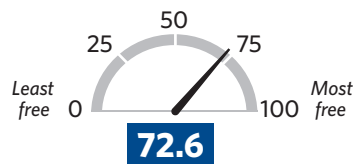


GEORGIA

Economic Freedom Score



World Rank: **22**

Regional Rank: **12**

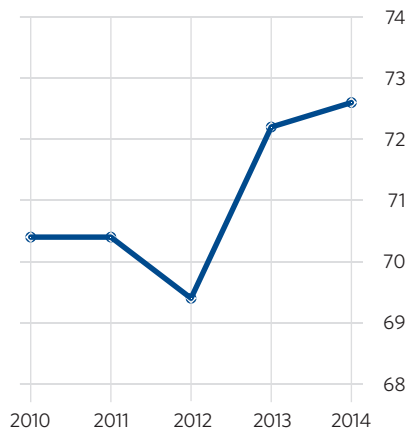
Georgia's economic freedom score is 72.6, making its economy the 22nd freest in the 2014 *Index*. Its overall score is 0.4 point higher than last year, with improvements in six of the 10 economic freedoms including the management of public finance, investment freedom, monetary freedom, and property rights. Georgia is ranked 12th out of 43 countries in the Europe region, and its score is well above the regional average.

Over the 19 years that Georgia has been graded in the *Index*, its economic freedom has advanced over 28 points, the third best of any country. The impressive rise of Georgia's economic freedom has been propelled by broad-based score improvements in such critical areas as regulatory efficiency and market openness. Notable structural reforms have included trade liberalization, privatization, implementation of competitive flat tax rates, and modernization of the regulatory environment. With the effective maintenance of low inflation, greater monetary stability has also been achieved.

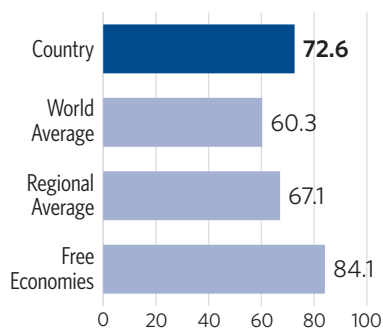
From a "repressed" economy almost two decades ago, Georgia has gradually advanced to the ranks of the economically "mostly free," achieving its highest score ever in the 2014 *Index*. Nonetheless, deeper institutional reforms to eradicate lingering corruption and increase judicial independence are critical to ensuring greater economic freedom in Georgia.

BACKGROUND: Georgia gained independence in 1991 and is a leading economic reformer among the post-Soviet countries. It has been particularly effective in reducing regulations, taxes, and corruption. After a civil war in 1992, Russian-supported Abkhazia and South Ossetia seceded. A 2008 military effort to regain the lost territories resulted in a stinging defeat. Georgia left the Commonwealth of Independent States in 2009. Relations with Russia remain difficult, but Georgia has taken unilateral steps to improve them. In 2012, billionaire Bidzina Ivanishvili, who made his fortune in Russia, and his Georgian Dream coalition defeated President Mikheil Saakashvili's United National Movement, paving the way for Ivanishvili to become prime minister. The economic recovery that began in 2010 continues, but foreign direct investment has not fully recovered since the 2008 conflict.

Freedom Trend



Country Comparisons



Quick Facts

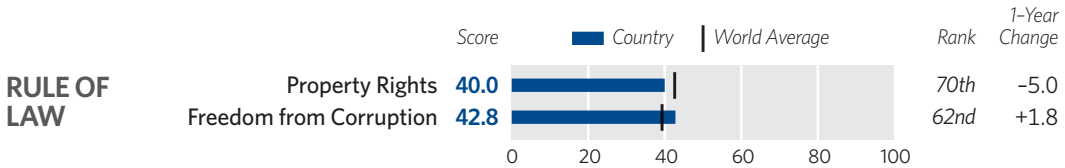
Population: 4.5 million
GDP (PPP): \$26.7 billion
 6.5% growth in 2012
 5-year compound annual growth 3.6%
 \$5,930 per capita
Unemployment: 14.6%
Inflation (CPI): -0.9%
FDI Inflow: \$866.1 million
Public Debt: 32.7% of GDP

How Do We Measure Economic Freedom?

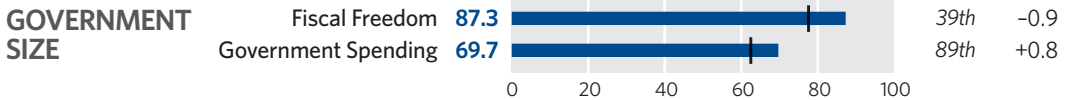
See page 471 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2012 data unless otherwise noted.
 Data compiled as of September 2013.

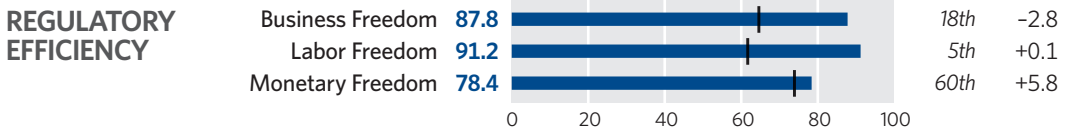
THE TEN ECONOMIC FREEDOMS



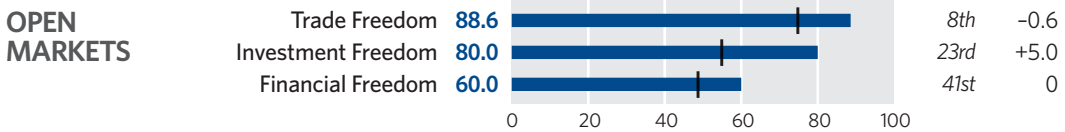
In 2013, several ministers from the outgoing United National Movement government of Mikheil Saakashvili were charged with various corruption-related crimes by authorities from the new Georgian Dream coalition government. President Saakashvili called the charges politically motivated. Georgia continues to struggle with the lingering effects of Soviet-era corruption. There are ongoing efforts to improve the security of property rights.



The individual income and corporate tax rates are a flat 20 percent and 15 percent, respectively. Other taxes include a value-added tax (VAT) and a tax on dividends. The overall tax burden is 25.4 percent of GDP. Government spending has been falling and is now at 32 percent of the gross domestic economy. This has had a positive impact on public debt, now reduced to less than 33 percent of GDP.



Incorporating a new company takes only two procedures and two days, and no minimum capital is required. Completing licensing requirements still takes over two months. The non-salary cost of hiring a worker is moderate, and regulations on work hours are flexible. Prices are generally set in the market, but the state maintains price-control measures and subsidizes fuel.



Georgia has a low 0.7 percent average tariff rate and relatively few non-tariff trade barriers. With the exception of some restrictions on foreign land ownership, foreign investment is generally welcomed. The financial sector remains dominated by banks. The state does not hold any stake in banks. The growing banking sector offers improved access to financing, although the stock exchange remains relatively small and underdeveloped.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	-4.7	Business Freedom	+32.8	Trade Freedom	+19.6
Freedom from Corruption	+32.8	Government Spending	+8.3	Labor Freedom	+24.5	Investment Freedom	+30.0
				Monetary Freedom	+78.4	Financial Freedom	+30.0