

Sustainable Development Opportunities in Georgia and EU

Introduction

From the historical point of view not a big period of time has been passed from the very moment when governments realized the crucial role of private investments, including Foreign Direct investments in the process of country's economic development and growth.¹ Impressive steps have been made to advance both national and international investment policies. Comparatively significant efforts were made by the governments of so called "developing countries" in particular, which were encouraged by international community through different policy frameworks, model treaties and technical assistance (such as UNCTAD's Investment Policy Reviews).²

However, despite the progress and the lessons learned, the most significant points: 1. to attach investment policy to an overall development plan; 2. to guarantee that investment supports sustainable development; 3. to ensure investment policy relevance and effectiveness for building stronger institutions - in the most cases were not taken in to a consideration. In the majority of cases, the willingness of increasing the amount of investment in to their economies is much more important, then calculation of possible outcomes from that particular investment, in a long run.³

The idea of Sustainable Investing/development, which has grown extremely in the past decade, is also known as Socially Responsible Investing/development (SRI) or "green" investing/development. Sustainable Investing is a variety of investment approach which is oriented to both financial return and social good. In its broadest sense, SRI means including environmental and social aspect in to the investment process.⁴ According to UNEP green economy is the "improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities."⁵ For this reason, different approaches could be used which will finally lead to more sustainable economy development.

For some businessmen, sustainable development/investment is only a matter of their reputation and they usually try to avoid putting their money into businesses that produce arms, alcohol and/or tobacco. Others want to stay away from companies that excessively pollute the atmosphere. Some radically-minded individuals are actively looking for those, who are breaking new ground in social and environmental scene.⁶

Sustainable development means that economic development, social fairness and the natural environment should be balanced. For this reason following pillars should be fulfilled: 1. Social policy should not go against the economic growth and degrade environment; 2. Environment-protective policy should be cost effective and finally 3. Economic growth should be promoted along with social development.⁷ These criteria's are hard but possible to achieve.

In its best case Sustainable Development (which also includes - Sustainable Investment) means - "Development that meets the needs of the present without compromising the ability of future generations to meet their

¹ V. Papava, *Economic Reforms in Post-Communist Georgia*, Nova Science Pub Inc, 2013

² United Nations Conference on trade and development Investment; http://unctad.org/en/PublicationsLibrary/diaepcb2012d5_en.pdf

³ United Nations, *World Economic and Social Survey 2013, Sustainable Development Challenges*; <http://sustainabledevelopment.un.org/content/documents/2843WESS2013.pdf>

⁴ *J. Estes, Smart Green: How to Implement Sustainable Business Practices in Any Industry...*, Wiley, 2009

⁵ UNEP, "Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication", 2011. p.16

⁶ International Institute for Sustainable Development, *Sustainable Investment* http://www.iisd.org/business/banking/sus_investment.aspx

⁷ L. Todua, S. Murgulia, *Sustainable Development and Georgian Reforms, CSR DG*, 2011; http://w3.cenn.org/wssl/uploads/files/Sustainable_Development_and_Reforms_in_Georgia_GEO.pdf

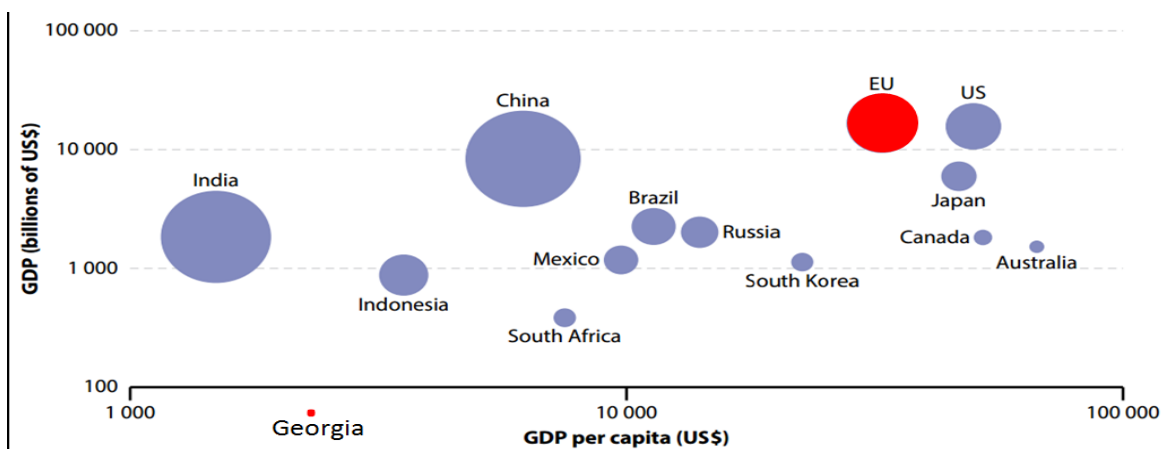
own needs.”⁸ In other words, we are not prevented from the development today, but encouraged to think globally and in a longer terms.

