

Comparative analysis of economic productivity in Georgian regions 2010-2020¹

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Abstract

Georgia has a challenging history of decentralisation. However, the main reforms have been enacted in 2014 and municipalities of Georgia has been given several major competencies and partial fiscal decentralisation has been achieved. Some other political transformations have been achieved, which indirectly have been impacting local economic development. The following analysis shows the economic productivity of Georgian regions, including Tbilisi. As the decentralisation process in Georgia is precisely related to municipalities, but statistical information is not sufficient to analyse, author and co-author empirically decided to analyse aggregated data and focus on regions, which consist of municipalities. Therefore, the sum of municipalities' economic productivity is reflected in regional terms. Economic productivity consists of multiple variables, however, according to the National Statistics Office of Georgia, all available data will be used for the comprehensive analysis of the proposed topic. Research methodology includes literature review, where researches of relevant studies of relevant countries will be examined, i.e. Baltic states and Poland. The following research is part of the Ph.D. research cycle, where the aim is to find the optimal model for developing financially self-sufficient municipalities and regions in Georgia. Main part of the analysis in the following is to find the strongest correlation between variables, which increase productivity, therefore can stimulate investment attractiveness and have a solid impact on economic development.

1. Introduction

In 2014, the Georgian parliament passed a code allowing Georgian local governments to take responsibility for major economic activities. Each municipality has its own major industrial sector, and municipalities generate more income. Measuring the economic performance of cities, municipalities or regions is important information for further strategic management on the part of decision makers. The strategic management process of these management units includes several key elements. One of the factors is analysing the most and least productive sectors and promoting further productivity gains through strategic development. The geographical concentration of economic activity leads to increased productivity, as it requires changes in infrastructure, society, cities, etc. These changes are controlled by city, rural, or regional decision makers (De la Fuente, 2010). In general, economic productivity is affected by several factors. In the paper below, only some of these factors are included in the analysis. Although it is important to analyse the economic performance of local governments for more efficient strategic management, the Georgia Office of National Statistics only provides regional data related to economic performance. Therefore, in this paper, we can assume that the local performance, the factors and variables that drive productivity, and the local outcomes are the sum of the municipal data.

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