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# GEOGRAPHICAL PROBLEMS OF ECONOMIC DEVELOPMENT OF THE SEASIDE TOWNS CONTROLLED BY THE GOVERNMENT OF GEORGIA: THE CASES OF BATUMI AND POTI

## GEOGRAFICZNE PROBLEMY ROZWOJU GOSPODARCZEGO MIAST NADMORSKICH KONTROLOWANYCH PRZEZ RZĄD GRUZJI (PRZYKŁAD BATUMI I POTI)

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### Abstract

The main goal of the study is to identify and classify economic problems in the cities of the coastal zone of Georgia. For this purpose, the Georgian coastal cities of Batumi and Poti have been selected. The research attempts to answer three strategic questions: 1. What is the relationship between the authorities of the seaside city and the existing business entities? 2. How does the population assess the role of authorities at various levels in the economic development of the cities under study? 3. What is the participation level of the population in economic projects in their cities?

The study is empirical in nature. The main method used is triangulation (document analysis, qualitative research, quantitative research, mapping), partly a case method, and comparative analysis.

It has been established that the territorial resources of both cities are severely limited for their future economic development. The study presents a classification of the existing

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problems hindering the economic growth of coastal cities based on expert assessments. It turns out that owing to limited financial resources, city municipalities cannot increase their participation in current economic projects. The article reveals certain disagreements between the interests of municipalities and economic entities. Furthermore, a survey conducted among the population shows an indifferent and even negative attitude of the local population towards the role of local municipalities in the economic development of cities. The research indicates that an involvement of the urban population in ongoing and promising economic projects in cities is rather low.

**Keywords:** Georgia, Batumi, Poti, seaside towns, territorial expansion, economic development.

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### Streszczenie

Zasadniczym celem pracy była identyfikacja i klasyfikacja problemów gospodarczych w głównych nadmorskich miastach strefy przybrzeżnej Gruzji. Do badań wybrano miasta Batumi i Poti. Postawiono trzy pytania szczegółowe: (1) Jakie są relacje między władzami nadmorskiego miasta a istniejącymi podmiotami gospodarczymi? (2) Jak ludność ocenia rolę władz różnych szczebli w rozwoju gospodarczym badanych miast? (3) Jaki jest poziom uczestnictwa ludności w projektach gospodarczych w ich miastach?

Badanie ma charakter empiryczny. Podstawową metodą jest triangulacja (analiza dokumentów, badania jakościowe, badania ilościowe, mapowanie), częściowo metoda przypadków i analiza porównawcza. Stwierdzono, że zasoby terytorialne obu miast są poważnie ograniczone dla ich przyszłego rozwoju gospodarczego. Na podstawie ocen eksperckich dokonano klasyfikacji istniejących problemów hamujących rozwój gospodarczy miast nadmorskich. Ustalono, że ze względu na ograniczone środki finansowe gminy miejskie nie mogą zwiększyć swojego udziału w bieżących projektach gospodarczych. Ujawniły się pewne rozbieżności między interesami gmin i podmiotów gospodarczych. Natomiast badanie mieszkańców wykazało obojętny, a nawet negatywny stosunek miejscowej ludności do roli lokalnych gmin w rozwoju gospodarczym miast. Wykazano raczej niski poziom zaangażowania ludności miejskiej w realizowane i obiecujące projekty gospodarcze w miastach.

**Słowa kluczowe:** Gruzja, Batumi, Poti, nadmorskie miejscowości, ekspansja terytorialna, rozwój gospodarczy.

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## INTRODUCTION

The Black Sea area of Georgia embraces the territories of four regions – the Autonomous Republic of Abkhazia, Autonomous Republic of Adjara, Samegrelo, and Guria, out of which the first is occupied by the Russian Federation and is entirely out of effective control of the Georgian government (Darjania et al., 2018). This area is a dynamic combination of land and sea including an ecosystem of marine, coast, and terrestrial subsystems (Sandhu et al., 2019).

The strengthening of the country's transit potential through the Georgian ports of the Black Sea plays a significant part in Georgia's economic development. Therefore, it is very important to conduct a systematic study of the economic potential of coastal cities (where the seaports are located) and to identify opportunities for Georgia's inclusion and development through ports in the global economic space. Georgia, which is part of the Black Sea area, performs a vital transit function in the Caucasus Region, as well as in the whole New Silk Road area (Danelia, 2018).

Georgia, the only South Caucasus country with access to the Black Sea, does not have a deep seaport that would allow it to reach its full transit potential and, accordingly, contribute to the economic development of the seaside towns. However, the Batumi and Poti seaports play an important role in enhancing Georgia's strategic transit function. Because of its strategically important geographical location, the Black Sea region has a key transit function between Europe and Asia.

Given the development, it seems that seashore cities stand better chance than those located in a different geographical location (Vleugels, 1969). However, according to modern neoclassical theories (Growth Pole Theory), such views are not confirmed today (Vallega, 1996).

Until now, port cities have been considered as an important element of coastal zone socio-economic development. They continue to occupy urban spaces, are embedded in local information systems, draw on urban labour markets and infrastructure and are subject to local policies (Hall, Jacobs, 2012).

However, there is a significant difference between the economic growth of seaside towns and the development of ports, even though most port cities are associated with ports. Making the growth of all local industry dependent on the performance of the port can be a risky strategy, particularly in smaller port cities. Overdependence on the port can render an urban economy vulnerable to the notoriously volatile shipping industry (Merk (ed.), 2013). As studies show, a seaport is no longer considered a territorially fixed entity but a complex assemblage of agents in the system of flows (Ducruet, Notteboom, 2009).

