

# GEORGIA

## Economic Freedom Score



World Rank: **21** Regional Rank: **11**

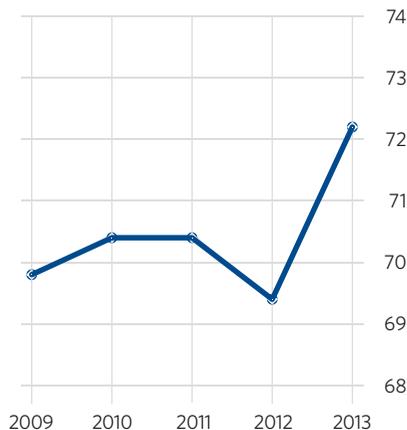
**G**eorgia's economic freedom score is 72.2, making its economy the 21st freest in the 2013 *Index*. Its overall score is 2.8 points higher than last year, with improvements in six of the 10 economic freedoms including management of public finance, investment freedom, and property rights. Georgia is ranked 11th out of 43 countries in the Europe region, and its score is the most improved in the 2013 *Index*.

In a challenging global and regional environment, the Georgian economy has demonstrated a high level of resilience. After some backsliding last year, Georgia regained the status of "mostly free" in the 2013 *Index*. Persistent efforts to eliminate corruption and restore fiscal stability have borne fruit. Access to legal documents has been facilitated, and fiscal consolidation has generated narrowing budget deficits and lower public debt.

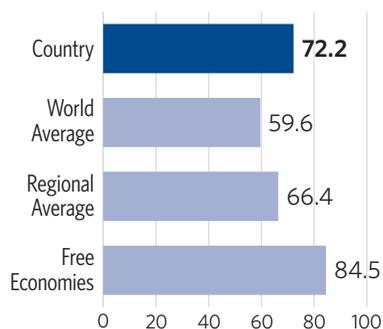
Despite this progress, however, momentum for comprehensive reforms to limit government spending and restrict the growth of economic regulations has flagged. Deeper institutional reforms to enhance judicial independence and effectiveness also remain critical.

**BACKGROUND:** President Mikheil Saakashvili and his center-right United National Movement won presidential and parliamentary elections in 2004 and 2008. However, billionaire Bidzina Ivanishvili and his Georgian Dream coalition decisively won parliamentary elections in late 2012, paving the way for Ivanishvili to become prime minister. Georgia is a leading economic reformer among the post-Soviet countries and has been particularly effective in fighting corruption. Russia's continued military occupation of the Georgian provinces of Abkhazia and South Ossetia and recognition of their secession violates Georgia's territorial integrity. Georgia left the Commonwealth of Independent States in August 2009. Relations with Russia remain difficult, but Georgia's government has taken unilateral steps to improve ties. The economic recovery that began in 2010 continues, with an emphasis on tourism and construction.

## Freedom Trend



## Country Comparisons



## Quick Facts

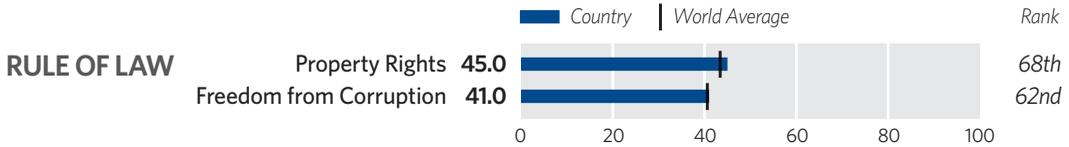
- Population:** 4.5 million
- GDP (PPP):** \$24.5 billion
- 7.0% growth in 2011
- 5-year compound annual growth 4.7%
- \$5,491 per capita
- Unemployment:** 16.3%
- Inflation (CPI):** 8.5%
- FDI Inflow:** \$974.6 million
- Public Debt:** 33.9% of GDP

### How Do We Measure Economic Freedom?

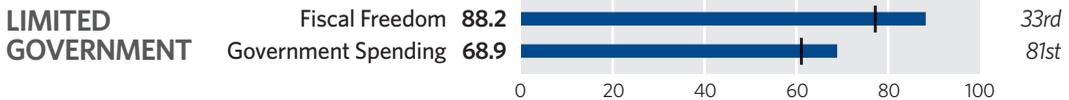
See page 477 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2011 data unless otherwise noted.  
Data compiled as of September 2012.

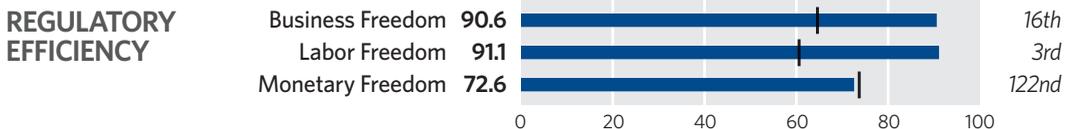
**THE TEN ECONOMIC FREEDOMS**



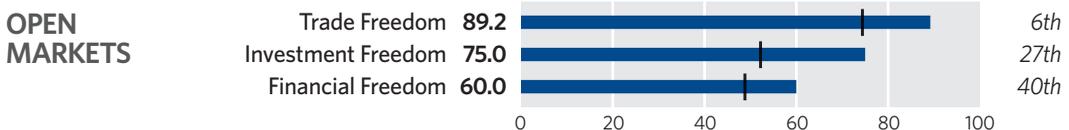
Fighting the effects of Soviet-era corruption, the government has arrested former officials and policemen, radically downsized bureaucracies, and cracked down on smuggling. Several new “Public Service Halls” quickly deliver inexpensive legal documents such as birth certificates, passports, and property titles. Other efforts are underway to improve the security of property rights, though protection of intellectual property rights is largely ineffective.



The flat income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include a value-added tax (VAT) and a tax on dividends. The overall tax burden equals 23.5 percent of total domestic income. Government spending has fallen to 32.2 percent of total domestic output. The budget balance has been in deficit, but public debt remains below 35 percent of GDP. Budget management has helped to stabilize the fiscal situation since the 2008 war.



The competitive regulatory framework is conducive to entrepreneurial activity. It takes only two procedures and two days to launch a business, and no minimum capital is required. Reform of bankruptcy and licensing requirements has slowed. The non-salary cost of hiring a worker is moderate, and regulations on work hours are flexible. Inflation has decelerated. Prices are generally set in the market, but the state maintains price controls.



After achieving independence, Georgia unilaterally slashed import barriers. The trade-weighted average tariff rate is one of the world’s lowest at 0.4 percent, and non-tariff barriers are relatively modest. Foreign and domestic investments receive equal treatment. The growing banking sector offers improved access to financing, although the stock exchange remains small and underdeveloped.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+0.4	Business Freedom	+3.7	Trade Freedom	0
Freedom from Corruption	+3.0	Government Spending	+13.1	Labor Freedom	-1.0	Investment Freedom	+5.0
				Monetary Freedom	-1.8	Financial Freedom	0