

Higher Education Policy and Practice: What Hinders the Development of Knowledge-Based Economy in Georgia?¹

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Abstract: The article discusses the problematic linkages between higher education and the development of a knowledge-based economy in Georgia. The main challenges, as identified through qualitative and quantitative research, are caused by, on the one hand, the lack of state's long-term strategic vision of higher education development, insufficient funding of both education and research, and instrumentalization of the higher education system for political interests. On the other hand, however, the lack of awareness among industry representatives about their own role in supporting the commercialization of research further hinders the creation of a knowledge-based economy in Georgia.

Keywords: *higher education, Georgia, knowledge-based economy*

1. Introduction

The development of competitive human capital, aimed at contributing to the economic and sustainable development of the country, has been an ambitious declared goal for Georgian higher education system for quite a while. This objective was part of the Unified Strategy of Education and Science of Georgia 2017–2021, the very first strategy of education adopted in Georgia (Unified Strategy 2017–2021, p. 9), as well as of the second Unified Strategy

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of Education and Science of Georgia 2022–2030, adopted in August 2022. In the first document, this mission is discussed in the context of developing the research capacity of universities by supporting cooperation between the business sector and higher education institutions (HEIs) for research commercialization and the development of university “spin-offs, spin-outs and carve-outs envisaging the business initiatives based on the university research” (Unified Strategy 2017–2021, p. 43). Thus, at first glance, it can be concluded that the strategy authors acknowledged and understood the complex concept of the knowledge-based economy and the role education has in it. At the same time, the issue of enhancing Georgia’s entrepreneurial ecosystem was mostly discussed in the context of vocational education (Unified Strategy 2017–2021, p. 25), in particular, concerning the aspect of supporting the self-employment of vocational education graduates, which would contribute to the development of the knowledge-based economy. In the case of higher education, this topic was not considered at all. With the newly adopted Unified Strategy of 2022–2030, the situation has changed, and higher education is now perceived as an essential aspect for developing a knowledge-based economy (Unified Strategy 2022–2030, pp. 57–59). However, for tracing the proper implementation of the adopted strategy, it should be accompanied by allocation of respective resources and constant monitoring of performance. This process is not always that straightforward in the case of Georgian education sector. This article shows the discrepancy between policy and actual practice, drawing on data collected by the Center for Social Sciences in 2019–2021.

According to the classical human capital theory, education plays an enormous role in expanding human capacity and the overall development of the market economy—the higher a person’s education, the higher their income (Becker, 1964), hence, the better-off the economy. However, it is obvious that the situation in Georgia (as well as in many other countries) does not necessarily fit in this developmental model, neither at policy nor on practical level. Even if the share of employed individuals with higher education (44%) exceeds that of those with secondary or secondary technical education (36% and 20%, respectively) (CRRC, 2021), and this tendency is maintained over the years (50%, 29%, and 21% in 2019; 44%, 31%, and 25% in 2017, according to the Caucasus Research Resource Centre time-series dataset on Georgia (CRRC, n.d.)), this distribution is not that uniform in terms of income. Monthly income of individuals with higher education is only slightly higher compared to individuals with general or vocational education (CRRC, 2021), indicating that education is only a means of entering the labor market (Amashukeli,

Lezhava & Gugushvili, 2017) rather than a catalyst for financial growth on micro or macro levels. On the other hand, the data of the Caucasus Research Resource Center suggests that there might be a visible correlation between higher education and entrepreneurship—45% of individuals who run their own business (self-employed with employees) hold a higher education degree (CRRC, 2021). It is not clear whether there is a causal link between these two variables, but the suggested data shows that (higher) education plays a significant role in supporting the formation of the business environment. However, Georgia's economic growth could be described as sluggish in recent years, even before the pandemic, with the country's GDP fluctuating between 3,800–6,672 dollars in 2011–2022 (Geostat, 2023), while the almost absolute majority of business enterprises (89%) fall within the SME category² (Geostat, 2022). This discrepancy thus prompts the question: if higher education does support the development of entrepreneurship (as well as employment in general), why does it happen that the human development theory fails in this case and the growth of the number of business entities (by university graduates) is not reflected in the country's financial growth? This article looks at this issue from the sociological perspective, relying on quantitative and qualitative data to argue that even though higher education is highly positively evaluated by university graduates (Amashukeli, Lezhava & Chitashvili, 2022), the historical legacy and path dependency (Amenta & Ramsey, 2010) of institutions and informal practices that govern the local environment, hinder the development of an entrepreneurial ecosystem, and hence, the establishment of a knowledge-based economy in the country.