Traditionally, a port city means a city that is built around the port to create the necessary infrastructure for its functioning. However, the involvement of seaside towns in the process of globalisation often makes them "forget" their main purpose. Therefore, the vector of their territorial and socio-economic development goes in a completely different direction. In order to acquire the status of a port city, the port must become the main actor of the city organisation, not just an additive. This is a very complex issue and requires empirical research to assess the level and specifics of the territorial and socio-economic development of port cities.

On the other hand, it is necessary to study the attitude of the population of port cities towards current economic processes. Based on the foregoing, we will consider the cities under study as coastal cities in which ports are located, since (as we will see below) at present the ports cannot or do not play a serious role in

the economic development of these cities. From our point of view, a port city is a special functional type of city that develops in a favourable geographical position on the coast. The “marine component” (port and transport, industrial, and tourist and recreational) dominates in urban functions. Favourable natural and climatic conditions pose a serious dilemma whether coastal cities should develop a port economy or a tourist and recreational system. If the first develops, the second faces a certain problem (e.g., environmental), and in the reverse situation, the city may lose its transit-economic function. The studied cities (especially Batumi) confronted this dilemma. In the 19th and 20th centuries, Batumi and Poti developed maritime transport and international trade, along with military-administrative and port-industrial functions. In independent Georgia, the relations between port functions and city development have loosened (Dolbaia, 2011).

Georgia’s long-term plans at the municipal level are dominated by the development of tourism and recreational infrastructure (Document of medium-term..., 2018–2021). However, for the development of tourism, it is not enough to have a tourist infrastructure, a good landscape and a hospitable climate. What is also important is a stable and secure environment (Russia’s military aggression and the occupation of Georgian regions severely hampered the development of tourism in the explored cities in the 1990s). On the other hand, a liberal political system is needed, which primarily implies the existence of real local self-government and the active participation of the urban population in economic affairs. Port cities have one common challenge: to increase the net positive incomes from their ports. This diversity of port-city relations is determined by the relative importance of the port vis-à-vis the city, the spatial constellation of the port (in or outside the city centre), and the development perspective of the city. The common challenge of many port cities is what we call the local-global mismatch (Merk, 2013). A re-appreciation of urban economic processes in maritime studies with respect to geographical theory will provide policy-makers and others with more understanding of why deep connections between ports and urban places still matter (Hall, Jacobs, 2012).

## **METHODS AND MATERIALS**

The theoretical basis of the study was the classical and modern works of specialists devoted to the fundamental problems of the theory of development of coastal cities (including port cities).

The scientific literature related to our research can be provisionally divided into four blocks:

1. Research which is mainly devoted to the general theoretical issues of ports and port cities (e.g., Vleugels, 1969; Vallega, 1996; Baas, Huisingh, 2008; Ducruet, 2009; Ducruet, Notteboom, 2009; Graafland et al. (eds.), 2001; Hall, Jacobs, 2012; Antonidze et al., 2019; Notteboom et al., 2022 etc.).

2. Research papers that directly link the economic development of coastal cities to the presence of ports (e.g., O'Connor, 1989; Barton, Turnbull, 2002; Herrera, Pang, 2008; Dolbaia, 2011; Ducruet et al., 2012; Notteboom et al., 2016 etc.).
3. Research papers that examine economies of coastal cities mainly from a blue economy perspective (e.g., Merk, Dang, 2013; Sandhu et al., 2019; Birtill et al., 2021).
4. Economic development studies in Batumi and Poti (e.g. Telford, 2006; Danelia, 2018; Birtill, Gill, 2021).

What is worth noting is the fact that the socio-economic problems of the studied cities were explored by Polish and Georgian geographers. Their work was mainly related to industrial (Mađdry, 2021) and social (Kaczmarek-Khubnaya, 2021) problems with the definition of the functional type and competitiveness (Darjania et al., 2018) of the studied cities in the context of regions or countries. However, the internal territorial problems of the development of the studied cities were omitted (because of the different research objectives). This article fills a gap that is not described in the previously mentioned works.

**Research methods:** document analysis, qualitative research, quantitative research, cartography.

**Methods of data acquisition.** Popular Internet search engines were used (<http://www.google.com>; <http://www.msn.com>; <http://www.search.aol.com>, etc.), as well as electronic scientific databases (Elsevier SCOPUS, Elsevier Science Direct, JSTOR, EBSCO host). Various word-key combinations were applied to collect the data. The information was also obtained from the National Statistical Service of Georgia, City Councils and City Halls of Batumi and Poti, port authorities, governmental or non-governmental organisations working on our research problems.

During the study, both primary and secondary information was collected, especially:

- scientific articles about coastal cities, port cities and industrial zones;
- relevant legal acts on relations between city and port activities and free industrial zones;
- reports on socio-economic development and policy of coastal cities.

The presented work is based on:

1. field research conducted in Poti in 2016 (June–July) and Batumi in 2017–2018 (July–August);
2. public information about local municipalities;
3. completed research projects (e.g., Civitas Georgia International Association, 2011; Labour market research; Batumi, 2016 etc.);
4. reports of local municipalities (e.g., Decree No. 7/48 of Poti Municipality; Decree No. 41 of the Batumi City Council);

5. For a quantitative study, a stratified cluster sampling design was used in both cities. The survey method was used in which the respondents were given pre-prepared questionnaires that included the following variables: awareness, assessment and result. The sample size for Poti was 300 people (PN=300) and 325 for Batumi (BN=325); (6) The key method which helped to identify research objectives as well as improve the findings was a structured panel interview with experts.

