

Analysis of Regional Disparities in Georgia

Introduction and executive summary

This exercise is fundamentally distinct from the ongoing *monitoring* of the implementation of the Regional Development Programme (RDP) but is another aspect of an overall approach to regional development programming that:

- is still essentially in a pilot phase in Georgia;
- does not have matching external/donor funding; and
- needs to be selective (not least because of limited available financial resources).

It may be seen as being a “top-down” complement to the “bottom-up” management information for the RDP that is provided through monitoring.

It concentrates on updating those time-series data that are directly related to the priorities and measures of the existing RDP (the official Georgian reference document). An important focus in this first year of the existing RDP is to consolidate baseline values¹ for the main relevant time-series for the start of the programming period (i.e. end 2014 start 2015). If any of these show significant changes from the values and trends described in the analytical section of the RDP then this will be noted and brought to the attention of the GCRD by the end of the first year’s implementation.

It should also be remembered that ongoing “observatory” activities related to regional development are relatively recent developments within Member States and are still far from commonplace.² They also often reflect a level of capacity/funding that simply is not available (nor a reasonable priority) in Georgia. Even in Member States where such activities are undertaken, it is not normally the case that there is a continuous real-time monitoring of regional variables to an extent that allows the informed ongoing adjustment of policy priorities. This is something that typically happens on a periodic basis; mostly in the course of preparing for a new programming period (although **interim evaluations** may provide the occasion for, usually less than sweeping, revision).

At present then, there is no evident justification in updating anything other than the statistics already included in the RDP and enhancing these, where feasible, in relation to the RDP’s current priorities and measures. Since the current RDP concentrates on the clearly significant disparities between Tbilisi and the rest of the country, this analytical update takes the same approach. However, substantially more information is provided here than was in the RDP on the type of economic activity for different locations (both urban and rural) across Georgia. This document thus

¹ Insofar as these are available. Even in the most advanced contexts, a lag of one to two years is not unusual for obtaining values for key variables.

² “Observatories” are institutes or offices that track and analyse selected types of socio-economic data. A rare example related to regional development is the Territorial Observatory in the French Prime Minister’s office.

goes beyond what was prepared and circulated in late 2015. However, the main recommendations that were made then remain valid and we list them below.

1. Road infrastructure is a significant component of the RDP and reference to this has been updated to the extent that figures are available. However, new procedures for the selection of specific local investment projects have been adopted and it is recommended that both the disparity indicators and selection methodologies used to identify roads projects should be reviewed in detail by the end of March 2016.
2. Moreover, we recommend that, once more comprehensive results are obtained from the 2014 population census, a full review of regional employment rates in Georgia (i.e. making allowance for relative concentrations of concentration) is undertaken.
3. It is also recommended that the analysis provided in this document should be complemented with a clear description of the financial resources available to meet needs and promote development on the sub-national level in Georgia (not least in relation to Tbilisi) and of the procedures used to determine the level of these resources.

1 Geographic location and natural resources

Figure 1: Location of Georgia



Georgia is located between the Black Sea and the Caspian Sea and is comparable in terms of area to the Irish or Czech Republics. Historically, it has been an important crossroad for international trade and still is a significant corridor for oil and gas transit (see section 3 below).

The border with Russia to the north runs along the Greater Caucasus mountain range, with peaks of more than 5000 meters. The southern border that separates the country from Turkey and Armenia lies on the Lesser Caucasus and the Javakheti Upland. The Greater Caucasus Mountains have always been a symbol of national and cultural identity and offer significant hydroelectric and wood-forest resources as well as tourism potential.

The western boundary of Georgia is formed by the Black Sea coast, while in the east the country is bordered by Azerbaijan. In spite of the fact that during the 20th century, much of the lowland forests was cut down due to rural and urban development, 40% of the total area of the country is still covered by forests. Georgia contains an unusually wide variety of climactic zones and fertile locations that historically have been valuable assets for agriculture in the country. On the other hand, the varied topography can pose significant barriers to the provision of physical infrastructure as well as natural hazards.

Georgia has important hydro-energy resources (that meet many of the energy requirements of the country). A variety of mineral waters are also available, some of which have been marketed with success in international markets. At various times manganese, copper, gold, silver and iron have been successfully mined in Georgia.

2 Population and Demography

Since Georgia gained independence in 1991 the population growth rate has changed dramatically due to acute political conflicts and economic crises. Population reduction was caused largely by migration. Georgia lost around 20% of its population between 1990 and 2005. The biggest loss was recorded between-1993 and1997 when the Georgian population decreased by one million.

During the 1990s the population decreased in all regions of the country, but this process was more evident in mountainous regions, mono-industrial cities and in towns with large proportions of ethnic minorities (Armenians and Azeris). Although there was some hope that the overall trend was beginning to reverse, the recently undertaken population census confirmed that in fact it has been continuing.

The General Population Census of Georgia was conducted during November 2014. The Census covered all of the country except for the occupied territories and was the first such census in 12 years (the previous one having been carried out in 2002). Based on the preliminary data, as of November 5 2014 the number of population of Georgia totaled 3 729 635 persons, an overall decrease of 14.7% (641 900 persons) compared to the previous census data for 2002 (4 371 535 persons). A comparison of the regional population data obtained for 2002 and 2014 is provided in table 1 below.

Table 1: Georgia, population by region 2002-2014			
Region	2002	2014	% Growth
Tbilisi	1 081 679	1 118 035	3,4
Abkhazia, Autonomous Republic	1 956	Not available	Not available
Adjara, Autonomous Republic	376 016	336 077	-10,6
Guria	143 357	113 221	-21,0
Imereti	699 666	536 052	-23,4
Kakheti	407 182	319 144	-21,6
Mtskheta-Mtianeti	125 443	94 370	-24,8
Racha-lechkhumi and KvemoSvaneti	50 969	31 927	-37,4
SamegreloZemo-Svaneti	466 100	331 145	-29,0
Samtskhe-Javakheti	207 598	160 262	-22,8
KvemoKartli	497 530	424 769	-14,6
ShidaKartli	314 039	264 633	-15,7
Total	4 371 535	3 729 635	-14,7

Source: GeoStat

Economic activities have a critical influence on patterns of population distribution within any country and those patterns of population distribution in turn have a strong influence on patterns of economic activity. Within Georgia, the decrease in rural population (-23.38% between 2002 and 2014) has been much more pronounced than that of the urban population (-6.3%) so the urban/rural pattern of population settlement in Georgia has changed significantly; the urban population now accounting for 57.4% of the total.

In the more recent census the population of the capital Tbilisi was 1 118 035 persons, a 3.4 per cent increase compared to the previous Census. Even if, in formal terms, this increase was mainly due to the expansion of the territory of Tbilisi at the expense of former rural areas of Mtskheta and Gardabani municipalities, an increasing concentration of population is clear. The share of

population of Tbilisi in the total population increased by 5.2% to 30.0%.

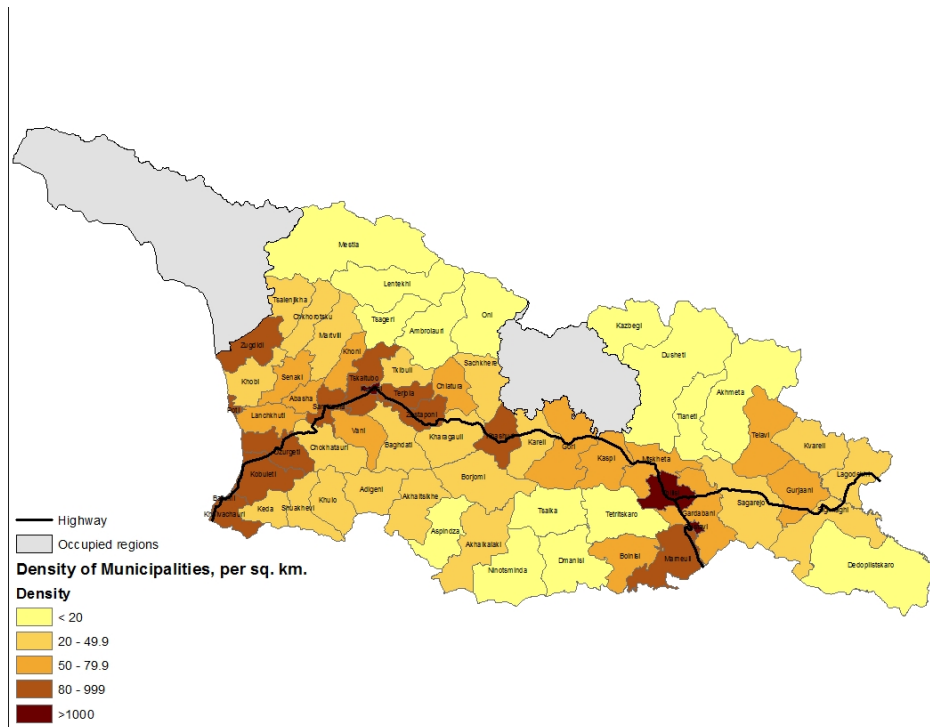
Urban population growth was also experienced in Batumi (26.3 %), mainly due to the expansion of the city borders at the expense of former areas of Khelvachauri municipality. The most significant increase in urban population compared with the previous census was registered in Rustavi (7.3%), the population of which amounted to 124 908 persons (in the same borders as in 2002). However, outside of Tbilisi, only Batumi, Rustavi and Kutaisi have populations of over 100 000. In regional terms the most significant decreases in population compared with the 2002 Population Census occurred in Racha-Lechkhumi and Kvemo Svaneti (-37.4%) and Samegrelo-Zemo Svaneti (-29%), while the lowest population decline was in the Autonomous Republic of Adjara (-10.6%).

The final detailed results of the Census will be published in April 2016 and will have significant implications for the sample frames used for a number of important surveys that are undertaken in Georgia on a regular basis. In the meantime, the preliminary results have served to underline the fact that previous figures were often not sufficiently accurate to serve as a basis for dependable analysis.

As is very clearly shown in Figure 2 below, the great majority of Georgia's population is concentrated in the narrow valley that runs East-West between the mountain ranges of the Greater and Minor Caucasus and also along the coastline of the Black Sea. Incidences of urban settlements and population density is highest in these areas. Simultaneously the mountainous and some other peripheral locations have much lower population densities.