According to J. Blewitt - “Sustainable Development is simple. It is the idea that future should be a better, healthier, place then the present”.⁹ Cary Krosinsky and Nick Robins claim that only through seizing the prospects coming from the megatrend of sustainability can businesses become the winners of tomorrow and investors cannot ignore this fact any longer.¹⁰

The UN conference on sustainable development (Rio+20) declared that - environmental protection should be integrated in to economic growth strategies and both should be linked to decent living and working conditions and equitable access to resources.¹¹

According to the widespread imagination - sustainable development in Georgia is a new trend, which was “followed” by the Georgian government after taking an obligation under the Eastern Partnership framework; however some basic ground for it has appeared in the early 90’s. However, articles published by the group of scientist named “Ecostrat” (ეკოსტრატო), in the Georgian journal – “Economist” in 1992 and 1993 (#12, 1992; #1, 1993), says that sustainable development should be considered as the only way for the comprehensive future development of Georgian state.¹² In other words, this topic was discussed in the Georgian society soon after the gaining of independence in 90’s, however due to the problems faced by Georgian nation (Wars in Abkhazia and Samachablo region, accompanying astronomic inflation rate, mass unemployment, etc) it was simply impossible even to dream about the future development in a sustainable way, therefore initiatives proposed by Ecostrat were doomed to failure, from the very beginning.

Figure №1. The EU and Georgia compared with other economies in the world, 2012¹³



Source: World Bank

On the other hand, it took a very long time of development even for European Union to realize the obvious benefits of sustainable development. The first sustainable development policy was adopted by EU only in 2001 year and has been reviewed for a few times after that.

⁸ UN, “report of the world commission on environment and development”, General Assembly Resolution 42/187, 1987

⁹ J. Blewitt, Understanding Sustainable Development, Earthscan, 2008

¹⁰ C. Krosinsky, N. Robins, Evolutions in Sustainable Investing: Strategies, Funds..., Wiley Finance, 2011

¹¹ 2013 monitoring report of the EU sustainable development strategy, Eurostat, 2013; http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-02-13-237/EN/KS-02-13-237-EN.PDF

¹² The concept for Georgia’s sustainable dev. <http://european.ge/saqartvelos-mdgradi-ganvitarebis-koncepciistvis/>

¹³ NB: The size of the bubbles reflects the population size

Leszek Balcerowicz fairly has found out that society starts to think seriously about ecology only after the per capita GDP income exceeds \$5000 and from this point of view Georgia has a brilliant opportunity to follow the sustainable development pathway while being a developing country with GDP per capita only little bit more than \$3500. But, strong political will and strong sustainable orientation is needed to create a sustainable development plan, which will be strictly followed by any player, not allowing “unethical” investors ruin down the future prosperity.

Before we move to the comparison of Georgia and EU according to different parameters, we should look at very interesting figure №1, showing the real position of EU and Georgia nowadays. It clearly shows the world economic structure. According to the figure, EU is the world biggest economy and by the way the biggest trade partner of Georgia (exports - 21% and imports - 29%).¹⁴

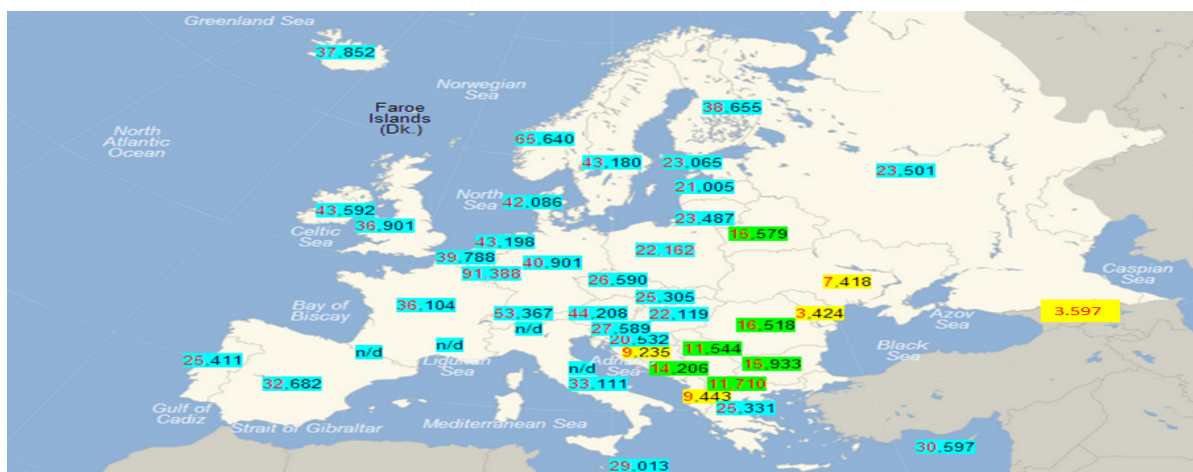
Indicators for Sustainable development

According to EU Sustainable development strategy, there are 10 Sustainable Development Indicators (SDI):

1. Socioeconomic Development.

According to the World Bank official data, average real GDP per capita in European Union is \$23.300 (with the most prosperous Luxemburg – \$91.388 and least prosperous Romania – \$16.518) while in Georgia it equals only to the \$3.6 thousands. However, it should be noted that for the last years Georgia is improving this parameter with a huge steps forward, while EU is fluctuating and decreasing in the last year (see the Figures №2 and №3).