2. Theoretical framework and research method

2.1 Path dependency

The theory of path dependency argues that states and institutions tend to maintain their development trajectory over years (Amenta, 2012) by “self-reproducing sequences” (Mahoney & Schensul, 2006 cited in Amenta, 2012, p. 51), and the path of development depends on various aspects, such as the fragmentation of political parties, the level of bureaucracy, and the strength of institutions, among others (Whitley, 2007, p. 37).

Based on the examples from different states, Whitley distinguishes between four categories of states with certain characteristics assigned to each of them:

² Only 0.4% belong to the category of large enterprises, while for 11%, the size is not specified (Geostat, 2023).

dominant developmental states (which allow or support the establishment of rather weak industry associations that normally act as state agents, e.g., France and South Korea); collaborative promotional states (which grant greater autonomy and agency to associations, e.g., Japan); inclusive corporatist states (which are more supportive of developing unions taking care of income policies); and arm's-length states with highly centralized policymaking processes (Whitley, 2007, p. 39). According to the author, the educational systems fit within this classification as well. For instance, arm's-length states support the development of more heterogeneous skills development systems entrusting the demand to market needs without developing standardized systems at the national level. In case of dominant developmental states, the state system defines and guides the skill formation processes; the collaborative promotional states tend to collaborate with the industry and education sector, while the inclusive corporatist states (e.g., Germany and Sweden) take the approach of creating homogenous skills formation systems with high standardization with the involvement of trade unions and labor market representatives (Whitley, 2007, pp. 45–46).

Schienstock (2007, p. 93) challenges the path dependence theory with a discussion of Finland's transformation into a knowledge-based economy and argues that path dependency does not consider rapid technological development, which is key to the system transformation. He develops a concept of path creation that largely depends on the will and understanding among major stakeholders, such as scholars, business representatives, and politicians, of the need to adapt the institutional settings to the technological development (Schienstock, 2007, p. 95). The author argues that the country's transformation into a knowledge-based economy was driven by the technological business industry and strongly supported by the educational system. This support was manifested in the increased number of university entrants, and thus also graduates, equipped with high-quality education, a focus on ICT development, and a governmental shift towards innovation-driven, long-term policies. In other words, this transformation involved a general understanding among the stakeholders (businesses, education, state) of the need to adapt their business models, with a special focus on the state which not only increased public investment in education and research but maintained it during the economic crisis (Schienstock, 2007, p. 103).

To explain the evolution of Georgia's higher education sector and its impact on the development (or rather underdevelopment) of knowledge-based economy, which is, at least formally, prioritized by the State Strategy of Education and Science, I will apply the theory of path dependence. This will

elucidate why Georgia cannot make the transition necessary for developing the system that would support the creation of knowledge-based economy. Also, I will explore the interaction among the three different stakeholders—universities, the state, and industry—and how it results in the low performance of all three sectors. In addition, I will draw on the concept of informality to strengthen the argument of path dependency to explain the low performance of the higher education system in Georgia.

The academic literature defines informality as any activity that is not documented, that will “go under the radar, stay above or beyond the law, or circumvent the law through loopholes” (Global Informality Project, 2020). Informality can exist within or outside legal systems and is caused either by the ineffectiveness of the state mechanisms or a state’s inability to regulate certain domains (Polese, 2021). Scholars attribute the emergence of informality to the legacy and path dependency of certain states to bypass the law, as well as the resistance of actors to adhere to the formal rules and procedures that arise from rapidly changing social and economic environments (Polese, Russo & Strazzari, 2019).

