

Regional Centralization:

Addressing Georgia's Regional Economic Development and Government Accountability

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Introduction

Georgia's current rates of economic investment and development are extremely unbalanced, with Tbilisi comprising the majority of both. From 2012-2016, Tbilisi received 76.51% of Georgia's total FDI, with Adjara coming in a distant second at only 9.17%, Samtskhe-Javakheti third with 3.3%, and Kvemo Kartli fourth with 3.08%.¹ Additionally, the rates of FDI were stagnant for most of Georgia's regions.¹ Georgia's unbalanced economic development is caused by two primary factors. First, Georgia's current governing system is un conducive to the creation and implementation of a strategic and comprehensive plan for regional development. Second, Georgia promotes tourism and business investment in Tbilisi (and, to a lesser extent, Adjara/Batumi) far too greatly.

The first factor lies predominately in Georgia's self-governing system, wherein the municipalities, not the regional governments, are responsible for creating and implementing development plans and maintaining local infrastructure.² This means that Georgia currently has 71 municipalities with their own local development plans. There are currently a total of 9 regions in Georgia (12 including the city of Tbilisi, the Adjara Autonomous Republic, and Abkhazia, which is internationally recognized as part of Georgia's sovereign territory), yet none of these regions are granted the authority, by either Georgia's Constitution or Georgia's Organic Law of Self-Governing Territories, to implement self-directed economic development plans.³ Such a decentralized system is prohibitive to the creation and implementation of cohesive and comprehensive regional development plans.

The second factor preventing balanced economic development lies in the lack of information and planning from Georgia's central government. This is caused in large part by the lack of information available, both to tourists and investors alike, regarding Georgia's regions aside from Tbilisi and Adjara. Such a lack of information translates into little investment in Georgia's regions. This problem is further exacerbated by the fact that there is no growth plan focused on regional economic development—all current plans regard infrastructural development and economic reforms.

Purpose

Each of Georgia's regions possesses the ability to develop in a manner that is unique to local needs. The ability of regional governments to identify these needs, create a comprehensive growth strategy, and then successfully implement that strategy is important for Georgia's regional economic growth and overall stability. The goal of this essay is to use current regional growth plans as a basis for recommendations regarding Georgia's self-governance policy and its effect on regional economic growth.

Current Self-Government Situation

According to current legislation, Georgia has three governance systems, with only two having meaningful legislative power. The first system is the central government with all branches located in Tbilisi, except for the Parliament of Georgia which is located in Kutaisi. The central government is responsible for all legislation pertaining to healthcare, education, infrastructure, defense, etc... The second system is the regional governments (მხარე). Only the governments of Tbilisi and Adjara have any meaningful power; the regional governments of the other nine regions are symbolic. The third system is the municipal/local governments which is organized according to the 2014 Self-Government Code.⁴ This system divides Georgia's regions

into 71 municipalities, excluding Tbilisi, Adjara, and Abkhazia. According to the 2014 Self-Government Code, the municipalities were granted authority on local matters, while the regional governments neither gained nor lost authority. Furthermore, the regions "...are referred to in the bill as 'regional unions of municipalities.'"⁵ Accordingly, the regional governments have little power, as will be discussed further in this essay. Finally, the 2014 Self-Government Code granted 12 cities the status of self-governing. Self-governing cities have both a Mayor's office and an additional city council (საკრებულო). This system has been in place since its adoption in 2014.

Currently, the Parliament of Georgia intends to reduce the number of self-governing cities from the current 12 to five (Telavi, Mtskheta, Gori, Akhaltsikhe, Ambrolauri, Ozgureti, and Zugdidi will lose their status, while Tbilisi, Kutaisi, Batumi, Rustavi, and Poti will keep theirs)⁶ as a part of its constitutional reform process. This decision came only three years after the Parliament of Georgia approved the 2014 Self-Government Code which increased the number of self-governing cities from five to twelve. The Parliament of Georgia argues that the 2014 increase in the number of self-governing cities did not produce the expected economic growth. Additionally, the increase in self-governing cities doubled administrative expenses.⁶ Numerous persons and entities, including Georgian President Giorgi Margvelashvili, opposition parties, and 10 civil society organizations (CSOs), petitioned against the current plans to reduce the number of self-governing cities, claiming that the change "...hinders the country's democratic process, weakens pluralism and reduces public involvement in the functioning of the state."⁷ The CSOs and opposition parties claimed that any changes to the 2014 Self-Government Code need to be made through open public discussions.⁷ On July 26, the Parliament of Georgia

overturned President Giorgi Margvelashvili's vetoes regarding the above-noted local self-governance reforms.⁸

