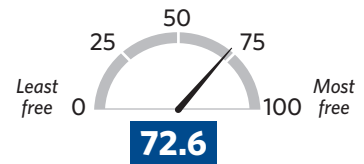


GEORGIA

Economic Freedom Score



World Rank: **23**

Regional Rank: **12**

Despite global and regional challenges, Georgia's economy has demonstrated considerable resilience. Efforts to eliminate corruption and restore fiscal soundness by revitalizing the commitment to limited government have borne fruit. Two years of fiscal consolidation has kept government spending under control and ensured macroeconomic stability.

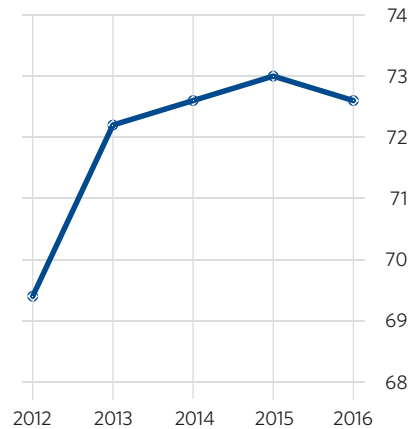
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **72.6 (down 0.4 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **23rd**
- Regional Ranking: **12th in Europe**
- Notable Successes: **Management of Public Finance, Open Markets, and Regulatory Efficiency**
- Concerns: **Rule of Law**
- Overall Score Change Since 2012: **+3.2**

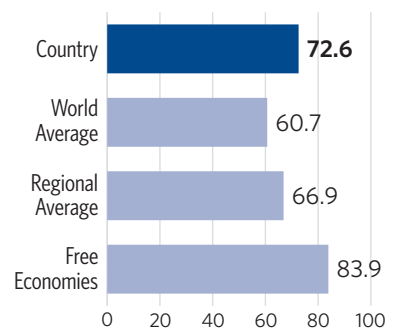
Georgia's pursuit of greater economic freedom, reinforced by relative political stability, has made its entrepreneurial environment one of the best in the region. Large-scale privatization has advanced, and anti-corruption efforts have yielded tangible results. Deeper institutional reforms to enhance judicial independence and effectiveness remain critical.

BACKGROUND: A leading economic reformer among the former Soviet republics, Georgia has reduced regulations, taxes, and corruption. Russia invaded Georgia in 2008 and continues to occupy its South Ossetia and Abkhazia regions. In 2012, billionaire Bidzina Ivanishvili and his Georgian Dream coalition defeated President Mikheil Saakashvili's United National Movement. Victory by Giorgi Margvelashvili in the 2013 presidential elections reinforced Georgian Dream's political dominance. Georgia has been affected by the economic downturn in Russia and low oil prices, and its currency has lost 30 percent of its value relative to the dollar since November 2014. Agriculture or related industries employ over half of the workforce. Georgia signed Association Agreements with the EU in June 2014 and hopes to join NATO.

Freedom Trend



Country Comparisons



Quick Facts

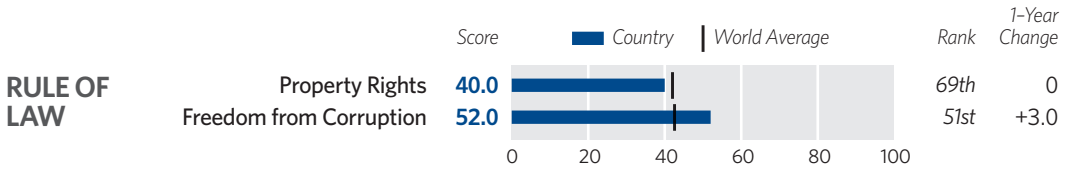
- Population:** 4.5 million
- GDP (PPP):** \$34.2 billion
- 4.7% growth in 2014
- 5-year compound annual growth 5.6%
- \$7,653 per capita
- Unemployment:** 13.4%
- Inflation (CPI):** 3.1%
- FDI Inflow:** \$1.3 billion
- Public Debt:** 35.1% of GDP

How Do We Measure Economic Freedom?

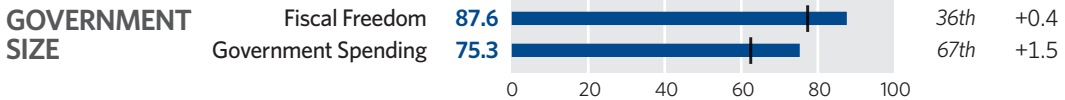
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

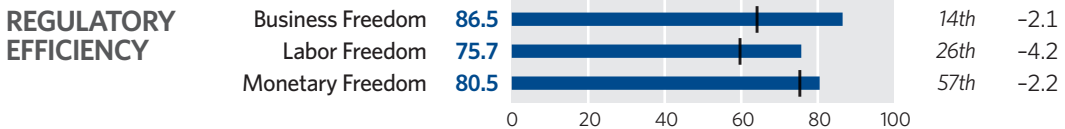
THE TEN ECONOMIC FREEDOMS



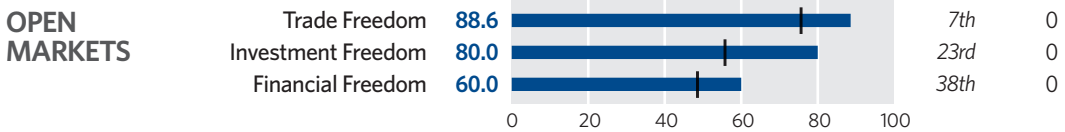
Georgia still struggles with the effects of Soviet-era corruption as well as ongoing Russian influence. Reforms largely eliminated petty corruption more than a decade ago, but in late 2014, President Giorgi Margvelashvili singled out disrespect for institutions and a lack of institutional governance as enduring problems. Executive and legislative interference in the judiciary is substantial. Protection of property rights has improved.



The flat income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include a value-added tax and a tax on dividends. The overall tax burden equals 24.8 percent of GDP. Government spending has fallen to 28.7 percent of total domestic output. The budget balance has been in deficit, but public debt remains below 40 percent of GDP. Better budget management has helped fiscal stability.



The competitive regulatory framework is conducive to entrepreneurial activity. It takes only two procedures to launch a business, and no minimum capital is required. The non-salary cost of hiring a worker is moderate, and regulations on work hours are flexible. A sharp currency devaluation beginning in late 2014 generated partisan political pressure on the independent central bank to make distortionary interventions.



Georgia has a low 0.7 percent average tariff rate. Foreign and domestic investors are treated equally under the law, and there is little screening of foreign investment. Most state-owned enterprises have been privatized. The growing banking sector offers improved access to financing, but the stock exchange remains small and underdeveloped.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	-4.4	Business Freedom	+31.5	Trade Freedom	+19.6
Freedom from Corruption	+42.0	Government Spending	+14.0	Labor Freedom	+8.9	Investment Freedom	+30.0
				Monetary Freedom	+80.5	Financial Freedom	+30.0