2021).

The study by Deloitte Consulting LLP – “Equity Crowdfunding Regulation – International Best Practice Innovation Reform”, produced for review by the United States Agency for International Development in 2021, provides the following classification of crowdfunding schemes:

Donation-based CF refers to the funding of philanthropic and/or research projects where contributors do not expect any monetary return from the project initiators. Donation-based CF backers are not economically driven, rather their decisions are based on social responsibility. Saxton and Wang (2014) argue that one of the most appealing financings in this type of platform are health-related causes. They revealed that most of the projects that meet their targets on the platform are funded by donors at the early stage of the platform placement. Donation-based CF has accelerated the funding of social purposes by using standardized platforms that include integrated data collection, fast transactions, and robust communication strategies (Zhao and Shneor 2020).

Reward-based CF has been used to refer to the model in which “supporters can provide funding to individuals, projects, or organizations in exchange for non-monetary rewards such as products or services while accepting a certain degree of risk of non-delivery on campaign promises”.

Debt-based CF is also labeled as P2P lending. It is characterized by investors providing funds to individuals or SMEs through online platforms with the promise they will receive their money back plus the agreed-upon interest. It usually includes a loan contract or debt security between parties. P2PMarketData (2020)² asserts that debt-based CF accounts for more than 92 percent of the global crowdfunding market.

Equity CF refers to situations in which project owners sell a stake in their business to several investors in return for investment. According to the definition provided by the European Commission (EC), the main difference between equity CF and traditional models is that investor-company matching is done through internet-based platforms (Deloitte Consulting LLP, 2021).

The last two schemes (loan and equity-based crowdfunding) require a favorable legal framework in order to be practiced in Georgia. The LEPL of Ministry of Economy and Sustainable Development, Georgia’s Innovation and Technology Agency, along with some international development partners, drafted some amendments to the Law of Georgia on the Securities Market, provisioning new regulations for equity and loan-based crowdfunding schemes. At present, the amendments are being revised involving stakeholders and international partners. At this stage, businesses can only rely on donation and reward-based crowdfunding practices in Georgia, which constitute only 2% of crowdfunding on the global market, while the share of equity-based crowdfunding equals 5%, giving the main stage to loan-based crowdfunding, which amounts to 93% (Deloitte Consulting LLP, 2021).

4. CASES OF INTERNATIONAL CREATIVE CLUSTERS

In the following section we will cover three examples of initiating, developing, and maintaining international creative cluster projects. In all three examples, the involvement of municipal governments and/or intermediary state-supported agencies was of vital importance. In the case of 59 Rivoli, the involvement of the mayor acted as a guarantee for the sustainability of the project, while Plantage 9 e.V. emphasizes the role of an intermediary agency. Last but not the least, De Pastorie represents a magnificent case whereby a city administration took into consideration the social benefits of the enterprise over economic ones.

– 59 rue de Rivoli –

Paris, France

On 1 November 1999, the KGB (Kalex, Gaspard, Bruno), managed to open the cemented-over door of 59 rue de Rivoli in Paris. The building had been abandoned by the Crédit Lyonnais and the French state for 15 years. A dozen artists showed up to lend a hand in the cleanup of a mess full of dead pigeons, syringes, rubble, etc. The purpose of this operation was threefold: [1] to revive an unused empty place; [2] to create a place for artists to create, live, and gain exposure, and [3] to prove the validity of a cultural alternative.

The group thus formed was called “Chez Robert, Electron Libre”. They organized show openings, performances, concerts, and opened the building to the public daily from 1:30-7:30 p.m. The French State made a complaint against the artists, and they were scheduled to be evicted on February 4, 2000. Thanks to the diligence of their lawyer, Florence Diffre, they got a delay of six months on their eviction. The press became very interested in the “squat” (a contraction of squat and art) phenomenon [...]; the government didn’t pursue that matter for several years. However, the situation of the squat in the Rue de Rivoli remained precarious as they awaited the eviction.