**Methods of data analysis.** Statistical information about cities and quantitative survey data were processed in SPSS (19.0). Studying the opinions of experts and processing the received data were based on qualitative content analysis.

**Research limitations.** Since the study is voluminous (the presented research was conducted by the authors of the article), the article shows only those coastal cities with seaports that are under the control of the Georgian government.

**The spatio-temporal framework of research.** The temporal scope of the work focuses on the years 2016–2018 and the spatial scope on the analysis of Batumi and Poti – the only functioning seaports in Georgia.

## BACKGROUND

The economic development of the studied cities is significantly affected by their geographical location, the possibility of territorial growth and their functional diversity. With the strengthening of the economic function of the port city, problems that worsen the ecological function arise. Unfortunately, it is impossible today to get a balanced result in both cases. This is the situation of the cities under study.

Batumi is located in the western part of Georgia, in the autonomous republic of Adzharia, on the wide coast of the Batumi Bay, which, in turn, is adjacent to a wide strip of the Kaharbery lowland. The Black Sea coast and the port of Batumi are important assets of the city. The port is located in the north-eastern part of the city in the Batumi Bay. To the south-west, there is the old town (old Batumi), and further on, a dynamically developing service district (mainly for business purposes and for tourists).

The main part of the infrastructure intended for tourists is located in the coastal zone, including the 7-kilometer Batumi Boulevard. The city itself, in addition to the sea quarter, has also a river watershed created by the Korolistskali and Bartskhana rivers. The distance from the sea coast to the hills is 1–2.5 km. The area covers approximately 19,370,000 m<sup>2</sup>. The administrative units of the city in 2013 are shown in (Fig. 1).

The boundaries of the self-governing city of Batumi were established by the Decree of the Parliament of Georgia No. 4757-I of June 14, 2011. By this decree, new territories were annexed to the city. As a result, the number of the administrative units in the Batumi municipality increased to 13 (Fig. 2).



**Fig. 1.** Batumi Administrative Units  
Source: NAPR, 2013. Mapping tool GIS 3.28, compiled by Chkhaidze.

After the expansion, the area of the city increased 2.6 times (from 25 km<sup>2</sup> to 65 km<sup>2</sup>) and its administrative boundaries included several new settlements. When taking into account the attached settlements, three main functional types can be distinguished (Fig. 3).

In the course of the study, even with the naked eye, it became obvious that those problems were caused by the mechanical territorial growth of the city, which makes it necessary to reconsider both the configuration of the new borders and their content. Although the boundaries of the city are supported by legal documentation, its adequacy seems highly questionable given the environmental conditions (natural landscape) and socio-economic reality (TSU research project, 2017).

The fact is that the definition of the border was not preceded by field work, and demarcation was not carried out at all. Thus, the fixed city boundaries of Batumi do not include important areas for the city. In particular, this applies to part of the



**Fig. 2.** Batumi territorial expansion  
 Source: NAPR, 2022. Mapping tool GIS 3.28, compiled by Chkhaidze.

Batumi beach (about 30 meters from the sea), about 50-meter strips of the Batumi beach with the Anbani tower and the airport, a fragment of the coastal facilities of the port (about 4,000 m<sup>2</sup>), etc. Therefore, instead of following the natural border, the administrative division coincided with the highways. As a result, one side of the road falls within the boundaries of the city, while the other does not. These defects are especially noticeable in serpentine conditions, where every second house belongs to the city.

Resort-type settlements	Settlements with urban functions	Type of agricultural settlements
Gonio, Kvariati, Green cape	industrial area Adliya Anga	Injlo Mejnistskali Makhvilauri

**Fig. 3.** Functional types of attached settlements  
 Source: own elaboration based on the Batumi Urban Development Strategic Plan, 2013.



Today Batumi combines the function of one of the most important administrative centres in western Georgia. The temporary exclusion of Sukhumi from the country's settlement system, the transformation of Zugdidi into a dead-end city, and the deterioration of the main functions of Kutaisi played an important role in demonstrating the potential of Batumi (TSU research project, 2017). In this regard, Batumi differs from other cities in that the possibility of maritime transport greatly enhances its logistical capabilities, in addition to road, rail, and air transport.

Studies show that if during the Soviet occupation, proximity to the Turkish border played an important role in the development of Batumi, today the seaport only partially determines the functions of the city.

As was already mentioned, the city of Batumi has limited resources of the territory for economic development. For this reason, the expansion takes place along the coastal zone, which in turn is a big problem for the conservation of sensitive ecosystems along with economic growth. The city does not have the right to allocate money to solve this problem, which is a serious legal flaw.

As for Poti, the Black Sea borders the west of the city. In the north is the right side of the Rioni River and in the southeast, the Kaparchina River and Lake Paliastomi. Poti and its environs is a complex region from the reclamation and ecological point of view. This difficulty is due to its climatic conditions and terrain factors. The area of the city is 69 km<sup>2</sup> and it is constantly submerged in water, which in turn is due to many factors. The most important include active industrial construction, oil wells, and peat extraction (TSU research project, 2017). The situation is aggravated by tectonic barriers built along the Rioni River (meaning: dams, channel change, etc.).

