

Evaluation of Post-Pandemic Socio-Economic Strategies of State Agencies for Business Stimulation – a Case Study of the Ajara Region

Rezo Manvelidze*, Malvina Jibladze**, Ineza Zoidze**,
Lasha Manvelidze**, Ana Kvachadze*

* Faculty of economics and business, Batumi Shota Rustaveli State University, Georgia

** Faculty of Law and Social Sciences, Batumi Shota Rustaveli State University, Georgia

(Presented by Academy Member Mikheil Jibuti)

Abstract. This study evaluates the effectiveness of socio-economic strategies implemented by Georgia's state agencies to support business recovery in the Ajara region after the pandemic. It aims to provide insights into the impact of these strategies on economic resilience, focusing on regional disparities and the unique challenges faced by urban versus rural areas. A mixed-methods approach is employed, using quantitative surveys with business owners, government officials, and experts with qualitative interviews. Secondary data analysis complements these insights, enabling a comprehensive evaluation of Ajara's business recovery and regional disparities in government support accessibility. The research reveals that government interventions had mixed impacts on business recovery in Ajara, with some businesses benefiting from support programs while others faced barriers to access. The study proves the need for targeted, region-specific strategies to address these differences. The findings offer practical recommendations to guide policymakers in refining future economic strategies. This research offers a nuanced analysis of Ajara's post-pandemic recovery, namely by assessing regional policy impacts, it offers valuable guidance for designing adaptive socio-economic policies that address local needs and foster long-term economic stability. © 2025 Bull. Georg. Natl. Acad. Sci.

Keywords: socio-economic strategies, economic recovery, business performance, government support, Ajara, policy effectiveness

Introduction

The COVID-19 pandemic has had a profound impact on economies worldwide, and the Ajara region in Georgia is no exception. As the region navigates the post-pandemic landscape, understanding the effectiveness of government interventions is crucial for fostering economic recovery and

building resilience. This study aims to evaluate the specific policies and strategies implemented by the Georgian government in Ajara, assessing their impact on economic recovery.

The pandemic caused significant economic damage to the Georgian economy and slowed down the positive trends observed in all areas until 2020.

In 2020, the national economy declined by 6.8%. Due to the economic crisis caused by the pandemic, the budget deficit exceeded 3% of GDP and reached 9.3% of GDP in 2020 (Government of Georgia, 2022).

In the post-pandemic period, the state's economic development characterized by a transition to more effective methods of economic management, with a special focus on stimulating socio-economic development through the application of appropriate business strategies. Socio-economic business stimulation strategies help address issues such as reducing budget financing for economic structures, increasing domestic production and the competitiveness of the country, ensuring economic security, and enhancing the national economy's active participation in the global economy. The crisis caused by the pandemic, along with the accompanying issues of uneven regional development and disparities in the standard of living, creates preconditions for social tension and limits social dynamics. In this context, evaluating the post-pandemic socio-economic strategy for business stimulation and the need for scientifically justified strategies for stimulating regional socio-economic development have become increasingly relevant.

The purpose of this paper is to determine the essence of the state stimulation strategy for the socio-economic development of businesses in the post-pandemic period and to evaluate it in a regional context. With the help of socio-economic business encouragement strategies, it is possible to address the problems of balancing the economies of the country's regions, optimizing production, and implementing effective economic activities in the national economy. In this regard, it is fundamentally important to simplify and develop the incentive strategy system, including its mechanisms, directions, forms, methods, and tools. Accordingly, there is a need for a scientific understanding of the issues related to the formation, development, and improvement of socio-economic incentive strategies within the tax, investment, and credit systems.

Policy Review: The Case of Georgia and Ajara

In response to the economic challenges brought on by the COVID-19 pandemic, the government of Georgia implemented a range of targeted measures to mitigate the severe impacts on various market participants in Ajara and beyond. These measures, designed to support businesses, workers, the financial system, and other critical areas, are crucial for fostering economic recovery and stability (see Tables 1-4).

To assist businesses grappling with the pandemic's economic fallout, Georgia introduced several critical interventions. One key measure involved facilitation of loan restructuring for affected businesses, which includes extending repayment periods and offering more favorable terms to help alleviate financial burdens during the downturn (The National Bank of Georgia, 2020a). In the tourism sector, companies such as hotels, restaurants, travel agencies, and event organizers were granted deferrals on property and personal income taxes for four months, providing immediate financial relief in light of significant revenue declines caused by travel restrictions and reduced consumer activity (Government of Georgia, 2020a). Additionally, the volume of VAT refunds was doubled to enhance liquidity for businesses, allowing them to continue operations amid economic uncertainty (Taktakishvili, 2024). Moreover, a state program was launched to co-finance interest payments on bank loans for small hotels across the country, offering crucial financial support to this heavily impacted sector (Government of Georgia, 2020b).