Under the current self-governance system created by the 2014 Self-Government Code, Georgia's 71 municipalities were granted broad powers (as will be discussed below). It is therefore understandable for the Georgian Dream-Democratic Georgia coalition to make the claim that reducing the number of self-administrative units in Georgia will improve overall administrative efficiency and the implementation of Georgia's ongoing economic reforms and infrastructure projects. Unfortunately, neither the current system of 12 self-governing cities nor the proposed system of five self-governing cities will create a system of government accountability. Both systems work in the same manner, except one has an additional seven city councils. Additionally, given the slow rates of economic growth that have occurred in Georgia's regions, it is irrational to believe that depriving seven cities of self-governing status will be detrimental to their economic growth. It is clear that Georgia's current governance system is not conducive to regional economic growth, and that even with the reforms being made by the Georgian Dream-Democratic Georgia coalition, regional economic growth will remain slow.

Current Development Plans

The National Plan

The primary economic development plan for Georgia revolves around the government's *Social-Economic Development Strategy of Georgia "Georgia 2020."*⁹ The *Georgia 2020* strategy is composed of three principles: efficient economic growth, implementing economic reforms, and the rational use of natural resources. The first principle aims to implement the economic reforms that were started under the Saakashvili administration.¹⁰ The *Georgia 2020* strategy attributes Georgia's rapid economic growth rates between 2004 and 2012 to the

liberalization of Georgia's economy, but notes that industrial growth and export potential remain low. The *Georgia 2020* strategy therefore aims to strengthen property rights and legislation for the resolution of commercial disputes, improve support for start-ups, and improve free-market competition in order encourage the development of industry and the real sector.

The second principle of the *Georgia 2020* strategy is based around the development of Georgia's human resources. According to the strategy "The development of human resources and the efficient use of existing potential are two of the most important factors contributing to comprehensive economic growth."¹¹ This principle is based around reorienting Georgia's educational system. Unemployment in Georgia tends to increase with education.¹² This indicates that there is a mismatch between the education provided by the Georgian educational system and the jobs that are demanded by the labor market. The *Georgia 2020* strategy plans to improve the quality of the educational system by developing more vocational education opportunities at the secondary level, and science and innovation at the tertiary level.

The third principle of the *Georgia 2020* strategy is increasing access to finance. The policies of this principle include pension reform, enacting policies that increase the rate of public savings, and the de-dollarization of the Georgian economy.¹³ The goals of this principle are to increase investment in Georgia's agricultural sector, increase the economic resources for start-ups, and diversify products provided by the banking sector.

Most importantly for this essay is the acknowledgement by the *Georgia 2020* strategy that the inclusion of Georgia's regions is imperative to Georgia's overall long-term economic growth. The *Georgia 2020* strategy states that "International experience shows that inclusive economic growth depends on effective planning and implementation of not only national, but also regional development policies..."¹⁴ The primary problem with this statement is that the

regions thus far have seen little economic development compared to Tbilisi. The *Georgia 2020* plan properly identifies the need to develop Georgia's regions, but fails to implement a solution. Even more notable is that the *Georgia 2020* strategy calls for regional economic development through "... proper planning and implementation of regional development policies including identification and optimal use of concrete region's comparative advantages, their specific characteristics and existing potential." The glaring problem is that, under the current 2014 Self-Government Code (as has been briefly discussed above and will be elaborated on later in this essay), the regional governments have almost no power and are therefore unable to successfully implement regional development policies.

