

GEORGIA

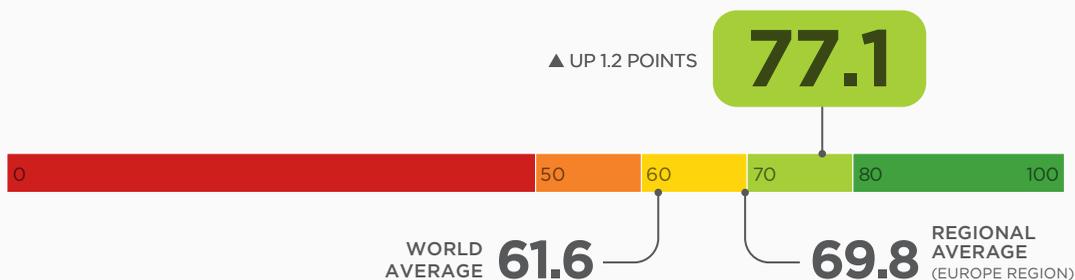


Georgia's economic freedom score is 77.1, making its economy the 12th freest in the 2020 *Index*. Its overall score has increased by 1.2 points with noticeable improvements on all indicators related to the rule of law. Georgia is ranked 6th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Georgian economy continues its spectacular, seven-year run up the ranks of the mostly free. GDP has also been expanding at a healthy rate for the past five years.

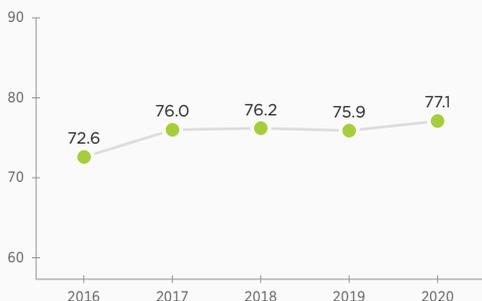
Multi-year reforms to reduce corruption, cut regulation, and simplify taxes have led to upward movement in all aspects of economic freedom. A top-10 ranking will require even more intensive efforts to improve perceptions of government integrity and judicial effectiveness. A good first step to avoid controversies over judicial appointments would be legislative action to protect the independence of the judiciary.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +33.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.7 million

GDP (PPP):
\$42.6 billion
4.7% growth in 2018
5-year compound annual growth 4.0%
\$11,485 per capita

