

# GEORGIA

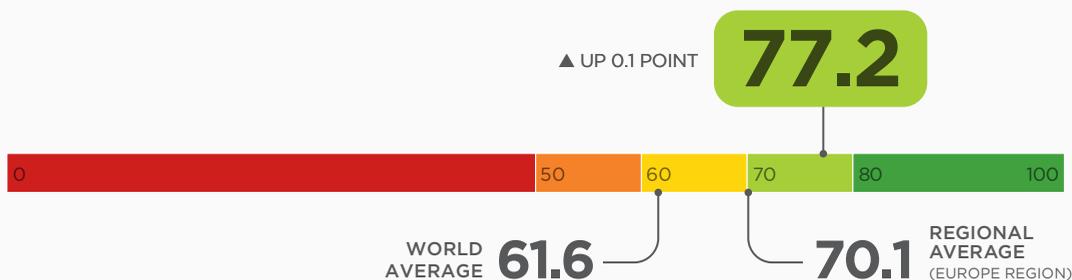


Georgia's economic freedom score is 77.2, making its economy the 12th freest in the 2021 *Index*. Its overall score has increased by 0.1 point, primarily because of an improvement in the **government spending** score. Georgia is ranked 7th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

The Georgian economy suffered only a small setback this year in its long progression to the upper ranks of the mostly free category. Multi-year reforms to reduce corruption, cut regulation, and simplify taxes have led to upward movement in all aspects of economic freedom. Achieving a top-10 ranking, however, will require even more intensive efforts to improve perceptions of government integrity and judicial effectiveness.

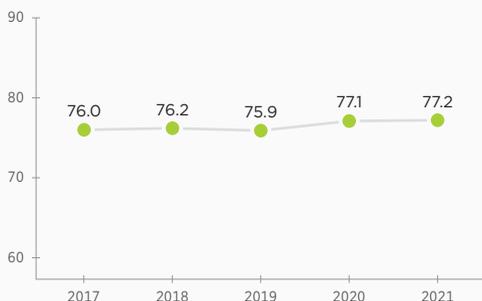
**IMPACT OF COVID-19:** As of December 1, 2020, 1,303 deaths had been attributed to the pandemic in Georgia, and the economy was forecast to contract by 5.0 percent for the year.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +33.1

