

SAMTSKHE-JAVAKHETI REGION - SOME ASPECTS OF DEVELOPMENT: PROBLEMS AND PROSPECTS

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Since the Soviet period a serious number of problems have been accumulated today in one of the regions of Georgia - Samtskhe-Javakheti. Samtskhe-Javakheti shares the border with Turkey and Armenia. Here the problem of poverty is pressing; there are also contradictions between different ethnic groups.

The authors analyse economic indicators from a variety of authoritative sources. The authors also conducted a case study.

Despite the fact that the state invests some money in the development of the region, it is ineffective. Therefore, we need more efficient, radically new approaches. According to the authors there is a need to introduce a development policy for several strategic areas: infrastructure, education, development of skills for the profit-making households and the use of specific network programs.

Keywords: Samtskhe-Javakheti region, economic development policy, law regulation, case study, poverty reduction, conflict resolution.

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Problems of poverty

In the Soviet time the Samtskhe-Javakheti region of Georgia only bordered Armenia. The border with Turkey was closed, and Armenian and Soviet population (back in the Soviet period, Armenians were part of the Soviet population) did not communicate with them. Many things have changed since then - Armenia and Georgia became independent, and Georgia opened the border with Turkey. But conflicts are not finished yet, just made superficially softer. There is a whole range of problems in the Samtskhe-Javakheti region. Armenia and Turkey had conflict situations in 1915-1918, and from that time Armenians have been manifesting bad attitude towards Turkey. Also ethnic Armenian population, living in the territory of Georgia, is not in good relations with the Turks. All of this adversely affects the regional development and poverty fighting processes.

In January 2013, the Samtskhe-Javakheti region was inhabited by 213.5 thousand people; 31% of the population (66.5 thousand people) live in cities, 69 % (147 thousand people) – in villages. The region is characterized by high birth rates. According to statistics, unemployment in the Samtskhe-Javakheti region is 7.5%; this is due to the fact that a large part of the population is engaged in agriculture. In addition, the unemployed labour force of the region is unskilled and needs vocational training in most

cases. In 2012, the average annual number of employed wageworkers was 9750. It is one of the lowest indicators (13%) across the Georgian regions. Other 65 000 persons are self-employed and working in small farms. If we take into the consideration the information about “the health insurance program for the population below the poverty line”, more than 17 700 people (6261 families) were insured in the Samtskhe-Javakheti region by September 2012, which is almost 10% of the population.

The Government of Georgia is doing its best, but the country is too poor, with more than 200 000 IDPs, requiring 1.5 billion only for social services - nearly 20% of the budget. At the same time educational programs for adults are very poor in the informal direction.

Considering the aforesaid, Georgia is facing new opportunities, new challenges and poor chances to become the leading economic player because all the cross-border regions of those three countries are very poor. In addition other two states do not wish to communicate with each other, but Georgia communicates with both of them. Georgia can create special regional development policy, which would lead to concentration of economic activities in the Samtskhe-Javakheti region, thus reducing poverty and improving the well-being in the region.

In the work we will offer a case study with ways and strategies (policy) to benefit from the opportunities faced by Georgia.

Economic indicators and problems of development

The Soviet inheritance of Georgia is causing many problems, but also giving opportunities for development. There have been very limited political and economic relations in the Soviet times with non-socialist countries, and Turkey among them. The borders from the Georgian side were closed, and the border line was settled by ethnic Armenians, the nation having a history of conflicts with Turkey. That was the key policy of the Soviet time: no relations with non-socialist countries because they were “wolves”. The idea was spread that in the capitalist society one person treats another like wolves do. In the Soviet time the Samtskhe-Javakheti region of Georgia only bordered Armenia. The border with Turkey was closed, and Armenian and Soviet population did not communicate with them. Many things have changed since then - Armenia and Georgia became independent, and Georgia opened the border with Turkey. But conflicts are not finished yet, just made superficially softer. There is a whole range of problems in the Samtskhe-Javakheti region. Armenia and Turkey had conflict situations in 1915-1918, and from that time Armenians have been manifesting bad attitude towards Turkey. Also ethnic Armenian population, living in the territory of Georgia, is not in good relations with the Turks. All of this adversely affects the regional

Table 1.

Components of HDI

Name	2012 HDI value	2012 Life expectancy at birth	2010 Mean years of schooling	2012 Non-income HDI value
Georgia	0.745	73.9	12.1	0.845
Armenia	0.729	74.4	10.8	0.808
Turkey	0.722	74.2	6.5	0.72

Source: (Human Development Report, 2013)

development and poverty fighting processes. Let look more deeply at the countries.

