

trade integration through free trade agreements and take part in new integration initiatives in the age of digitalization in order to increase exports and gains from regional trade.

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REGIONAL DEVELOPMENT POLICIES AND GOVERNANCE CHALLENGES IN GEORGIA

Summary. Work provides discussion of Georgian regional development policy and its key directions. It studies the regional development directions of the EU Association Agreement and analyses how well are harmonized the documents setting economic policies of the country with one another and how well they respond to the challenges facing Georgia today.

Keywords: Regional, Policy, Economic, Development

Introduction. Georgia is located in one of the world's most important geopolitical regions, at the junction of the great Silk Road, which historically played huge role in the interrelation and development of Europe and Asia [13].

Territory of Georgia includes 2 autonomous republics and 69 municipalities, of which 64 municipalities are controlled by Georgian government. Georgia has a one-level system of governance. Regional level of governance is not defined by law. However, historical areas/regions are objects for policy planning [8].

In Georgia the municipality is the only level of self-government in Georgia. It is the regional governance level. Though, the law does not provide any definition of the region concept. According to official web site of Georgian government, list of Georgian regions includes 11 territorial units, 2 of which are autonomous republics of Abkhazia and Adjara and the other 9 are mentioned as historical regions: Guria, Imereti, Kakheti, Mtskheta-Mtianeti, Racha-Lechkhumi and Kvemo Svaneti, Samegrelo – Zemo Svaneti, Samtskhe-Javakheti, Kvemo Kartli and Shida Kartli. Each region, in turn, consists of the municipalities, borders of which automatically determine the borders of relevant region. Single-level system of self-government causes the problem of coordination between central and local governments. In response to this, the structural unit of the state representative – governor is established to perform, mostly, the function of coordinator in implementation of the central government regional policies. According to the statute of the state representative – governor, the territory of his/her competence includes certain municipalities and respectively, their administrative territorial borders.

Purpose. Regional development policies in Georgia should be assessed based on the analysis of the strategic documents setting the key policy directions and the ways for their implementation. Regarding that Georgia receives significant assistance from the European Union influence of EU regional development policies in Georgia would not be unexpected and such influence is provided by Association Agreement. Chapter 21 of the Association Agreement directly obligates Georgia to focus on development of the poor districts and territorial cooperation in the sphere of regional policies. In addition, cooperation is provided for in the sphere of land use planning. The statement about how significant is orientation towards mutual sharing of the regional development policy practice to promote equal development of the regions is very significant and indeed deserves attention. Thus, regional component of EU Association Agreement is clearly oriented towards achievement of the goals of “equality”, “equal development”. But what the state can do if the regions have no equal development opportunities? Is it reasonable to intervene in such way that would redirect the development pace from one region to the other?

Goal of our research is to study the regional policy, its key directions in Georgia and analyze, how well the key documents of regional development policy are harmonized and how well they respond to the challenges facing Georgia.

Results. To achieve the research goal we have studied 12 national strategy documents and regional development strategy documents for years 2014-2021, among them, special emphasis was made on in-depth analysis of the following documents and collection of the primary information from the persons directly involved in their development. These strategies are as follows:

- Strategy of Socioeconomic Development of Georgia, “Georgia 2020”;
- Georgian Regional Development Program 2018-2021;
- Georgian Rural Development Strategy 2017-2020;
- Georgian Regional Development Program for years 2015-2017;
- Georgian Agriculture Development Strategy 2015-2020.

Socioeconomic Development Strategy of Georgia, “Georgia 2020” states that Georgia is a country distinguished with unequal development of the regions and this is presented in the document by poverty rate at general national level and Gini index, though the attention is not

focused on inequality between the regions. Strategy document states that for the regional development policies the priority is identification of the comparative advantages, potential of the regions and their use, and this allows to offer that the orientation is effective use of the resources in the regions. Hence, the “goal of effectiveness” is more apparent than that of “equality”, though, at the same time, it is mentioned that building of local infrastructures is intended to support reduction of inequality between the regions. One of significant areas of Georgia 2020 strategy is support to innovations and technologies development promotion and formation of the regional development agencies is regarded as one of the ways for this. Though no specific information is provided about functions of such agencies and no incentive was proposed at the governmental level about establishment of such agencies to support regional and local development, in turn, including promotion of private sector competitiveness. Strategy document provides for development of agricultural infrastructure and construction of the other utility infrastructure. Thus, Georgia 2020 strategy contains only few very general sentences about regional development policies.

Regional Development Program of Georgia 2018-2021. Regional Development Program of Georgia 2018-2021 is the key governmental document setting the regional development goals, objectives and ways for their achievement. Strategy document clearly describes the challenges of territorial inequality and unequal development of the regions, there are identified three horizontal needs: improvement of competitiveness of the economy, inequality reduction and improvement of institutional capacities of the structures involved in regional policies development and implementation process. The document provides 5 key development areas:

- Infrastructure improvement;
- Economy development through support to small/medium businesses and exports promotion;
- Human capital improvement;
- Endogenous development, implying local development support and including development of rural and high-mountain areas; support to implementation of regions development strategies; development of the area adjacent to Anaklia Port; border-side and macro regional cooperation and support to functional integration of urban territories;
- Institutional development, implying improvement of the capacities of National Statistics Bureau of Georgia to provide to the regional policy-makers the data required for effective planning of regional policies. This component also includes development and implementation of integrated regional development programs in the pilot regions. The document specifies the following four planning region for the pilot programs: Samtskhe-Javakheti, Imereti, Samegrelo-Zemo Svaneti, Kakheti. And the criteria for their selection were as follows:
 - Concentration of the development barriers characteristic for all other regions and territories;
 - Unused potential requiring actions from the side of state policies.

