

# GEORGIA Report for GEO Project

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### Introduction

Georgia was populated in ancient times by the ancestors of the Kartvelian tribes. They successively formed self-governing states in what is now Georgia, from the second millennium BC. They established agricultural traditions, sowing wheat, cultivating species of grapes to a highly developed degree, and introducing cattle breeding. Georgian is one of the oldest living languages in the world. The first findings of Georgian script date back to the 7th century BC. Georgian is one of the 14 world alphabets.

The geographical location of Georgia has encouraged cooperation with different countries and has also represented a considerable prize for conquering nations. The history of Georgia has always been characterized by a tendency towards unification. Georgian territories have been successively united, separated, and distributed between conquerors. After having been a part of the Russian Empire for over a century, the country became self-governing once more when the first Georgian Democratic Republic was declared in 1918. In 1921, Georgia was annexed by the Red Army and became a Soviet Republic of the USSR. In 1991, after the referendum, Georgia regained independence from the Soviet Union.

### Geography

Georgia is located between latitudes 41007'N and 43035'N and longitudes 40005'E and 46044'E. Its borders amount to 1,970 km in length, including 315 km of coastline, and the total area is 69,700 km<sup>2</sup>. The country is bordered by the Russian Federation from the North, the Republic of Azerbaijan from the East, The Republic of Armenia and the Republic of Turkey from the South, and the Black Sea from the West.

Georgia is characterized by the diversity of its natural environment and features significant geographical contrasts. The country has various mineral resources, with several deposits of

international importance.

Georgia's landscape diversity is unique, featuring highly contrasting topography with the Greater Caucasian Range (highest point - Mt. Shkhara, 5,068 m) in the north of the country, the inter-mountain depression south of the Greater Caucasus and, further south, the Lesser Caucasian ranges rising to medium altitudes. The southernmost area of the country lies in the volcanic South Georgian Upland, which is crossed by characteristic canyon-like river gorges. The lowest point (-1.5m) is in the area of Lake Paliastomi in the Colchis Lowland.

The Likhi range divides Georgia into two contrasting climatic zones, with a predominantly humid subtropical climate in Western Georgia and transitional subtropical to moderate climate in Eastern Georgia. The rivers of Georgia belong to the Black and Caspian Sea Basins. Vegetation is extremely rich and diverse, with numerous relict and endemic plants. Forests cover over one third of the total area. Georgian fauna includes a wide diversity of mountain and plains species.

Georgia, by its strategic location is a binding transport corridor between Europe and Asia long since.

### **Demography**

Georgia is a multinational country. Official state language is Georgian, religy Greek Orthodox and there are also several other religies. Population of Georgia is 5,42 million. The capital Tbilisi has population of 1,24 million.

Total population in 1989:

- urban areas-55.8%
- rural areas-44.2%
- males-47.4%
- females-52.3%
- population density (per km<sup>2</sup>)-78

Total population in 1997:

- urban areas-55.6%
- rural areas-44.4%
- males-47.7%
- females-52.3%
- population density (per km<sup>2</sup>)-78

Population by ethnic group:

- Georgians - 70.1
- Armenians - 8.1
- Russians - 6.3
- Azerbaijanians - 5.7
- Osetians - 3.0
- Greeks - 1.9
- Abkhazs - 1.8
- Jews - 0.5

- Others - 2.6

Migration (X1000):

- Immigrants - 12.6 in 1993; 12.7 in 1994; 5.7 in 1995; 1.2 in 1996
- Emigrants - 42.9 in 1993; 44.2 in 1994; 5.9 in 1995; 12.9 in 1996

Per 1000 inhabitants:

- births- 16.7 in 1989; 17.0 in 1990; 11.6 in 1995; 11.1 in 1996
- deaths - 8.6 in 1989; 8.4 in 1990; 7.8 in 1995; 7.1 in 1996
- natural growth rates - 8.1 in 1989; 8.6 in 1990; 3.8 in 1995; 4.0 in 1996

### **Economic development**

By the end of the Soviet period, living standards in Georgia were quite high. In 1990, per capita income was equivalent to US\$ 2,120. Agriculture and the food industry were the dominant actors in the country's economy, accounting for 42% of GNP. Industry accounted for 34% of GNP, the remainder being contributed by the construction sector, services, transport, communications and trade. Georgia supplied citrus fruits, tea and high quality wine to practically the entire Soviet Union. Industry was based on the production of steel piping, ferrous metals and electrical equipment, oil and chemicals, fertilizers, copper, artificial fibers and footwear, and manganese mines. At the same time, Georgia's economy was highly dependent on mineral resources, spare parts, fuel and electric power supplied by the Soviet Bloc countries, which reciprocally determined Georgian exports to these markets. In 1988 about 25% of Georgian power supplies, almost all oil products and gas (97%), 80% of timber, 50% of cement and 90% of raw materials used in light industry were imported from these countries.