In comparison to the *Georgia 2020* strategy, the Government of Georgia's *Four-Point Plan*¹⁵ is a relatively primitive document. The four points of this plan are Democratic Development, Economic Development, Social Development and Spatial Planning, Safety and Defense. Each of these points aims to develop its respective sector of Georgia. According to the *Four-Point Plan*, the central government intends to implement economic development by opening the private sector to continue current growth.¹⁶ The national strategy of Georgia's economic growth plan revolves around creating a business-friendly environment where FDI and local business creation are encouraged by a low-bureaucracy and an open-market governance system.¹⁷ The establishment of a business-friendly governance system in Georgia was started under the Saakashvili administration and is still being carried out by the Georgian Dream-Democratic Georgia coalition through the *Georgia 2020* strategy. This reform model has resulted in Georgia currently placing 16th globally in terms of ease of doing business.¹⁸ When coupled with Georgia's average annual real GDP growth rate of 4% between 2012-2016, along with the GDP growth rate of 5.7% for the first quarter of 2017,¹⁹ it seems that these reforms have been

fairly successful. However, while the *Georgia 2020* strategy is more comprehensive than the *Four-Point Plan* in identifying the structural problems affecting Georgia's economic growth, neither plan properly addresses how to implement the changes needed to solve these problems.

Furthermore, the *Four-Point Plan* does nothing to address the structural causes of Georgia's chronic unemployment. Instead, the *Four-Point Plan* "...cannot and will not lead to the improvement of the distorted consumerist economic model into which the country has been absorbed."²⁰ The primary problem is that the *Four-Point Plan* is a primitive, short-term solution to Georgia's long-term economic deficiencies. Through the *Four-Point Plan*, the Government of Georgia has shown that it has not yet accepted that Georgia's economy remains weak and lacks a developed real sector of the economy. The adoption of the primitive *Four-Point Plan* to implement the relatively comprehensive *Georgia 2020* strategy further shows that the Government of Georgia lacks the professionalism and acceptance of universal economic principles since it has failed to take actions to develop Georgia's innovation and IT potential and is instead focusing on the immediate problems.²¹

The *Rural Development Strategy of Georgia—2017-2020*²² similarly acknowledges Georgia's economic disbalance along with discussing barriers to economic development, but does not have concrete plans on how to properly develop the economy. Instead, the *Rural Development Strategy of Georgia* discusses potential sources of economic development (such as tourism and agriculture), but fails to provide an inclusive economic development plan. Like the *Four-Point Plan*, the *Rural Development Strategy of Georgia* lacks an inclusive economic development plan and instead focuses on infrastructural development. From this developmental strategy, it is possible to glean that the Government of Georgia assumes that economic reforms and infrastructural development will lead to economic development. While having a business-

friendly governance system and high level of infrastructural development are good prerequisites for economic development, they will not necessarily lead to high levels of sustainable economic development.

Much of Georgia's economic development comes from its intention to define itself as a transit country. From the construction of the b-1/E60 highway to the building of a new deep-sea port in Anaklia,²³ Georgia's economic development strategy revolves around its infrastructural development. By relying so heavily on infrastructure as a means of generating economic growth, the Government of Georgia is not properly addressing chronic youth unemployment, low wages, or low levels of regional economic development. Furthermore, the regions, and more importantly the municipalities, that aren't on the path of the East-West corridor through Georgia (the b-1/E60 and the E70 highways) will see little to no economic benefit from Georgia's current development plans. In short, Georgia's national strategy is lacking the comprehensiveness to truly be called "national" due to its inherent short-sightedness.

The three development strategies that have been adopted by the Government of Georgia all acknowledge the structural problems that face Georgia's economy, but fail to create a comprehensive and inclusive implementation plan. The *Georgia 2020* strategy is the most comprehensive of the three plans, but it is implemented by two primitive plans that promote "...the maintenance and reinforcement of a non-productive, and at the same time, consumerist economic model in Georgia."²⁴ This is exemplified by all three development strategies which stress the need for vocational education along with the creation of a tax plan that does little to encourage the innovative-based real sector.

Despite the Government of Georgia's aforementioned strategies to develop the economy, particularly in Georgia's regions, economic development in the regions has remained extremely

low. Excluding Adjara and Tbilisi, Georgia's regions made up a mere 14.32% of Georgia's total FDI between 2012 and 2016.²⁵ Furthermore, between 2011-2016 an average of 95.5% of all households in Tbilisi had natural gas while the average for all other regions was only 29.46% with similar trends for in-house water supply.²⁶ The problem that a dissonance exists between the central government's plans and the actual capabilities of the current regional governance system in Georgia.