Even within the more populated zone there are significant disparities between the bigger cities and the surrounding rural areas, often even within the same municipalities. When we consider the level of the administrative regions, such internal disparities become even more significant. One important consequence of this is that using Georgia's administrative regions as the only or even main axis of analysis would have a distorting effect. The main features of regional socio-economic disparities in Georgia (as in most other locations) are not congruent with the boundaries of the administrative regions. (Whether the administrative regions might form an appropriate framework for the organization and delivery of regional development activities is a completely distinct issue.) Population density, types and sizes of urban and rural settlements vary considerably in different regions. Plains (which contain main transport routes and the most fertile locations) and the Black Sea coastal area are more densely populated while mountainous regions, especially the Greater

Figure 2: Population density by municipalities (persons/km²)

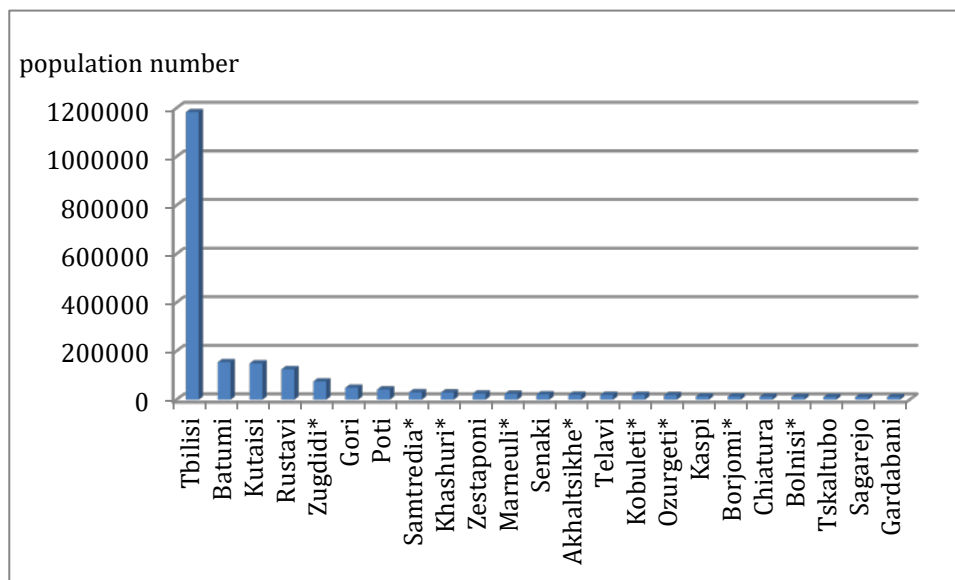


Source: World Bank 2015 (based on Geostat)

Caucasus, are inhabited sparsely. Georgia's overall settlement pattern is essentially one of villages, towns and small cities. While there are over 100 urban settlements only four of these have a population of over 100,000 (Tbilisi, Batumi, Kutaisi and Rustavi).

The most obvious aspect of uneven population distribution is the increasing concentration of a significant part of the population in Tbilisi. (See Figure 3 below). As was mentioned above, approximately 30% of Georgia's population lives in Tbilisi, and if the surrounding areas (particularly Rustavi and Mtskheta) are taken into consideration the proportion is even larger. Moreover, since the majority of emigrants from Tbilisi have often been relatively well-educated, both before independence and since, this has had a qualitative impact on the nature of the remaining population. Although village-to-city migration has partly compensated for the loss of residents in the capital, this has had an overall negative impact on the level of qualification and job skills of urban workers.

Figure 3: Rank-size distribution of urban settlements with population of more than 10,000 (2015)



Source: Geostat

After gaining independence, quite a large number of refugees and internally displaced people appeared in Georgia due to political tensions and armed conflicts.

According to the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia, 259 247 refugees (86 283 displaced families) had been registered by September 2014.

More than one third of the IDPs live in Tbilisi and almost as many in Samegrelo-Zemo Svaneti but all regions have some.

In terms of the population’s ethnic composition, more than 90% of adults in most Georgian regions are ethnic Georgians. The main ethnic minorities – Armenians and Azerbaijan - tend to be concentrated in terms of location. The largest share of the Armenian population lives in Samtskhe-Javakheti, while most Azeris live in Kvemo Kartli and Kakheti. A very small proportion of Shida-Kartli’s population is made up of Ossetians, while Russians make up an even smaller of the Capital’s population. Again, results from the new census should provide more accurate details related to this subject when made available in 2016.

3 Physical Infrastructure

Transport

The road network of Georgia exceeds 20,000 km. Common use roads are divided into three categories: roads of international significance, roads of internal significance and roads of local significance. Since January 2007, roads of local significance are the responsibility of municipalities and more than 2000 km of local roads have the status of internal roads.

On the sub-national level, regional and municipal development strategies (and their associated action plans) are providing more systematic methodologies to prioritise projects for funding. This is particularly the case in relation to the many local roads projects supported by the Regional Development Fund.

The Roads Department of Georgia in the Ministry of Regional Development and Infrastructure annually develops and updates data (Annual Average Daily Traffic (AADT) and International Roughness Index (IRI) for the International and Internal importance Road Network) and prepares 5-year plans in accordance with the Highway Development and Management Model (HDM4). A bridge inventory and planning system has not been introduced yet. The World Bank is financing the development of such a system and the procurement of related field equipment.

Table 2: Lengths of road (Km) in Georgia by class and region 2014			
	Total	International	Secondary
Tbilisi	52.0**	52.0**	–
Adjara AR	1565.9	54.3	152.9
Abkhazia AR	594.6	204	401.6
Guria	884.5	63.8	220.6
Racha-Lechkhumi, Kvemo Svaneti	1276.7	–	388.3
Samegrelo-Zemo Svaneti	2765.7	122.7	740.9
Imereti	2648.7	143.6	785
Kakheti	2645.3	125	716.2
Mtskheta-Mtianeti	1456.6	178.7	426.5
Samtskhe-Javakheti	1519.7	234.5	300.1
Kvemo Kartli	1998.4	221.9	641.8
Shida Kartli	1640.9	202.5	524.2
Georgia-total	19049.0	1603.0	5298.1

Source: GeoStat

Despite significant investments in recent years (especially for roads of international significance), the overall improvement of the road infrastructure requires further efforts – particularly at regional and local levels. Most villages have poor roads, especially in mountainous regions.

There is only a little more than 1,100 km of operating railway in Georgia³. Although it has over 15000 employees, Georgian Railway, plays a relatively minor role in terms of passenger transport, but is much more important in cargo terms accounting for more than 40% of cargo transport. Since the rail network generally connects the major urban centres of Georgia, the existence of a large, regional gap in supply is inevitable (not least due to the complicated geographical relief of the country). For example, railway availability is low in Kakheti despite the large Kakhetian population and the existence of no geographic barriers. The Baku – Tbilisi –Kars railway will cross two regions (Kvemo Kartli and Samtskhe-Javakheti) of South Georgia, becoming the main centre for international railway transportation to the west and east.

There are four active seaports on the Black Sea coast: Poti and Kulevi oil terminal in Samegrelo-Upper Svaneti, Batumi – in Adjara and Supsa oil terminal in Guria. There is not enough information for detailed assessment of the port's infrastructure impact on regions but Gross Value Added (GVA) data indicates that they do have a positive impact⁴.

Currently, there are three international airports and one domestic one operating in Georgia. Tbilisi International Airport is the most used. The number of passengers using Tbilisi airport has been growing steadily each year and numbered over 1.5 million in 2014. It accounts for 78% of total passenger turnover and is the busiest in terms of both international and domestic flights. This inequality is even more evident in case of freight, as according to the LEPL-Civil Aviation Agency 2012 data Tbilisi International Airport accounts for 86% of air cargo (by weight). However, it should be noted that the majority of small countries like Georgia have just one main international airport.

Water Supply

Despite the fact that Georgia is rich with water resources, providing all ultimate consumers with uninterrupted water supply remains a significant problem. In 2000, 60% of the water pipes were in poor condition causing damage, pollution of drinking water and inconsistencies with sanitary norms. Technical losses were reaching 40%⁵. The situation has improved significantly recently, especially in densely populated areas, due to projects implemented with support from international donors. Water supply and sewerage systems, however, need further development. In 2014 over 97% of dwellings in Tbilisi had a water supply system installed but nation wide, the proportion was only 52.8% and in some regions (such as Kakheti and Samegrelo) the proportion was less than one third.

Drinking water in Georgia is usually extracted from ground sources. Most Georgian settlements get water intermittently and water tanks are mainly unprotected. As a result, water often fails to meet sanitary standards. By mid 2000, 24-hour water supply was available just for some parts of Batumi,

³ Georgian Railway

⁴ International School of Economics of Tbilisi, Survey ,2013

⁵ UNECE: Housing Report / Research; Georgia 2006

Gori, Samtredia and Tbilisi's population. Water supply was not regular even in Rustavi and Kutaisi. The situation has improved significantly since but water supply remains sporadic even in most urban areas, including the larger cities, except for Tbilisi.

Drinking water availability varies greatly by regions. According to GeoStat data for 2014, complete (in fact 97.5%) domestic water supply is provided only in the capital city. The rate is 45.4% in Kvemo Kartli. The data for Shida Kartli, Samtskhe-Javakheti, Adjara, Guria and Mtkheta-Mtianeti are aggregated and their share is 42.8%. The rate is even lower in other regions. Generally, urban locations have better access to drinking water. Samegrelo - Zemo Svaneti is an exception – in spite of this region's relative urbanisation, most families use wells and not internal or outdoor taps to get water.

Natural Gas/Heating

After independence the widely used district heating systems completely collapsed and gas became the general source of domestic heating. Tbilisi is the only region that has a central gas system almost fully installed. In other regions this process is still underway or just about to start. Less than 25% of Georgian households currently have domestic hot water and heating systems, mainly in Adjara and Tbilisi.

Electricity

Georgia has achieved significant success in terms of energy supply after gaining independence. As a result of the public policies for hydro-power development and combating corruption, Georgia has become an energy independent country, indeed becoming an energy exporter before 2012.

Today in Georgia, more than 92% of consumers are metered. The Ministry of Energy had hoped to complete the individual meter installation programme this year but has now set a target of 2016.

Virtually all electricity consumption in Georgia is currently being derived from local hydropower sources. Electricity supply and consumption vary seasonally, however. Electricity produced by hydroelectric power plants in summer significantly exceeds the demand while in winter importing a certain amount of energy becomes necessary.

Oil and gas transshipment

The Baku-Tbilisi-Ceylan (BTC) pipeline began operating in June 2006 and is the first direct transportation link between the Caspian and the Mediterranean seas. At full capacity, it can deliver 1.2 million barrels of oil to market. The South Caucasus gas pipeline (SCP) started delivering gas from the Shah Deniz field in the Caspian to markets in Azerbaijan and Georgia from December 2006, and to Turkey from July 2007, representing an important new source of gas supply for the wider region. The Western Route Export Pipeline (WREP), also known as the Baku-Supsa pipeline transports oil from the Chirag field in the Caspian Sea, via the Sangachal terminal in Azerbaijan, to

the Supsa terminal in western Georgia, with just under half of the pipeline located in Georgia. WREP, which became fully operational in 1999, is capable of transporting up to 100,000 barrels of oil a day

Telecommunications

Cellular telecommunications in Georgia cover three cellular phone networks of G GSM 900 and 1800 standards and two networks of UM UMTS 2100 standard. The cellular network market totalled about 4 999 000 registered subscriptions in 2013. Based on the same year's data, the cellular phone network covers 99% of the populated area and subscriptions per 100 inhabitants reaches 111.4%.

The number of subscribers of fixed telephone communications in Georgia reached 1.20 million in 2013, and density 94.1%. Phone density is 108.5% in Tbilisi, 102.0% in Kutaisi and 93.6% in Batumi but only 2.1% in Samegrelo-Zemo Svaneti (except for Zugdidi) and 2.9% in Racha-Lechkhumi and Kvemo Svaneti. Switched wired telephony coverage is around 45% overall in Georgia.