The study has found that the possibilities of territorial expansion for the city (as in the case of Batumi) are limited. After the Rioni River changed its course and ended up 7 km north of the city, the sea approached the city. We received data when some areas of the coastal zone were below sea level (-0.30 m). This factor significantly limited the territorial development of the city in a northerly direction. An essential part of the city is constantly drowning in water. From that perspective, the main vector of the territorial development of the city will mainly be the southern direction (Fig. 4). The territorial concept of this zone assumes the following types of activity: the development of recreational and resort, landscape and recreational zones, and the arrangement of sports and recreational complexes, landscaping of Golden Lake (Lake is located, near the town of Poti, by the Maltakva River. The lake is a rowing channel) and coastline, organisation of beach infrastructure and engineering transport from the Maltakva Canal to Nikoladze Island.



**Fig. 4.** Potential for territorial expansion of the city of Poti  
Source: NAPR, 2022. Mapping tool GIS 3.28, compiled by Chkhaidze.

**Social position and labour market**

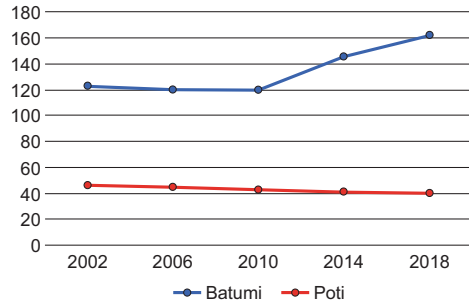
The economic structure of Batumi and Poti has undergone drastic changes since the restoration of independence: many of the old sectors of the economy have been completely shut down or reduced in production, not being replaced by suitable alternative industries to ensure proper recovery and new economic growth. This circumstance has led to a significant reduction in the population of all settlements, except for Batumi, over the past 25 years (Darjania et al., 2018). Until 1989, the total number of the Batumi and Poti population grew systematically. Unlike Batumi, Poti saw a negative balance of migration between 2002–2018, which had a serious effect on the city’s population growth (Fig. 5).

Many of the remaining residents are unemployed. Consequently, they have insufficient income, which is reflected in the low quality of their life. At the same time, a significant number of internally displaced persons (IDPs) from the conflict

regions of Georgia (Abkhazia and the Tskhinvali region, the so-called “South Ossetia”) live in Batumi and especially in Poti, further aggravating the situation and increasing the vulnerability of the population.

Therefore, in 2016 Poti social spending amounted to 1,071.1 thousand lari (Georgian currency), which was fully financed by the city’s revenues and amounted to 7.7% of the total expenditure (Decree №7 / 48 of the Poti Municipality). Support for health and social services is the Achilles heel of the municipalities.

Social spending in Batumi is almost six times higher than in Poti. In 2016, it amounted to 7,695.7 thousand GEL, which is 8.1% of budget expenditures (Decree №41 of Batumi City Council). In both cities, there is a serious imbalance from the structural (by profession) and qualitative (qualification) points of view. There is a shortage of qualified personnel in the labour market, and a network of services for the special selection of personnel has not yet been developed. Even in conditions of mass unemployment, employers are not able to attract personnel with the professional education they need. The reason for this is that there is a structural imbalance between the demand and supply of labour in the labour market. Such jobs as a technician, sales specialist, pastry chef, waiter, chef, baker, etc., are the most problematic from the perspective of attracting staff. Construction companies, garment factories and the HoReCa sector (hotels, restaurants, catering) are among the top three employers in the Batumi labour market by sector. In contrast to Batumi, in Poti, a large part of the residents is employed in the port and related companies, which does not guarantee their employment in the future. Previously, these companies were an important source of local budget revenues. Today, its participation in the development of the city is very low. The introduction of modern technologies in ports significantly reduces the number of people employed here. The majority of the population is employed in transport, industry, trade and services (Labor market research, 2016).



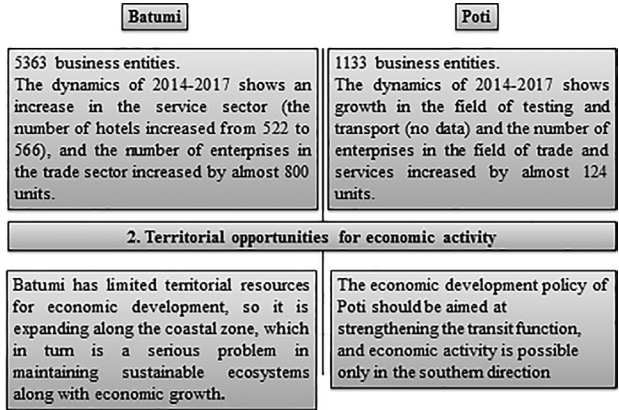
**Fig. 5.** Population dynamics of Batumi and Poti

Source: National Statistics Office of Georgia.