The most important political alliance was from Bertrand Delanoë, the former mayor of Paris. During his campaign, Delanoë came through the squat, loved the place, and promised that if he were elected mayor, he would legalize the squat so the artists could have a place to work without worrying about being thrown out. And Monsieur le Mayor kept his promise!!

Today, the building is now called 59 Rivoli with 30 artist studios open to the public 6 days a week from 1 to 8pm. This formula has generated the popular enthusiasm of tens of thousands of visitors each year, sometimes as many as 4,000 visitors a week coming for expos, concerts, as well as studio visits, and 59 Rivoli has become one of the three most visited sites of contemporary art in Paris, one of the ten most visited places in France.

This is a real culturally alternative way to present art that allows for a more democratic access to its creation, both for the artists and for the public. Right in the center of Paris, 59 Rivoli creates interest through its fun, unique, and creative façade which changes every few months (59 Rivoli, n.d.).

– Bricolage Plantage –*Bremen, Germany*

The Plantage 9 e.V. is situated on a former commercial site that had been used by a company for fire protection. The whole building had been bought by the city of Bremen in case of a planned public street within the building plan for a neighborhood that was never realized. For that reason, the building used to be empty for around one year while there were a few possibilities to rent it to someone on a regular basis. The building itself was in a rather good condition and in a middle-class neighborhood of Bremen, while the immediate surroundings were in poor condition (commercial, degrading, lifeless at night). In the beginning of 2010, the ZZZ discovered this building and made the first plans for using it. The ZZZ invited the first interested users and made some site visits to the building. As the owner of the building, the city was quite open to the idea of temporary use but was not in a situation to make a contract for every single room of the building. For that reason, the ZZZ became the lessor of the building and rented it in 20 single contracts to the users. The temporary use contract was limited to one year, so in that time the users had develop, together with the ZZZ, an idea of how they could manage the building by themselves. For that reason, they formed the association Plantage 9 e.V.

The ZZZ helped and realized the whole project. They rented the building, they managed it, and contacted some possible users in the beginning. After a while they managed to integrate the users into the management of the building, so it became more self-organized (Osipiuk & Madajczyk, 2017).

– De Pastorie –*Ghent, Belgium*

The former vicar house and garden near the church in Heilig Hartplein of the St-Amansberg neighborhood, was used for a long period as storage by a charity redistributing food. De Pastorie, a citizens' initiative uses this vacant place to organize neighborhood activities. The place is a property of the municipality, and the initial plan was to sell it. De Pastorie advocated for keeping this initiative as a resource for an area lacking a gathering place available to inhabitants and a green place to organize open-air activities. [...]. De Pastorie applied and obtained subsidies from the city's fund for temporary use in order to put the building up to public reception standards.

The city administration ensured an active meditation to align the short term temporary use experience within the longer term renewal of the area; coached the development of grassroots neighborhood activities by the De Pastorie Association without overlapping with the municipal community center nearby; supported the initiative to give visibility to its social benefits in the neighborhood in comparison with the economic benefits of selling the place for the municipality; helped to apply for subsidies from the Fund for Temporary Use so that the building matches public reception standards; etc. (Jégou, Bonneau, Tytgadt, Tabaku, & Descheemaeker, 2016, pg.65).

5. CONCLUSION & RECOMMENDATIONS

On the one hand, the results from the online surveys carried out throughout the lifespan of the project show that there is substantial demand on behalf of creative professionals to have favorable conditions for implementing projects in creative clusters. On the other hand, a large quantity of the existing infrastructure across the country, both under the state/municipal and private ownership, is neglected and represents dysfunctional brownfields or other types of vacant spaces. The proper mobilization of resources – financial, material, and intellectual – on behalf of the state/municipal, civil, and private sectors could contribute to a more balanced equilibrium between supply and demand.