Figure №2. Real GDP per capita in Europe (2012 year).



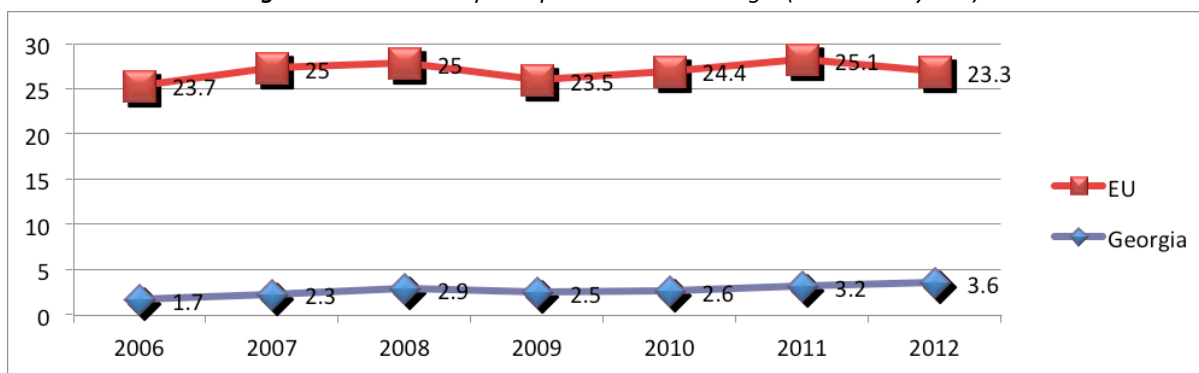
Source: World Bank

Until the world economic crisis of 2008, GDP per capita in the EU was constantly on the rise with a regular growth of around 2.0 %. This tendency was broken up by the sudden economic slump with the economy shrinking by 4.8 % in 2009. As one can see from the Figure №3, the tendency of increasing (in %) was a few times higher in Georgia compare to EU and like in the whole world the crisis of 2008 made its impact on Georgian

¹⁴ National Statistics office of Georgia http://geostat.ge/?action=page&p_id=136&lang=geo

economy in addition to the Russian-Georgian war of the same year. However unlike EU and most other world economies Georgia returned to its growing path very soon and has not went down any more, thanks to the international financial aid equaled to \$4.55 billion (included \$3.7 billion in public loans and grants and \$850 million from the private sector).¹⁵

Figure №3. Real GDP per capita in EU and Georgia (2006-2012 years)



Source: World Bank and National Statistics office of Georgia (Geostat).

According to the Caucasus Barometer 2012 unemployment is the biggest problem for Georgian society.¹⁶ Therefore, promises for its solution are always on the top priorities for the ruling powers in Georgia, but nothing has changed so far, except fake employment policies.

Unemployment rate began to increase after the 2008 year in EU and in 2012 achieved its historical maximum at 10.5%. In 2012, the countries with the highest unemployment rate were Spain - 25.0% and Greece - 24.3%; on the opposite side there were: Austria, Luxembourg, Netherlands and Germany, with rates between 4.3 % and 5.5 %. At the same time period in Georgia, unemployment has been decreased from 16.5% to 15.0% according to official statistics,¹⁷ however experts believe that this numbers are much higher and according to unofficial statistics are equal to something at around 50% if taken in to a consideration the number of unemployed persons in rural areas, which are so called - self-employed.

More detailed look at the unemployment rate shows that youngsters aged below 25 are more strongly affected by labor market deterioration than other age groups. Since 2008, unemployment among the younger generation has increased by seven per-cent, reaching 22.9 % in 2012. The situation is even worse in Georgia, where unemployment rate at the same time period among the same age group has been increased only by 2%, but to the 35%.¹⁸

2. Good Governance.

¹⁵ War-torn Georgia to get \$4.55 billion in aid <http://articles.latimes.com/2008/oct/23/world/fg-briefs23>

¹⁶ The Caucasus Research Resource Center <http://www.crrcenters.org/news/?id=269>

¹⁷ Eurostat and National Statistics office of Georgia

¹⁸ Ibid

How can we achieve good governance? According to EU Sustainable Development Strategy, the following 5 principles are obligatory to manage in a best possible way: 1) Openness, 2) Participation, 3) Coherence, 4) Effectiveness, 5) Accountability - for open and democratic society, involvement of citizens, policy integration, involvement of business and social partners, policy coherence and governance.¹⁹

The USAID Good Governance program in Georgia was launched in the beginning of 2011 year and tackles the democratic and social challenges facing local and national level governance. The program is planned to deal with two main directions: Improving governance and Transparency at the Federal Level Promoting More Responsive, Professional, and Engaged Local Governments²⁰

Of course we can evaluate both EU and Georgia according to the parameters given above and it will be comparatively easy to research EU, however it is almost impossible for Georgia. According to different international observations, researches and indexes Georgia is not a stable country and the wide diversity of results is a clear message for that. The results vary from the safest place in Europe, top country for Easiness of Doing Business, top reformer country to the top place in the list of failed states and last positions in the Global Comparativeness Index.