The number of internet users in 2013 reached 2,169,129. Fixed Internet access is available just in urban areas while high-speed cellular internet (HSPA+/3.5G) covers only 50% of rural territories. At present, fiber-optical lines cover just the major cities

In the Networked Readiness Index (NRI) of Information Technology Report published by the World Economic Forum, Georgia took the 60th place among 148 countries in 2014.

4. The Physical Environment

Air Quality

After 1990, air pollution declined dramatically in Georgia due to the closure of many large industrial enterprises. Moreover, in the last decade, despite the growth of economic activity, industrial emissions have continued to decline. There is no exact data on air pollution caused by the construction sector. However, generally it can be said that air pollution from this source is increasing.

Usually, the biggest sources of air pollution in any country are heavy industry, transport and energy. All of these activities, particularly heavy industry, are geographically concentrated resulting in regional disparities. It is not surprising, therefore, that due to stationary sources of air pollution there are significant regional disparities in air quality all around the country.

The major share of air pollution from stationary sources in Georgia is in Imereti and Kvemo Kartli, while Shida Kartli and Adjara play a less powerful role. Most pollution is caused by specific factories in particular cities. Half of the total pollution flow from stationary sources is produced in just three cities: Zestaponi, Rustavi and Kaspi. According to the Ministry of Environment Protection and natural Resources of Georgia (2010), the main sources of emission of harmful substances to air are the ferroalloy plant in Zestaponi, the fertilizer plant in Rustavi, the oil terminal in Batumi, the power plant in Gardabani and the cement factories in Kaspi and Rustavi.

As in most other countries, the main mobile source of air pollution in Georgia is road transport. The pollution level from road transport depends on the number of vehicles, their types and condition, fuel type and quality, traffic flow management, and natural ventilation conditions. According to 2010 data, there were more than 800 000 active vehicles in Georgia (41% of which are concentrated in Tbilisi), 82% of them were more than 10 years old and in poor condition, causing increased emission of toxic air pollutants.

Sanitation and Sewerage System

Before 2000 about two-thirds of the Georgian population was served by sewerage systems and municipal treatment plants in 45 cities. Most of these sewerage systems reportedly were in poor condition, resulting in significant pollution of downstream water resources.⁶ According to the 2004 data of the Organization for Economic Cooperation and Development, by 2003 wastewater treatment facilities were available in Tbilisi and Khashuri only, Batumi and Sachkhere biological treatment plants were activated in 2014. The situation is even worse outside big cities. A sewerage system is simply not available in rural areas of any region.

Solid Waste

There are no accurate figures about the overall quantity of solid waste produced in the Georgia. Presently most of the municipalities cannot ensure collection of household waste from villages. Accordingly it is impossible to depict the real amount of generated solid waste in figures on the territories of municipalities. Neither is information available on the collection and re-processing of waste. According to one survey ⁷ one-third of solid waste is collected and placed on municipal landfills and the rest goes to unmanaged, spontaneously created landfills. There are few possibilities for collecting and processing of waste for re-processing purposes. Only a few small-scale waste processing plants (compost, plastics, glass, paper and other processors) operate in the country.

As for the capital city, the annually generated waste is approximately equal to the total volume of waste generated in the rest of the country. Tbilisi is relatively well provided with personnel and equipment for collecting and placement of waste. However separation of waste at source is not carried out even in Tbilisi. Among the municipal landfills having an Environmental Impact Permit, only Tbilisi, Rustavi, Gardabani and Borjomi landfills meet international standards. Construction of further landfills in Imereti and Kvemo Kartli in 2014-2017 has been agreed with international financial organisations. Projects for Kutaisi, Telavi, Mtskheta, Akhaltsikhe, Ozurgeti, Zugdidi and Ambrolauri landfills have already been implemented. An additional 11 landfills are planned.

Georgia's household, Industrial, medical and hazardous waste management is regulated in accordance with the legislative requirements of various scattered laws and regulations; however a

⁶ United Nations Children's Fund, 2012; Organization for Economic Cooperation and Development, 2004

⁷ Clean Up Georgia, 2012

framework law on waste management was adopted in January 2015. The absence of statistical data on industrial waste and how it is managed waste remains a problem. Moreover, there are almost no data about the amount and composition of industrial waste remaining from the industrial activities of the 1970s and 1980s.

Natural Hazards

Natural hazards in Georgia are quite frequent and severe in nature due to the country's complex topography and mountainous terrain, specific atmospheric conditions and human activities. The main examples of natural disasters (floods, landslides, earthquakes, hurricanes etc.) significantly affect the country's economy, causing infrastructure damage and danger to human life. Over the past year there have been two major landslides and associated flooding in the Dariali valley with associated loss of life (in May and August) and July of last year saw the collapse of a landslide dam on the Vere river with even more loss of life in Tbilisi.

Being related to specific conditions, natural hazards are inevitably also influenced by location. To take just some examples:

- Drought can be experienced across Georgia but Qvemo Kartli and Kakheti regions are most vulnerable. In recent years the frequency of drought has increased threefold causing significant damage to agricultural lands.
- 50% of Georgian territory falls into a high risk category in relation to snow avalanches. The high mountain zones of Samegrelo –Zemo Svaneti (in Svaneti), Racha-Lechkhumi-Qvemo Svaneti and Mtckheta-Mtianeti (Kazbegi) regions and Achara autonomous Republic are particularly vulnerable.
- Samegrelo-Zemo Svaneti and Racha-Lechkhumi -Qvemo-Svaneti, Imereti, Guria, Samtskhe-Javakheti, Qvemo-Kartli, Tbilisi regions are affected by flash floods triggered by natural and anthropogenic factors.
- Mudflow is pervasive in the Katheti, Mtckheta-Mtianeti and Samegrelo-Zemo Svaneti (Mestia) regions.

The National Environmental Agency carries out monitoring and forecasting of hydrometeorological, geological and environmental conditions at the national level. Significant investments are needed to improve both analysis/monitoring and protective infrastructure. (The latter being the responsibility of the Ministry of Regional Development and Infrastructure.)

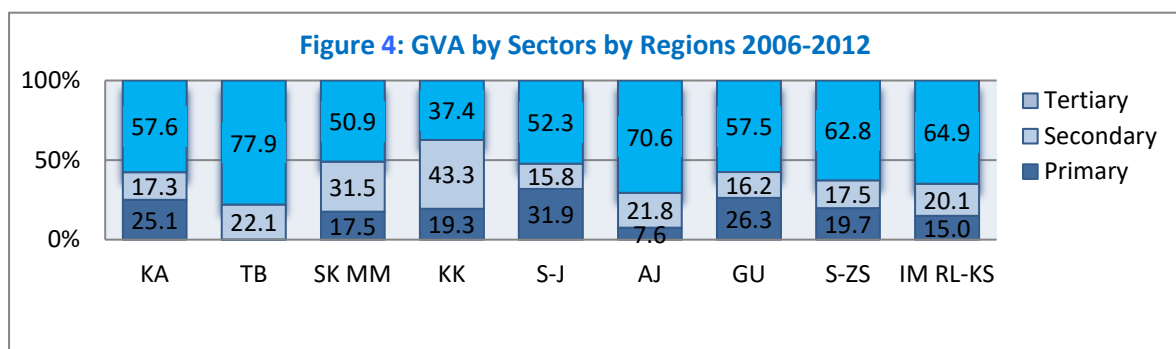
5 Economic Activity and Location

Overview

The regions of Georgia differ from each other in terms of basic economic structure. There are 3 major economic sectors: the primary sector - mineral extraction, agriculture, hunting, forestry and

fishing; the secondary sector – industry, household production, processing and construction; the tertiary sector – trade, transport and communications, public administration, education, healthcare, social security and etc. (See Figure 2 below.) While the National Statistics Office collects Gross Value Added (GVA) data by sector and more detailed activity at the administrative regional level, such data needs to be interpreted with care since the exact location of economic activity is often unclear, especially where regions are relatively small and well integrated economically.

Tbilisi, the most urbanised administrative unit of the country, does not have a significant primary sector. It is the site of only a small share of secondary sector activity but has the largest share of the tertiary sector. Kvemo Kartli and Shida Kartli have a large share of the secondary sector which indicates that although there is little industrial activity based in Tbilisi, the surrounding regions are very important. Regions having a relatively large share of the secondary sector are the following – Imereti/Racha – Lechkhumi – Kvemo Svaneti, Adjara, Samegrelo and Zemo Svaneti.



Source: GeoStat

[MORE RECENT DATA HAS BEEN REQUESTED]

The construction sector plays quite an important role in Adjara while transport, communications and public administration are less significant. Samegrelo and Zemo Svaneti have important transport and communications sectors, largely connected with Poti port. Public administration, education and healthcare services are strongly present in Imereti.

After Georgia regained independence, agricultural production declined; however, it declined less than industrial production, as a result of which the share of agriculture in GVA increased. Subsequently, the mass privatization of agricultural lands and closure of the Russian market led to a reduction in agricultural production, whereas other non-agricultural sectors (like banking, telecommunications, energy, tourism, construction and public service) have increased.

Tbilisi, unquestionably, is the economic centre of the country. A disproportionately large share of economic activity is concentrated in the capital. (Even if this share may be exaggerated in official statistics since economic activity may be carried out in the regions even though companies are registered in Tbilisi.) In fact, the regional share of GDP in 2013 decreased slightly compared to 2006 for all regions except Tbilisi, Adjara and Imereti, Racha-Lechkhumi and Kvemo Svaneti. Adjara's relative strength is explained, at least in part, by significant state investments having been made for the construction of local infrastructure and for the rehabilitation of Batumi City.