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
3.7 million

**GDP (PPP):**  
\$47.9 billion  
5.1% growth in 2019  
5-year compound annual growth 4.2%  
\$15,637 per capita

**UNEMPLOYMENT:**  
14.4%

**INFLATION (CPI):**  
4.9%

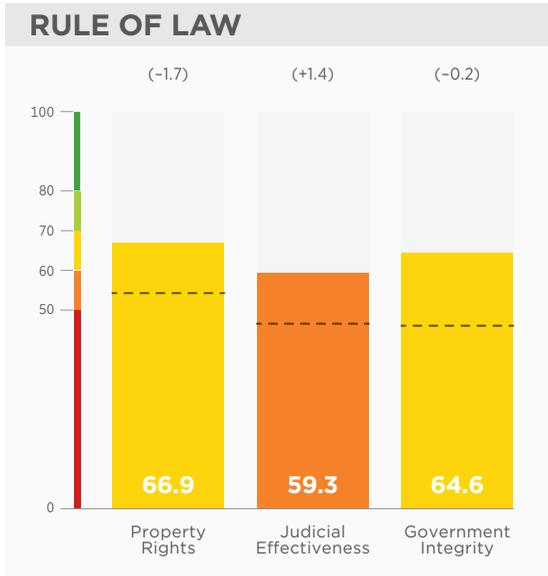
**FDI INFLOW:**  
\$1.3 billion

**PUBLIC DEBT:** 41.1%  
of GDP

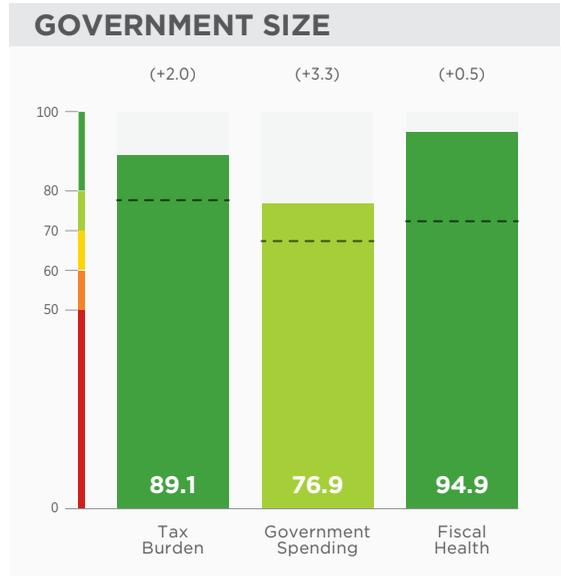
2019 data unless otherwise noted. Data compiled as of September 2020

**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 Giorgi Gakharia, whose resignation had been demanded during the protests. Georgia's economy was improving noticeably until the onset of the COVID-19 pandemic. Agriculture and related industries employ over half of the workforce. Georgia remains an official aspirant for NATO membership.

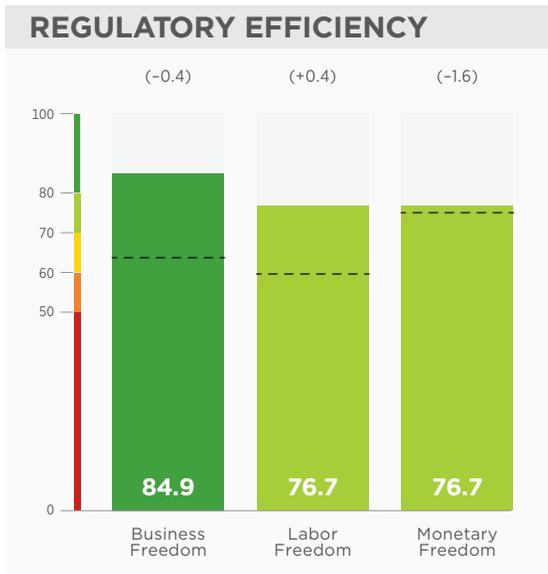
# 12 ECONOMIC FREEDOMS | GEORGIA



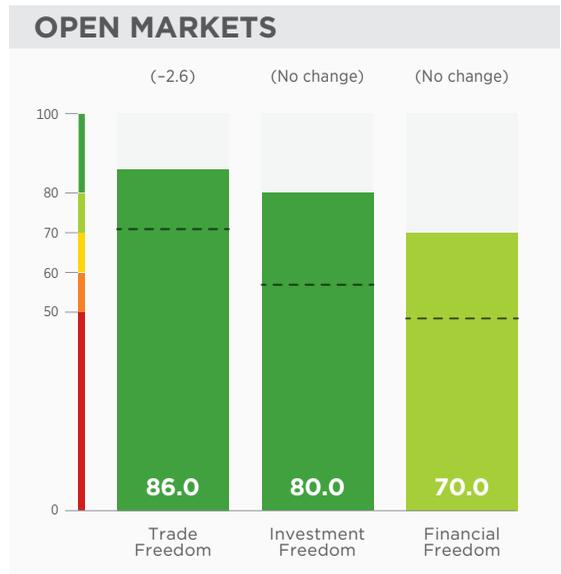
Property rights are recognized, and the government has streamlined property registration. However, enforcement is weak, and unclear or unregistered titling can hamper investment. Judicial reforms are ongoing, but interference in the courts by the executive and legislative branches remains a problem. Although the government has made progress in fighting petty corruption, high-level corruption persists among public officials.



The flat individual income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include a value-added tax. There are no payroll or capital gains taxes. The overall tax burden equals 21.7 percent of total domestic income. Government spending has amounted to 27.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 41.1 percent of GDP.



Georgia does a good job of not getting in the way of business owners and is one of the world's most business-friendly countries. Labor force participation increased in 2019, and labor costs are low. According to the International Energy Agency, the government needs to phase out implicit subsidies and cross-subsidies in the electricity and gas sectors.



Georgia has 13 preferential trade agreements in force. The trade-weighted average tariff rate is 2.0 percent, and 66 nontariff measures are in effect. There are some restrictions on foreign ownership of agricultural land. With the banking sector growing, access to financing has improved. Capital markets continue to evolve, but the stock exchange remains small. In 2020, the central bank took several measures to support banking-sector capital and liquidity.