Economic indicators of Armenia are the following. With the GDP at USD 3870 Armenia is a low to middle income country. The poverty headcount ratio at national poverty line (% of the population) is 32.4%, CO₂ emissions (metric tons per capita) is 1.4. School enrolment, primary (% gross) - 102%. Improved water sources, % of rural population with access to water - 100%. Life expectancy at birth, total (years) - 74. GNI per capita (Atlas method (USD currently)) - USD 3720. Annual GDP growth (%) is 3.2% (as of 2013). Total unemployment (% of the total labour force, modelled by the ILO estimates) is 18.5%. Current account balance as a percentage of GDP for the year - 8%. Inflation, consumer prices (annual %) - 2.6 (as of 2012). CPIA transparency, accountability, and corruption in the public sector rating (1=low to 6=high) - 3.5. "Remittances from migrant workers play an important role in Armenian economy. Gini Coefficient is 30.9. The growth of household deposits is strongly supported by an 11% growth of remittances, as of June 2013. With exports and remittances dependent on international prices for commodities, the Armenian economy is vulnerable to adverse shock to terms of trade from global developments" (Worldbank, 2014). Human Development Index is 0.729 - in the high human development category - positioning the country at 72 out of 187 countries and territories (UNDP, 2014).

Economic indicators of Georgia are the following. With the GDP at USD 3503, Georgia is a low to middle income country. The poverty headcount ratio at national poverty line (% of the population) is 14.8 %. CO₂ emissions (metric tons per capita) - 1.4. School

enrolment, primary (% gross) 106%. Improved water sources, % of rural population with access to water - 97%, Life expectancy at birth, total (years) - 74, GNI per capita (Atlas method (USD currently)) - USD 3290. Annual GDP growth (%) is 2.5% (as of 2013). Total unemployment (% of the total labour force, modelled by the ILO estimates) is 15%, Current account balance as a percentage of GDP for the year - 7.5. Inflation, consumer prices (annual %) - 0.9 (as of 2012). CPIA transparency, accountability, and corruption in the public sector rating (1=low to 6=high) - 3.5. Gini Coefficient is 41.3. "Located on the shortest route between Europe and Asia, Georgia's transport system is a key link in the historic "Silk Road." The Government's commitment to rehabilitating main, secondary and local road networks has intensified in response to the global economic down-turn, as road rehabilitation will improve access to markets and services, and create short-term employment through civil works." (World Bank, 2014). Human Development Index is 0.745 - in the high human development category - positioning the country at 72 out of 187 countries and territories (UNDP, 2014).

Economic indicators of Turkey are the following. With the GDP at USD 10666, Turkey is an middle to upper income country. The poverty headcount ratio at national poverty line (% of population) is 18.1%. CO₂ emissions (metric tons per capita) - 4.1. School enrolment, primary (% gross) is 102%. Improved water sources, % of rural population with access to water - 99%. Life expectancy at birth, total (years) - 75. GNI per capita (Atlas method (USD currently)) - USD 6220. Annual GDP Growth (%) is 4.3% (as of 2013). Total unemployment (% of the total labour force, modelled by the ILO estimates) is 9.19%. Current account balance as a percentage

of GDP for the year - 6.14%. Inflation, consumer prices (annual %) - 7.5% (as of 2012), Gini Coefficient is 39 (World Bank, 2014). Human Development Index is 0.722 - in the high human development category - positioning the country at 90 out of 187 countries and territories (UNDP, 2014).

From brief statistics offered above, some conclusions can be made. Among Armenia, Georgia and Turkey, Georgia is the most developed country, with the Human Development Index 0.745 positioning the country at 72 out of 187 countries and territories. Turkey has the highest GDP per capita, life expectancy is nearly same in the countries. The most problematic poverty line is registered in Armenia, then Turkey and the best indicator is in Georgia. Also the indicator of mean years of schooling gives Georgia the first place with 12.1, then goes Armenia with 10.8, and Turkey - 6.5. So it means that Georgia has comparative advantage in schooling (see Table 1).

State policies, regulation and prospects of development

Armenia, Georgia and Turkey, nowadays have common borders: Samtskhe-Javakheti (Georgia), Ardahan, Kars (Turkey) and Shirak (Armenia). These are the poorest regions in the courtiers. Shirak region where Boyajyan lives was devastated by an earthquake in 1988, and has the highest poverty level in the Armenia. In its current economic strategy, the government pledges to cut the proportion of the population living and the economy ministry says 45 per cent of government expenditure goes on welfare payments, and officials say this has prevented poverty from reaching catastrophic levels (Melkumyan, 2011). The Shirak province also has quite high density of population - 94 persons per sq.km. Kars is one of the poorest regions of Turkey, GDP per capita in Kars is nearly 1/3 of the GDP of Turkey.