2.2 Research method

This article relies on both qualitative and quantitative data collected by the Center for Social Sciences (CSS) between 2019 and 2021. The quantitative analysis used throughout the article draws on two different databases: the nationally representative survey of 715 business organizations conducted from January to February 2019,³ employing random stratified sampling to construct a sample of 800 potential respondents, based on the database of business organizations from the National Statistics Office of Georgia. Phone interviews were conducted with 715 out of the initially sampled 800 business organizations.

The second quantitative study was conducted in summer 2019 with 1,196 business organizations and is representative of major cities in Georgia (Tbilisi, Kutaisi, Batumi, Zugdidi, Telavi, Gurjani, Gori, Mtskheta, and Rustavi). The project was commissioned by four private universities of Georgia under the GICE Partnership consortium.⁴

³ The survey was carried out as a part of the CSS project ‘SHADOW: An Exploration of the Nature of Informal Economies and Shadow Practices in the Former USSR Region,’ funded by EU Marie Skłodowska Curie Innovative Training Network.

⁴ The GICE Partnership includes four private universities in Georgia: Georgia Institute of Public Affairs, the International Black Sea University, Caucasus University, and East European University.

In respect to the qualitative data, I deployed the results of in-depth interviews with representatives of higher education institutions, educational experts, and former or active educational policymakers, as well as focus group discussions with local industry representatives. Both the interviews and focus group discussions were carried out as part of the CSS research project ‘Challenges to Bologna: High-Productive Labour Force and Higher Education in Georgia,’ funded by Shota Rustaveli National Science Foundation of Georgia in 2020–2021. The focus group discussions involved young owners of newly started small enterprises, termed “start-uppers” throughout the article. The project defined the term start-upper as someone who (a) graduated from the university after Georgia joined the Bologna Process (2005) and started a series of fundamental reforms to transform the post-Soviet educational system into a modern version; (b) established their business in the past five years, indicating that the business is in its early stage of development; and (c) tries to fill in a significant market gap either through producing certain goods or services as defined by the scholarly literature on start-ups (Amashukeli, Lezhava & Chitashvili, 2022). A total of two focus groups were conducted with this segment, whose data were analyzed for the purpose of this article, while a total of 30 respondents were involved in in-depth interviews for the research.

3. How educational policy is understood at the state level in Georgia?

It has been debated upon in the academic literature for many years that education is, or at least should be, a public good (Delors, 1996). However, in recent years, certain scholars have challenged this idea, arguing that due to marketization of education, it has become both a public and private good (Menashy, 2009; Locatelli, 2019; Englund & Bergh, 2020), especially in the case of higher education, which is considered a “quasi-public good” (Chattopadhyay, 2012, p. 20). Regardless of whether it is public or private, or a combination of both, education policy, strategic planning (and funding) are still considered within a state’s domain (Turner, 2006; Locatelli, 2018).

In the case of Georgia, the higher education system can also be described as a mix of a public and private good, with a high number of private institutions authorized by the state (60% of all universities, according to the National Center for Educational Quality Enhancement (2023)), state funding

distributed to both private and public higher-education institutions (HEIs), and the state's high involvement in the standardization and authorization of the educational sector. The state outlines the strategic development plans for the educational sector, aiming to regulate and standardize the content in accordance with the European Higher Education Area (EHEA) and the existing social and economic challenges in the country. As mentioned above, the Unified State Strategy of Education and Science 2017–2021 underlined the importance of spin-offs and spin-outs for the development of the knowledge-based economy in Georgia and ambitiously aimed to commit resources to achieve this outcome (Unified Strategy 2017–2021, p. 43), which has not been fully accomplished. At the same time, while this aspect has been only described in the context of research sector development, it is not clear how exactly is the research planned to be linked to higher education. The commercialization of research and innovation is also part of the 2022–2030 strategy (Unified Strategy 2022–2030, p. 57). The first strategy monitoring document, *The Monitoring Report of the Unified Strategy of Education and Science 2022–2030 and Action Plan 2022–2024*, published by the Ministry of Education and Science in summer 2023, mention two technology-transfer projects supported by the state that are at the development stage, up to 250 start-ups (Ministry of Education and Science of Georgia, 2023, pp. 39–40) and more than 10 business incubators and accelerators at the HEIs co-funded by the state (Ministry of Education and Science of Georgia, 2023, p. 44). However, considering that the strategy was adopted only in late August 2022, not enough time has passed to make any thorough evaluation on how it has been implemented. Therefore, the analysis in this chapter will mostly focus on the previous period, as it is based on the data collected in 2020–2021.