Imereti

Four years ago, the central government gave Georgia's regions the ability to create their own development plans. In Imereti, this resulted in Imereti's twelve municipalities cooperating for to create the region's economic development plan²⁷. Imereti's plan has the support of the United Nations Development Programme and the central government's *Rural Development Strategy*. The *Rural Development Strategy* recognizes that "Poor diversification of the rural economy and the low productivity of the agricultural sector underpins the chronic weakness of the rural economy."²⁸ Imereti's economy is currently based around Kutaisi and agriculture. The centerpiece of Imereti's development strategy is to transform Kutaisi into an educational and logistics hub for western Georgia. The development of tourism is also included in Imereti's development plan, particularly eco-tourism, since Imereti is home to Prometheus and Sataplia Caves, Okatse Canyon, and numerous other natural attractions, including the Soviet-era Tsqaltuba Resort that is currently being renovated.²⁹

Part of Imereti's development strategy to turn Kutaisi into an educational and logistics hub is the construction and completion of Kutaisi University City, which will focus predominately on IT-based education. The construction of Kutaisi University City, located outside Kutaisi, is funded by former Prime Minister and billionaire Bidzina Ivanishvili's private

foundation—the Cartu Foundation. The construction of the university will cost around half a billion Euros and “...will fully accommodate 60,000 students spread over a territory of 140 hectares. In addition, the university will provide the local Georgian market with highly qualified specialists in almost every field, to ensure the rapid development of Georgia’s economy.”³⁰ Furthermore, Kutaisi University City will have its “...development plan, academic and research programs...” in accordance with the Technical University of Munich,³¹ which will help project Kutaisi as a regional leader in science and innovation.

Of additional importance to the transformation of Imereti into a logistics hub was the creation of two free-industrial zones within Kutaisi. One zone is owned by the Chinese organization “Hualing” and the other by an Egyptian company.²⁸ The purpose of these zones is to allow for the growth of industry in Imereti—a field which many residents are familiar with due to Kutaisi’s industry-based Soviet past.

The opening of the Kutaisi Davit Aghmashenebeli International Airport has allowed for Kutaisi to become better connected to the rest of the world. WizzAir is currently serving as the primary airline for Kutaisi and currently serves twelve European destinations.³² Additionally, the completion of the b-1 (E60 Autoroute), locally known as the Kutaisi Bypass, is further connecting Imereti to Georgia’s east-west development strategy.³³ Within Georgia, the b-1/E60 runs from Georgia’s border with Azerbaijan (in the city of Rustavi) through Tbilisi, Kutaisi, and to the port city of Poti where it continues via ferry to Romania. In Poti, the b1/E60 meets with the E70 which runs through Batumi and into Turkey. Both autoroutes (E60 and E70) are being rehabilitated to meet modern European standards.³⁴ These highways, in conjunction with Kutaisi’s new airport, will better connect Imereti not only to domestic Georgian infrastructure and development, but also to the global economy.

Imereti: Going Forward

Imereti has great potential to succeed, especially once Kutaisi University City comes to fruition. The completion of the E60 and E70 autoroutes, along with the reconstruction of the Kutaisi Davit Aghmashenebeli International Airport, grant Imereti the unique ability to become a major transit hub for western Georgia; however, the improvement of local infrastructure is still needed. Many local roads remain unpaved both in Kutaisi and in rural areas. Additionally, many Soviet-era buildings are in decrepit condition, causing them to be vacated by their occupants, or, if the occupants do not leave, resulting in individuals living in sub-standard conditions. It is important that the local and central governments do not forget the needs of the everyday-people in the development strategies of Georgia. This means continuing to develop and improve local infrastructure, education, and healthcare, as well as providing new job-training opportunities for middle-aged adults so that they may become active in Georgia's new economy.

Imereti is an exemplary model for Georgia's other regions in how to diversify their economy. By attempting to grow as an educational and logistics hub, Imereti will benefit from economic growth that is far more stable and reliable than traditional sectors such as tourism or agriculture. Such a plan is crucial for other regions—regional governments must diversify their economies rather than look for a single easy-fix to their economic woes.