**Economic development**

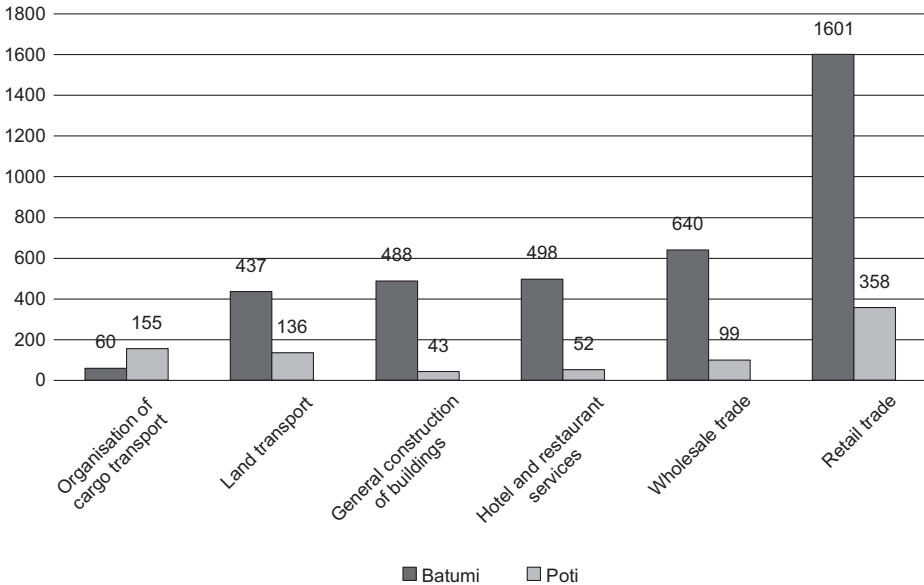
Batumi is one of the self-governing cities where money transfers (funds received from the state budget) do not participate in the city budget revenues at all (Decree №41 of Batumi City Council). Recently, the budget of Batumi has increased significantly compared to previous years, which is associated with the transformation of Batumi into one of the most important cities in the Black Sea region. There

are 5,363 business entities (the same indicator in Poti is 1,133) operating in the city (Fig. 6). Of these, the share of private (foreign) economic entities is 10.1% (the same indicator in Poti is 3.8%). An interesting picture is given by the distribution of business entities by sectors of the economy (TSU research project, 2017). The leader in this respect is the retail trade of 1,601 and the wholesale trade of 640 units (Fig. 7).



**Fig. 6.** 1. Economy and urban area; 2. Territorial opportunities for economic activity

Source: field research materials, the authors.



**Fig. 7.** Number of business entities by leading sectors of the economy

Source: empirical research results.

As for Poti, its main sectors of the economy are transport, industry, trade and services. The economy is traditionally dependent on the industrial sector and the port, the latter being the largest in Georgia.

In Poti, as in Batumi, retail and wholesale trade is one of the leading economic sectors. Money transfers from the state budget participate in the revenues of the city budget (Decree №7 / 48 of the Poti Municipality). There is a Free Economic Zone (Thesis) in Poti.

However, this approach is quite outdated today. Recent studies consider the city and the port as two independently functioning units whose time of integrated development has passed (Hall, Jacobs, 2012), so the city must solve its economic problems. To further increase the economic potential of the city, it will be necessary to activate the Free Economic Zone, strengthen the transit function and also international cooperation, including technical support for projects, etc.

### **A specific case of financial and economic relations of the city, port and Free Economic Zone (on the example of Poti). Creating a budget**

Seventy percent of local budget revenues is generated from property and land taxes. Other sources of budget supplementation are: a tax on natural resources, mainly on fish (autumn-winter kapsha), fines, territory cleaning. According to the mayor's office of the city of Poti, we also received a grant from the Ministry of Finance in the amount of 500,000 lari (The national currency of Georgia) and reduced the "sale of property" – this is how we regulate expenses. As a result, about 3,100,000 lari were allocated to the budget from these other sources. 2,900,000 lari were deducted from the property tax from the port, because the Ministry of Finance of Georgia filled the central budget.

**Financial relations between the port and the city.** According to the head of the financial department of Poti City Hall, since the 1980s the central government has not taken a step towards the city. If it were not for the seaport, Poti would be a dead-end city. The participation of the port in the city's socio-economic development programmes is insignificant. The port does not participate in the city's infrastructure projects. In Nabad (an administrative unit of the city), the road surface is damaged by vehicles moving near the crossing bridge. The city residents are worried about dust, which impairs their quality of life. The port uses the city's infrastructure for its own purposes, which causes its destruction. The staff is being reduced, 80 employees were laid off in the port, which owes the local budget 2,480,000 lari. In this regard, the mayor's office requested an advance payment of 500,000 lari from the port, which the port refused. As a result, the mayor's office had to take out a loan. Therefore, the port is dissatisfied with the city administration. In previous years, it was allowed to dismantle the "sea station" and build a terminal, but that was not done, and the deadline was extended. Last year, the

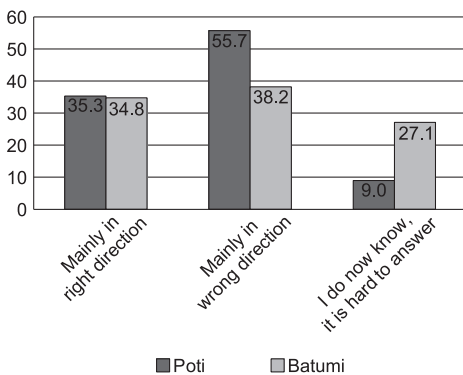
city council filed a complaint against the port, asking why it was allowed to be dismantled and the mayor’s office acted as a co-defendant. Previously, this area was a place of recreation for the inhabitants of Poti, but now no one can enter it, and restrictions have been imposed. The well-maintained area with access to the sea has disappeared. Ultimately the port lost this court case.

**Free Economic Zone Factor (FEZ).** According to the head of the financial department of Poti City Hall, FEZ was not much help, the local budget does not receive money. If the local population was employed in FEZ, it would be possible to receive income through its taxation. If a hotel or other buildings were built outside FEZ, money would pour into the city. Its products would be taxed at customs, economic relations would be activated and the first buyers would be the local population. FEZ doesn’t work. There are several more or less active companies: a) a Ukrainian company that works on metal structures, b) also a Ukrainian product packaging company, and c) an Armenian company bottling perfumes. A lease has been taken and registration is indicated for 20 companies, but their activity is very sluggish; most of them do not work. Armenians work relatively better, but the state has nothing to do. Eighty percent of the population living in the territory is unemployed. FEZ was renamed the industrial zone. However, it is not clear why. It would be advisable to declare the whole city a free economic zone, because it will not work in one small part of the city, as a vast territory is needed. By declaring the entire city a FEZ, something could be done and built in Poti as well.