In learning more about the existing creative cluster projects in Georgia, it became evident that most of them have a chance to become self-sustainable but can also have beneficial spillover effects in different life areas, such as the involvement of locals in an active social lifestyle and increasing their skills and awareness regarding socially active issues. Moreover, e.g., Tsodnis (Knowledge) Café, a rural creative space, invests a lot in providing educational facilities to the beneficiaries: people residing in Tsnori. Meanwhile, the Contemporary Art Center – Tbilisi is committed to the development of a contemporary art-based cross-disciplinary platform uniting all sorts of creative professionals and through this, fostering knowledge exchange. CCA-T, in return, represents a sub-project on the premises of the TEC Creative Cluster, which is a large-scale creative hub yet to be launched. In the same district, there is Fabrika Tbilisi, encompassing a wide range of tenant organizations and programs – representing a national success case of a commercial creative cluster. On the other side of the river, Propaganda. network operates workshops and artist studios and promotes transnational collaborations. Club Theatre Bravo in Rustavi represents another success case of a commercial creative cluster, with an unapologetic aspiration for institutional development (the profits are constantly reinvested to broaden the spectrum of the training courses and to develop respective facilities, etc.).

Along with the aforementioned projects, there are some on hold/in the developing phase, e.g., Alternative Cultural Center N12 represents a new national initiative run by the Ministry of Culture, Sports, and Youth of Georgia, aimed at developing some programming responding to the needs of creative professionals. Then, there is Cube in Context, a city-supported initiative by representatives of the civil sector. The Cube project acts as a wonderful example of municipal ad-hoc support: the City of Tbilisi invested in the rehabilitation of the brownfield and transferred the management rights to the civil society organization for 2 years. Last, but not the least, there are 3 large-scale projects – Radio City, TEC, and Udabno – run by LC Collective Development (Adjara Group). All three projects have different objectives, but all are aimed at promoting urban and rural regeneration, employing locals, and creating new creative spots in Georgia.

The following issues have been identified by the CC initiators themselves which can be facilitated with the involvement of the government by amending specific policies: the challenges related to organizing crowdfunding campaigns, providing staff with a proper salary, not having strategic partners for supporting crucial programs annually, a lack of clustering opportunities, a lack of self-earned income, undeveloped infrastructure and material-technical databases with limited public accessibility, challenges with adapting to digital landscapes, etc. Pandemics have also been named as a challenge further leading to insecurity and uncertainty.

To respond to these issues and minimize the hindering factors, specific CC-focused and transversal stimulation mechanisms have been provisioned.

First, **mapping** in cities and rural areas is the steppingstone to classifying, identifying, and mobilizing infrastructural resources – the basis for a location-based creative cluster; e.g., considering the fact, that in the

following years the city of Tbilisi aims to make an inventory of municipal and state field resources and develop the Strategy for Brownfield Sites and Industrial Development, it is recommended **(R1)** – based on the best international practices - that research institutions are involved in the mapping process. The research institutions could comprise institutions of higher education and research centers, where the human capital is rich with the know-how of current research methodologies and networking possibilities with similar international institutions.

Both international and national cases show the importance of ad-hoc support cases on behalf of the municipalities; however, the array of cities operate program support schemes aimed at initiating, implementing and maintaining creative cluster initiatives; and usually it happens through collaboration not only between the private and public sector, but also between different state/municipal agencies themselves. Therefore, it is highly recommended **(R2-1)** that different state and municipal agencies envisage their role within the process and develop **CC-focused funding schemes**. While making the decision to get committed to the development of creative spaces, the cities must measure the social value of the initiative with a consideration of the economic value, based on the policy priorities of their program (Jégou, Bonneau, Tytgadt, Tabaku, & Descheemaeker, 2016). However, it is not only a space that CC initiators need, but also the know-how to run CCs successfully. This is the reason, why, e.g., ZZZ, an intermediary company not only provides funding as seed money, but also supports initiative groups in **skill development**. Therefore, **(R2-2)** it is highly advised that state funded programs envisage supporting the projects aimed at the skill development of potential CC administrators.