Shida Kartli

The regional government of Shida Kartli is predominately relying on the development of tourism to initiate local economic growth. The development of tourist infrastructure in Gori, Uplistsikhe, and Khashuri is the first step for this plan.³⁵ Additionally, Shida Kartli plans on continuing its investments in building renovations, rehabilitating schools and medical facilities,

continuing road construction, gasification, and building water infrastructure in the region's villages.

The b-1/E60 is the region's primary infrastructural asset as it provides a vital artery between Tbilisi and western Georgia, thereby connecting Shida Kartli to tourist infrastructure in Kutaisi, Batumi, and Tbilisi. The infrastructural development of Shida Kartli is predominately implemented in cooperation with the central government's *Four-Point Development Plan* and *Rural Development Strategy*. It is the belief of the regional government that the central government's development plans have been successful for Shida Kartli's economic and democratic development, and that these plans will continue to bring further economic success as they are implemented.³⁶ The largest problems in Shida Kartli pertain to the region's economy—unemployment, low wages, and weak economic growth.

The *Shida Kartli Regional Development Strategy 2014-2021* acknowledges that the region possesses great industrial and manufacturing potential. However, the plan does not have an in-depth solution to revitalize Shida Kartli's industry.³⁶ Instead, the regional development plan puts a larger emphasis on tourism and agricultural development. According to the plan, "...the tourism potential of Shida Kartli is generally related to a multitude of cultural, historical, and religious sites in four municipalities of the region. Therefore, the tourism potential is considered to be one of the key areas for the long-term development of the region."³⁷ The regional plan states that the primary constraint to the tourism sector is the lack of tourist infrastructure, particularly tourist information. The *Shida Kartli Regional Development Strategy* also acknowledges the region's agricultural potential, but gives little as to the development of local agriculture, aside from stating the need to import new agricultural equipment and train local farmers.

Of greatest concern for infrastructural development in Shida Kartli is the rehabilitation of the region's water and sewer networks. Rural localities have particular difficulty in accessing water and sewer networks.³⁷ Furthermore, due to the nature of ownership laws regarding the water companies, resources for the rehabilitation of water networks are scarce.

Shida Kartli: Going Forward

The government of Shida Kartli seems to lack a comprehensive economic growth plan. Furthermore, the current plan places too much reliance on the central government and assumes that the central government will be able to fully implement its two economic and infrastructure development plans successfully and as promised. Although reliance on the central government is not necessarily a bad thing since the central government has far more resources at its disposal and therefore has the capacity to implement grandiose development plans, depending almost completely on the central government can create a feeling of complacency at the regional and local governmental levels. This is particularly notable in Shida Kartli's development strategy. In comparison to Imereti, which is taking a far more proactive approach to local development, Shida Kartli's development strategy parrots the central government. What makes this complacency worse is that it prevents the regional government from feeling the need to interact with municipal governments and citizens, which further deteriorates the interaction between citizens and their government.

The regional government of Shida Kartli puts too much faith in tourism and the central government's three development strategies for developing the region. Relying on the central government to develop the region is a dangerous gamble, particularly considering Georgia's current growth trends. The regional government needs to be more proactive in assessing its

current situation and creating a plan to grow the region's economy without predominately relying on either the central government for investments or tourists for local income.

Mtskheta-Mtianeti

The regional government has identified three primary goals pertaining to Mtskheta-Mtianeti's development. The first goal regarding the development of the region, and the other regions of Georgia, is attracting young, well-educated people to stay.³⁷ This means providing young people a reason to return to Mtskheta-Mtianeti after they complete their university education. Many young people and families move to Tbilisi because Tbilisi offers them better living standards—better apartments (indoor plumbing, gas), better access to healthcare and education infrastructure, and a larger employment market—than if they stay in Mtskheta-Mtianeti. That is why the regional government is focusing firstly on infrastructural development.³⁸ Improving rural areas' access to roads and increasing the number of houses that have access to running water and gas will help people have the perception that the region is as developed as Tbilisi in terms of infrastructure and social services.