3. Climate Change and Energy.

Our planet is warming and Europe even more. Recordings of the global land and marine surface temperature show a clear uphill tendency. The average temperature in the last decade for Europe has been increased by 1.3°C above the pre-industrial level. Years between 2001 and 2012 were among the top 13 warmest. This is not a reason for panic but we should prevent this tendency, because otherwise our sustainable development will be under the question mark, however when it concerns to the whole world only Europe can't change neither local, neither global picture.

The positive tendency both for Georgia and EU is that we are improving our figures year after year. For instance: EU has decreased its CO2 emission from 4050 mln tones in 1990 to 3659 mln tons in 2010 (while chine has tripled its figure). Also, Georgia has decreased CO2 emission more than two times in less than 5 years from 1.350 mln tons to 0.6 mln tons.²¹ At the same time CO2 per capita emission in Georgia is much few (1.17 t/per capita) then in US (19.1), Russia (11.21), Latvia (3.66) and/or Turkey (3.59).²²

Georgia is also proud for its high share of renewable energy resources in total energy production, which is equal to 92% (thanks to hydroelectric power plants)! While in EU the same parameter is equal only to – 20.1%. However the EU's renewable energy structure is more diversified (biomass and waste – 67.7%, hydropower - 18.9%, wind energy – 7.7%)²³ and also its Energy efficiency is more sustainable (see the figure №4), then in Georgia, where alternative energy resources are not yet in use (only few exclusions), because of its expensiveness.

¹⁹ 2013 monitoring report of the EU sustainable development strategy, Eurostat, 2013 pp. 255-272; http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-02-13-237/EN/KS-02-13-237-EN.PDF

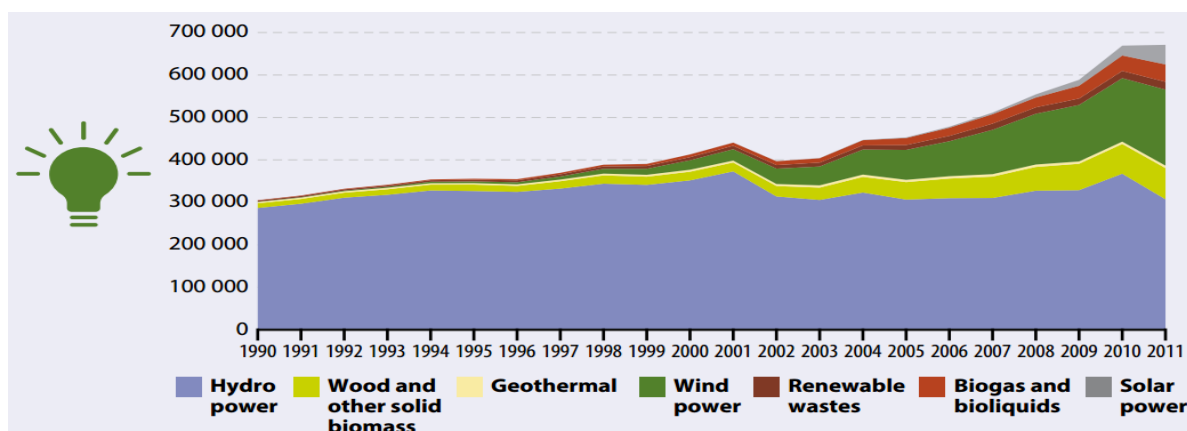
²⁰ USAID http://goodgovernance.ge/portal/alias__G3/lang_en/tabid_4686/default.aspx

²¹ Green Georgia web-page <http://www.greengeorgia.ge/?q=compare-georgia>

²² Green Georgia web-page <http://www.greengeorgia.ge/?q=node/44>

²³ Renewable Energy Statistics; http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Renewable_energy_statistics

Figure №4. Gross electricity generation from renewable energy in EU, 1990–2011 (GW hours)



Source: Eurostat (online data code: nrg_105a)

4. Social Inclusion.

In line with the sustainable development plan, EU tries to actively involve all of its citizens, including the most disadvantaged to the society. This priority is intended to eradicate such challenges, as: poverty, social exclusion, gender inequality and many other problems in its society.