**Economic perspective of the city.** Distillery is built outside a city, because of the danger of its explosion, but in Poti it is constructed within its borders (there is a similar plant in Azerbaijan, 300 km from Baku). What is also planned is a cement plant in Poti, equipped with a modern and high-tech production line.

Depending on the scale of the project, the construction will be divided into two stages. The first phase will be completed by this summer (Head of Finance Division of Poti City Hall).

**Data from an empirical study.** Against this background, the attitude of the population of the studied cities to the ongoing economic processes was presented (Fig. 8). Approximately the same number of residents of both cities (35.3% in Poti and 34.8% in Batumi) believe that the country’s economy is developing in the right direction. More than half of Poti’s population (55.7%) assumes otherwise. The same indicator

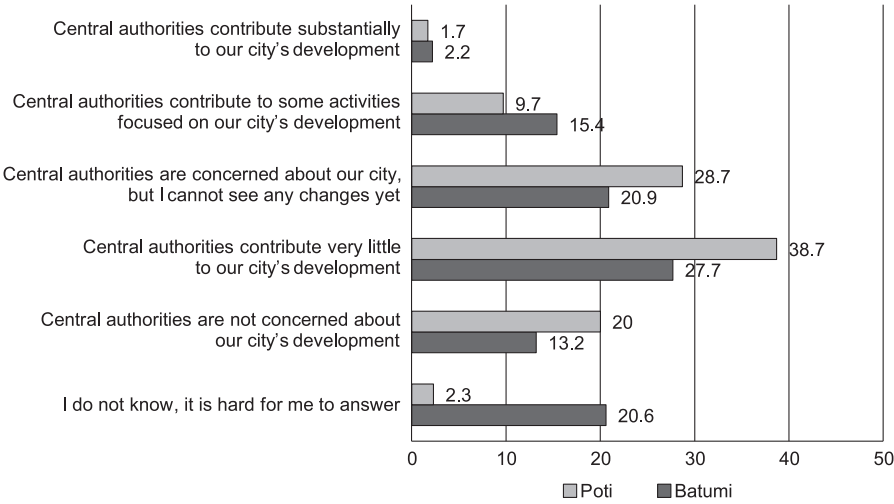


**Fig. 8.** How, in your opinion, is the economic situation developing in our country (PN = 300; BN = 325)

Source: empirical research results.

for Batumi is 38.2%. Unlike Poti, Batumi’s relatively low rate is explained by its relatively high economic growth rates.

Twenty percent of the population of Poti and 13.2% of the population of Batumi believe that the central government does not care about the economic development of the city at all. In both cities, a relatively small part of the population believes that the central government has made a great contribution to the economic development of their cities. In Poti and Batumi, these figures are 1.7% and 2.2% respectively (Fig. 9).



**Fig. 9.** Please evaluate the contribution of the central government to the economic development of your city/PN=300; BN=325  
 Source: results of a sociological survey of the population.

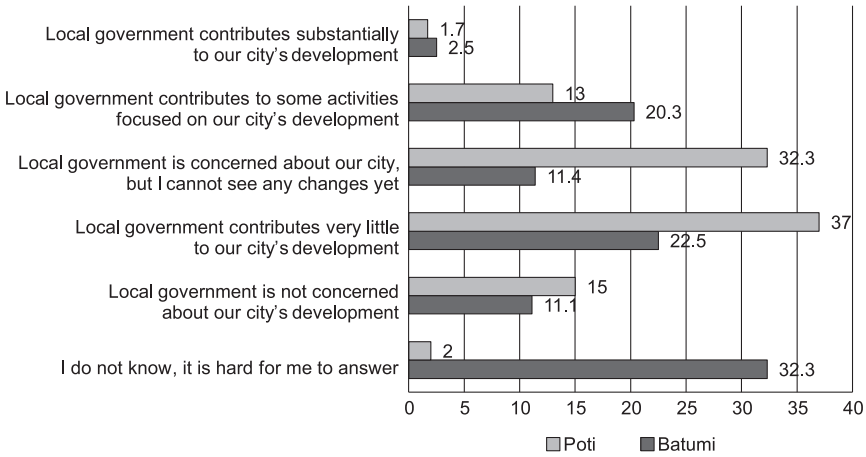
The proportion of the population that believes that local self-government makes a great contribution to the development of their city is low. In Poti, this is 2.0%, while in Batumi it is only 1.7% (Fig. 10).

An interesting trend has emerged in terms of informing the public about the ongoing or completed projects in the city. For example, 88% of Poti’s population is aware of the Maltakvi coastline improvement project and only 1.7% of the population is aware of roadside rock clearing (Fig. 11).