According to the regional government, tourism offers Mtskheta-Mtianeti the best opportunity to develop its infrastructure.³⁹ For tourism to be successful, they first wish to develop proper communication and transportation infrastructure. Following that, services such as water, natural gas, and electricity will be addressed. Due to Mtskheta-Mtianeti's rugged topography, the development of this infrastructure is especially crucial for the mountainous municipalities. By promoting tourism, the regional government believes it would be able to achieve two goals—infrastructural development and economic development.⁴⁰ Along with tourism being a catalyst for infrastructural growth, tourism could serve as a catalyst for economic growth since the building of infrastructure not only creates jobs in-and-of-itself, but also better

connects towns and villages to larger markets, which is particularly true for the Dusheti and Kazbegi municipalities.

The second goal of Mtskheta-Mtianeti is to develop educational infrastructure within the region.⁴¹ Education is the key to providing youth with access to better employment opportunities in their future. Management skills are particularly of interest in Mtskheta-Mtianeti due to the region's growing tourism industry. The third and final goal of the regional government is to encourage and develop modern agricultural techniques for local farmers⁴². Mtskheta-Mtianeti, although not as agriculturally rich as Imereti, Samegrelo, or Kakheti, still possesses great agricultural potential.

Another large problem facing Mtskheta-Mtianeti, and Georgia as a whole, is the “Soviet Mentality.”⁴³ Too many people, particularly the older generation, are simply incapable or unwilling to participate in the reforms that are being implemented, either due to a lack of knowledge or a lack of willpower. Many older people in Georgia, especially in the regions, do not know how to properly operate in the new economy and, moreover, society. Developing tourist infrastructure requires people to accept foreigners, foreign ideas, and, particularly in Georgia, a new government system that puts a larger focus on individual responsibility rather than government care (as was the case during the USSR). There is, unfortunately, not much that the government is doing nor can do to change the “Soviet Mentality,” apart from waiting for the older generation to come to its natural end.⁴⁴ Once this occurs, a new wave of innovation and a new era of economic change can begin to take hold in Mtskheta-Mtianeti.

[Mtskheta-Mtianeti: Going Forward](#)

The regional government of Mtskheta-Mtianeti recognizes the new development goals and plans for Georgia—Georgia is positioning itself as a major transit and communications

corridor between Asia and Europe. By recognizing these plans, Mtskheta-Mtianeti intends to fully invest itself in the national strategy in order for the region to receive maximum benefits from the central government's strategy. This is a very wise and responsible plan for the region. One major obstacle for the region is that it risks falling into the same trap as Shida Kartli--relying on tourism and the central government to solve the slow rates of economic growth. Overall, Mtskheta-Mtianeti has been proactive in assessing its situation, but needs to do more to improve local implementation.

Samtskhe-Javakheti

The *Samtskhe-Javakheti Regional Development Strategy 2014-2021*⁴⁵ lays out a diverse strategy for the region's economic growth. According to the development strategy, the development of the region's natural resources is the most viable option for sustainable economic growth. The region's development plan focuses largely on developing its energy sector, noting Samtskhe-Javakheti's ability to become "... a large producer of electricity and a transit node in the region of the South Caucasus..."³⁰ The development of solar and hydroelectric energy will become the region's primary economic assets. The development strategy also states that the construction of new hotels and infrastructure linking the region to its natural resources (such as mountains, lakes, and national parks) are crucial, along with better advertisement of the region. The development of agriculture revolves around getting families to produce for commercial use and not for personal use.

Samtskhe-Javakheti: Going Forward

The *Samtskhe-Javakheti Regional Development Strategy 2014-2021* is an example of a truly diverse and comprehensive economic development strategy. The strategy aims to capitalize on integrating the region's natural resources into the central government's national development

strategy. By relying predominantly on local resources, as opposed to the central government's resources, Samtskhe-Javakheti is taking a proactive step in assuring its long-term economic growth.

Recommendations

There are two primary factors that are preventing regional economic development that can be extrapolated from the aforementioned plans—a lack of infrastructure and a lack of information. These regional development plans all call for greater integration within Georgia's overall development strategy. Georgia is calling itself a transit country, but Georgia lacks a developed internal highway system and a well-organized internal transit system. What is particularly strange for a country claiming to be a transit country is the lack of a highway linking Georgia to Azerbaijan and Armenia. Instead, Georgia focuses on connecting Tbilisi to Batumi/Poti (Tbilisi and Turkey/the Black Sea). Other regions, particularly the regions through which the E60/E70 autoroutes do not pass, are not being properly integrated into Georgia's development strategy.

