

Sustainable Development and Reforms in Georgia

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Under the EU Neighborhood Policy Action Plan Georgia undertook an obligation to develop a Sustainable Development Strategy. This process has not even started yet. We tried to evaluate how compatible are the reforms currently going on in the country with the activities and principles implied by sustainable development. As an example, we based our assessment on Europe's Sustainable Development Strategy and focused only on measures targeted to resolve the pressing problems currently faced by Georgia.

Briefly about the EU's approach to sustainable development:

“Sustainable development” has not been the initial goal of forming the European Union. At the beginning, the European Union was created to restore Europe's economy destroyed by the war; thus, its main objective was to promote trade and eliminate barriers. At the same time, for the population of most EU countries welfare was not just limited to personal wealth and economic welfare but also included social wellbeing. The majority of Europeans attached great importance to safe and comfortable social environment based on justice and equality. Very soon they started paying special attention to safety of their physical environment and nature. (Baltserovich rightly noted that the society starts showing serious interest in environmental problems only after the per capita GDP exceeds USD 5 000¹).

At present, along with economic parameters (GDP and its dynamics), the European understanding of welfare and quality of life also comprises human safety and health, proper conditions for work and leisure, social involvement, comfortable and safe social environment and generation solidarity – affluent old age and better physical, economic and social environment for future generations. This is what Europeans call “the quality of life”. This approach is actually a cornerstone of European values. This is why the “sustainable development” paradigm is a part of current European constitution.

¹ Lezhek Baltserovich “Freedom and Development. Free Market Economy”. Tbilisi, 2004

According to the European constitution one of the objectives of the common market is “to work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of environment. It also promotes scientific and technical progress”.

“Sustainable development” means a balance between the economic progress, social justice and protection of the physical and natural environment.

In order to achieve all of these, the following conditions have to be met:

- Economic growth must at the same time promote social progress and take into account protection of environment; in other words: economic progress must not cause social and environmental regress, growing social vulnerability and tension, dissatisfaction or deterioration of the physical environment that could make healthy life impossible (due to health damage and impossibility of proper rest).
- At the same time, social politics must neither hinder economic development nor cause environmental deterioration.
- Environmental policy must be cost-effective. It must not be an unendurable and unjustified burden for the economy and social welfare.

This means that the balance between economic, social, and environmental requirements must be observed.

This is not an unachievable goal. It does not require socialism or planned economy. This can be accomplished under market economy conditions. The only thing necessary is to put in place strictly defined regulations for the market economy. This is also better for the market economy itself, because without such rules market economy turns into a “wild market” which not only destroys and dissipates the social and physical environment but also ruins its own economic basis and results in big economic leaps followed by even bigger economic collapses. Development managed under the “rules of the game” may be less “interesting”, less scandalous, but also much less painful and considerably safer.

The first Sustainable Development Policy was approved by EU in 2001. Up to now the document has been revised and amended several times. The policy covers many different

aspects. As mentioned above, below we will review only those issues that are relevant for Georgia.

Poverty, Employment, Social Security, and Inclusion

According to EU assessments, one of the main obstacles for sustainable development is poverty and social exclusion. Based on data for 2010, 16% of the EU population (about 79 million people, including children) live below the poverty level. EU believes that social exclusion aggravates poverty and turns it into a deadlock for certain social groups of the EU population (including ethnic groups).

EU believes that this problem (poverty and social exclusion) cannot be solved only by providing monetary assistance to poor and excluded people. It is necessary to do much more, including access to employment, dwelling, healthcare, communication & information services, education and skills development (training). E.g.: it is envisaged to create new opportunities for participation in the social life by means of qualification improvement (for people of all generations).

Social assistance still remains to be one of the main mechanisms for overcoming poverty. The goal of social assistance is to provide adequate living conditions for everyone, i.e. to ensure that there are no families with income below the minimum subsistence level. For this purpose, the state finances the difference between their actual income and minimal subsistence level.

The main social assistance mechanisms are the public pension schemes, while the main target group consists of persons incapable to work: elderly people and persons with disabilities caused by different reasons. In EU, public pensions allocated for these categories are always higher than the subsistence minimum. Besides, in addition to public pensions, people can ensure their affluent old age through private pension schemes and additions to pensions based on the length of service or pensions appointed by enterprises. In general, the total amount of pension received depends on the length of service and taxes paid by the person, though it can not be lower than the subsistence minimum.