UNEMPLOYMENT:
14.1%

INFLATION (CPI):
2.6%

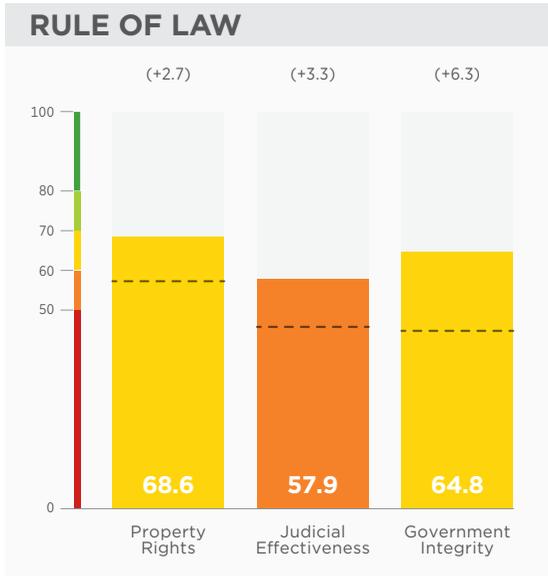
FDI INFLOW:
\$1.2 billion

PUBLIC DEBT:
44.5% of GDP

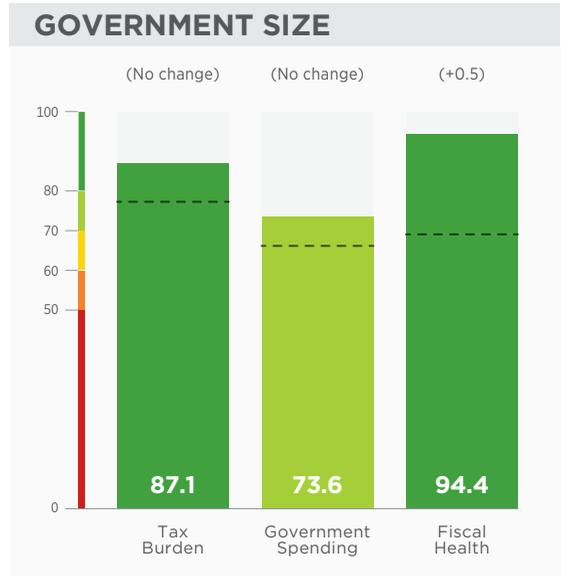
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Georgia was forcibly incorporated into the Soviet Union in 1921 and regained its independence in 1991. Russia invaded Georgia in 2008 and continues to occupy the South Ossetia and Abkhazia regions, which account for approximately 20 percent of Georgia's territory. Weeks of protests in mid-2019 highlighted continuing Georgia-Russia tensions. Georgian Dream continues to be the country's ruling party, but Mamuka Bakhtadze was replaced as prime minister in September 2019 by controversial Minister of Internal Affairs Gerogi Gakharia, whose resignation had been demanded during the protests. Georgia's economy has improved noticeably after years of economic recession. Agriculture and related industries employ over half of the workforce. Georgia remains an official aspirant for NATO membership.

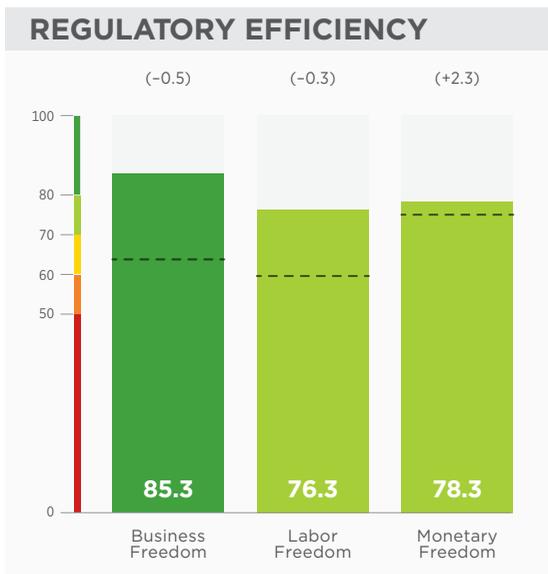
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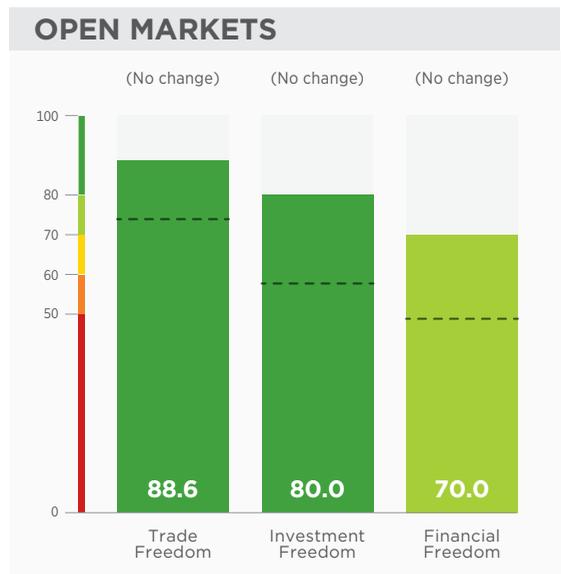
Secured interests in both real and personal property are recognized and recorded, but deficiencies in court operations can keep investors from realizing their rights in property offered as collateral. Despite ongoing judicial reforms, substantial executive and legislative interference in the courts persists. Georgia has made great progress in fighting petty corruption, but high-level “elite corruption” by public officials remains a problem.



The flat individual income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include value-added and dividends taxes. The overall tax burden equals 25.7 percent of total domestic income. Government spending has amounted to 9.6 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 44.5 percent of GDP.



Georgia has recently made a number of business-friendly changes, although requiring that a value-added tax must be levied on advance payments for goods and services has increased business costs. Business friendliness outstrips business friendliness in other post-Soviet countries. Labor costs are low. Privatization of many water and power utility companies in Georgia has reduced the cost of government subsidies.



The total value of exports and imports of goods and services equals 121.7 percent of GDP. The average applied tariff rate is 0.7 percent, and 66 nontariff measures are in force. Foreign and domestic investments receive equal treatment, but transparency is an issue. With the banking sector growing and modernized, access to financing has improved. The stock exchange is small and underdeveloped.