**Table 3: Distribution Of GDP By Regions
(at current prices, mil. GEL)**

	2007	2008	2009	2010	2011	2012	2013	2014
Kakheti	789.6	981.8	833.8	973.3	1,149.7	1,161.3	1,331.5	1,459.1
The city of Tbilisi	7,009.5	7,913.6	7,274.3	8,472.6	9,914.3	11,194.2	11,300.9	12,147.1
Shida Kartli and Mtskheta-Mtianeti	917.1	981.3	906.8	1,124.9	1,334.6	1,337.1	1,426.4	1,485.2
Kvemo Kartli	1,400.5	1,347.7	1,325.3	1,537.6	1,790.6	1,917.5	2,063.1	2,162.9
Samtskhe-Javakheti	454.8	526.7	477.4	562.6	665.0	646.2	693.8	724.6
Adjara	966.9	1,224.3	1,185.3	1,378.9	1,621.9	1,675.4	1,798.1	2,039.7
Guria	354.1	326.1	308.6	380.4	437.6	434.4	476.9	584.4
Samegrelo-Zemo Svaneti	1,047.7	1,185.8	1,216.3	1,359.0	1,509.6	1,478.7	1,574.0	1,807.4
Imereti, Racha-Lechkhumi and Kvemo Svaneti	1,670.8	2,034.6	2,018.5	2,225.2	2,551.9	2,660.4	2,670.4	2,685.2
Total	14,611.1	16,521.8	15,546.3	18,014.4	20,975.4	22,505.3	23,335.0	25,095.7

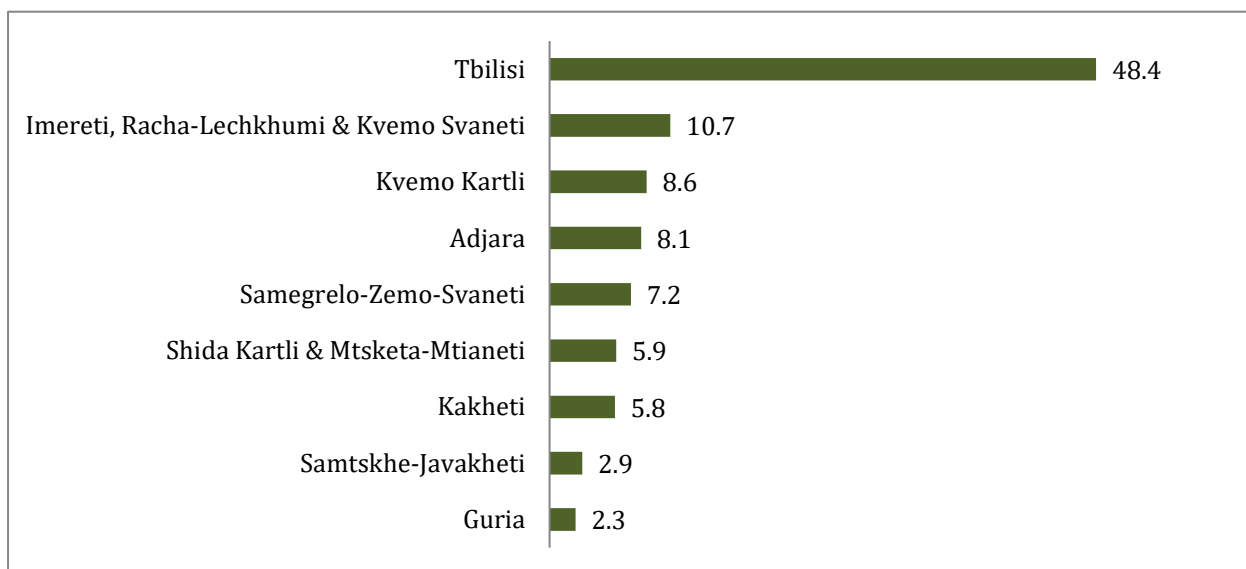
Source: Geostat

5.1 Urban Centres and Related Economic Activity

There is a clear correlation between urbanization, share in GDP and regional production type. The capital city of Tbilisi, the most urbanized location in the country, generates almost half of the national GVA and this is entirely produced by the tertiary/quaternary branches (78%) and industrial sector (22%). The regions of Imereti, Adjara and Shida kartli, sites respectively of the three big cities of Kutaisi, Rustavi and Batumi contribute from 8 to 11% to the national GVA, have developed service (Adjara 70% and Imereti more than 65% of regional GVA) or industrial (from at least 20% to more than 40% in Kvemo Kartli) sectors and perform better in economic terms than predominantly rural regions.

The World Bank study on ‘The Economic Role of Cities’ (2015) proposes a potentially useful classification of cities of Georgia. It examines how cities of various sizes take on different roles in Georgia’s economy. Three types of cities are distinguished:

Figure 5: Structure of Gross Value Added (GVA) by regions (in % to the National GVA) (2014)



Source: Geostat 2015

- The “Big 4” urban centres – Tbilisi, Kutaisi, Batumi, Rustavi;
- Regional centres with more localized economic gravitational pull; and
- Secondary urban economies with market access and opportunities to tap into growth potential of the Big 4.

Each type of city is portrayed as having a different role and contributing very differently to productivity and economic growth.

‘The Big 4’ are seen as the key growth poles/centres of Georgia. Notwithstanding Tbilisi’s undisputed dominance in terms of population numbers, economic potential, share in GDP/GVA, etc., the aggregate strength of all big cities is even more impressive. They are dominant in trade and business and investment nation-wide; and have a central role to play in ensuring the sustained and balanced development of the country as a whole.

All big cities besides Tbilisi “take advantage of their location on the trade corridor, though each has a slightly different industry base and comparative advantage – Batumi draws its advantage from its strategic location as a tourism hub and Georgia’s secondary port, Kutaisi as an administrative centre, with a faltering industrial base that needs to be re-established, and Rustavi as an industrial hub that draws on its proximity to Tbilisi” (World Bank 2015: 10).

Each of ‘Big 4’ cities is also a regional administrative centres; however Georgia has a number of other **Regional Centres** that are farther away from the highway corridor and less connected to the growth centres. Nevertheless, these cities serve an important function as administrative centres

and a more localized market for smaller towns and rural areas in their vicinity. They are located in predominantly rural/agricultural regions and normally try to build on developing strong linkages between agriculture and agro-processing enterprises, mostly SMEs. They may also connect agriculture with tourism to link two growing sectors (World Bank 2015). Telavi in Kakheti, Gori in Shida Kartli and Akhaltsikhe in Samtskhe-Javakheti are good examples of such cities.

Secondary Urban Economies are relatively small towns, the majority of which still struggle with such fundamental issues as adequate financial resources, basic services and infrastructure. Lack of human resources due to systematic out-migration is also a problem. Their reliance on legacy sectors is insufficient to ensure sustainable growth and even the stronger among them (such as the port city of Poti, industrial Zestafoni or the mineral water-rich Borjomi) need to find new, more efficient approaches for maintaining resilience and promoting competitiveness.

Economic development needs to be seen as involving complementarity between specific activities and between the rural and urban in general. It is not a zero-sum game between competing sectors and locations. However, in Georgia only those cities with a population of more than 100,000, have the clear general potential (in terms of human resources, institutional capacity and economic performance) to play an immediately evident role as growth poles for their respective hinterlands and the country as a whole. We therefore provide more detail below on each of “the Big 4”.

Tbilisi and its Agglomeration

Tbilisi has population of almost one million one hundred and twenty thousand people and includes 504 km² inside its administrative boundaries. Tbilisi’s accessible location inside the wider South Caucasus region helps it to maintain a competitive position in more widely as well as being dominant within Georgia.

Tbilisi’s role in Georgian economy is exceptional: as well as generating almost half of of national GDP, it contributes more than half of state tax revenues to the central budget and 70% of total business turnover. (45% of the country’s business units are registered in Tbilisi). On top of this, the gross value added of Tbilisi has grown at a greater rate than that of the national economy in recent years. (World Bank 2015: 56-58, based on Geostat).

Tbilisi is growing as a multifunctional city and regional pole in a wider international context also. During the last decade the city has succeeded to become an essential nodal point of the Transport Corridor Europe Caucasus Asia (TRACECA), the East-west transportation and energy transfer routes (oil and gas pipelines, e.g. Baku-Tbilisi-Ceyhan); it attracts considerable FDI (74% of total FDI coming to Georgia in 2014) much higher than any other city or region in Georgia.

After the significant decline in the Soviet-time industrial sector in the years following independence, Tbilisi’s economy has evolved into a specific structure: it reflects high shares of the tertiary and quaternary sectors (like construction, trade, transport and communication) as well as all sorts of

public and market services, with only a very moderate share of industrial activities (10%). Trade and repair, transport and communications, and public administration are the top three branches, while industry and construction comprise equal shares of 10 percent in the capital's production system. (ADB 2015).

The biggest employers are transport and communications companies, industry, and retail trade. Branches of machine industry, such as production of small aircrafts, still coexist with food processing and light industries; however, few of them successfully export their production.

When analysing the major shortcomings and problems of Tbilisi's economy, the World Bank study (World Bank 2015) noted the following aspects: the high rate of unemployment; a reliance on large firms (63% of employment and 85% of turnover) and an underdevelopment of SMEs; and, preferential investments in and growth of non tradable sectors, such as financial services, construction and tourism. It might also be noted that while Tbilisi enjoys some significant advantages compared to the rest of Georgia, there are also significant congestion costs such as air pollution.

Furthermore, benchmarking Tbilisi against selected cities from across Eastern Europe shows that even though the city has been catching up on comparators it is still lagging on key indicators of competitiveness including per capita GDP and labour productivity (World Bank 2015: 58).

Tbilisi is the centre of the biggest (arguably the only) urban agglomeration in Georgia, although this hasn't any legal status. The geographical area which currently represents a space for the economic, labour market and socio-cultural agglomeration, mainly contains the urban areas of the cities of Tbilisi, Rustavi and towns of Mtskheta and Gardabani, along with rural areas between urban places and transportation routes forming an "urban corridor". Mtsketa is an administrative, cultural/religious and touristic centre for the country, while Gardabani is an important industrial city with a heating/thermal energy plan, providing energy to the agglomeration's settlements

Tbilisi Agglomeration contains around 1.5 million population and possesses a favorable central location for regional (South Caucasian) activities (e.g. logistics/distribution of freight and passengers, exhibitions, trade fairs, Euro Asia events, political gatherings, etc.). It has geographically strategic location in terms of transport, connecting Europe with Asian and Middle East states.

However, if it is to reach it's potential, the agglomeration will need considerable investment in infrastructure (particularly in transport and communications) and the evolution of a more efficient governance system. Such strengthening of the agglomeration's ties could offer an important means for limiting an inbound development of Tbilisi and opening possibilities for outbound growth. (City of the Future, 2015)

Rustavi

Rustavi with its population of 125,000 people is the fourth largest city in Georgia but is dealt with at this point because of its proximity to Tbilisi. The city of Rustavi was founded in 1944 as a Soviet

industrial centre. In fact, the metallurgical plant of Transcaucasia was to be the main asset of the city. Rustavi is a big city-municipality and the centre of the Kvemo Kartli region. Situated 27 km south-east from Tbilisi it is one of the main parts of Tbilisi agglomeration with functional links through mobility, economic connections, cultural exchange, and a commuting population for work, studies, and services. Moreover, as a border city to the neighbouring countries of Azerbaijan and Armenia, the city is ideally located to serve as an engine for economic development and cross-border trade and cooperation. It is agreed that market access is one of the strongest traits of Rustavi on which it can build its further economic development.

Rustavi was designed to be the largest industrial centre of Georgia and be a site for substantial ferrous metallurgy, chemistry and construction activities. However, with the ongoing industrial stagnation, the city is presently largely dependent on trade and commerce.

Manufacturing in Rustavi can be broken down between legacy industries (dating from Soviet times) and new industries. The legacy industries in Rustavi include metallurgy, construction materials and chemical production. Today they represent the majority of the manufacturing industry, but their growth potential is limited. A World Bank study has suggested that presence of these industries in Rustavi is not a result of utilization of local endowments, but rather is an outcome of soviet planning.⁸ This limits the competitive potential of these firms on the open global market and is beyond city's control, but they are likely to remain major employers in the city at present. (World Bank 2015: 74). New types of economic activity in Rustavi better reflect the city's endowments, and thus offer greater growth potential. They include agro-processing, logistics and trade.