Besides, with the account of expenses of persons with special needs being higher than the subsistence minimum (due to their special needs), different social programs are targeted for these particular groups, which include: young families, disabled persons, families nursing their dependants or newborn infants, families that have lost a breadwinner etc. Tools of providing assistance to these categories are:

- Funding of deficit for basic household needs (food, cloths, electricity and gas expenses etc.);
- Funding of healthcare or nursing expenses;
- Assistance provided for social integration (e.g.: in case of disabled persons) or for overcoming social difficulties (e.g.: in case of drug addicts);
- Other costs.

In Georgia, due to the lack of public funds, the state can not finance minimum subsistence of families. Retirement pensions are below the subsistence level (retirement pensions are GEL 100 per month while the subsistence minimum is GEL 137.8²); therefore physical existence of elderly people depends on their additional income or assistance provided by their families. Assistance allocated for people with special needs is also very limited and can finance only part of their needs. e.g.: assistance during pregnancy, childbirth and nursing of newborn infants (126 day maternity leave; compensation by the state – up to GEL 30 per day), assistance provided to parents adopting a newborn infant (70 day maternity leave; compensation – up to GEL 30 per day), medical insurance of socially vulnerable families and teachers, assistance and communal expenses of internally displaced population and refugees equal to monthly 28-40 GEL per person; partial coverage of healthcare expenses in case of certain illnesses (e.g.: heart surgery for children and elderly; patients with rare deceases; patients who need constant medications due to diabetes, hemophilia etc.).

Besides, some local government bodies have a provision in their local budgets for funding local social assistance, such as:

- Communal and communication service costs of socially vulnerable families;
- One-time assistance provided to socially vulnerable families in case of birth of the 3rd, 4th, 5th and more children („Newborn Infant Program”);
- Episodic financing of recreational treatment and rehabilitation of children disabilities;
- One-time assistance to individuals who become 100 year old;

² As off September 2011, for an average consumer.

- Co-financing of higher and vocational education;
- Financing of dactylology translation services for persons with defective hearing;
- Discounts for bus and metro tickets;
- Provision of temporary dwellings for homeless;
- Limited funding for organization of daycare centers for single elderly persons.

However, even these programs have rather scarce funding, are fragmented and do not have any serious influence on the social situation.

Thus, in Georgia, the social protection system is very poor. Unfortunately in this area there is no clear future vision either – it is not clear whether the government is planning to increase social assistance or to take upon itself funding of the subsistence minimum and if yes, what timeframe is forecasted. The government has not developed any vision on regulation of the social sector.

As for unemployment, according to Eurostat's data, the average unemployment level in EU countries varies within 10%. People who lose their jobs receive unemployment assistance from the EU states during a certain period (the assistance is naturally higher than the subsistence minimum). In parallel, corresponding government agencies help unemployed people to find new jobs: they are offered new jobs, qualification improvement or training programs. The state stops such assistance only after the person refuses to accept different offers.

In Georgia the situation is opposite. Unemployment is a very severe problem while the government's assistance in solving this problem is minimal. There is no public institution responsible for helping people to find jobs. The government believes that the unemployment problem will be solved by means of rapid economic growth that will increase demand for labor. Despite this, even increased demand for labor and creation of new jobs will not guarantee employment growth if the labor force does not have necessary qualification and skills. In this case the entrepreneur will have to bring labor force from abroad and the local labor force will still be unemployed. Therefore, the key for solution of the unemployment problem in Georgia is provision of training opportunities in compliance with the demand of current and future markets.

During the last years Tbilisi municipality has been trying to give Tbilisi citizens an opportunity to attend computer and English language classes. This is a really good initiative, but not enough for their employment. Another good initiative of the state was funding of internship at commercial enterprises (companies could hire an employee for 3 months for a salary paid by the state). The problem was that this happened without any preliminary training (hoping that the private enterprise would finance necessary training). As a result, the majority of interns did not have adequate knowledge and skills necessary to start implementation of new responsibilities. Besides, the private sector was not ready either – most of them simply did not need any new personnel. Therefore, the project ended very soon and has not been repeated.