According to Rio+20 conferences, reduction of gender inequalities should be one of the top priorities for our sustainable future development. In the XXI century women are still less economically active than men, but it is not a case for Georgia, where unemployment rate according to Geostat is higher in men (16.1 in 2012 year) than in women (13.8 in 2012 year). The problem here is not a gender misbalance, but high unemployment rate and low wages.²⁴

Unlike other post-communist countries, transformation of economy and start of social protection system creation began from very low level and despite considerable improvement has not yet achieved the pre-crisis level and the main problem here is the number of socially not protected persons. Because of all political and economic disasters occurred with Georgia in 90's its budget became more and more socially oriented (social-oriented expenses are planned at the level of 35% in 2014 year), however, because of the small amount of state budget itself (9 bln Gel),²⁵ it doesn't allow the government to help each socially vulnerable citizen in a proper way, moreover it prevents a possibility for sustainable state development. This issue is also a very big problem in EU. Between 2008 and 2012 the number of people at risk of poverty or social exclusion increased considerably by about 7.5 %, from 115 mln in 2008 to around 124 mln in 2012. While, previous to the economic crisis, this number had been gradually declining, reaching a minimum of 113.7 million in 2009.²⁶

Both Georgia and EU will continue the battle against poverty challenge, because otherwise sustainable development could not be achieved, however every coin has two sides and improvement of one side could be seen as a deterioration of the other and a golden mean is hard to find. For instance, the labor code invented in Georgia in 2006 year was totally business oriented (to attract more investments) and for this action Georgia improved its

²⁴ Social protection and social inclusion in Georgia, European Commission, 2011.

²⁵ Ministry of Finance of Georgia <http://www.mof.ge/5199>

²⁶ In-Depth Review of Energy Efficiency Policies and Programmes Georgia; http://www.encharter.org/fileadmin/user_upload/Publications/Georgia_EE_2012_ENG.pdf

positions in “doing business” index.²⁷ With the new government in power in 2012 this labor code was changed to be more employee oriented and was appreciated by the local citizens, however business did not liked it, claiming that business was pressed against the wall.

5. Demographic Changes.

Demographic picture of Georgia has changed to a large extent for last two decades (however, ethnic composition of Georgia’s population has been changed in a positive way from 68.8% of total population in 1979 to 83.8% in 2002). Mainly because of economic migration over one million Georgians has left the country and today the Georgian populations hardly equals to the 4.5 mln people (2.4 mln in urban areas and 2.1 mln in rural areas). On the contrary EU population is rising, however not based on the fertility rate improvement (1.45 children per woman in 1.57 in 2011), but from the natural inflow of migrants.²⁸

Despite the fact that for last year’s: 1) fertility rate has been increased considerable (After the head of the Georgian Orthodox Church, Patriarch Ilia II, came up with an incentive in 2007, to personally baptize any baby born to parents of more than two children);²⁹ 2) natural increase rate is positive; 3) There is a significant decline in infant mortality rate from 41.6 per 1,000 live births in 1999, to 11.2 in 2012 year (by 25% - achieving historical maximum, since gaining independence), the UN calculations the population of Georgia will decrease by almost 1.17 million by 2050 (EU is also expected to decline, by around 14%). However there do exist also another calculation, done by US Census Bureau, which is more loyal to Georgia and says that population will increase by 600 000 people in 2050 (For EU predictions are the same – decrease).³⁰

Also, a big problem for both Georgia and EU is population aging, which will decrease the amount of working power (i.e. decrease in governmental incomes) and increase governmental obligations (i.e. increase in governmental outcomes) to the society, which is a big danger for any economy especially like Georgia and EU where population is decreasing, while immigration rising.

6. Public Health.

Healthy life is playground for well-being and for full contribution in society. Social protection in Georgia and EU includes governmental responsibility for healthcare. Since 2012 in Georgia, there is a national insurance policy working on under which almost half of the population (2.1 mln people) is insured for health care (students, socially vulnerable, children unde 0.5, disabled persons, pensioners, etc.).³¹ Thanks to the program the number of visits in medical institutions in 2012 year has increased around by 20%, compared to the previous year (from 7708 to 9495).³² The similar policies in EU vary country to country and are the most stable in Scandinavian countries, where the social protection is prospering.

²⁷ V. Charaia, hard topic, Business Time Georgia, #1, 2013 year; http://btime.ge/page.html?id_node=466&id_file=4279&lang=