For workers directly affected by the pandemic, the government implemented measures such as deferrals on loan payments for three months, aimed at easing financial pressure on employees facing income disruptions. In the tourism industry, employees also received temporary deferrals on personal income taxes, supporting those in a sector particularly hard hit by the crisis (Aslanishvili, 2020). Tourism dynamics before, during, and after

the pandemic further illustrate the importance of these interventions (see Tables 5-6).

To ensure stability within the financial sector and facilitate economic recovery, the government eased lending restrictions for commercial banks,

Table 1. FDI before Covid-19 (in million USD)

Year	2018	2019	2020	2021	2022	2023	2024 * QIII
Georgia	1,350,608.2	1,354,093.2	595,257.4	1,245,915.5	2,253,367.7	1,902,189.1	197,708.5
Ajara	85,015.2	193,727.4	193,727.4	81,620.1	60,617.9	59,962.6	16,945.8

Table 2. FDI by quarter (in Million USD)

Year	2018				2019			
	I qtr	II qtr	III qtr	IV qtr	I qtr	II qtr	III qtr	IV qtr
Georgia	337,480	423,580	371,529	218,017	318,440	249,683	406,444	379,524
Ajara	-19,206	101,099	5,305	-2,183	25,224	33,207	44,282	91,013

Table 3. FDI during Covid-19 (in Million USD)

Year	2020				2021				2022			
	I qtr	II qtr	III qtr	IV qtr	I qtr	II qtr	III qtr	IV qtr	I qtr	II qtr	III qtr	IV qtr
Georgia	175,786	247,355	295,816	-123,701	145,607	320,615	376,136	410,368	577,883	389,187	820,335	310,492
Ajara	15,424	39,988	-5,575	29,835	21,508	26,339	57,664	-23,892	44,127	35,345	22,513	-43,241

Table 4. FDI after Covid-19 (in Million USD)

Year	2023				2024			
	I qtr	II qtr	III qtr	IV qtr	I qtr	II qtr	III qtr	IV qtr
Georgia	566,432.6	505,747.2	316,035.7	206,531.4	145,607.9	320,615.4	376,136.4	410,368.8
Ajara	32,850.7	33,127.6	23,547.3	6,626.9	21,508.7	26,339.1	57,664.5	-23,892.2

Table 5. Distribution of Average Monthly Visits by Non-Resident Visitors Aged 15+ (in thousand)

Year	2018				2019			
	I qtr	II qtr	III qtr	IV qtr	I qtr	II qtr	III qtr	IV qtr
Georgia	568.3	815.5	1331.7	688.6	522.5	891.4	1397.8	797.6
Ajara	92.5	148.7	358.8	101.6	83.9	172.2	376.3	123.3

Table 6. Distribution of Average Monthly Visits by Non-Resident Visitors Aged 15+ (in thousand)

Year	2020	2022				2023				2024	
	I qtr	I qtr	II qtr	III qtr	IV qtr	I qtr	II qtr	III qtr	IV qtr	I qtr	II qtr
Georgia	458.3	246.9	461.2	1,078.6	631.2	486.1	701.8	1,174.2	646.3	525.5	756.5
Ajara	186.4	57.7	125.1	335.2	173.3	111.3	220.7	391.6	174.3	121.6	189.7

Table 7. Employment level in Georgia and Ajara 2018-2023 (in percentage)

Year	2018	2019	2020	2021	2022	2023
Georgia	42.7	42.7	41.1	40.4	42.9	44.5
Ajara	48.5	47.7	46.9	45.3	46.2	50.9

Table 8. GDP in Georgia and Ajara in 2018-2023 (at current prices, in Million GEL)

Year	2018	2019	2020	2021	2022	2023
Georgia	45,374.4	49,726.3	49,788.5	60,724.1	72,860.1	44.5
Ajara	3,579.6	4,406.0	3,822.5	4,865.0	5,990.6	50.9

enabling more accessible credit to businesses and individuals, thereby enhancing the flow of capital within the economy. Despite these challenges, the National Bank of Georgia opted not to cut policy rates due to inflation risks, maintaining a cautious approach to balance economic support with inflation control (Shengelia, *et al.*, 2021). In Batumi, the local government focused on sustaining its tourism-driven economy by providing financial assistance to hotels and restaurants, implementing temporary tax relief, and accelerating infrastructure projects, including urban development and public transportation, to support long-term growth (Melikishvili, 2020). In Khulo, efforts targeted agriculture and health, with subsidies for farmers to stabilize food production and investments in medical supplies and testing facilities to enhance pandemic resilience (United Nations Development Programme, 2020a). Kobuleti supported the tourism sector with tax deferrals and financial aid, alongside strict health protocols to maintain safety for residents and visitors (Legislative Herald of Georgia, 2021).