Meanwhile (as developing CC-focused programs require a series of consultations and the respective bureaucratic endeavor), **(R3)** the national and local governments can support the creation of a **smart system (application)** which would give creative professionals the opportunity to use the vacant spaces on the premises of state/municipal property on a temporary basis.

Considering the role of **neighborhood managers** across different EU cities, this practice must be implemented gradually at the national level, e.g., before fully institutionalizing this position, **(R4)** it would be beneficial to publicize the civil servant's contact information so citizens (both from urban and rural areas) could approach them in order to discuss potential CC projects.

Matchmaking is another tool the city and the national government could use in order to strengthen ties with the civil sector and further help them to communicate with the private sector for infrastructural resources and seed funding. **(R5)** A series of annual matchmaking events would encourage partnerships and lead to developing a tailored approach for strengthening the creative cluster ecosystem.

Along with the CC-focused support mechanisms, 4 transversal support schemes could indirectly foster the development of creative clusters nationwide. The first one is crowdfunding: while donation and reward-based crowdfunding have no legal restrictions in Georgia, **equity and loan-based CF schemes** are not permissible according to the Tax Code of Georgia. Because CF is predicted to be one of the most popular ways of getting alternative funding and equity and loan-based CFs represent the major players in this regard, **(R6-1)** it is of vital importance that decision and policymakers invest their resources in amending existing legislation and creating an enabling legal environment for investors. In line with this, **(R6-2)** it is strongly advisable that private companies - potential investors (banks, venture funds, business angels, etc.) **increase capital outlay investments in creative enterprises** by developing new risk profiles that are specific and appropriate for the creative sector (e.g., by balancing equity and loan-based investments) (Deloitte Consulting LLP, 2021).

Since most CCs incorporate cultural programming, fostering corporate and individual philanthropy (aka percentage philanthropy) at the national level could further ensure their sustainability. Based on the best international practices, most of the EU countries provide fiscal stimulation schemes for corporate and individual

philanthropy. Referring to the Document: **Overview and Economic Justification of Legislative Mechanisms for Supporting Culture**, it is strongly advised (R7) that legislative regulations are adopted in partnership with the civil and private sectors, those which encompass amendments to the existing Tax Code of Georgia and envisage stimulation mechanisms for corporate and individual giving to organizations committed to projects creating social benefits in the field of culture and beyond.

And when it comes to social benefits, we should not forget that creative clusters can qualify for social enterprises, regardless of the legal entity status they possess (e.g., NNLE, Ltd, Cooperative, Corporation, etc.). Therefore, (R8) the process of elaborating the **Law on Social Entrepreneurship of Georgia** should not be terminated and the document should envisage specific fiscal policies (benefits) for operating and supporting social enterprises.

However, since a lot of successful CCs also ensure their sustainability through the support of self-earned income on creative goods and services, (R9) **the amendment of the VAT rate** regarding creative products and services could act as a catalyst for the economic empowerment of the commercial profile of the CCs.

Finally, CC initiators (R10) must be focused on international support schemes as well, such as the programs of the EU Delegation to Georgia and GIZ. Usually, through these missions, there are opportunities to apply with project proposals incorporating creative placemaking component across cities and rural areas. In this respect, state agencies must assist international donor organizations in allocating resources to the most vulnerable direction of the process of initiating, implementing, and managing CCs.