In spite of losing a substantial part of its Soviet-time industrial strength, Rustavi still plays a key role as an economic centre and has the potential to become a major logistics hub. Its location in the immediate vicinity of Tbilisi enables Rustavi to develop a comparative advantage that complements its proximity to the capital.

Batumi

Batumi is the administrative centre of the Autonomous Republic of Adjara and also is one of two major Black Sea ports in Georgia. It is just 20 kilometers away from the state border with Turkey (a major economic partner of Georgia since the independence). It is also an established and popular tourist destination.

Batumi has a large hinterland embracing most of the territory of the Autonomous republic and areas besides it, mainly along the seashore. Batumi's role is crucial in trans-boundary cooperation with Turkey, on the one hand, and in communication and cooperation with cities of the Black Sea region, on the other.

With population of 154,000 and a geographical area of 65 km² at the Black Sea coast, Batumi has emerged as the second largest city of Georgia (officially moving up from the third position after the

⁸ World Bank, IFC, MIGA(2009) Georgia Manufacturing Sector Competitiveness Assessment

2002 National population census). A recent extension of boundaries added a further 20,000 population and 40 sq.km territory to the city. The city is well connected by motor and rail transport sitting right on the most important Trans Eurasian transport routes. Besides the sea port the city also maintains an international airport.

Batumi's Soviet-era leading industrial branches of oil refining, machine manufacturing, food and light industry have been replaced since independence by tourism construction, energy, logistics, trade and other tertiary sectors of economy. In addition to coastal activities, Batumi and its surroundings offer a rich variety of cultural and natural monuments which have considerable value for attracting local and foreign visitors. However, 63% of Batumi's population is of working age (i.e. between 15 and 60 years age) and in spite of increasing economic activity in recent years, progress in the creation of working places is still slow and the unemployment rate is high at about 30%.

Batumi has considerable industrial potential. The main current industrial enterprises are ship repair and services in the Batumi port and oil terminal (capacity 15 million tons/year). The territory of Batumi is a Free Customs Clearance Zone (CCZ). Tourism is the fastest growing economic sector: in recent years the number of tourists exceeded 1 million persons per year, of whom about half are foreigners.

Interestingly, and unlike other big cities of Georgia, SMEs play an important role in economy of Adjara. Combined they account for 53% of employment and 32% of total turnover. (World Bank 2015: 91).

In relation to infrastructure, the situation in Batumi is somewhat mixed. The city is fully provided by electricity approximately 24 hours a day. The rehabilitation of potable water and sewage systems started in 2007, and currently 80% of the city population is provided with 24 hour service. However, with growing incoming tourists the existing transport facilities, especially public buses, need substantial enhancement and upgrade. While road infrastructure is well maintained only in the centre of the city; in the suburbs road cover is damaged and often is of low quality.

Kutaisi

Finally Kutaisi, historically the second largest city of Georgia, slipped down to third place after the 2014 National population census, showed a population decrease from 186 to 149.1 thousand.

Kutaisi is located in western Georgia in the central part of Imereti Region on both banks of Rioni River and is well connected with other big cities of Georgia by rail and road. The city used to be the main administrative, economic, commercial and cultural centre of western Georgia. However, after dramatic economic decline and population reduction in the post-Soviet period, it struggles to maintain a leading role. Following the collapse of heavy industry in the early 1990's the main economic activities in Kutaisi focused on the service and trade sectors.

Today Kutaisi has no obvious industry of specialization. Most of the present industry can be characterized as light, although there is some hope of the gradual recovery of heavy industries as

they are privatized.

In the attempts of the city to replace faded Soviet-time functions in order to build new economic basis for development, the most remarkable development was in 2011 when Kutaisi became the “legislative capital” of Georgia - the place of location of the Parliament. This was explained by a desire for decentralization and to provide an economic boost to Kutaisi. However, the applied measure did not substantially improve the overall economic situation in city.

Regarding infrastructure, the population of Kutaisi is provided with electricity, gas and drinkable water. 80-85% of the population of Kutaisi is connected to the sewer system. The wastewater/water consumption rate in Kutaisi is assumed to be 90 %. (Feasibility study Kutaisi. USAID document, 2013: 66).

Kutaisi has moderately developed public transport, presented with public busses, while the rest of inner city transfers are operated by private cars/taxi and minivans/marshrutkas.

The World Bank study (2015) proposes that Kutaisi, building on its past experience, sufficiently high quality of labour and relatively low remuneration of workforce, has the potential to develop apparel and textile sectors, as well as in the production of construction materials and tourism.

Mono-Industrial Cities

In Georgia, as elsewhere, mining and processing of natural resources resulted in the formation of mono-industrial settlements. In this regard, the most important were Manganese Ore (Tchiatura), Coal (Tkvarcheli, Tkibuli, Vale), Polimetal (Kvaisi, Kazreti), Andesite (Bakuriani) extraction and Hydro Electric Power (Jvari, Gumatihesi, Zahesi) and thermal energy (Gardabani) generation. Such mono-industrial settlements proved to be particularly vulnerable to the collapse of the strongly integrated Soviet economy. Although some of these cities have partially recovered through private investment and government-funded projects no general economic turnaround is evident.

Zestaponi has succeeded in maintaining its population, and quite a large part of its economic/industrial capacity. This is likely to be due to the relative advantage of its geographical location (in the heart of the large Imereti region close to Georgia’s second largest city of Kutaisi) along with effective urban management. Rustavi, the biggest Georgian mono-city⁹, has had some success in re-generating its local economy. Rustavi benefits from: its proximity to Tbilisi; relatively strong human capital; a convenient location close to Azerbaijan and Armenian borders; and quite successful attempts, in recent years, to diversify its economic activities by introducing new market and administrative services (e.g. a large automobile market for second-hand cars).

⁹ In fact, referring to Rustavi as a mono-functional city today is somewhat inaccurate. Unlike other regions of Georgia, industry in Kvelo Kartli generates twice as much GVA as agriculture. Four main enterprises: Rustavi Iron Factory, Rustavi Chemical Plant, Heidelberg Cement, and Rustavi and Kazreti Gold Mining are central to the industrial strength of the region.

5.2 Agriculture

Overview

Georgia has a strong agricultural tradition. Even when under Soviet control it was a significant net exporter of agricultural produce. More than 3 million hectares (over 40% of the national territory) is agricultural land including pastures and meadows.

The land privatization process that took place after independence in the early 1990's resulted in the creation of many small family farms. This pattern broadly persists. Most farmers have holdings of less than 2 hectares and even these are often split between different locations. The biggest obstacle to the development of Georgian agriculture is this fragmentation of the land resources and the small size of farms. Over 98% of all farms are under five hectares, and 75% of all farms are 1 hectare or smaller. Some medium-sized family farms and larger corporate farms also exist that mainly operate on leased public land. Pasture (community grazing land) is mostly state owned, and is managed by communities or municipalities.

Agricultural infrastructure, such as widespread irrigation systems, was seriously damaged after the collapse of the Soviet Union. During the soviet era about 386,000 ha were irrigated but by 2012 only 45,000 ha were supplied with water. However, since the latter year, the United Amelioration Systems Company of Georgia (since 2015, Georgian Amelioration Ltd.) has developed this service and currently irrigates 97,000 ha. Overall, the improvement of land through amelioration (mainly drainage and irrigation) is also increasing. In 2012, 14,000 ha was drained in western Georgia and by 2015 drained areas had expanded to 28,375 ha.

Georgian agriculture has also had to contend with repeated embargos in the historically important Russian market. Moreover, the ongoing conflict between Russia and Ukraine resulted in a decrease of exports to Ukraine by over one quarter in 2014 compared to 2013.

Agriculture in Georgia faces the challenges not only of excessive land fragmentation (and a less than comprehensive land register) but also low levels of skills, a lack of established technologies and financial issues such as insufficient agro credit and insurance availability. However all of these subjects are being addressed through a variety of government measures (supported by the EU and other international partners) and, despite the obstacles, there has been some significant growth in agricultural production in recent years. The total growth of agricultural production value in 2014 was 5.2% compared to 2013, and 20.3% compared to 2012. Between 2009 and 2014, four products categories (Nuts; Alcohol, spirits, and liqueurs; Wine and Mineral waters) accounted for 75% of all agricultural exports of Georgia.

Moreover, Georgian agriculture also has a regional dimension – regions are specialised by producing specific products. (e.g. wine is produced in Kakheti, potatoes in Samtkhe-Javakheti, citrus fruits in Adjara). The west of Georgia was mostly known for cultivating Tea and Citrus, while the east was famous for wine and wheat production. Generally, the highest level of GVA produced in Agriculture is in Samtkhe-Javakheti. This is due largely to the consolidation and commercial

orientation of regional production. Products include potatoes, milk and meat products as well as trout with high value added. Income from selling agriculture products is lower in mountainous regions and in more urbanised regions.

Approximately 43.4% of the whole territory of Georgia is agricultural land (a little over 3 million hectares). Due to the diversity of the environment and considering the fact that Georgia is bounded by Black Sea, there are a wide variety of ecological and production conditions. (Georgia has 12 different climate zones and 49 soil types.) The country is also rich with irrigational and drinking water resources.

As a consequence of these natural endowments, agriculture has a rich history in Georgia with a more varied range of products than found in any of the other former Soviet Republics. At its peak, the nation provided over 70% more food and agricultural goods to those outside their borders than it was required to import.

However, Georgian agriculture is now generally fragmented even if it involves more than 50% of the population. Most of the farmers have holdings of less than 2 hectares and even these are often spilt between different locations. The biggest obstacle to the development of Georgian agriculture is this fragmentation of the land resources and the small size of farms. 98.4% of all farms are under five hectares, and 75% of all farms are 1 hectare or smaller.

Because of the variety of climate and soil conditions, the east and west parts of Georgia have tended to specialise in different agricultural products. East Georgia has more fertile soil and favorable conditions for a larger variety of crops. However west Georgia has a mild climate and possibilities to produce subtropical crops such as persimmon, citrus and hazelnut. The mild climate in the east also allows production of off-season culinary herbs using polytunnels.

East Georgian Agriculture

Production in east Georgia tends to be more mechanized (and more commercially orientated, e.g. in terms of adding value) than it is in the west; however the acreage of production and volume of crops produced in the east is very significant and attracts lots of migrant employees from the west as seasonal workers. (West Georgia tends to use more labor-intensive production practices.)

Nonetheless, over 90% of agricultural production in east Georgia is still accounted for by family farms, 73% of which produce solely for their own use. Despite this, the level of commercialization of agriculture in east Georgia is above the national average.

Grain - Production of grain crops is highly mechanized and does not support much employment. Wheat and barley production is concentrated in medium and large scale farms (even if small scale farmers especially ones that do not have irrigation possibilities grow them for food security reasons.

Wheat production mainly takes place in east part of the country. Kakheti has the largest area of land under wheat compared to other regions (although this area has been decreasing) followed by Shida Kartli and Samtskhe Javakheti regions.