As we read in the 2021 budget, the Shuakhevi municipality was focused not only on health and social security issues, but also on rural support programs, and the budget has increased compared to the previous year (Legislative Herald of Georgia, 2022). Keda provided food and financial aid to vulnerable groups and extended loan deferrals to local businesses in agriculture and small-scale manufacturing to aid recovery (United Nations Development Programme, 2020b). Khelvachauri focused on infrastructure projects to stimulate economic activity and bolstered health services.

Employment and GDP indicators reflect these developments, highlighting both short-term shocks and gradual recovery patterns (see Tables 7-8).

The analysis of Georgia's socio-political landscape and economic indicators reveals that tax incentives were among the immediate tools employed by the government during the pandemic. In Georgia, particularly in Ajara, tax deferrals were

implemented for businesses in the tourism sector, which faced significant financial hardship due to travel restrictions and decreased consumer activity.

Investment incentives also played a key role in driving economic recovery and long-term growth. During the pandemic, the Georgian government increased capital expenditure on infrastructure projects, creating jobs and stimulating local economies. Credit support, through loan restructuring and state-backed programs, was another cornerstone of Georgia's economic strategy. For instance, the government launched a program to co-finance interest payments on bank loans for small hotels in Ajara. This initiative allowed these businesses to maintain operations despite drastic revenue declines and helped prevent bankruptcies in the hospitality sector.

Research Methodology

This survey aims to capture diverse perspectives on the socio-economic impact of the pandemic and the effectiveness of government interventions in the Ajara region. By analyzing the collected data, the study will provide insights into the challenges faced by businesses, the success of state strategies, and potential areas for policy improvement.

This study employs a qualitative research methodology, focusing on content analysis and interviews to examine the role of regional governments in managing COVID-19 and their strategic approaches in Georgia, particularly in the Ajara region. This research analyzes academic papers, policy documents, and publicly available resources, such as newspaper reports, to gather crucial information on the socio-economic impact of the pandemic. Interviews are conducted with various stakeholders, including government officials, economic experts, business owners, and representatives from non-governmental organizations (NGOs), to understand their perceptions of the government's response.

The methodology follows similar studies conducted in Georgia, such as the analysis of COVID-

19 impacts on the Georgian economy (Papava and Charaia, 2021), which emphasized the need for robust qualitative methods to understand the multifaceted challenges faced by businesses during the pandemic. Moreover, the approach aligns with research conducted by the Georgian Institute of Politics, which has underscored the importance of stakeholder interviews in capturing the nuances of policy effectiveness and socio-economic conditions (Kakhishvili et al., 2021). The impact of the pandemic at the municipal level is studied in Jibuti's (2020) work. In particular, the researcher examines the example of four municipalities – Tbilisi, Marneuli, Bolnisi, and Rustavi – to analyze the impact of the pandemic on the municipal budget system.

The survey consists of five sections aimed at evaluating the socio-economic impact and recovery strategies in the Ajara region. The Business Performance Metrics section assesses business performance before and during the pandemic, exploring factors affecting performance. Similar to previous studies, this section captures changes in business dynamics and the challenges faced by businesses in adapting to new conditions. This approach is consistent with research by Georgian scholars, Narmania and Samkharadze (2020), who analyzed the economic implications of COVID-19 on Georgian SMEs, emphasizing the importance of understanding performance metrics to tailor recovery strategies.

The Awareness and Utilization of Government Support Programs section gauges respondents' knowledge and use of available support measures and their satisfaction levels, reflecting the need for effective communication and implementation of support initiatives. Studies like those conducted by the Policy and Management Consulting Group (2021) highlight the critical role of awareness in enhancing the uptake of government support programs in Georgia. The Perceptions of State Interventions section seeks to understand how effective respondents believe government interventions have

been and which areas require prioritization for future support, resonating with the work of Kutateladze and Lekashvili (2020), who explored the effectiveness of Georgian government interventions and the areas needing improvement. The Challenges and Recovery Phase section identifies the main challenges businesses face in the recovery phase and the strategies they are implementing to overcome them, highlighting the resilience and adaptability required for post-pandemic recovery. Lastly, the Demographic Information section collects data on respondents' roles and industry sectors, providing context for the analysis and enabling a nuanced understanding of the economic landscape.

These surveys aimed to gather detailed information on several key areas and a second phase of qualitative research was undertaken, focusing on analyzing various economic indicators such as Foreign Direct Investment (FDI), tourism, employment, and Gross Domestic Product (GDP). This phase involved a thorough examination of secondary data sources, including government reports, economic databases, and financial statements.