Even though the strategic planning of the educational sector is centralized by the state, which puts Georgia in the category of arm's-length states in the path dependency theory classification, the question is how this process actually works and whether or not the state is actually committed to the education policy planning and management. This issue was one of the central points of discussion in the abovementioned CSS research project, funded by the Rustaveli Foundation. Namely, according to the in-depth interview participants, the process of drafting the strategic vision of education is characterized by high centralization and a lack of transparency. In particular, the educational experts criticize the state for drafting the strategic development documents without the involvement of primary stakeholders, such as universities or the business sector, which negatively

affects the quality of education and its connection with the industry. Moreover, the experts note that the drafting process is short in duration (two weeks, according to one of the respondents) and not evidence-based, influenced more by external factors than a long-term, strategic vision of the authorities. By external influences, the study respondents refer to the requirements under the EU-Georgia Association Agreement (2014), its subsequent agenda (2017), as well as the Bologna Process, which Georgia joined in 2005.

I was involved in drafting this document and we were given 2 weeks to draft a 5-year strategy, which is not serious. This was needed for the EU or EU Commission's project and therefore, we had to write whatever was convenient for everybody. (Respondent 2, female, higher education expert)

In fact, the same criticism applies to the Unified Strategy of Education and Science 2022–2030, the draft of which was published on December 7, 2021, with the aim of organizing online public consultations, redrafting them on the basis on those consultations, and submitting them to the government for adoption (Ministry of Education and Science of Georgia, 2021). The document was adopted on August 31, 2022. However, one can hardly find any information regarding when and how the document was discussed with the stakeholders, or whether it was updated on the basis of consultations. Moreover, the entire document was prepared with the support of donor organizations, such as the EU-funded projects 'Public Administration Reform' and 'Skills4Jobs,' as well as the World Bank project 'Innovation, Inclusion and Quality' (Unified Strategy 2022–2030, pp. 5–7). This reinstates the earlier criticism of the interview respondents on the policy processes in the Georgian education system being driven solely by donors.

The aspect of external influences is discussed in a combination of positive and negative contexts. For instance, the provisions of the Bologna Process, which Georgia was required to adhere to, have largely contributed to the development of the higher education framework, aligning it to the European and world standards, at least formally, framework-wise (Lezhava & Amashukeli, 2016). The same approach is evident in the fulfillment of requirements of the EU–Georgia Association Agreement, which resulted in the adoption of the new procedures of state authorization and program accreditation, according to the Standards and Guidelines for Quality Assurance in the European Higher Education Area (ESG) and the membership of the Georgian National Center for Educational Quality Enhancement (EQE) of the European Association

for Quality Assurance in Higher Education (ENQA). On the one hand, this is considered a success of a system driven by the EU's conditionality (Amashukeli, Lezhava & Chitashvili, 2020), but on the other hand, due to it being more representative of a top-down rather than bottom-up process, it is focused less on actual quality enhancement and more on "ticking the boxes" to fulfill the external requirements. As mentioned above, even adopting a state strategy was considered to be externally driven.