Corn is produced mainly in Kakheti, Kvemo Kartli and Shida Kartli. It is a commercial crop and has high profit margin compared with other grain crops however in the east part of the country it needs intensive irrigation and cannot be produced in non-irrigated plots. Corn production is also largely mechanized.

Wine grapes - Wine production is a very important sector of agriculture and contributes a lot of income to the farming community. There are over 500 species of grape in Georgia, a greater diversity than anywhere else in the world, with around 40 of these grape varieties being used in commercial wine production. Conditions are well suited for viticulture: summers are rarely excessively hot, winters are mild and frost-free. In addition, the mountains around the vineyards are full of natural springs, and rivers drain mineral-rich waters into the valleys.

Around 150 million litres of wine are produced each year in Georgia, with around 45 000 hectares of vineyards under cultivation. There are 18 Specific Viticulture Areas (a local equivalent of the Controlled Appellations of Origin) where the grape variety and planting density is controlled by Ministry of Agriculture, and where the grape yield per hectare is limited to 8 tons.

Today, around 65–70 % of all vineyards and the great bulk of wine production in Georgia are concentrated in the Kakheti Region. Kakheti ranks first in terms of area of vineyards (33,582 ha), followed by Imereti and Shida Kartli.

Fruit - East Georgia produces a large variety of fruit. Kakheti has early crops of stone fruit, berries and melons. Gurjaani, Lagodekhi, part of Telavi, Signagi and Kvareli have the greatest potential in this regard. Gurjaani specializes in the production of peaches. Persimmons and Kiwi fruit are produced in Lagodekhi. Most of the stone fruit and persimmon are the export-oriented early crops and have big social impact on the local communities. Kakheti exports more than 15,000 MT of peaches every year.

Shida Kartli is famous for its *apple* production and has around 10,000 ha of apple orchards out of which 1,500 ha are modern dwarf and semi-dwarf trees. An average 150,000 MT of apples are produced there each year, part of which goes to the fresh market but a large part is processed into apple juice concentrate.

Vegetables and melons - Eastern Georgia leads in the production of vegetables and melon related crops (strawberries, watermelons, melons and pumpkin). The production of vegetables and melon crops is one of the most profitable value chains in agriculture. This sector of agriculture, as well as production of vegetables, has a great potential in Kvemo Kartli, Shida Kartli and Kakheti.

Kvemo Kartli is the biggest supplier of vegetables such as tomato, eggplant, bell pepper and cucumber and supplies Tbilisi and other big cities during the season. Large scale processing facilities are also located there. Seasonal labor from west Georgia is used during harvest season.

Kakheti is the largest supplier of melon crops followed by Kvemo Kartli, mainly by medium scale farmers. Some of this crop is exported to neighboring countries.

Potatoes - A significant share of potato production is concentrated in Samtskhe-Javakheti, where 52% of the country's potato plantations are located (2011). The yield in the region exceeds the country's average by 22%. Samtskhe Javakheti, with its average 10,000 ha of potato fields, is followed by Kvemo Kartli with around 7,000 ha. Both regions count for 85% of the potato production. This production in east Georgia is characterized by medium and large scale farms with average acreage of 3-5 ha.

Livestock - Livestock has traditionally been an important component of the agricultural industry of the east Georgia again helped by favourable natural conditions. Kvemo Kartli and Samtskhe-Javakheti has the leading position in livestock production (in total more than 250,000 head). Kakheti has an average of 120,000 followed by Shida Kartli and Mtskheta Mtianeti. The livestock business in east Georgia is concentrated in medium and large scale farms, especially in mountainous areas with large acreages of pastures and meadows. It is also a food security guarantee for small scale farmers.

Sheep husbandry is also a focus in east Georgia (which can contain more than 700 000 sheep) and is highly concentrated in large scale farms in Kakheti Samtskhe Javakheti and Mtsketa Mtianeti regions. It is commercial and export oriented with high profit margins.

West Georgian Agriculture

Hazelnuts - Georgia is the world's 3rd leading exporter of hazelnuts, accounting for 5.8% of world trade. Its exports are spread fairly evenly over its markets, with no one country receiving more than a 12% market share. Georgia's primary competitor is Turkey, who accounts for 74% of global trade and who earns, on average, \$0.72/kg more than Georgia for its hazelnut exports. Turkey is the market leader and the key standard bearer for this crop; the lower quality of Georgian output has been a barrier to growth.

However Georgia exported 51% of its hazelnut crop in 2006, and this increased to 85% in 2013. There are approximately 40,000 growers of hazelnuts, with farm sizes ranging from half a hectare (80% of producers) to 200-300 hectares (20% of producers), spread predominately in four growing regions: Imereti, Samegrelo & Zemo Svaneti, Guria, and Kakheti.

Citrus - The mandarin industry remains a vital economic driver for western Georgia and most specifically for the Adjara region with two of the five districts obtaining the majority of their income from mandarins. The industry generated \$7.1 million in exports in 2012 for Georgian exporters and remains one the key agricultural strategic drivers for export growth for the nation. However, production of mandarins in Georgia remains fairly insignificant on the world stage, accounting for only 0.12% of global exports. For Georgia to grow and profit in this area, it will require a significant effort to differentiate Georgian mandarins in export markets. Market analysis indicates that 82% of Georgia's exports are delivered to the Ukrainian market. This reliance on a single market is hindering the development of Georgian mandarins as an added-value export crop in quality and value.

Culinary Herbs - Culinary herbs remains one of the most important cash crops and export products in west Georgia and particularly Imereti region. Tskaltubo district is biggest producer of off-season herbs under polytunnels. More than 900 ha of tunnels exist there with average farmer size of 500-1200 sq. meters. Production takes place from October to April and annual export volume exceeds 5,000 MT. Output includes dill (85%), parsley (5%), coriander (5%) and other herbs (5%). This crop has is economically important for the local population. The export market for off-season production remains undiversified and (Ukraine, Russia and Belarus). Local producers still have issues related with export to Russia, however officially the market is open and does not have any formal barrier.

Persimmon – Persimmons grow widely in Georgia, occupying 1,500 ha of land (including scattered trees). The bulk of persimmon production is in Samegrelo Upper Svaneti (700 ha), Adjara (150 ha) and Imereti (300 ha). Different types of persimmon (Caucasian and Eastern - Japanese, Chinese) are used for fresh export and preparation of dried persimmon. An average 5,000 MT of persimmon is exported to Ukraine, Russia and other neighboring countries.

Forestry

Forests are a potentially very valuable natural resource for Georgia. They cover over 40% of the national territory and have historically been very important for local communities as sources of fuel and raw materials as well as being an asset for the country as a whole. Approximately 60% are located in the Black Sea (western) basin while the remainder are in the Caspian Seas basin. Almost all are mountain forests with only around 3% being plains forests. This resource is legally under public ownership and the overall management of the National Forest Agency and The Agency of Protected Areas but many regional and private actors are also involved. The role of local municipalities is also legally very significant however there is little law enforcement and no clear separation of powers between local and central authorities.

Unfortunately, in recent years the sector has been plagued by problems on many levels. A forest inventory has not been completed since before independence, ownership issues are at least as complicated as for agriculture and illegal exploitation has been recurrent. Forest management bodies have been unable to perform their role effectively due to limited human and financial resources and the lack of proper legislative framework. There is a widespread concern that erosion, degradation and illegal exploitation of this potentially very valuable resource has already caused considerable damage.

An important step towards the development of forestry sector was the elaboration of National Forest Concept for Georgia that was approved by the Georgian Parliament in December 2013. This document sets the guiding principles for sustainable forest management, one of them being the principle that “all forests are local”. According to this principle, priority shall be given to meeting the needs of the local population.

Table 4: Volume of Timber Harvested in Georgia's Forests
(Cubic metres)

	2007	2008	2009	2010	2011	2012	2013
Georgia, total	888,211	915,323	778,571	876,749	681,669	518,792	702,137
Adjara AR	82,788	97,092	81,110	77,868	86,236	71,313	75,894
Samegrelo and Zemo Svaneti	72,044	106,282	53,423	91,524	42,671	44,229	57,709
Guria	28,116	33,043	28,296	16,193	10,546	26,836	10,150
Imereti	118,035	84,907	84,455	97,440	43,643	34,580	90,449
Racha-Lechkumi and Kvemo Svaneti	46,081	36,559	41,690	37,148	42,992	51,067	54,165
Shida Kartli	94,077	84,430	82,439	103,848	70,730	43,911	85,883
Mtskheta-Mtianeti	93,132	86,426	66,466	86,944	61,884	45,517	52,772
Kakheti	159,177	184,164	151,450	181,706	150,756	91,025	136,938
Kvemo Kartli	88,180	82,715	90,138	89,704	75,668	46,622	46,980
Samtskhe-Javakheti	106,581	119,705	99,104	94,374	96,543	63,692	91,197

Sources: Ministry of Environment and Natural Resources Protection of Georgia. Adjarian Forestry Agency.

Moreover, in 2015 the National Forestry Agency under the Ministry of Environment and Natural Resources Protection of Georgia prepared a new draft of a "Forest Code", which sets out local forest and its management principles, as well as distribution of functions between central and local authorities.

Whether it will prove possible to allocate adequate resources to such policy initiatives and how these initiatives will evolve in practice remains to be seen.

6. Labour Market, Education and Training ¹⁰

General Overview

The number of employed persons in Georgia decreased by 37% between 1990-2000 (from 2,763,300 to 1,732,700)¹¹. As a result, many large and small-sized cities lost almost a third of their population. This tendency has only partially changed since 2005, when industrial activities started reviving. The labour market of Georgia has continued to worsen in recent years as indicated by a serious drop in the level of employment.

Such a drop is accompanied more by inactivity than increasing of unemployment. Less than two-thirds of working aged population in Georgia is economically active - significantly less than the EU average (70%). Low labour force participation is particularly evident in urban locations, where only 58% of the employable population is economically active.

According to official statistics, a large part of the economically active population is concentrated in rural areas, where the majority of the workforce is employed in agriculture. Cities accounted for about 40% of total employment, while the share of non-agricultural sector employees is less than 50%. Industry and construction employs nearly 10% of workforce. The main component of non-agricultural activity is services, the share of which in total employment has ranged from 35% (2008) to 38.5% (2013).

The level of self-employment in Georgia is quite high, especially in rural areas, where all residents were given small plots of land during the land reform in 1990s. Agricultural landowners are considered as self-employed. The importance of this characteristic is proved by the fact that about 700 000 families used the state voucher programme in 2012-2013.

Self-employment is high in cities as well but not as high as in rural areas. The total number of self-employed has increased significantly since 2000. It reached its peak in 2004 and made up two-thirds of Georgia's work force that year. Self-employment rate has started to decline since 2004 indicating improvement of job opportunities in the official sector. However, the majority of employed people remain self-employed in Georgia.

Private sector employment rate remains relatively low. According to the sources used, in 2012 less than half of those employed were in genuinely private companies. (This proportion varies from some 50% in industry, to 66% in market services, to 72% in agriculture.) Most workers (close to 50%) are employed in "privatised" firms where the state in fact remains the major shareholder. Employment in firms fully owned by the state is now negligible (less than 10%).