During the last years, the state and international organizations funded and implemented many important measures for restoration of the vocational education system in Georgia. In 2007 the Law of Georgia on Vocational Education was adopted. In 2011 a Department of General and Vocational Education Development was created at the Ministry of Education and Science. The Department has to prepare a professional education development strategy. It is essential that prior to that the country's economic development priorities are analysed to identify professions for which the market demand will be high in future. Without such a vision development of vocational education might be unsuccessful.

Another issue is the fate of the “older generation” (people who are 50-60 years old) in Georgia. Their employment is problematic not only due to the lack of training and retraining programs but also because of a negative attitude of the state and intentional exclusion of this age group. Employment of this age group in the public sector is extremely limited. Even more so, the state systematically demonstrates its negative attitude towards the older generation which creates a negative mood in the private sector as well.

In EU, the attitude towards the older generation is absolutely opposite. The European Parliament announced the year 2012 as the European Year of Active Ageing and Solidarity between Generations”. The decision is explained as follows: In the following years the number of people in the EU who are 50 and older will substantially increase which is a positive factor, demonstrating achievements in the health sector. This makes it necessary to revise EU's social policy and to ensure active ageing. The goal of “active ageing” is to empower older people to contribute more actively to the labour market and to their communities and families. This can be achieved through offering elder people “Lifelong Learning”, reducing age discrimination and increasing safety.

One of the main approaches of the EU Sustainable Development Strategy is to ensure human health. For this purpose, two main directions have been identified: food safety and safe use of chemicals (including those used in households).

It must be noted that in Georgia public health hazards are not limited only to safety of food and chemicals. Other additional risks that have already been eliminated in Europe long ago are still in place here. The most dangerous of them are: the impact of tobacco smoke - so called “passive smoking”, especially harmful for children; harmful effects of exhaust gas of cars on city dwellers; and insufficient sanitary/hygiene safety of water in recreational (swimming) zones. A lot of money is spent to address the sanitary/hygiene condition of water (especially along the Black Sea coast), through improvement of the wastewater collection and treatment infrastructure, but nothing is done to reduce exhaust gas of cars or protect children and other “passive smokers” from tobacco smoke.

Food Safety

The central paradigm of Europe’s food safety strategy is traceability of food origin and “from farm to plate” control. This system allows to track the origin of food purchased by consumers down the whole chain, to the farm where the cattle or plant used in the food was bred or grown. Georgia just starts building this kind of system, although at present cattle farms, veterinary services and even regular vaccination of cattle are not properly organized. The government pays considerable attention to traceability of export products (wine) and implementation of procedures necessary for protection of geographic origin but its attitude towards food sold at the domestic market is superficial.

The cornerstone of Europe’s food safety approach is so called risk analysis, which means that products, food additives or technologies are permitted or prohibited based on scientific conclusions. EU provides special financing to an independent scientific institution which publishes up to 100 scientific conclusions per year. Consumers also have access to these publications. In parallel, producers are strictly controlled and required to put sufficient information on food product labels so that consumers can make their choices based on the label information and the scientific conclusions.

The risk analysis concept has been formally transferred to the Georgian legislation but in reality there is neither a scientific institution that would make such analysis nor funding allocated for this purpose. Instead, the government stated that risk analysis is product checking implemented by the National Agency of Food within the market monitoring

function. In reality, based on unknown criteria, the Agency buys up to 3000 food samples and checks them in compliance with old soviet “GOST” standards used 40 years ago. Sample and parameter selection method is not scientific and representative, to say nothing of the quality and reliability.

One more important tool of the European food safety system is control of food operators and products put on the market. Such control is usually implemented by the national or local controlling agencies. Different control methods are used, although the general principle is that, except audit, control must be unexpected. In Georgia so far only the state audit has been introduced. It is implemented in compliance with a plan, after a prior warning of the entrepreneur and the number of audits per year is rather limited (audit of only 200 operators per year out of registered 20 thousand). The law also provides the possibility of unplanned inspections, although no such precedents are known. At the same time the number of food poisoning cases is rather high even though the great majority of such cases is not recorded - the population does not use medical assistance in case of food poisoning because medical services are expensive.