Having strategic documents has always been asked by donor, mainly the EU. [...] With this strategic document it [the government] is accountable towards the EU and not towards the society, universities, etc. [...] the creation of the strategy in 2017 was just a joke. If you ask any of them why they drafted it, certainly they won't tell you that the EU would not transfer the last tranche without it. (Respondent 9, female, higher education expert, professor, state university)

This lack of a long-term strategic vision is further aggravated by the constant changing of ministers of education, high politicization of the education sector (Amashukeli, Lezhava & Chitashvili, 2022), as well as the absence of clear and efficient implementation monitoring processes. Furthermore, due to the inconsistent and unsustainable policy, higher education is also underfunded (Chitashvili, 2020), which negatively affects its performance in many aspects, from the enhancement of quality of education to the research-driven educational process, the establishment of knowledge-based economy, and a holistic understanding of education and science.

The link between education and science is not the way it should be. E.g., there should be a direct link between exact sciences and the respective fields of industry... and the state should use this potential. [...] This is one continuous chain—school, higher education, vocational education and the state. Someone is responsible for general and higher education and has a vague understanding of what is happening beyond. I start explaining this to each newly appointed person and before they come to terms, they are dismissed and the communication starts all over again with a new person, which harms the sphere a lot. Having a policy means that all of these should be perceived as one chain. (Respondent 23, female, higher education expert)

One more important topic to discuss within this context is the dominance of informal practices and networks in the higher education system, which also contributes to the inconsistent and unsustainable policy. As an example,

the research participants discuss the process of external quality assurance, which often serves the interests of different parties and is characterized by decision-making based on nepotism, despite contrary evidence claimed by authorization/accreditation experts. Informality is also observed in the high politicization of the education system, which serves the interests of certain groups, mostly the current government, and this tendency has always been prominent regardless of which party is in power. Even recently, in summer 2022, the aspect of politicization (which mostly relies on informal practices, both legal and illegal) was again on the discussion agenda. According to a report of Transparency International Georgia and the International Society for Fair Elections and Democracy (Transparency International Georgia & ISFED, 2022), the state tends to use the administrative resources, including those of the educational sector, to win elections. The report describes the dossiers of public school headmasters who were evaluated for their loyalty towards the ruling party by three actors—educational resource centers, state security services, and the ruling party itself. Based on these evaluations, decisions were made to keep or dismiss certain individuals from their position as headmaster (Transparency International Georgia & ISFED, 2022, pp. 39–45). Even though this report does not mention higher education institutions, it clearly shows how education is used for political purposes and the level of informal (and/or illegal) practices that serve the ultimate goal—that is, winning elections.

As mentioned in the introductory part of this paper, the development of a knowledge-based economy was discussed in the context of research development in the first state strategic document. At the same time, the development of human resources for creating the entrepreneurial ecosystem was only briefly (and quite vaguely) mentioned under the vocational education component and not necessarily under higher education (Unified Strategy 2017–2021, p. 25). Therefore, the document does not clarify how the state envisages the linkages between higher education and research, except that it simply implies that research is conducted on the university premises. Hence, it is no wonder that the state has not been very successful in providing necessary assistance to universities in this matter, neither in terms of funding nor legislation—namely, the funding schemes of education and science, which have not changed since the Rose Revolution, and the introduction of scholarship-based funding, despite the criticism and recommendations from education specialists (Chitashvili, 2020; Bregvadze *et al.*, 2020; Chakhaia, 2013). The funding of science has remained extremely low over the years and currently constitutes only 0.11% of the GDP (Unified Strategy 2022–

2030). As for legislative barriers, the CSS research participants underlined a number of legislative barriers that hinder the development of research-based innovative eco-systems in the form of spin-offs. One respondent even discussed their own case of establishing a university spin-off with one of the Georgian state universities that would own 10% of the company's shares; however, the rigid legislation stalled the process. This anecdotal case is just an example of those problems that universities encounter in this respect, which further hinders knowledge transfer and the growth of a knowledge-based economy.