Regional development program forms the strategic and medium-term goals. Stated strategic goal is support to the goal specified in Georgia 2020 strategy (support to inclusive economic growth and economy competitiveness at the national level) through support to use of the potential of territorial units. Definition of the program strategic goal and provided vision show that the regional policies are oriented towards effective use of the resources and it is mostly intended to achieve the “effectiveness” goal. It states: *“Maximal use of the potential of each region (territory) and their development is necessary so that they could make their own contribution to achieve common national success and growth of the country’s competitiveness (general productivity growth)”*. Though, it states also that *“such strategic approach would contribute to reduction and elimination of internal inequalities”*. Analysis of the goals and objectives specified in regional development program allows us to make conclusion that the document does not make clear choice between “effectiveness” and “equality” goals and strategic

document is equally intended to achieve both goals by implementation of the following objectives [1]:

- Facilitation of rapid economic growth of the country;
- Improvement of the social equality and employment opportunities for the citizens, irrespective of their place of residence;
- Facilitation of territorially balanced sustainable development.

As we have already mentioned, there is no regional governance level in Georgia, territorial areas of the regions are not specified by the law and hence, the term “region” can be used according to the desire of regional policy-makers to emphasize specific territorial unit, for the purpose of its development or any other purposes. It is of interest, how and what kind of territorial units are mentioned in Regional Development Program of Georgia:

Functional regions with similar problems and potential – Strategy mentions that in *geographical respect, some socioeconomic problems and potential is not always conditioned by the logic of administrative or planning region. In some cases it is more effective to group and consider relevant needs and opportunities in the context of so called functional regions* [2]. Such functional regions include Black Sea coastal zone, Tbilisi functional zone and high-mountain regions. In case of Black Sea coastal zone and Tbilisi functional zone, the regional centers are apparent – Batumi in former case and capital city – in the latter. Reasonability of identification of the high-mountain regions as one functional region is unclear, regarding that (1) most of them are not even bordering with one another; (2) while in some cases they have similar needs (as stated in the strategy document), in many cases they are not connected with movement of the goods’, services’ or other flows (3) they are connected with their regional centers.

- Functional territory, defined as the set of regions consisting of the high mountain and rural type settlements;
- Large city functional zones, implying Tbilisi, Kutaisi and Batumi functional zones.
- Region (planning region) – territory of action of the state representative – governor, including historical regions of Georgia. In addition, the strategy document gave the status of region to Tbilisi and autonomous republics.

Though the priorities specified in the Regional Development Program correspond to the challenge facing regional development process in Georgia, “region”, “functional region”, “planning region” and other terms used for identification of the policy objects, are not consistent and they are not based on the analysis of the qualities and forms of the relationships between the territorial units. Hence, it is expected that effectiveness of different areas of regional development policies, where policy objects for each area are not defined based on the evidences, would be significantly reduced, compared with the results that could be achieved in case of deeper studies for defining the policy objects. Such studies should necessarily take into consideration the analysis of the characteristics of interrelations between the regions and study of the flows related to the demand and supply processes.

Governance of the regions in Georgia. As early as in the period when Georgia was part of Russian Empire, there were 18 districts in Georgia. Though, in that period, rational planning of economic development was not even considered. To determine manageability, we can rely on the differences between the region municipalities, distance between the territorial units and international practices. The municipalities unified in the regions are quite different from one another; for example, Mestia and Poti municipalities, that are parts of the same region. Kakhketi territory with 11.300 km² area, comprising over 17% of the territory of Georgia. In Imereti region 507 thousand people live in 11 municipalities that differ with their natural-resource potential (e.g. Kharagauli Municipality). Currently, in Georgia there are ongoing debates on whether the existing level of administrative structure and sizes of municipalities are adequate for effective governance of the territory. In 2006, as a result of the reform, average population of self-governing unit was increased from 4.350 to 68.050, it is almost 10 times higher than average European figures (6688 residents) and among the European countries, it is lower than Great

Britain only (where the system of municipal arrangement is different) [12]. Thus, to make local government closer to the population, it would be desirable to make certain steps for reducing of the sizes of administrative units or for formation of two-level government system.

Conclusions. Studying and analysis of Georgian regional development policies and governance problems showed that:

- Georgia 2020 strategy mentions the issues of regional development policies at very general level;
- Regional Development Program does not make clear choice between “effectiveness” and “equality” goals and strategy document equally intends to achieve both goals;
- There is no regional governance level in Georgia, the law does not specify the territorial areas of the regions and hence, the term region can be used according to the desire of regional policy-makers to emphasize specific territorial unit, for the purpose of its development or any other purposes;
- Municipalities unified in the regions of Georgia are quite different from one another, and territorial units regarded as regions are not uniform;
- Planning of the regional policy, as such, implies choice between “equality” and “effectiveness” goals. EU policy of “approaching” is mostly oriented towards achievement of the “equality” goal and therefore, it is expected that for our country, dependent on the funds from the European Union the reduction of inequality between the regions of our country would be formed as priority;
- For the new regional policies, it is characteristic to regard concentrated growth of the cities as the strength and relying on such concentration for interconnection of different territorial units. Therefore, we regard that it is significant to form and develop close functional interconnections between Georgian territorial units and for this the emphasis should be made on improvement of the connections between the regional centers and the capital city;
- In order to improve economic situation of rural population, it is essential to diversify the rural economy and to promote engagement of local population in the economy and raise its awareness [9].

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