Protection of Environment from Chemicals

The main problem of protecting people from chemicals is the huge number and variety of chemicals, as well continually changing ways, methods and technologies of their use, as a result of which the scale of their impact on human health is also constantly changing. Therefore, the main challenge is that decisionmakers must be continually and incessantly updated about possible impacts of different chemicals and methods of their use, as well as about ways of protecting human health from such impacts.

In order to ensure the possibility of acquiring and providing such information to public institutions the EU has introduced so called REACH system (Registration, Evaluation, Authorization and Restriction of Chemicals). Chemical producers (or importers) who produce or import to EU more than 1 ton of chemicals³, are required to provide to the European Chemicals Agency a technical dossier describing characteristic features of chemicals and their potential impact on human health. The dossier must be updated as needed. It is prohibited to use chemicals without a technical dossier. On its part, the European Chemicals Agency supports cooperation between entrepreneurs in order to prevent unnecessary duplication of chemical testing on the one hand (especially if

³ The bigger the volume of produced or imported chemical substance, the more information and details must be provided in the technical dossier.

chemicals are tested on animals) and to ensure fair distribution of entrepreneurs' costs incurred for preparation of such dossiers. The European Chemicals Agency studies (and partially checks) the technical dossiers and prepares recommendations for decisionmakers regarding the necessity to increase control over some substances or to restrict their application as much as possible (i.e. allow such use only based on a permit). Accordingly, depending on the potential hazard, chemicals are included either into the list of banned/restricted chemicals or into the list of chemicals production, transportation and use of which is subject to special control.

It is worth to note that the Agency's information concerning the rules of safe use of chemicals is open and accessible for users – producers as well as consumers, which is extremely important to safeguard the public.

In analogy to the EU legislation, Georgian legislation active until 2010 also provided for a chemical registration procedure according to which entrepreneurs had to submit technical information describing the substance to a public agency⁴. Nevertheless, this requirement has never been implemented in practice and was abolished in April 2010. Despite this, Georgia has a list of banned and restricted substances. It includes chemical substances so toxic, that their control (including control of transportation inside the country) is required under international conventions. Officially, a permit is required for production, import/export or internal transportation of such substances in Georgia. In reality, considering that internal cargo transportation is not controlled at all and the customs does not have tools for identification of chemical substances, entrepreneurs take such permits only when it is required by the country receiving goods from Georgia or exporting goods to Georgia. Information about internal circulation of hazardous chemicals, their use and rules of their safe utilization are not known to any of the Georgian public institutions. In general, safeguarding public health from hazardous chemicals is at a zero level in Georgia.

Biodiversity Protection

One of the most important aspects of sustainable development is protection and preservation of biodiversity. This activity consists of many components the most important of which are: sustainable management of the wild nature (first of all forests) and “allocation of territories” for nature – i.e. creation of territories protected from human activity.

⁴ Law on Hazardous Chemical Substances adopted in 1998.

18% of the EU territory is protected territory. This is a network of more than 26 000 protected sites, so called “Natura 2000”. Biodiversity of these sites is evaluated based on 26 indicators specially identified for these sites. All protected territories and sites are managed so as to gradually improve these parameters.

In Georgia protected territories occupy 11% of the country’s total territory. These are 53 territories of different sizes and different protection status. Only 5 of these sites have management plans. Biodiversity has not been investigated on any of the protected territories and consequently there are no biodiversity restoration/protection/preservation plans. In fact, protected territories are not used for biodiversity protection but for tourism development. Even more so, the government is reviewing possible legislative changes in order to permit hunting within protected territories, on species included into the Red Book. The goal is not restoration of biological balance but attraction of more tourists to the territory. The condition of specie populations living on the protected territories does not worry the government at all. It is planned to build new infrastructure within the protected territory of Kolkheti wetland that has an international importance.

Protection of forests is one of the important components of biodiversity protection. Practically the whole territory of European forests is covered by sustainable management and certification schemes while felling of trees and production of forest resources is absolutely prohibited on 25% of forest territories.

In Georgia illegal and uncontrolled felling of woods has been going on for more than 20 years. As a result, a big part of forest resources has been destroyed (up to now there has been no exact evaluation of losses). According to the last concept of the Ministry of Energy it is planned to eliminate illegal felling by means of total online control of timber that is put on the market or is supplied to wood processing factories. So far the system has not been started and thus it is premature to make any conclusions.