The disintegration of the Soviet Union destroyed these longstanding economic links with the former Soviet Republics. In 1991, after declaring political independence, the country faced mounting civil and ethnic conflicts. Inappropriate credit policies led the country into hyperinflation, which in turn had destructive consequences on the country's socio-economic development.

Lack of investment funds, an inefficient banking system, the devastation of state Treasury, and the destruction of existing infrastructure worsened the economic crisis. By 1995, GDP per capita amounted to 483 Georgian Lari (approximately US\$ 383). Unemployment soared, while energy production and imports plunged. The country's foreign debt increased to catastrophic proportions, reaching US\$ 1.4 billion in 1996, or 40% of manufacturing GDP in the same year.

The political stabilization process which began in 1994-1995 had a positive effects on the economic development of the country. Foundations were laid for structural changes. Policies were launched to liberalize prices, trade, and currency exchanges, and to privatize land and industry. Inflationary processes were curbed by the introduction of a national currency and the implementation of a strict credit policy.

The economic situation began to improve in 1995, when almost every branch of the national economy registered an absolute increase in surplus value. In 1997, GDP grew by 11.3% in relation to the previous year, amounting to 6.4 billion Lari (US\$ 5 billion) in current prices. Inflation was down to 7.3% (with an average monthly inflation rate of 0.6%).

Although this rate of growth is rather impressive (Georgia is one of the top-ranking countries in the former Soviet Bloc according to the growth-rate index), economic activity is still sluggish and total GDP is still well below 1990 levels.

Georgia's current economic potential is substantially determined by the segmented structure of the nation's economy. In 1997, as in previous years, agriculture accounted for the highest share (28.2%). The share in GDP of such sectors as construction, transport, and communications increased to some extent. Despite the positive changes achieved, the share in GDP of such an important branch of the national economy as industry has declined, due to the primary growth of other sectors.

The most significant structural change in the national economy is reflected in the rapid growth of the share of trade in GDP, probably due to the fact that this sector does not require large capital investments. The geographical situation of the country has also contributed to the development of trade. Recently achieved political stability, structural changes, and low inflation are expected to accelerate growth in other sectors which require larger and more long-term investments.

According to estimates produced by the Georgian State Department of Statistics, the informal economy contributes over one third of the country's GDP. The share of informal activities is particularly high in trade, transport, and construction.

## **Eight indicators of sustainability**

### **A . Environmental Sustainability**

#### **1. Global environmental impacts**

There is no data available at the moment.

#### **2. Local environmental impacts**

There is no data available at the moment.

### **B . Social Sustainability**

#### **3. Rural electrification**

Electrification of rural areas was completely done in 60 nth. Within the period of SU due to the high level development of centralized grid all rural areas were supplied with electricity from central grid. Nowadays this caused big problems because due to the electricity shortage some districts are cut totally from central grid or the have very strict timetable. So mostly for this purpose suffers rural areas even then they have nearby hydro power station.

#### 4. Employment intensity

There is no information about this item

### C . Economic Sustainability

#### 5. Resilience to external impacts (net energy imports or exports)

| YEAR                          | 1990 | 1994 | 1996-97 |
|-------------------------------|------|------|---------|
| Energy Production (mln. TCE)  | 2.6  | 2.55 | 2.58    |
| Energy Consumption (mln. TCE) | 17   | 8.4  | 8.3     |
| Import                        | 85 % | 70 % | 69 %    |

**TCE = Tons of Coke Equivalent**

Energy used in Georgia:

- Oil products
- Natural gas, liquid gas
- Electric energy
- Geothermal
- Firewood

#### 6. Burden of energy investments (proportion of governmental investments in energy generation compared to the amount of GDP)

Share in industrial output:

- in 1990: 3.5%
- in 1996: 21.3

Governmental investment in energy end fuel in 1997-0.2% of GDP and 1.3% of expenditure.

Governmental investment in energy is to cover fuel cost and maintenance of structure. Investments in generation is done by USAID an WB generally.

### D. Technological Sustainability

#### 7. Energy productivity (GDP divided by primary energy consumption)

| YEAR | 1990 | 1994 | 1996-97 |
|------|------|------|---------|
|------|------|------|---------|

|  |              |              |              |
|--|--------------|--------------|--------------|
| <b>Energy Productivity<br/>1000 US\$ GDP/TCE</b> | <b>0.411</b> | <b>0.202</b> | <b>0.433</b> |
|--|--------------|--------------|--------------|

## **8. Sustainable energy deployment**

In Georgia, electrical energy is produced by thermal power station and hydro power stations only.

### **Conclusions**

It should be mentioned that in Soviet period Georgia was one of the better developed counters in SU after Baltic Republics. Energy consumption was very high (1400 gr. CE/1US\$ product) and no one was thinking about energy efficiency. Some developed renewable sources were developed that were suitable for central grid.

For almost 8 years all power stations (hydro) were raining without maintenance and efficiency of stations is very poor. In total 30% of installed capacity works at about 18-20% efficiency. In transition period the main problem was maintenance and that called for privatization and market attitude. Therefore, activities of foreign donor agencies, investments, credits and NGOs are focused on that area.