The overarching problem is this: regional development is too scattered. Under the present system, the regional governments (მხარე) are relatively useless—they hold little power compared to the self-governing status granted at the municipal level and the broad power enjoyed by the central government. According to the 2014 Self-Government Code of Georgia, self-governing status is granted to municipalities,⁴⁶ which are then delegated powers such as “spatial and territorial planning of the municipality...plans for the regulation of development...” and “improvement of the municipal territory and development of the appropriate engineering infrastructure.”⁴⁷ Municipalities, however, do not have the proper recourse to develop themselves, which can be exemplified in the *Kakheti Regional Development Strategy 2014-2021*,

“...street lighting and supply of water of water to villages is funded by the local government...”⁴⁸ and further states that “...a large number of villages use gravity water and artesian wells. Only Sighnaghi and Lagodekhi have 24-hour water supply in the region. The other cities are supplied on a water schedule.” Even though the number of houses in Kakheti that have in-house water doubled between 2012-2016, Georgia, on average, saw an increase of less than 10% in the number of households with in-house water during that same time period.⁴⁹ This hints to local governments’ inability to properly build and maintain infrastructure. Major infrastructural projects, particularly electricity and water/sewage maintenance, should not be left to the municipalities, but rather shifted to the regional governments since the regional governments would have more resources and funding available to them.

Of greater concern is the overall lack of comprehensive and united development strategies. Currently, there is no plan or strategy which is focused solely on the development of local economies.⁵⁰ Furthermore, any local economic development plan is left to the municipal level as defined by Chapter III of Georgia’s 2014 Self-Government Code. Leaving municipalities to “...promote employment, agriculture...and the development of tourism...attraction of investments to the municipality’s territory, innovative development, etc...”⁵¹ is not conducive for the creation of a comprehensive development strategy (both nationally and regionally). The regional governments should be the primary impetus for local and regional growth, not the municipalities. In centralizing power within the regional governments, the development of transportation, service, social and cultural infrastructure, and the promotion of investment, would be conducted in a manner that best suites regional specialties and conditions. It is easier for regional governments to promote their own development rather

than municipalities since the regional governments would be able to act with greater cohesiveness than the municipalities would.

To implement this change, it is recommended that the Equalization, Capital, Target, and Special Transfers as defined by Articles 95-98,⁵² respectively, be given to the regional government instead of the municipalities. The Regional Advisory Councils, since their purpose is “...to ensure that the interests of the municipality are represented and considered in the planning and implementation of the development of the territory...”⁵³ would therefore be responsible for the usage of those transfers for the implementation of infrastructural projects. The composition of the Regional Advisory Council would remain unchanged. By delegating power to the Regional Advisory Councils and not each of Georgia’s 71 municipalities, inter-municipal cooperation for regional development is encouraged. Aside from transferring infrastructural and economic development responsibilities to the regional governments, the roles of the municipal governments would remain unchanged (such as the maintenance of municipal property). It is also recommended that the regional governors be popularly elected, rather than appointed and therefore beholden to the central government.⁵⁴ This system encourages the regional governors and Advisory Councils to become active within their communities, which further increases the connections between the people and their government (a serious concern raised by political parties and NGOs alike).

To settle the issue of self-governing cities, it is recommended that all cities with a population of 15,000 and greater have directly elected mayors. The primary purpose for this change is to allow for citizens of medium and large cities to have greater authority in the leadership and development of their cities. By doing so, the city governments will have a greater responsibility to the citizens than to the central government, thereby increasing accountability.

Additionally, cities with a population of 20,000 and greater should have a city council (საკრებულო). The authority of the city councils would remain unchanged. The purpose of this, again, is to give the citizens of Georgia's largest cities—and therefore the largest portion of the Georgian economy—a larger say in the governing of their cities.

The information factor comes from a lack of accessibility, advertisement, and promotion. The central government promotes Tbilisi and Batumi far more than the other regions. When looking at most promotions for Georgia, Batumi and Tbilisi are treated as the only places of interest, with other localities serving as minor pit-stops (such as Vardzia, Uplistsikhe, and Mtskheta/Jvari). Anecdotal evidence suggests that most advertising and promotions regarding Georgia's regions comes from taxi/minibus drivers and local tour companies advertising in the streets.