Labour Market – Regional Disparities

The major regional disparities in the labour market of Georgia are observed between Tbilisi and the

¹⁰ As was noted in the introduction it is still not the case that the results of the 2014 population census have yet fully influenced employment data in Georgia. Particular care is needed in the analysis and interpretation of statistics on this subject.

¹¹ Geography of Georgia 2003:73

rest of the country, although there are some differences between various regions as well (e.g. In Adjara, with shortage of agricultural lands the unemployment rate is over twice as high as in Kvemo Kartli region). The most obvious explanation for such disparities can be seen in the urban and rural characteristics of different regions. The official unemployment rate is approximately 20% lower in rural than in urban areas; however, it should be noted that a large proportion of the rural employed population is made up of “self-employed farmers” on small holdings and both their actual labour and income is minimal.

The level of urbanisation has a significant influence on regional unemployment, other than in the case of Imereti. Despite the fact that the level of urbanisation here is the second highest after Tbilisi, the unemployment rate is relatively low, unlike Adjara, where the urbanisation level is almost as high as in Imereti but the rate of unemployment is significantly higher.

The possible explanation for this lies in disparities of economic structure. Tourism and construction account for the large share of Adjara’s economy while manufacturing industry dominates in Imereti. Tourism and construction require short-time employment, however, and such jobs are easier to find (less qualified workers are accepted) than permanent employment. It should reduce the number of discouraged workers, as there is a real chance to find a job, even if temporary. On the other hand, it also increases the level of unemployment due to growth of the labour force (determined by the number of employees or active jobseekers).

Employment rates fell for all Georgian regions during the August 2008 war and with the beginning of the global financial crisis and have just slightly increased since then. The only exception was Adjara, where the employment rate has been growing steadily during the crisis. This might be explained by the development of the tourism and construction sectors, as well as by the low level of existing employment in 2008. On the other hand, the employment rate in Tbilisi is significantly lower than of any other region of Georgia. In other respects there are no other serious disparities identified between the regions.

Education and Training

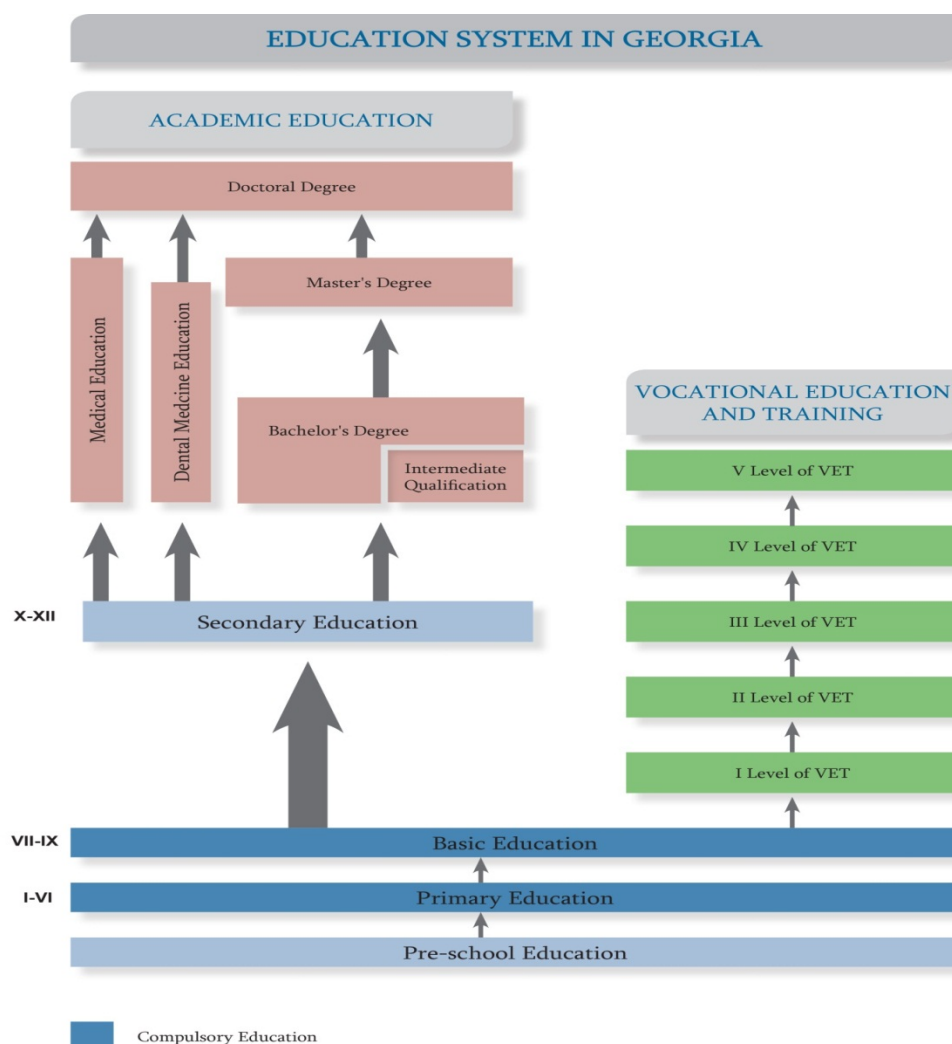
There is a significant difference in qualification level by regions. Tbilisi is the undisputed centre for the national higher education system of Georgia with 49 universities (10 public and 39 private) and 5 public professional education institutions, which is more than in the rest of the country. The quantity of students in general educational institutions in Tbilisi is also significantly higher than in other regions. At the same time, the number of schools per 1000 students is fewer than elsewhere. In terms of higher and secondary educational institutions Imereti is the next most important after Tbilisi. Adjara takes third place. There are no universities in either Racha-Lechkhumi or Kvemo Svaneti regions. Despite the fact that the overall proportion of higher-educated population of Tbilisi is significantly higher than that of any other regions, the greater part of the populations of Samegrelo, Imereti and Guria regions has higher education.

It should be noted that the level of education in the two regions of Kvemo Kartli, which includes a number of urban centers, and the rural region of Samtskhe-Javakheti, is lower than average. This

appears to be due to the high concentration of ethnic minorities in these regions who are not well integrated either into the educational system or in the labour market. It can also be a result of gradual reduction of population in small and large cities (e.g. Tsalka and Ninotsminda). The structure of education system is given below (Figure X).

Vocational education provides an alternative and a complement to higher education. In the 1990s, the vast majority of vocational schools stopped functioning due to economic difficulties, the increased number of vocational and higher education institutions, simplified enrolment opportunities and minimal state funding. At the same time, demand for secondary vocational education grew, since it did not coincide with market demand and was based on prestige and

Figure 6: The structure of the Education System of Georgia



standards. Most of the secondary vocational schools changed their profile during the transition period. Most of them, especially medical ones, were associated with reduced period of study, low-quality education and facilitated enrolment opportunities. Such prestigious professions (specialties)

like medicine and law resulted in problems of corruption, low level of education and many other problems as well. Due to the closing of large enterprises and reducing demand for industrial occupations, the State stopped funding such educational programmes on the grounds that those wishing to enter those professions should pay for the tuition themselves. Consequently, the share of paid services in state institutions increased but this process did not become the main form for training of specialists for the labour market because of the inability of the population to pay for it.

Table 5: Indicators of Vocational Education by Regions								
Region	Number of Educational Institutions		Number of students admitted		Number of graduates		Number of teachers	
	Private	Public	Women	Men	Women	Men	Women	Men
2014								
Tbilisi	58	12	4106	3798	2400	1995	1085	465
Adjara AR	5	5	832	1129	773	1054	180	98
G/R-L & KS *	-	2	248	267	190	168	27	14
Imereti	14	3	490	1197	482	779	210	132
Kakheti	3	3	435	477	421	548	74	40
S-Z/ZS**	8	4	705	562	402	404	73	29
Samtskh e-Javakheti	5	2	365	281	260	189	96	39
Kvemo Kartli	6	1	352	333	226	206	90	31
Shida Kartli	6	3	301	304	199	114	98	27
Total	105	35	7834	8348	5353	5457	1933	875
2013								
Tbilisi	1	1	206	217	92	176	28	17
Adjara AR	39	10	4297	4811	2275	2293	744	313
G/R-L & KS*	5	5	1935	2240	923	1118	130	64
Imereti	8	2	955	1364	625	665	200	105
Kakheti	3	2	443	664	169	278	61	28
S-Z/ZS**	5	4	885	755	499	432	112	50
Samtskh e-Javakheti	3	2	457	285	59	74	52	22
Kvemo Kartli	5	1	480	395	414	460	60	23
Shida Kartli	6	2	377	279	125	113	93	24
Total	75	29	10035	11010	5181	5609	1480	646

Source: Ministry of Education and Science of Georgia

Under the implemented reforms and with strong support from international organisations over the last decade with the purpose of modernisation of vocational education, the Laws of Georgia “on Vocational Education” and “on Education Quality Development” have been adopted. Authorisation and Accreditation Provisions have been enacted; the practice of self-evaluation has been introduced to Colleges; a Qualification Framework and up to 300 professional standards have been

approved; new educational programmes have been implemented; training sessions for developing teachers' professional and specific skills have been conducted; new textbooks have been developed; and physical rehabilitation projects of State Vocational Colleges have been implemented. However, despite these changes, the vocational education system could not provide a significant contribution to the creation of a skilled labour force and failed to respond to the economic and social challenges because of weak social ties, inconsistent political support and insufficient resources which created serious challenges for the system itself.

There are only 18 state (co)funded colleges throughout Georgia. Although the Ministry of Education and Science made some investment in infrastructure projects at the expense of decreasing the network of vocational education institutions, these arrangements have been insufficient to remedy the critical situation existing in regions in terms of availability of vocational education.

7. Investment, Innovation and Technological Development

Investment

According to the World Bank's "Doing Business" report, radical reforms of the business environment have been implemented by Georgia in recent years. Due to the success of these reforms, Georgia moved from 112th (according to "Doing Business" report from 2006) to 8th place in 2014. In addition, the country received the leading reformer's status during 2005 – 2012. All of these contributed to foreign direct investment (FDI) and economic growth, reaching 9% annually over the period from 2005 to 2008.

The war of August 2008, however, followed by the global economic crisis, led to a sharp decline in foreign investment, exports, wages and bank loans. During the second half of 2008, the economy contracted by 6.5% while in 2009 this rate became 3.8%. Foreign direct investment has fallen; in 2007 it made up 16.4% of GDP, it fell to 6.1% in 2009. Exports have decreased from 31% of GDP in 2007 to 29.8% of GDP in 2009.

Major international financial assistance and relatively small state debts allow the government to conduct efficient fiscal policy reforms. As a result, the country has continued economic growth despite facing international challenges. Export growth and tourism receipts contributed to this process in 2010 – 2011.