At the same time, the Samtskhe-Javakheti region is inhabited by 213.5 thousand people; 31% of the population (66.5 thousand people) live in cities, 69 % (147 thousand people) – in villages. The region is characterized by high birth rates. According to statistics, unemployment in the Samtskhe-Javakheti region is 7.5%; this is due to the fact that a large part of the population is engaged in agriculture. In addition, the unemployed labour force of the region is unskilled and needs vocational training in most cases. In 2012, the average annual number of employed wageworkers was 9750. It is one of the lowest indicators (13%) across the Georgian regions. Other 65 000 persons are self-employed and working in small farms. If we take into the consideration the information about “the health insurance program for the population below the poverty line”, more than 17 700 people (6261 families) were insured in the Samtskhe-Javakheti region by September 2012, which is almost 10% of the population.

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Very important fact is that very famous resorts and tourist destinations are located in the Samtskhe-Javakheti region (Borjomi, Bakuriani, Abastumani, Likani and Tsagveri). The region is also rich by land resources - 6 421 sq. km. There are six self-governing units in the region, 353 settlements and five cities: Akhalkalaki, Akhaltsikhe, Borjomi, Vale, Ninotsminda. The Baku - Tbilisi - Ceyhan oil pipeline and the Trans-Caspian gas pipeline go through the region, as well as Marabda - Akhalkalaki - Kars railway. According to these circumstances the region should not be poor. JA Georgia and Samtskhe-Javakheti State Teaching University have held a social survey about reasons for the problem: “Why is Samtskhe-Javakheti poor?”. The results are following: poor education of the population, poor networking, ethnic minorities (54% of the population - Armenians, 43% - Georgians, 3% - others), their

Georgian language skills are poor, lack of access to modern technology and old-fashioned agricultural farming traditions, availability of financial resources and lack of the business education (Gegeshidze Eka, Chiladze George, 2014).

According to the results of the social survey, the population is very active and would like to develop skills required for employment, start own farming business or find some jobs. People there also have problem in finding jobs in local self-government units or doing some advocating activity because of poor Georgian language skills. Another very important issue with the problems mentioned above is that there is lack of education in the border regions near Samtskhe-Javakheti in Armenia and Turkey.

Governments of the three countries face nearly the same troubles in relation to development and poverty. It can be said that somehow the problems are interdependent with the country’s population’s behaviour, economic situation and former and current policies. The trap of ethnic xenophobia is blocking the economic networking incentives, which leads to the unrealized economic well-being in the cross-border neighbourhood area.

Comparing the countries, Georgia has several advantages: Georgian population is friendly with people from both Turkey and Armenia. At the same time Georgia has the highest schooling and development indicators.

Considering the aforesaid, Georgia is facing new opportunities, new challenges and poor chances to become the leading economic player because all the cross-border regions of those three countries are very poor. In addition other two states do not wish to communicate with each other, but Georgia communicates with both of them. Georgia can create special regional development policy, which would lead to concentration of economic activities in the Samtskhe-Javakheti region, thus reducing poverty and improving the well-being in the region. But Georgia can become an anchor of the economic growth boost in the cross-border area, which will be transformed into the great economic boost in Georgia. The policy should contain several

development strategies: Infrastructure, Development of skills in performing household activities generating income, and Special networking programs. About last two directions:

1. Development of skills in performing household activities generating income: establishment and operation of entrepreneurship and social business incubators in various agro and creative fields. This would create strong pillars for the development of skills, vocational education and training. Due to education and training people in the region will become more educated. With proper financial reassures they will be able to start their own farms or businesses, or enlarge farming, build green houses, employ others, create value chains and generate personal and regional income. This way the life of vulnerable groups of people, such as women, children, youth, IDPs, disabled and elderly persons will be improved. Business education will promote effective employment, create social cohesion, value chain, reproduction clusters and systems of expert consultations, as well as accounting and administrative assistance systems.

2. Special networking programs: there is the Samtskhe-Javakheti State University in the Samtskhe-Javakheti with campuses in Akhalkalaki and Akhaltsikhe. Government of Georgia should widen the 1 plus 4 program (the program of the Ministry of Education and Science of Georgia: during the first year of study ethnic minorities study the Georgian language, and later the bachelors program is free for them) to cover Armenians and Turks inhabiting that cross-border region. At the same time studying in this regional University, especially in Akhalkalaki campus, should be made free for ethnic Georgians. Some kind of a mobility program for the Georgian students can also be launched. For example, the Georgian student can take a semester in Akhalkalaki without any charge, and the relevant credits will be recognized by the University the student is studying in.

Georgia should use the opportunities and challenges faced by it as soon as possible. The shocking economic development programs must be launched in the region, making Georgia more powerful economic player in the Caucasus.

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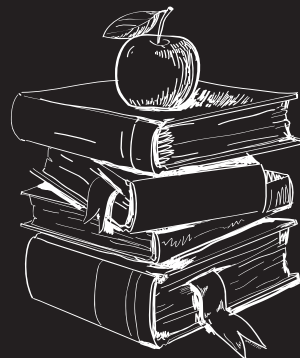
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