The government is going to give up its forest control function altogether. Instead forest management will be transferred to the private sector. Managers will be responsible for their certification and sustainable management. The idea is good, although there is previous unfortunate experience when such “Green” decisions were very easily changed to suite private interests of certain entrepreneurs: a few years ago a decision was made to give forest management licenses under a condition that the entrepreneurs had to submit sustainable management plans. Nevertheless, the condition was simply abolished under the pressure of the licensees who failed to comply. There is a danger that such practices may be continued in future.

Efficient Consumption of Resources

For the European Union promotion of sustainable development implies efficient use of natural resources. Natural resources truly constitute one of the important factors of economic development. The majority of such resources are exhaustible. In order to ensure their efficient consumption the EU has established a kind of “cost efficiency” calculation practice. This evaluation takes into account social benefits achieved from economic activities on the one hand and damages caused by pollution and deterioration of the environment on the other hand. Numeric expression of these factors is truly a difficult and equivocal. Despite this, it still provides a possibility to weigh up social, economic and environmental consequences of large investment projects. If it becomes clear that taking into account environmental factors the project is not cost effective, it is decided not to implement the project.

The EU is actively looking for similar assessment instruments that could be used to evaluate the economic growth. Currently GDP (its absolute value and fluctuations) is widely used for this purpose. While this is a good instrument for measuring “purely” economic welfare, it does not take into account environmental impacts and exhaustibility of resources. GDP growth may take place at the expense of using certain natural resources that are much more valuable or reduction of which may endanger human health. In such cases proper calculations would demonstrate that the growth is actually a regress.

In Georgia there is no well thought-out resource management strategy. The country is focused to achieve economic growth but there is no analysis of the cost of such growth: what amount of exhaustible and slowly restored resources is spent, what is the environment deterioration and pollution scale or degradation of human health. These factors are not evaluated and weighed against achieved “benefits”.

Transport Policy

While describing the EU sustainable development policy we would like to pay special attention to the transport policy. In this sector the main factor for instability is rapid growth of motor transport because it causes pollution and worsens the quality of life in urban areas. In Europe it is considered that this problem must be addressed through promotion of public transport and diversification of transport types.

EU is trying to achieve this purpose by means of the following measures:

- Reflection of public costs in prices⁵ of different transport means;
- Identification of public transport as investment priority.

The Georgian Government is not using any financial or economic instruments to ensure existence of less polluting transport in the market. A good example of this is the transport sector, where public transport tariffs are not differentiated according to their types. The prices of metro and bus tickets are the same. The population does not have an incentive to use electric or underground transport.

During the last years in Georgia there have been no positive trends promoting less pollutant transport, except for the recent initiative of Tbilisi municipality to restore trams, although not long ago this transport was abolished in the city based on the decision of the same municipality.

It is also worth to note that there is no mandatory technical inspection of automobiles. Many of the automobiles do a serious damage the environment.

There is a positive development that by joining the Covenant of Mayors, Tbilisi City Hall took an obligation to reduce the greenhouse gas emissions in the city. Sustainable Energy Action Plan developed under this program provides a number of measures for reducing the air pollution from transport in the city. The implementation of SEAP has started.

This year an important change was introduced in the area of transport regulation in Tbilisi. A tender was announced for minibus taxis. A private company won the tender. One of the tender requirements was proper technical condition of minibuses. The tender winner undertook an obligation to put into operation new minibuses in compliance with an agreed schedule. This will have a positive impact on the environment, although it also raises questions regarding effectiveness of previous reforms and expenses.

⁵ If the government imposes a certain tax or any other duty, this can have both fiscal and regulatory effects. In some cases such payments are needed only for implementation of a regulatory function. In the transport sector such regulation is important for proper reflection of public costs (environmental pollution caused by transport and its negative impact on human health). Naturally, transport companies will include these costs into prices and the prime cost will increase. Thus, tariffs of different types of transport will be differentiated. This method can create an incentive for customers.