According to their laws, any procurement should be tendered that is a problem for a company [...] I wanted the university to own 10% and get the income. This would make me a part of the university [...] but since the university would be a co-founder, in economic terms, the university legislation would be enacted; a tender would be needed even to buy a pen which is insane. When they tell you spin-off, is the legislation ensured? [...] This proves that it is not a priority. (Respondent 8, male, professor)

This topic was envisaged in the draft bill of the Unified Strategy of Education and Science of Georgia 2022–2032, published in December 2021, which considered supporting academic and student entrepreneurship under the Strategic Goals 3.4 and 3.5 (Unified Strategy 2022–2032, pp. 69–70). The accompanying Draft Action Plan of Higher Education anticipated to have the first achievements in students' involvement in entrepreneurship activities by 2027. Nevertheless, these objectives were omitted from the strategy adopted by the government on August 31, 2022. On the other hand, even though the adopted strategy does not explicitly mention the development of entrepreneurship, its accompanying Action Plan aims to improve the legislative framework for technology transfer and develop accelerators and incubators by the end of 2023. As far as supporting student entrepreneurship, the curricula are planned to be updated to help students develop entrepreneurial skills and competences (Unified Strategy 2022–2032). Given that very little time has passed between adopting the strategy and drafting of the current paper, it is premature to make any evaluations on its implementation. As mentioned above, the first monitoring document mentions ten incubators established on the basis of both the public and private university, but not much is known yet on their actual performance. The only additional thing that can be said in respect to any activities in technology transfer is the fact that in 2019, with EU funding, Georgia's Innovation and Technology Agency (GITA) started a Technology Transfer Pilot Program (TTPP), which aims to increase Georgian scientists' potential of research

commercialization. A total of nine projects have been selected for funding within this project (Ministry of Economy and Sustainable Development of Georgia, 2021). The strategy monitoring report mentions that the program has been completed, however, no specific details are provided. Neither is it known whether the program is going to be fully launched after the pilot.

Based on the above information, one may conclude that the development of education that would support the knowledge-based economy is not actually prioritized by the state, despite it being underlined in both the strategic documents of education and science. Moreover, the sector is perceived as a state leverage and instrumentalized for pursuing personal or party interests. Hence, there is a lack of strategic vision and respective financial resources for the development. The informal practices still remain to dominate in political settings (Tsuladze, 2021; Aliyev, 2017), a remnant of Soviet Georgia, making the country path-dependent on its past, contributing further to the low performance of the educational system and a lack of breakthrough on the way towards European integration. Nevertheless, when discussing this issue, we should not only focus on the state's role, but also explore the perspectives of other stakeholders. The next subchapter explores another side of the coin and the collaboration perspectives of other stakeholders, i.e. universities and industry.

4. University-industry collaboration: Who (if anyone) creates a knowledge-based economy?

This subchapter focuses on how business industries collaborate with universities and what the perception of the importance of education is among entrepreneurs in Georgia, employing both descriptive quantitative and qualitative data. The nation-wide representative survey of 715 business organizations within the project SHADOW in 2019, revealed that only 15% of the participant organizations mention their collaboration with universities. However, this collaboration mostly entailed offering internships and job opportunities to students/graduates (50%) or consulting (36%), even though it is not clear what exactly the consultations aim at. Only a negligible number of business companies (14 companies in total) collaborate with universities in research, implementing research-based technological innovations at their premises. Considering this insignificant number, it is impossible to deploy any statistics and draw respective conclusions, though it is obvious

that, in general, this trend is consistent with the findings of other surveys. For instance, a similar tendency is revealed in the survey of 568 business organizations, conducted by CRRC Georgia in 2017, which aimed to assess the attitudes of businesses towards corporate social responsibility. According to this survey, an almost absolute majority of respondents (94%) do not even mention education (together with sports and culture) as important for their business to finance, their responsibility towards it (95%), or any strategic plan for helping to develop education (88%).

According to the survey conducted with 1,176 business organizations in 2019, commissioned by the GICE Partnership to evaluate their level of interest and experience in collaborating with universities, only 28% mentioned to have collaborated with universities at least once in the past three years. Out of them only 19% mentioned that this collaboration focused on research-related activities, while for others, it was about participating in job fairs or recruiting university students/graduates. At the same time, those who had never worked with the universities, point to “no necessity to collaborate” (59%) as one of the major reasons. Based on the aforementioned, we can assume that collaboration with universities is not a priority for Georgia’s business industry, in respect to neither research transfer nor to other means of cooperation (e.g., student recruitment, internships, etc.), not to mention funding of research or university start-ups. Founding a start-up is mostly perceived as an individual proprietorship in Georgia and not necessarily a triangle cooperation between stakeholders, such as university, industry, and the state.