²⁸ Central Intelligence Agency (US); <https://www.cia.gov>

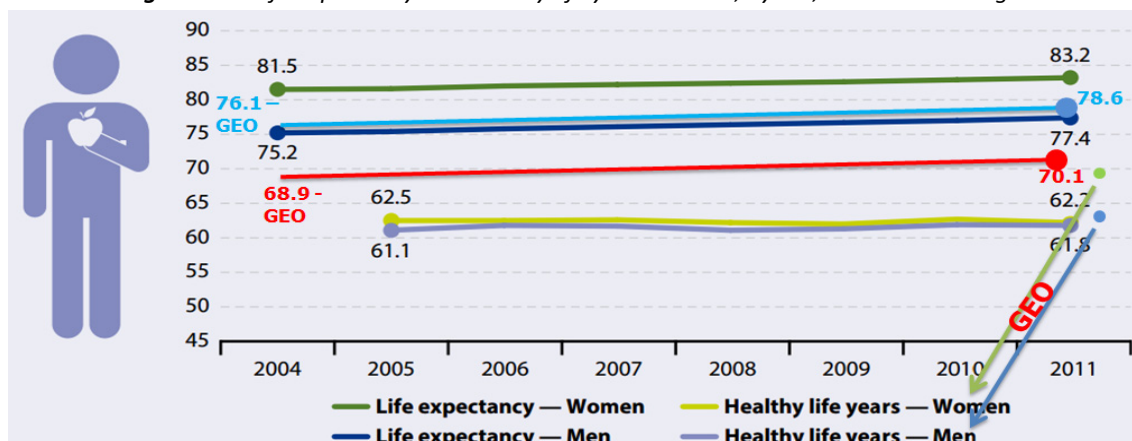
²⁹ BBC news, Church leader sparks Georgian baby boom; <http://news.bbc.co.uk/2/hi/europe/7964302.stm>

³⁰ Central Intelligence Agency (US) <https://www.cia.gov>

³¹ Transparency International <http://transparency.ge/blog/saqoveltao-janmrtelobis-datsvis-sakhelmtsipo-programa-problemebi-da-rekomendatsiebi?page=2>

³² National Statistics Office of Georgia; http://geostat.ge/index.php?action=page&p_id=197&lang=eng

Figure №5. Life expectancy and healthy life years at birth, by sex, EU-27 and Georgia



Source: EU sustainable development strategy 2013 and www.countryeconomy.com

Despite the fact that life expectancy is one of the highest in EU (with the highest for women in France - 85.7 and lowest in Bulgaria - 77.9 and highest for men in Italy - 80.1 and lowest in Lithuania - 68.1) and average in Georgia (compared to developed countries), another index called "healthy life years" is much better in Georgia than in EU (see the figure №5).³³ At the same time it should be noticed that for the last years the number of morbidity with acute and chronic diseases has been increased in Georgia (while this index is decreasing in EU), due to unhealthy lifestyle; however the positive tendency is that the morbidity of patients with tuberculosis has been decreased almost by 20% during 2009-2012 years, because of its better treatment.³⁴ For sustainable development, life expectancy should be increased both in EU and Georgia, and it could be done only through improvement of quality of life.

7. Sustainable Transport.

Transport plays a vital role in contemporary society. Consequently, transport matters. Transport issues do have social and environmental impacts. Transport's emission of green house gases impacts on climate change and air pollution, noise has a negative impact on human beings, etc. However, neither the EU's transport system, either Georgia's is not yet sustainable.

EU tries to invent different policies to promote more sustainable transport system in its countries, through tax concessions; however the main problem here is the upward tendency of car amount, which damages human beings, infrastructure and environment. In Georgia the situation is even worse, used cars from Europe and rest of the world (aged 10 years in average) is coming to Georgia, causing as much negative effects as it is possible. Moreover there is no obligatory vehicle checking policy in Georgia, like in EU (it was removed in 2005 year, however expected to be reinvented back in next year's, cause of AA requirement with EU).

8. Natural Resources.

Land and water refers to the bio-physical coverage of country. Forests and other wooded areas occupied 41.2 % of the total area of the EU in 2012. It covers more than one third of the total area in Sweden

³³ Country Economy web-page <http://countryeconomy.com/>

³⁴ National Statistics Office of Georgia; http://geostat.ge/index.php?action=page&p_id=197&lang=eng

(75.6 %), followed by Finland (71.8 %) and Estonia (60.6 %). At the other end of the scale, forests and other wooded areas were most limited in Ireland (13.2 %), the Netherlands (12.6 %) and Malta (5.1 %).³⁵

In Georgia, forest covers around 40% of its surface. Georgia is very rich in water resources. There are 26060 rivers with the total length of 59 thousand kilometers, most of which are small rivers (up to 25 km). There are a lot of thermal and mineral water springs in the Georgia, as well as natural and mechanic water reservoirs.³⁶

It doesn't take a genius to understand that Natural resources are the key element for sustainable development of any country, especially of EU and Georgia – tremendously rich in this resource. Thus, if EU's and Georgia's consumption habits accept the physical limits of the biosphere and ecosystem, both of them will be lead to the greener economy and consequently overall human well-being will be promoted. For this reason EU tries to cope with natural resources through the following policies: Common Agriculture Policy, Common Fishery Policy, EU Adaptation Strategy, EU Green Infrastructure Strategy, etc. Like anywhere else, the situation is far from perfect also in Georgia; however there are trends for improvement, which gives a positive signal to the followers of sustainable development (increase of special territories to 11% of the country's territory, where wild nature is preserved and protected).