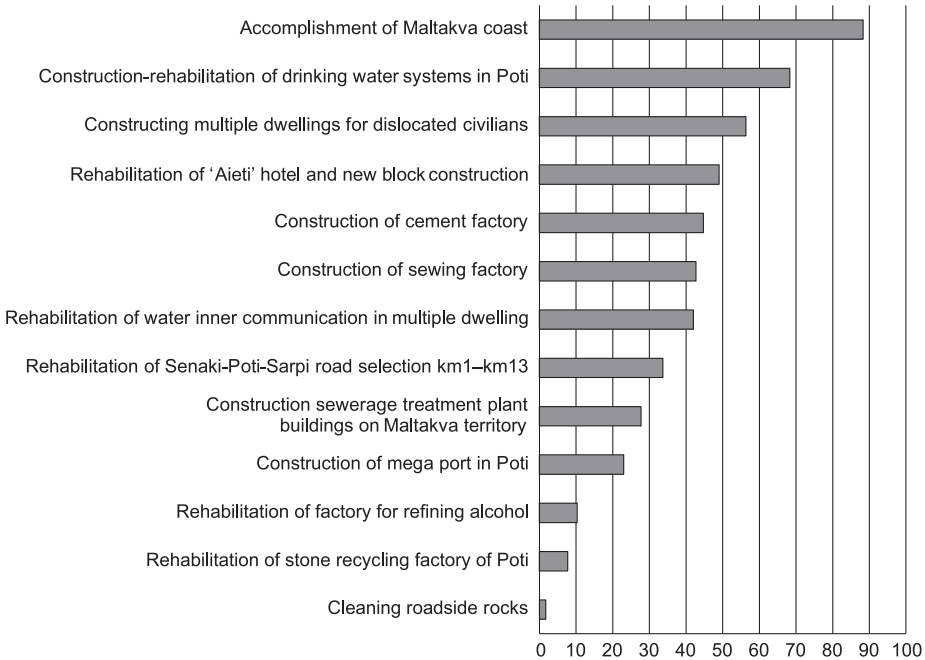
The population of Batumi is mainly aware of the restoration of high-class hotels (81.8%) and drainage systems (75.4%). Less than half of the population (42.2%) knows about the construction of a new sports complex in Batumi (Fig. 12).

In general, Batumi’s population was more informed about the ongoing and implemented projects in the cities than Poti’s population.

Based on expert assessments, we identified priority problems, on the basis of which we carried out their classification (Fig. 13).

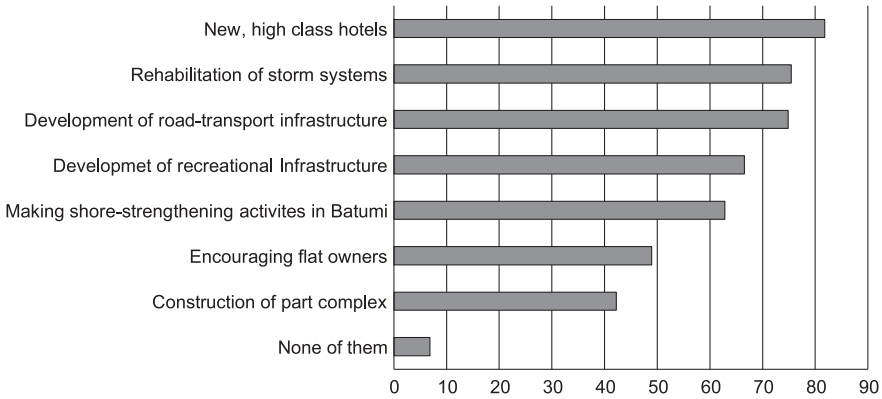


**Fig. 10.** Please evaluate the contribution of the local government to the economic development of your city (PN = 300; BN = 325)  
Source: results of a sociological survey of the population.



**Fig. 11.** Poti's population awareness of current and/or prospective economic projects (PN = 300)  
Source: results of a sociological survey of the population.





**Fig. 12.** Batumi’s population awareness of current and/or prospective economic projects (PN = 325)

Source: results of a sociological survey of the population.

City and port (case of Poti)	Head of Poti Finance Division
Ecology and central government	Head of Poti Finance Division
Legislative deficiencies 2016–2018	Head of the Economic and Financial Department of Batumi City Hall
Business and city government	Head of the Economic and Financial Department of Batumi City Hall
Population awareness	Head of the Economic and Financial Department of Batumi City Hall
Free economic zone in port city	Head of Poti Finance Division
City infrastructure and economic development	Head of Poti Finance Division
Resort potential of cities	Head of Poti Architecture and Supervision Service

**Fig. 13.** Classification of identified priority problems based on expert assessments  
Source: field research materials, the authors.

Let us consider these problems in detail. **Decentralisation problem.** The study of Batumi’s economic development revealed one major problem related to the mobilisation and management of financial resources. According to the Head of the Economic and Financial Department of Batumi City Hall, no matter how much we talk about decentralisation and political will, this requires a solid financial base, which Batumi does not yet have.

**City and port (the case of Poti).** It would be useful for the economic development of the city to declare the entire city a free economic zone, since its existence only in a small part of the city has no economic effect. The relationship between the port and the city is such that the activation of the port leads to the activation of the city and vice versa. However, in the case of Poti, this thesis is not confirmed. The Head of Finance Division of Poti City Hall states that “earlier, the port was involved in the affairs of the city, but today the situation has changed radically. If it was not for the port, Poti would be an economic dead end”.