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APPENDIX 1: ACTION PLAN¹¹

Goals	Expected Outcome	Objectives	Activities	Indicator	Responsible Agencies / Persons	Partner Agencies	Deadline	Budget	Finance Source
Goal 1: The awareness of the stakeholders is increased regarding CCs (including the specificity of stimulation mechanisms and the spill over effects)	The representatives of State/ municipal, private, and civil sectors participate in the process (please, refer to Activities)	Objective 1.1. The policy- and decisionmakers from the State and municipal agencies, the private sector and civil society possess the knowledge regarding the benefits of a strong creative cluster ecosystem and respective stimulation mechanisms	1.1.1. A three-day workshop for “Designing a Creative Cluster Ecosystem in Georgia” Topic: Project’s Policy paper, Annex 1 (Action Plan), Annex 2 (Financial stimulation mechanisms), and the Toolkit	23 participants contributed to the workshop Next steps are envisaged regarding the adoption of the Action Plan	LEPL Creative Georgia UNESCO National Expert UNESCO International Expert Project’s Financial Analyst	Ministry of Culture, Sport and Youth of Georgia (MoCSY) Ministry of Economy and Sustainable Development of Georgia (MoESD) National Agency of State Property of Georgia (NASP) Georgia’s Innovation and Technology Agency (GITA) Ministry of Finance of Georgia (MoF) EU Delegation to Georgia EU4Culture Programme British Council in South Caucasus and Georgia Multiverse Architecture, Architecture and Placemaking office (MUA) Adjara Group Holding NNLE Active for Culture NNLE Cumalab NNLE Photographers’ Club of Gori	March 2022	17,200.00 GEL	LEPL Creative Georgia
			1.1.2. Awareness-raising knowledge exchange sessions (workshops in two non-capital locations)	Min. 30 persons participated	LEPL Creative Georgia UNESCO National Expert Ozurgeti Municipality Poti Municipality	NGOs and for-profit companies from Ozurgeti and Zugdidi	April - May 2022	10,221.00 GEL	LEPL Creative Georgia
			1.1.3. Project’s Summary Conference Topic: Presentation of prioritized stimulation mechanisms for developing CCs in Georgia	Min. 100 persons attended the event	LEPL Creative Georgia UNESCO National Expert UNESCO International Expert Project’s Financial Analyst MoCSY	MoESD NASP GITA MoF EU Delegation to Georgia EU4Culture Programme British Council in South Caucasus and Georgia MUA Adjara Group Holding	June 2022	20,500.00 GEL	LEPL Creative Georgia
			1.1.4. Roundtable meeting with the business sector	Office of the Business Ombudsman of Georgia And Business Association of Georgia are informed about the financial stimulation mechanisms aimed at developing CCs	LEPL Creative Georgia UNESCO National Expert Project’s Financial Analyst	Office of the Business Ombudsman of Georgia Business Association of Georgia	June 2022	N/A	N/A
		Objective 1.2. The knowledge of general society is increased regarding the possibilities and challenges of a CC ecosystem in Georgia	1.2.1. Production and circulation of awareness-raising videos	Min. 11 video materials and a short documentary are disseminated (min. 2,000 views)	LEPL Creative Georgia UNESCO		April-June 2022	18,272.00 GEL	LEPL Creative Georgia
			1.2.2 Circulation of Policy documents and awareness raising articles on UNESCO Website and on via the national press	Min. 2 policy documents, the Toolkit and 4 articles are disseminated	UNESCO LEPL Creative Georgia National Expert		2022	N/A	N/A

¹¹ Action Plan must be further ratified by the responsible agencies.