Sustainable development means not only elimination of particular problems but also introduction of specific approaches. Below we will review four such approaches:

- promotion of socially and ecologically beneficial activities through introduction of corresponding public procurement rules
- Implementation of the Polluter Pays Principle
- Promotion of the social responsibility of the business sector
- Inclusion of public into the decision making process.

Promotion of Green Products in Public Procurement

In order to promote green products, the EU Sustainable Development Strategy envisages state stimulation mechanisms including preference given to green products during state procurement. The EU countries harmonized their legislations with this strategy. During public procurement tenders one of the criteria is the environmental impact.

In Georgia, public procurement procedures were significantly refined in 2010. An electronic procurement mechanism was put in place. This stimulated competition and resulted in significant financial savings of the state.

In compliance with the Law on State Procurement, tender winners are those who satisfy conditions of the Tender Commission and offer the lowest prices.

According to the law, the purchasing organization that prepares tender documents and specifies technical and qualitative parameters shall comply with Georgian and International technical standards, although it is prohibited to specify the trade mark, the patent origin or the manufacturer. The above provision does not prohibit the procurement organization to specify environmental impact parameters. Despite this, this opportunity has never been used in Georgia.

Promotion of sustainable development (prioritization of green products) is not included among the objectives of the Law of Georgia on State Procurement.

The Polluter Pays Principle

The “Polluter Pays Principle” is a basis for setting up economic mechanisms of protecting the environment. A government might apply this principle through different activities

and regulations, such as: pollution limits and permits, imposition of mandatory expenses for environmental impact reduction/elimination payable by polluters (not by the polluted/impacted), stimulation of inclusion of pollution reduction/elimination costs into product prices (in order to give an incentive to consumers to choose less polluting products), obliging polluters to restore (remediate) the initial condition of the environment or imposition of responsibilities for pollution etc.

One of the ways of implementing the Polluter Pays Principle is to include pollution costs into product prices. This is done to stimulate application of new, less polluting technologies by entrepreneurs. On the other hand, this approach also creates an incentive for consumers to buy less polluting products. It is widely used not only in Europe but also worldwide. According to the EU Sustainable Development Strategy “prices must correctly stimulate businesses to develop those products and services that reduce environmental impact”.

Unfortunately in Georgia the Polluter Pays Principle is understood one-sidedly, without proper realization and thinking. It is not properly appreciated that if pollution (or remediation) costs are equally distributed among all entrepreneurs or consumers, regardless their share in the environmental impact, this is no longer the Polluter Pays Principle, firstly because such an approach does not provide an alternative (of lowering the environmental impact) and also because it does not stimulate the improvement .

An obvious example of such profanation of the Polluter Pays Principle is the scheme of paying municipal waste disposal service fee in Tbilisi; this is especially true regarding its last modification. Before August 2011, Tbilisi population was paying for waste management based on the number of persons living in each household but starting from September 2011 customers have to pay this tariff in proportion with their electricity consumption. In both cases the tariff has nothing to do with the actual amount of wastes and does not stimulate waste reduction. At the same time, linking this tariff to concrete products and some of their characteristic features that impact the volume of wastes in the city (e.g.: the amount of material used for packaging products offered for sale and/or biodegradation quality of packaging material) would stimulate both entrepreneurs and consumers to use products that produce less wastes. This measure would reduce the volume of municipal wastes much more effectively.

In EU compensation of the environmental damage is regulated by 2004/35/EC Directive. It obliges those operators who pollute the environment to restore it to the initial condition or pay the costs necessary for such remediation. Opposite to this, according to

the legislation of Georgia, an entrepreneur is required to compensate environmental impact to the state regardless whether the state carries out environment remediation measures or not. An individual person or a legal entity is obliged to pay to the state “compensation for environmental damage” for violation of any environmental requirement (e.g.: high exhaust into the atmosphere, disposal of contaminated water into a water reservoir without a permit, illegal hunting, fishing or felling). In reality these funds (in average GEL 4 - 5 million per year) are used to fill up the budget and practically never for restoration of the damaged environment, habitat, ecosystem or specie. In fact payment of these amounts by entrepreneurs relieves them from the responsibility and transfers it to the state. The state uses the situation that the citizens do not demand implementation of this responsibility and the funds received for restoration of the environment are directed elsewhere.