**Ecology and central government.** The central government was interested in Poti because of the port. The Ministry of Economy sold land to an Indian company for a metallurgical plant and the construction of a cement plant is underway. Azeris have built an alcohol processing plant. The same enterprise in Azerbaijan has been located 300 km from Baku, because it is explosive, and in Poti it is planned within the city. What is also planned is the construction of a cement plant equipped with a modern and high-tech production line. In addition, in front of the “dry bridge” the government of Georgia wants to build a harbour, accept scrap, then cut, recycle, and ship it (Head of Finance Division of Poti City Hall). If they do, an ecological catastrophe is expected. The area where the harbour is to be built is important in many ways. It is located next to Paliastom Lake, adjacent to the Kaparchina strait, a resort area, and also not far from the boulevard. The port processes oxide in an open way, which is not accepted in Europe. Azerbaijan does not do that in the Caspian Sea. The cancer rates have increased in Poti over the past 10 years (Head of Finance Division of Poti City Hall).

**Legislative deficiencies.** The problem is that not everything is logically stated in the legislation. For example, the budget structure has four main priorities: development of infrastructure and public utilities, education (preschool education, funding for kindergartens), and the next priority is culture, sports and youth, as well as health and social protection. For many, it is debatable what should be the main task and competence of local government and what programmes it should finance. It would be better if the city determined both tourism and economic policy in general. In that case, the city would be able to define its priorities and direct funds to the appropriate areas. This is a rather complex issue and the problem is primarily related to an imperfect legal framework (Head of the Economic and Financial Department of Batumi City Hall).

**Business and city government.** Businesses try to find a way out of any situation. Of course, the city has its interests and the local government must act accordingly. The interest of a business entity is to make a profit and maximise income, and everything is subordinated to this idea. Ecology and nature lie outside the scope of its interests. At that point, the local government needs to bring it into a certain framework, into a certain competitive environment. That is why the same land use and urban development strategy is needed to regulate conflicting interests between individual business entities (Head of the Economic and Financial Department of Batumi City Hall). However, the strategy must be defined and agreed upon, and most importantly, implemented. It should be a long-term scheme so that it does not change with the change of power.

**Awareness of the population.** The local government must inform the residents. “Together with our team, we are currently working on some strategies in this regard. To this end, e.g., a so-called people’s budget was drawn up, which is also posted on the website of the mayor’s office. The same should be done regularly to

make it easier for the population to understand. Feedback is also important. For example, representatives of the mayor's office meet with residents, and some problems are identified, but there is no feedback. Then, the citizens lose their interest and can see how limited their role in the participation is. I always tell my employees that this communication should be through feedback" (Head of the Economic and Financial Department of Batumi City Hall).

**Free economic zone in the port city.** The free economic zone does not contribute to the local budget. If the local population was employed in it, income could be received by taxing it. If a hotel or other facilities were built outside the Free economic zone, money would pour into the city. However, this is still advantageous, since goods from there are taxed at customs, and economic relations are activated. In addition, the first buyer is the local population. It would be good to declare the whole city as a free economic zone, because only one small section of the city does not have a strong economic effect (Head of Finance Division of Poti City Hall).

**City infrastructure and economic development.** A necessary condition for the economic development of the city of Poti is the improvement of urban infrastructure, which primarily involves arranging and maintaining road infrastructure (roads and bridges). It should be noted that most of the road infrastructure in the city is depreciated. The total length of internal roads in Poti is 180 km. Only 20% of the streets are paved, and 30% of them are depreciated (Head of Finance Division of Poti City Hall).

**Resort potential of cities.** The requirements for planning this area as a whole have been increased. The Maltakvi zone should organically fit into the unique planning structure of the city and become one of the resort attractions that will contribute to the development of Poti as a resort town. The concept of the territory involves the following works: "the arrangement of recreational, resort-recreational, landscape-recreational zones and the creation of sports and recreational and resort complexes in this zone, as well as the use of the Golden Lake and the adjacent territory and coastline, the improvement of the territory, the creation of recreation and entertainment facilities" (Head of Poti Architecture and Supervision Service).

## CONCLUSIONS

The study identified some issues that make it possible to generalise the findings. In particular, the limitations of territorial resources (in both cities) have been fixed, which will create serious problems in their prospective economic development: "The investigation showed that the problem of participation of local municipalities in economic projects turned out to be a serious problem". This contradicts the legislation of Georgia (Pirvelashvili, 2017).

The function of Poti seaport corresponds to the overall context of the city development and it can increase turnover by attracting transit, development of the

internal market, flexible tariff policy and development of high-quality port service, but in the case of Batumi, there is evident disharmony between city and port development. Government policy is to make Batumi a regional and tourist-educational centre, which contradicts the cargo port's functional organisation. The specialisation of Batumi seaport needs to be reconsidered and certain parts that contradict the needs of city development must be excluded and moved to Poti.

It is necessary to make coastal line zoning and clearly divide functions to eliminate the discrepancies between port and tourist objectives. This will also support the Georgian Black Sea coastline ecological security, based on blue economy principles (Birtill et al., 2021).

Currently, Batumi's territorial growth resource is more limited than that of Poti. In addition, the prospective development of Batumi will be more focused on tourism infrastructure than Poti's, even though it has serious potential in this respect as a recreational zone of Maltakvi.

Seaports are less involved in urban economic development projects (this problem was clearly manifested in the case of Poti, where the free economic zone is located).

The participation of local municipalities in economic projects turned out to be a serious problem. This is so because the economy is centralised and local authorities cannot increase their participation in current economic projects due to limited financial resources. This in turn is clearly manifested in the attitude of the local population to current and prospective economic projects (TSU research project, 2017).

Most citizens have only information about larger economic projects and show less interest in relatively small but vital undertakings for the city. When implementing economic projects at all levels and scales, the opinions of the local population should be taken into account, after which the residents will be much more willing to get involved in the decision-making process.

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