In line with the theme of this paper, regional governments, in conjunction with the central government, should be responsible for creating and implementing their own tourism programs. Regional governments should take a proactive stance by working directly with local private businesses and municipal governments. One such hypothetical example would be regional governments sponsoring tour packages that offer a range of services (such as restaurants, hotels, and sight-seeing opportunities). Local businesses located near major points of interest would register with their regional government. The regional government would use this information to work with private tourist companies and travel agencies so that those companies can create travel packages using local private businesses. The regional government would then be able to promote these travel packages at various information kiosks which are currently located throughout Georgia, online (similar to Georgia's recent deal with TripAdvisor),⁵⁵ and through the tour companies themselves.

Despite positive trends in the development of Georgia's touristic infrastructure in the regions, the regions are still being left out due to a lack of information and accessibility. For example, anecdotal evidence suggests many tourists know of Vardzia and Uplistsikhe, but lack information regarding how to get to those sites. The accessibility problem would best be remedied by organizing Georgia's minibus services. This system is highly decentralized and intimidating to learn, especially if a traveler does not speak Georgian or Russian. Simply organizing the primary minibus/transit stations (such as Didube, Samgori, and Station Square in Tbilisi) would be greatly beneficial (for example, adequate Georgian/English signage designating departure areas and times needs to be provided at all transit stations). The organization of Georgia's transit network in such a manner would help increase the accessibility of Georgia's regions to tourists.

Conclusion

Much of the problem as to why Georgia has not delegated regional governments authority is due to concerns for Georgia's territorial integrity. For example, in April 2017, 34% of Georgians rated Russian military aggression as the primary threat to Georgia's national security while 16% believe that occupation of Abkhazia and South Ossetia are Georgia's primary security threat.⁵⁶ Additionally, the Patriarch of the Georgian Orthodox Church, Ilia II, has spoken against self-governance in the past. In fact, Ilia II was avidly against Georgia's 2014 Self-Government Code, stating that the reform was "...a 'threat' because it will cause Georgia's 'disintegration'..."⁵⁷ These feelings are due in large part to the fact that Georgia has around 20% of its territory under Russian occupation. The 2008 War and the annexation of Crimea by Russia have entrenched fears of granting regional governments greater authority deep in the minds of many Georgians, therefore posing a formidable mental barrier to any meaningful reform.

Despite concerns regarding the disintegration of Georgia, the risk of Akhaltsikhe or Guria declaring their independence is no higher in 2017 than it was before the 2014 Self-Government Code was enacted. On the contrary, as has been discussed above, many regional governments are requesting further integration with Georgia's economy.

The development strategies for Georgia thus far have left Georgia's regions mostly untouched due to the disbalanced nature of Georgia's economic development. This disbalance distances the regions from Tbilisi's goals of EU membership, leaving the regions open to Russian expansion. The threat of Russian expansion is only exacerbated by the Government's poor decision-making, as exemplified in its recent deal with Gazprom.⁵⁸ The decisions that were made by both the past and current administration are continuing to make Georgia vulnerable to Russian economic expansion, particularly Russia's aims to strengthen its Eurasian Economic Union.⁵⁹

This essay recommends that the central government take certain powers, specifically those regarding infrastructure and economic development, away from the municipalities and instead grant those powers to the Regional Advisory Councils. It is important to ensure that economic prosperity is not assumed to follow infrastructural development and institutional reform. Therefore, this essay calls on the Regional Advisory Councils to be responsible for the creation and implementation of regional development plans. The final recommendation of this essay is for the organization of Georgia's internal transit system. The Government of Georgia has the responsibility to share the economic success of its reforms with all citizens. The exclusion of a large part of the Georgian population from the country's reforms and Euro-Atlantic integration process will only result in a rise in disillusionment with Georgia's current path, a rise in xenophobia, and ultimately, a backsliding in Georgia's democratic standing.⁶⁰ It is

the opinion of this essay that the Government of Georgia partake in these reforms to address the current economic imbalance and to ensure that all citizens benefit from Georgia's Westward path.

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