According to the National Statistics Office, real growth of GDP reached 6.2% in 2012, while it was 3.2% during 2013. (I quarter of 2013 – 2.4%, II quarter – 1.5%, III quarter – 1.4% and IV quarter - 7.1%). Based on preliminary data for 2013, active growth was detected in almost all activities, except for mining industry and construction sector. Significant increase was observed in agriculture (9.8%) and manufacturing industry (8.4%).

The largest share of FDI (22%) made in Georgia for this period has been in the energy sector (198 million USD). It has been followed by the financial sector – 19% (170 million USD) and transport & communications – 15% (138 million USD). There are some regional differences in terms of

business ownership in Georgia. Based on GVA, most businesses in Kvemo Kartli, Imereti and Samtskhe – Javakheti are owned by foreigners, while in Kakheti and Guria most business owners are local citizens. The picture changes significantly when it comes to employment. For example, despite the fact that foreign business makes up 70% of Kvemo Kartli’s GVA, its share in total employment rate is just 15%. This means that foreign owned businesses in the country are engaged in activities in which the GVA per employee is higher.

Year	Total	I q	II q	III q	IV q
2005	449.8	89.4	105.9	75.6	178.9
2006	1 190.4	146	306.9	280.7	456.7
2007	2 014.8	421.4	401.5	489.1	702.9
2008	1 564.0	537.7	605.4	134.7	286.2
2009	658.4	114	177.2	173.2	194
2010	814.5	166.5	208.3	225.6	214.1
2011	1117.2	209.7	248.3	316.6	342.6
2012	911.6	261.2	217.7	199	233.7
2013	941.9	252.3	207.9	254.8	226.9
2014*	1758.4	309.5	196.2	726	526.7
2015*	530	175.3	354.7		

Source: Geostat. Ministry of Economy and Sustainable Development of Georgia.

Regional differences in terms of labour productivity are observed as well, that could be due to the volume of invested capital per employee (investment volume may be influenced by differences in labour productivity though). It would appear that in specific sectors where productivity is higher, share of per employee investment is usually higher. The sectors include the following: industry – in the capital and Kvemo Kartli, construction – in Adjara, hotels and restaurants – in Adjara and Mtkheta-Mtianeti, Transport and Communication – in Tbilisi, Samegrelo and Zemo Svaneti.

Innovation and Technological Development

A significant part of Georgian products (and exports) do not undergo processing and their value added is lower than that of the EU and other economies. A preliminary analysis of export quality¹² showed that some of the largest export sectors (e.g. chemicals and transport equipment) increased their market share and quality compared with the EU market competitors. Other exports have been less successful, though. For example, the food sector has lost market share despite improving quality levels.

A preliminary assessment of technological perfection and quality of “innovation”¹³ shows that the country’s performance is below average (the assessment also revealed some connection between FDI in this field and improved performance. Furthermore, innovation of process is more noticeable

¹² Georgia Competitive Industries Technical Assistance Project Information Sheet, World Bank, June, 2013

¹³ Georgia Competitive Industry sector Preliminary Diagnostic, World Bank, June, 2013

than product innovation).

There are no significant regional differences in terms of product/process technology or innovative steps, except for distinctions reflecting general levels of economic activities.

Lack of technological renewal and support to innovation development is obvious in regions of Georgia, as well as old-fashioned technical – technological base, weak production capacity, low labour productivity and the existing development level of other production factors greatly hinder the development of important economic processes in regions. These challenges result from the fact (as well as other factors) that development of the national innovation systems and corresponding platforms fail to get desired results in order to contribute to the country's overall competitiveness and productivity improvement, if the process is isolated from efficient and synergistic implementation and development of innovation systems at sub-national level.

8. Income and Poverty

Difference among per capita income of families within particular regions of Georgia significantly exceeds the difference between regions. However, per capita income in Tbilisi is much higher than in any regions of the country – except for Adjara, Imereti and Samtkhe-Javakheti (per capita income is higher in urbanised regions).

Poverty is still a major problem in Georgia despite the progress towards achieving its reduction, since 2013 particularly¹⁴. In some regions of Georgia poverty is especially severe and requires considerable attention. It is largely caused by unemployment and lack of income from self-employment in urban and rural areas. The global crisis and war with Russia vastly increased the magnitude and severity of poverty. The rural relative poverty rate was 24, 7% in 2009 and reached 27.1% in 2013.

The poverty rate in rural areas is higher than in urban ones and the difference has become even greater since 2000. During the rapid economic growth, poverty reduced from 23, 7% (2003) to 18% (2007) in urban areas, while in rural ones it decreased from 33% to 29.4%. At present, about 2/3 of Georgia's poor live in rural areas.

The Government of Georgia is in the process of implementing some social insurance programmes across the country including subsistence allowance for assisting socially vulnerable families. The share of such families in the entire population is one of the indicators of the community's economic vulnerability.

Differences are observed in socially vulnerable people's conditions by regions. Tbilisi and Samtkhe-Javakheti account for the lowest share of socially vulnerable families, while Shida-Kartli represents the largest one. The lowest percentage of families getting subsistence allowance is in the capital; it

¹⁴ Some studies (e.g. Poverty Assessment in Georgia, World Bank: 2009 Poverty Dynamics in 2000s, World Bank: 2011, associate improvement with economic and social reforms conducted since Rose Revolution of 2003 throughout the country)

is followed by Salmtkhe-Javakheti, Kvemo Kartli and Adjara. The highest rate of registered people living in poverty is in Mtkheta-Mtianeti, Racha – Lechkhumi and Kvemo Svaneti .

Table 7: Number of Persons Receiving Pension and Social Packages by Regions and Gender

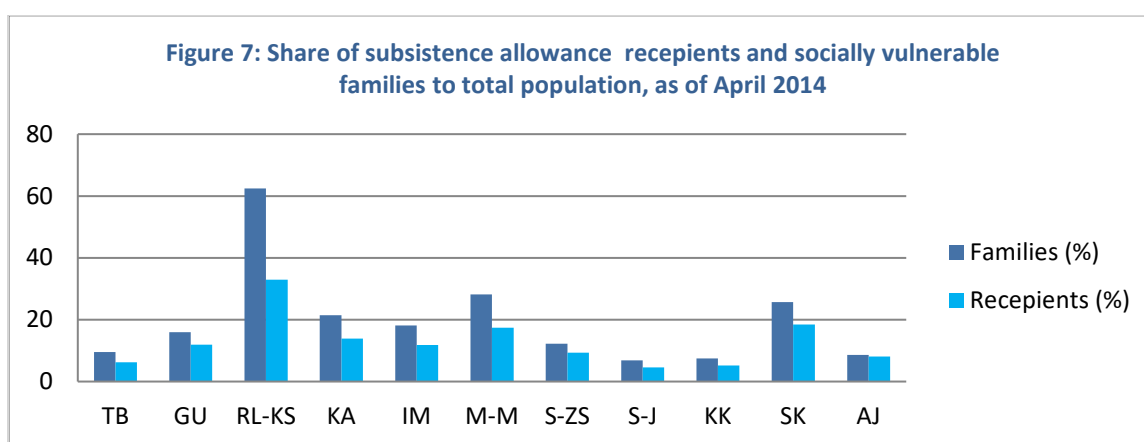
Gender	Women				Men			
	2008	2010	2012***	2014	2008	2010	2012***	2014
Tbilisi	138865	145389	150191	156594	61851	62007	76873	77885
Abkhazia AR*	225	-	-	-	87	-	-	-
Adjara AR	40457	41182	40624	41810	22775	22805	24660	24976
Guria	21069	20688	19996	20013	11472	11011	11317	11261
Imereti	100648	99018	96160	96798	57796	54666	56749	55599
Kakheti	51824	51562	49867	50071	30438	28991	29927	29633
Mtskheta-Mtianeti	13745	14585	14012	13996	7789	8051	8606	8472
Racha-Lechkhumi and Kvemo Svaneti	9377	8784	8256	7913	5506	5052	4876	4544
Samegrelo-Zemo svaneti	63298	62896	60988	61598	33534	32474	33593	33225
Samtskhe-Javakheti	24278	22894	22141	22128	14313	13046	13677	13208
Kvemo Kartli	44896	45638	46092	48250	25539	24882	27472	27693
Shida Kartli	39209	38260	36863	37155	23255	22020	24050	23348
GEORGIA – total	547891	550896	545190	556326	294355	285005	311800	309844

*Includes only Zemo Abkhazeti. ** As at January 2008 ***According to the Laws of Georgia “State budget” starting from September 1st, 2012 under people receiving pension package was included “Old age Pensioners” and all other people in receiving social package group.

Source: Ministry of Labour, Health and Social Affairs of Georgia.

The existence of fewer subsistence allowance beneficiaries in Tbilisi and Adjara is consistent with economic development and employment level growth while Samtskhe-Javakheti and Kvemo Kartli, with their low rates, are exceptions.

The rapid growth of beneficiaries registered in Shida Kartli in recent years is a result of the entry of internally displaced persons after the Russian-Georgian war in 2008. On the other hand, the reason behind a similar trend in Tbilisi and Imereti lies in the fact that more and more families are suffering from economic crisis. As for the reduced number of the subsistence allowance recipients in mountainous regions, it is due to a decrease in the local population.



Source: Social Service Agency

9. Cultural and Recreational Resources

Cultural and recreational resources not only demonstrate quality of life of the population, but what is more important, they also represent potential for employment and economic productivity growth both for internal and international tourists' services.

There are wide varieties of natural and cultural resources in Georgia – more than 12,000 historical and cultural monuments, four of which are included on the UNESCO World Heritage List. The country is distinguished by its well-developed mountain, sea and spa resorts. In addition, there are 87 different – category protected areas, of which 14 are State Nature Reserves, 41 natural monuments, 11 National Parks, 19 Managed Nature Reserves and 2 Protected Landscapes. Georgia is famous for its outstanding cuisine and wines, live music and traditional dances. All of these attract growing international interest.

The number of tourists in Georgia in the last 5 years has grown much faster than the world's average rate of increase. At the beginning of the global financial crisis in 2008, when the number of tourists worldwide globe reduced by 4%, the number of international arrivals to Georgia increased by 16%. In 2011, Georgia's rate among new tourism destination countries was the highest. In 2012, the number of foreign visitors was almost 4.5 million, 56% more than in 2011 and reached 5.4

million in 2013, 21% higher than previous year ratio. (See Table 6 below.)

The coastal region of Adjara (especially Batumi) and the capital Tbilisi are the market leaders and there are plenty of popular, internationally branded hotels in both locations. By 2013 there were over 1000 accommodation units in Georgia with a total of approximately 35 000 beds.

Differences in tourist activities between regions are significant. Sea tourism is the priority for Adjara. Tbilisi accounts for the biggest share of urban and business travels. Samtkhe-Javakheti (Bakuriani and Borjomi) is famous for winter and medical tourism. However, generally, a lack of data does not allow for a thorough analysis of any region's tourism potential as yet.

Table 8: Numbers of foreign visitors to Georgia						
Year	2009	2010	2011	2012	2013	2014
Visitors	1 500 049	2 031 717	2 820 185	4 428 221	5 392303	5 515570
Increase (%)	16	35	39	56	21	2

Source: National Tourism Administration of Georgia