9. Sustainable Consumption and Production.

Energy consumption for 2011 year in EU-27 (see figure №6), similar to previous years, is mainly dominated by the transport sector, accounting for one third, followed by households and industry sector, amounting to 25% and 26% of final energy consumption respectively. It should be noticed that transport and service sectors has been increased significantly (by 1/3 each), compared to 90's. Also, energy-intensive technologies (Computer, air conditioning and so on) has increased energy consumption considerably in the service sector.³⁷

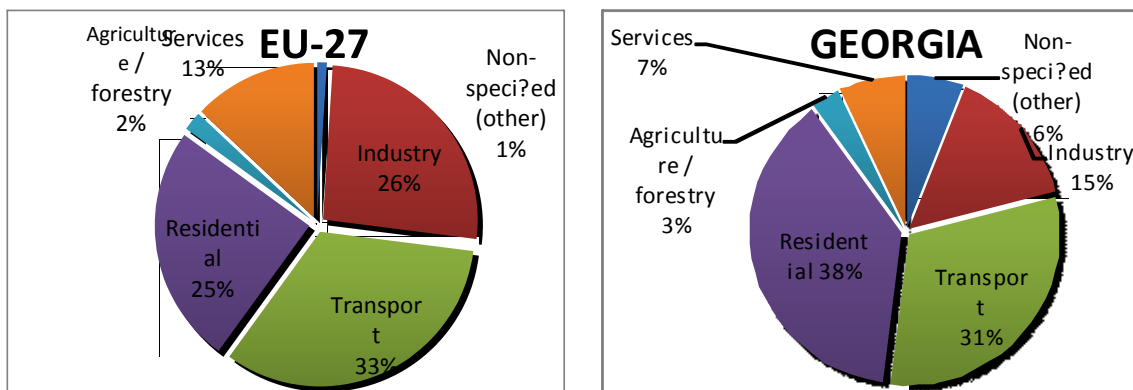
³⁵ 2013 monitoring report of the EU sustainable development strategy, Eurostat, 2013 pp. 217-234; http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-02-13-237/EN/KS-02-13-237-EN.PDF

³⁶ Ministry of Environment and Natural Resources Protection of Georgia; <http://moe.gov.ge>

³⁷ 2013 monitoring report of the EU sustainable development strategy, Eurostat, 2013, pp 67-96; http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-02-13-237/EN/KS-02-13-237-EN.PDF

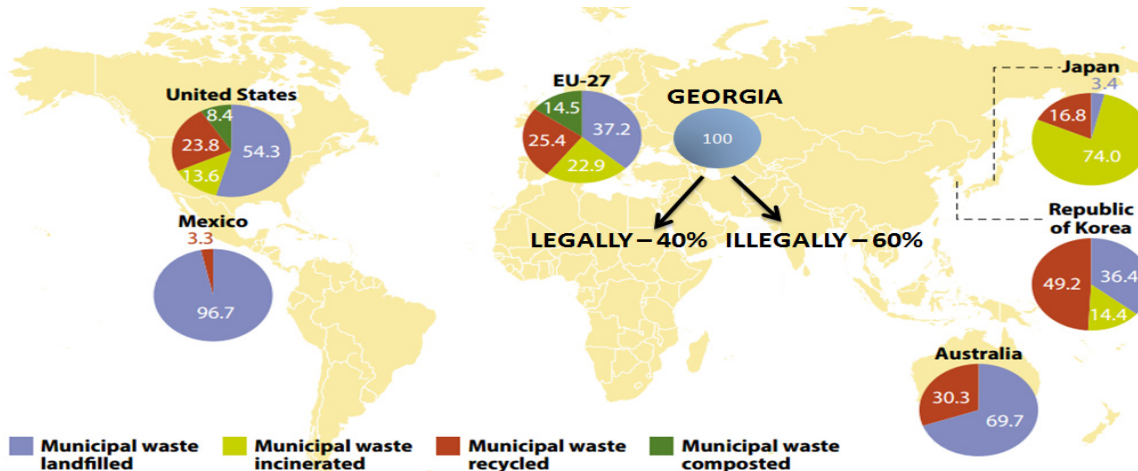
The case for Georgia is little bit different. The main energy consumption sector is households, followed by transport and industry segment, unlikely to EU-27. If the figures on the left (EU-27) shows us the distribution of energy consumption for the developed world, on the left side we could see how the developing country's economy is function, where residential sector is consuming two times more Ktoe (million tons of oil equivalent) then industry sector and the % of Service in the final energy consumption is almost two times less in Georgia compared to EU-27.³⁸

Figure №6. Final energy consumption, by sector, EU-27 and Georgia



Source: International Energy Agency (IEA)³⁹

Figure №7. Municipal waste treatment, by countries and regions, 2011⁴⁰



Source: Eurostat (online data code: tsdpc240)

³⁸ In-Depth Review of Energy Efficiency Policies and Programmes Georgia; http://www.encharter.org/user_upload/Publications/Georgia_EE_2012_ENG.pdf

³⁹ Energy Balances Statistics; <http://www.iea.org/statistics/topics/energybalances/>

⁴⁰ NB: 2003 data (instead of 2011) for AUS and JP; 2004 data (instead of 2011) for Republic of Korea; 2005 data (instead of 2011) for US; 2006 data (instead of 2011) for Mexico; 2011 data for EU-27 and Georgia.