Social Responsibility of the Business Sector

Corporate social responsibility is a voluntary choice of private enterprises to act ethically, taking into account expectations of different social groups and to make a positive impact on the working, social and natural environment.

In EU, all joint stock companies whose shares are publicly traded (publicly quoted companies) and have more than 500 employees, offer their shareholders annual reports describing the “triple effect” – i.e. economic, social and environmental results of the company’s activity.

In Georgia the private sector is very weakly represented. Some large companies carry out one-time charity activities which are part of their marketing campaign. Despite this, due to the difficult economic situation of the country, the population is forced to make choices based on product prices. This places socially responsible companies into a competitive disadvantage. In Georgia, social marketing, closely related to social responsibility of the private sector, is disadvantageous for companies.

In Georgia there is no state control over cartels. Therefore, large companies have an opportunity to regulate prices artificially, which, beyond any doubt is in controversy with social responsibility. The government’s reluctance to regulate this area definitely stimulates oligopoly formation in the market; such state policy is not oriented to stimulate social responsibility of the private sector; it can be even said that the situation is opposite.

The EU Sustainable Development Strategy provides for implementation of social responsibility of the private sector. The status is granted based on different criteria; among other factors, focus is made on procurement of products that are less damaging for the environment.

EU member states are trying to create incentives for the private sector, so that they also include ecological requirements into their procurement conditions. This is achieved by means of advantages granted to such companies during various public services (licenses/permits).

Starting from 2004, the number of activities regulated by the state has been significantly reduced and a considerable part of licenses and permits has been abolished. Despite this, in Georgia certain activities can be implemented only based on a license or permit granted by the state. The state can simplify license/permit procedures for those private enterprises that voluntarily choose to play a positive role in sustainable development (reduce negative environmental impact); the state also can simplify customs and/or tax procedures for such companies. The Georgian legislation does not provide for such incentives, although there is a precedent of simplifying customs procedures for large businesses (the Golden List).

Public Participation in the Decision Making

A widespread practice in EU is public discussion of documents before decision making. At the initial stage documents are prepared for discussion and disseminated for substantial discussions with stakeholders. Although this makes the adoption process longer, the implementation stage becomes much faster and easier, because positions and interests of all stakeholders have already been taken into account.

In Georgia the public inclusion into the decision making process is rare. Not very long ago there were formal grounds for public inclusion: according to the General Administrative Code adopted in 1999, administrative bodies had to observe a public administration procedure for adoption of normative documents. This procedure required publication and public discussion of draft documents. With very few exceptions this requirement has practically always been violated and then abolished in 2010 (after adoption of the new Law on Statutory Acts, the General Administrative Code was amended and the Chapter dedicated to preparation of normative documents was abolished altogether). This legalized the country's widespread practice of completely ignoring public opinion during adoption of policies, regulations and other statutory acts.

Very explicit examples of such practice are the food safety strategy, antimonopoly strategy and product safety strategy documents developed and approved by the government during the past 2 years without disclosing them to the public at any of the stages.

Even more so, Georgia is a party of the AARHUS convention which obliges administrative bodies to ensure public participation while making decisions that may impact the environment. Nevertheless, this requirement is also completely ignored by the government. This is demonstrated by decisions made during the past year in the field of environment management without any public discussions (before submission of the legal document package to the Parliament).

Summary

In this document the authors analyzed those aspects of the EU Sustainable Development Strategy that are relevant for Georgia taking into account its social and economic condition. In Georgia the fields important for sustainable development are either not regulated or weakly regulated. The problem is that trying to achieve “rapid” growth by means of deregulation the government has abandoned the sustainable development concept. The document demonstrates the danger of ignoring sustainable development components. There is an alternative between the sustainable and rapid development. In case of the first option the growth rate is not high but implemented actions are less risky and resources are preserved for the future generations. The second option is rather risky and there is a high chance for the rapid economic growth to be followed by significant regress as a result of ignoring some important factors mentioned in this document. Building of a solid foundation of the economic sector is as important as in case of house construction. Hasty construction implies the demolition risk which can bring regress and substantial financial costs.

We believe that it is expedient for Georgia to develop a sustainable development strategy and gradually start implementation of economic reforms taking into account environmental and social problems.

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