A similar vision can be traced in the focus group discussions with start-uppers. When reflecting on the role of education in starting up their own businesses, the focus group participants approve of the role of higher education institutions in the process; however, this role is perceived indirectly rather than as a direct effect. In particular, theoretically, in the case of direct involvement, the university’s role would be envisaged in multiple ways: providing specialized training, incorporating entrepreneurship education in its academic curricula, networking with potential investors, or investing into student/graduate start-ups. However, none of the abovementioned options have been listed by the study participants. In their discussions, they mention the general knowledge that university provides to expand the worldview of students, offers education of at least average quality and facilitates networking in general. The networking component is usually discussed in the context of getting acquainted with employers, representatives of various businesses, organizations, etc., rather than with

potential investors. As mentioned, this kind of networking has helped our respondents at some point in their career to start their own businesses. As for the specific education needed for entrepreneurship, none of the focus group participants mentioned one's direct involvement in such training. This lack of specialized knowledge, coupled with the lack of financial resources to hire specialized staff, which is characteristic of start-ups, forces them to follow the trial-and-error method and educate themselves through practical experience.

At the starting level, when students elect subjects, maybe in the future I won't have anything to do with start-ups, but it would be good to include this training into academic curricula and teach students at least on a minimal level how to start up something (Focus group #1).

The involvement of higher education institutions in the development of the business ecosystem could be viewed from the perspective of path dependency, or rather Schienstock's (2007) path creation theory. Based on the above data, we can assume that major stakeholders have no clear understanding or willingness to engage in the development of education, which in its turn would benefit their businesses as well. According to the path creation theory, this very interest or involvement is considered a major driving force, which would enable the country to break itself free from the path dependency on its historic legacy. However, the limited understanding of the need for collaboration between the stakeholders such as the state, industries, and HEIs, and the fragmented activities in this respect (mostly by the GITA, based on donor-driven funding), keep Georgia trampling on the spot without moving forward.

5. Conclusion

To summarize, it could be argued that the development of a knowledge-based economy is hindered by several major factors: the rigidity of the higher education legislative system, the industry's lack of willingness to cooperate with higher educational institutions, the universities' lack of motivation to advocate for changes, and most importantly, a lack of financial support from the state. All the stakeholders "prefer" to maintain the existing status quo, as the understanding of how to change the development path is rather

low and ambivalent, while the respective actions are quite fragmented. As mentioned, the majority of the survey respondents representing business organizations do believe that universities should consult them in developing the local business environment; however, at the same time, they do not see any need for collaboration with universities. Conversely, the state acknowledges the need to increase research funding, support close cooperation between industry and HEIs, and increase the staff and student capacity for entrepreneurship. At the same time, the funding has not increased for years, higher education strategies are rarely adopted,⁵ and furthermore, rarely audited for performance.

As for universities, their staff does acknowledge the need for research commercialization, though so far the rigidity of the legislation system and the unwillingness of university administrations to be more flexible push them to give up such plans. Therefore, over the years, no consistent changes have been in place that would support the development of a knowledge-based economy, and respective activities are patchier and occasional, which does not necessarily contribute to improving the situation. Meanwhile, Georgia continues to occupy the 63rd place among 190 states in the Human Development Index (Human Development Report, 2022), placing it in the category of “Very high human development,” as well as to hold rather prominent positions in various ranking systems (Ministry of Economy and Sustainable Development of Georgia, 2019), creating a somewhat misleading image of the country as rapidly developing. While in reality, independent Georgia is still not really able to overcome its Soviet legacy neither in terms of daily informal practices and governance nor in actually prioritizing education and developing a knowledge-based economy.

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⁵ The strategic document has been adopted only twice since Georgia gained independence in 1991.

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