Goals	Expected Outcome	Objectives	Activities	Indicator	Responsible Agencies / Persons	Partner Agencies	Deadline	Budget	Finance Source
Goal 2: Specific policies are designed and implemented aimed at strengthening creative cluster ecosystem in Georgia	Min 3 mechanisms (support schemes) are enacted on the national/ municipal level	Objective 2.1. Multistakeholder team contributes to the final tuning and adoption of the Action Plan	2.1.1. Online meeting sessions with the multistakeholder team (final tuning)	Min. 10 persons participated in the frames of the meeting	LEPL Creative Georgia UNESCO National Expert MUA / Adjara Group Holding	MoCSY MoESD NASP MoF EU Delegation to Georgia EU4Culture Programme British Council in South Caucasus and Georgia Tbilisi Municipality	June 2022	N/A	N/A
			2.1.2. Publication of the Action Plan (in the frames of the final conference)	Min. 10 persons participated in the process	LEPL Creative Georgia	Responsible Agencies / Persons in the frames of this Action Plan	June 2022	N/A	N/A
		Objective 2.2. CC-focused stimulation mechanisms are designed and implemented on the national and municipal level	2.2.1. Elaboration of The Strategy for Brownfield and Industrial Development in Tbilisi	The database is created; the Strategy is being implemented and pilot projects are initiated.	Tbilisi Municipality		2022 - 2023	Tbc	Tbilisi Municipality
			2.2.2. The series of meetings aimed at developing programme funding for developing CCs	Specific budget lines are envisaged / existing budget lines are amended within the overall budget of the responsible institution aimed at developing CCs	LEPL Creative Georgia MoCSY Tbilisi Municipality UNESCO National Expert		2022	N/A	N/A
			2.2.3. Open Call for Creative projects (amongst them, for the projects focused on CC development)	At least 1 CC-focused project is supported	Creative Georgia		2022	100,000.00	Creative Georgia
			2.2.4. Open Call focused on supporting, initiating and/or developing Creative Clusters	At least 5 projects are supported	MoCSY	Creative Georgia	2022	TBC	MoCSY
			2.2.5. Designating civil servants for consultancy services on the municipal level	The database is created	LEPL Creative Georgia Tbilisi Municipality Poti Municipality Ozurgeti Municipality		2022	N/A	N/A
			2.2.6. Organising pilot matchmaking event in two municipalities aimed at developing CC pilot projects (workshops in two non-capital locations)	Min. 30 representatives from different sectors participate in the event	LEPL Creative Georgia UNESCO National Expert Ozurgeti Municipality Poti Municipality	MUA	April-May 2022	10,221.00 GEL	LEPL Creative Georgia
			2.2.7. Informing EU4Culture shortlisted cities for envisaging CC support mechanisms in their Culture Development Strategy Documents	Three cities receive textual guidance (policy papers)	LEPL Creative Georgia	EU Delegation to Georgia Poti Municipality Zugdidi Municipality Kutaisi Municipality	April – May, 2022	N/A	N/A
		Objective 2.3. Transversal stimulation mechanisms are designed and implemented on the national and municipal level	2.3.1. The series of meetings aimed at designing transversal stimulation mechanisms (draft legislative measures)	Min. 3 state agencies are officially informed and participate in the process	LEPL Creative Georgia	MoESD MoCSY MoF Parliament of Georgia (sectorial committees)	2022	N/A	N/A
			2.3.2. Elaborating draft legislative measures	Draft legislative measures are elaborated concerning at least 1 transversal stimulation mechanisms	LEPL Creative Georgia	MoESD MoCSY MoF Parliament of Georgia (sectorial committees) Creative Cluster Council	2022 - 2023	Tbc	Tbc

Goals	Expected Outcome	Objectives	Activities	Indicator	Responsible Agencies / Persons	Partner Agencies	Deadline	Budget	Finance Source
Goal 3: Strengthening the know-how and competences of creative professionals for forming, maintaining and advocating creative clusters	Min. 3 creative cluster project proposals are developed by creative professionals and presented to potential donors	Objective 3.1. Creative professionals develop the skills in administering CCs	3.1.1. Organising skill-development workshops in two municipalities aimed at developing CC pilot projects (workshops in two non-capital locations)	Min. 30 persons participated	LEPL Creative Georgia UNESCO National Expert Ozurgeti Municipality Poti Municipality		April-May 2022	10,221.00 GEL	LEPL Creative Georgia
			3.1.2. Circulation of the Toolkit: How to Initiate, Manage and Develop Creative Spaces (Basic Guidance and Practical Advices)	The document is circulated amongst 700 recipients	LEPL Creative Georgia		2022	5,472.00 GEL	LEPL Creative Georgia
			3.1.3. The formation of Creative Cluster Alliance	Min. 10 entities became the members of the alliance	MUA 10 Creative Clusters	LEPL Creative Georgia British Council Georgia	December 2022	N/A	N/A