From the sustainable development point of view it means that in Georgia we are using our energy resources not for construction and production of new goods which could substitute foreign import in a short term and produce more export products in a long run, but simply to cover everyday needs. In other words - no sustainable development could be achieved in this way.

European Union is outperforming the most countries given on the map; the only surprise for EU is Korea, where almost 50% of all wastes are recycled (Figure №7). The same parameter for EU is 40%, which means that this amount of waste is recycled or composted. Unfortunately, the terrible situation is in Georgia, nothing is done in this area in a sustainable way. However, investments are done and according to the calculation around 9% of all wastes could be recycled in the year 2034.⁴¹ Let's wait and see.

11. Global Partnership

Advancing global partnership should be one of the top priorities of the international community. Acting separately individual countries are doomed to the failure from the very beginning. International organizations were created exactly for the reason to united countries and regions for the common goal, which will be oriented for the prosperity of everyone.

For this reason different policies were elaborated, for instance: The European Consensus on Development (adopted in 2005 year) shows the EU dedication to reduce poverty and support a peaceful development in the world.⁴² The document identifies shared values, goals and obligations to put into practice in EU member state development policies. In 2012 Council of Europe adopted the "Agenda for Change", which focuses on:

3. Human rights, democracy and other key elements of good governance, and
4. Inclusive and sustainable growth for human development.⁴³

Some of the global partnership examples for Georgia are: a GSP+ and Deep and Comprehensive Free Trade Agreement projects with EU, which gives a lot of advantages for international trade between EU and Georgia. Even more important document is Association Agreement, which will give a chance and promote Georgia to fully come in line with EU standards and cooperate with minimum barriers.

GSP+ ensures preferences for developing countries (reduced or special tariffs), which covers 7200 types of products could be imported to EU with special conditions in the event of proper adherence to sanitary and phyto-sanitary norms. Unfortunately for Georgia, its strategic goods – wine and mineral waters are not included in "GSP+" list and consequently are taxed while imported to EU market.

On the other hand DCFTA will provide Georgia with an opportunity for trading with EU in free trade regime, of course in case of compliance with relevant standards. The economists assume that ensuring compliance with EU standards in short period of time will be expensive as for the Government of Georgia so for the business, however it will be really profitable in a long run prospective. According to the results of survey implemented by UNDP, enactment of free trade regime between EU and Georgia could have the following results:⁴⁴

- ✓ Insignificant negative impact on fiscal revenues;
- ✓ Insignificant positive influence on all sectors of local production;

⁴¹ The future of municipal waste treatment in Georgia; <http://liberali.ge/ge/liberali/articles/113985/>

⁴² European Commission, The European Consensus on Development; http://ec.europa.eu/europeaid/what/development-policies/european-consensus/index_en.htm

⁴³ European Commission, Agenda for Change http://ec.europa.eu/europeaid/news/agenda_for_change_en.htm

⁴⁴ V. Charaia, "Eastern Partnership Status Quo Assessment and Future Prospects", EU Integration Issues - Visegrad Countries and the South Caucasus, Caucasian Institute for Economic and Social Research, Tbilisi, 2013. http://www.csogeorgia.org/uploads/library/108/EU_Integration_Issues_Visegrad_Caucasus-geo.pdf

- ✓ Purchasing power of population will be increased as well as nominal GDP;
- ✓ Increase of direct investments and stronger international support.

Conclusion

While EU is recovering from the world financial crisis of 2008 year and taking back its top positions in different areas (in a sustainable way), there is not very optimistic reality for Georgian state development (in a sustainable way).

From one point of view it is obvious that Georgia's future should be and must be closely related to the sustainable development, however, on the other hand continuous fake projects are destroying Georgian economy day after day (in a long run) and the light in the end of the tunnel is dying very fast. Urgent interference is needed. Economic development, social fairness and the natural environment should be balanced in the name of sustainable development.

Georgia, as well as EU (in a less extent) should work hard in the following areas: decreasing air pollution; create and improve clean transport system; focus on bio products mass production; attract only "green" investments; cooperate with international community for global sustainable projects; invention of better social protection system; better health care, climate change on local and global levels; and etc.

Therefore the projects for short and long period of time should be elaborated by Georgia. In the short term such activities could be: 1. Closer cooperation with EU institutions under the Association Agreement; 2. Invitation of high qualified experts from different countries to use the world's best practices and to adapt it to Georgian reality. On the long run, such ideas could be: 1. Creation of long term plans, like "Georgia 2020", with the special focus on sustainable development; 2. Closer cooperation with EU organizations and follow of adequate recommendations, which is always a problem in Georgia; 3. Special amendments to the Law, which will oblige investors to be more interested not only in profit making, but supporting sustainable economic grows in Georgia.

The only future Georgia and EU have is a sustainable future in a sustainable environment.

Literature:

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