Main Results

State stimulation strategies for socio-economic development should be understood in a regional context as a set of organized financial, economic, political, and legal actions. These strategies aim to encourage economic entities, activate their initiatives, and develop economic opportunities. In the post-pandemic period, this approach is a vital component of state regulation, influencing economic development within market conditions.

Survey data revealed that 45% of businesses experienced a significant decline in financial performance during the pandemic, especially in tourism and hospitality. In contrast, 25% reported improvements, largely due to adaptation strategies such as digitalization. Government financial support reached 60% of businesses, with tax deferrals and loan restructuring being the most

common forms. However, bureaucratic barriers prevented many from accessing assistance. Key operational challenges included access to finance (40%), reduced consumer demand (30%), and supply chain disruptions (20%).

Workforce adjustments saw 50% of businesses reducing staff, particularly in tourism and retail. However, sectors like IT and logistics increased their workforce due to shifting demands. Satisfaction with government interventions was mixed, with 55% somewhat satisfied and 30% dissatisfied due to limited aid or delays. Employees highlighted job insecurity and low wages as primary challenges. Changes in employment status and satisfaction with government support measures provided insights into the economic challenges faced by individuals. Optimism about future prospects varied, reflecting differing expectations of regional economic recovery.

Conclusion

Self-governing bodies in the region, whose authority extends over large groups of the population, likely manage a significant portion of

public affairs. It is crucial for local governments to have tools for managing local economic development, such as regulating local tax rates, establishing tax incentives, financing public-private partnership projects, and managing state property within the municipality's territory.

The concept of delegation should also be revised, shifting from the delegation of tasks to the delegation of powers from the central government to local self-governments. This will allow local self-governments to adapt the measures implemented within these powers to better meet the needs of the local population.

In conclusion, the COVID-19 pandemic highlighted the vital role of state intervention in stabilizing economies and supporting businesses. By adopting a range of socio-economic strategies, governments demonstrated their ability to navigate unprecedented challenges and lay the groundwork for recovery. The lessons learned from this period underscore the importance of a balanced approach to economic policy – one that combines state intervention with market-driven innovation to achieve sustainable and inclusive growth.

*ეკონომიკა***ბიზნესის სტიმულირების პოსტპანდემიური სოციალურ-ეკონომიკური სტრატეგიის შეფასება აჭარის რეგიონის მაგალითზე****რ. მანველიძე*, მ. ჯიბლაძე**, ი. ზოიძე**, ლ. მანველიძე**, ა. კვაჭაძე***** ბათუმის შოთა რუსთაველის სახელმწიფო უნივერსიტეტი, ეკონომიკისა და ბიზნესის ფაკულტეტი, საქართველო**** ბათუმის შოთა რუსთაველის სახელმწიფო უნივერსიტეტი, იურიდიული და სოციალურ მეცნიერებათა ფაკულტეტი, საქართველო**(წარმოდგენილია აკადემიის წევრის მ. ჯიბუტის მიერ)*

ბიზნესის სახელმწიფო ეკონომიკური სტიმულირება არის ერთ-ერთი საუკეთესო საშუალება საბაზრო ეკონომიკის პირობებში კრიზისულ ეკონომიკაზე გავლენის მოხდენისთვის პოსტ-პანდემიურ პერიოდში. მიუხედავად იმისა, რომ საქართველოშიც პანდემიის გავრცელების პარალელურად ინიცირებულ იქნა ეკონომიკის წახალისების სხვადასხვა პროგრამა, ყურადღების მიღმა დარჩა კრიზისიდან გამოსასვლელი მექანიზმების ეფექტურობის შესწავლა. ნაშრომში შესწავლილია საქართველოს სახელმწიფო უწყებების მიერ განხორციელებული სოციალურ-ეკონომიკური სტრატეგიების ეფექტურობა პანდემიის შემდეგ ბიზნესის აღდგენის მხარდასაჭერად. კვლევა განხორციელდა აჭარის რეგიონის მაგალითზე და გვთავაზობს აჭარის პოსტ-პანდემიური აღდგენის ნიუანსურ ანალიზს, კერძოდ, რეგიონული პოლიტიკის ზემოქმედების შეფასებით, იგი გვთავაზობს ღირებულ სახელმძღვანელოს ადაპტაციური სოციალურ-ეკონომიკური პოლიტიკის შემუშავებისთვის, რომელიც აკმაყოფილებს ადგილობრივ საჭიროებებს და ხელს უწყობს გრძელვადიან ეკონომიკურ სტაბილურობას. ნაშრომში გამოყენებულია შერეული მეთოდების მიდგომა, რომელიც გულისხმობს რაოდენობრივ გამოკითხვებს ბიზნესის მფლობელებთან, სახელმწიფო მოხელეებსა და ექსპერტებთან. ასევე გამოყენებულია მეორეული მონაცემთა ანალიზი, რომელიც ავსებს კვლევას.

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