



Research

3 June 2024

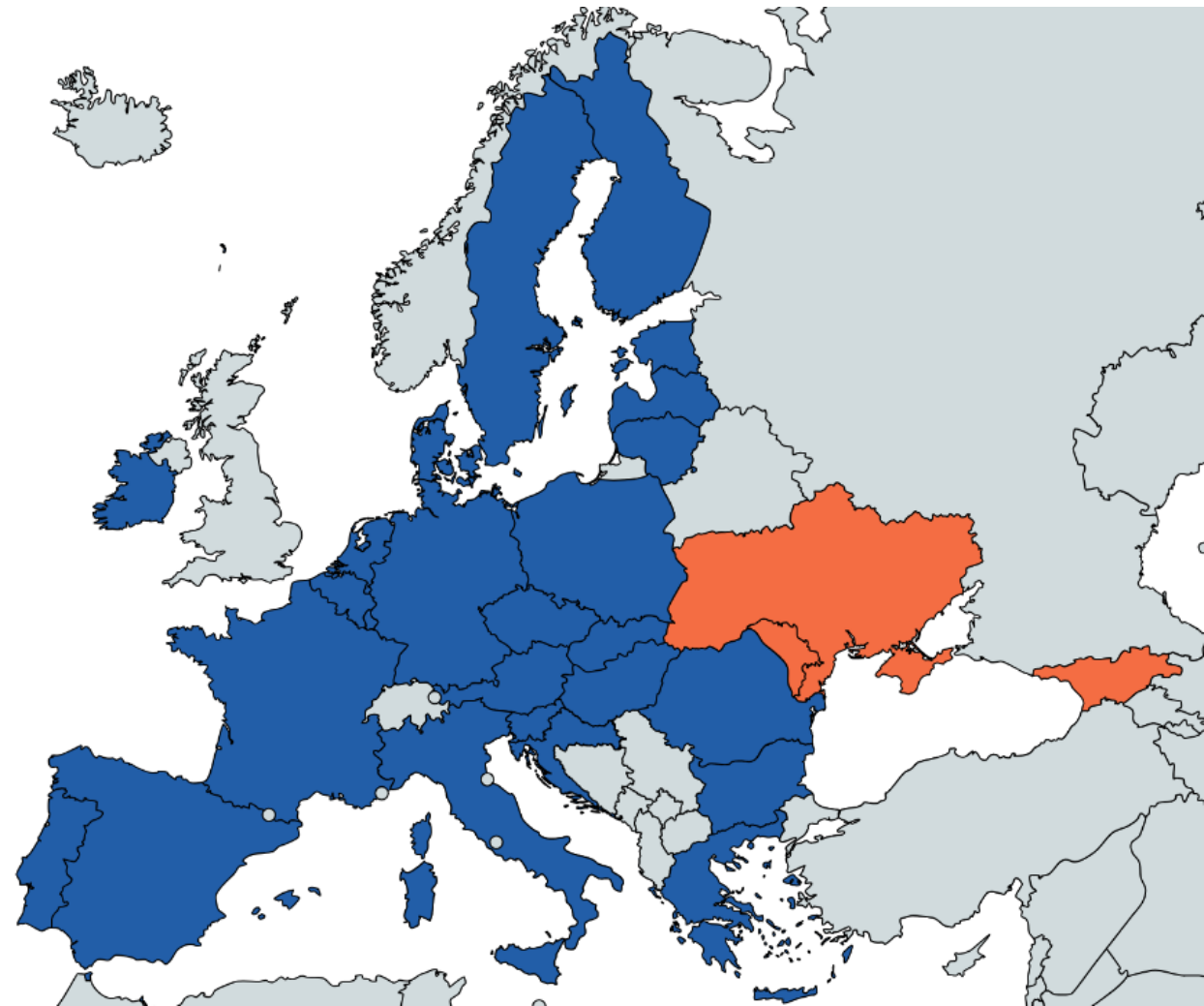
GEORGIA IN INTERNATIONAL RANKINGS

Economic Outlook and Indicators in Georgia

Issue #147



- This publication analyzes where **Georgia** stands in comparison to **Moldova** and **Ukraine**, two other countries with candidate status for EU membership, to gain a comprehensive understanding of Georgia's position regarding European integration.
- The publication also evaluates how these three countries are performing relative to **EU member states** across several key indices and rankings.
- The analysis focuses on reputable indices to inform a reliable comparison among the countries in the following areas:
 - World Governance Indicators:
 - Government effectiveness;
 - Control of corruption;
 - Economic freedom;
 - Democracy;
 - Social progress; and
 - Prosperity.

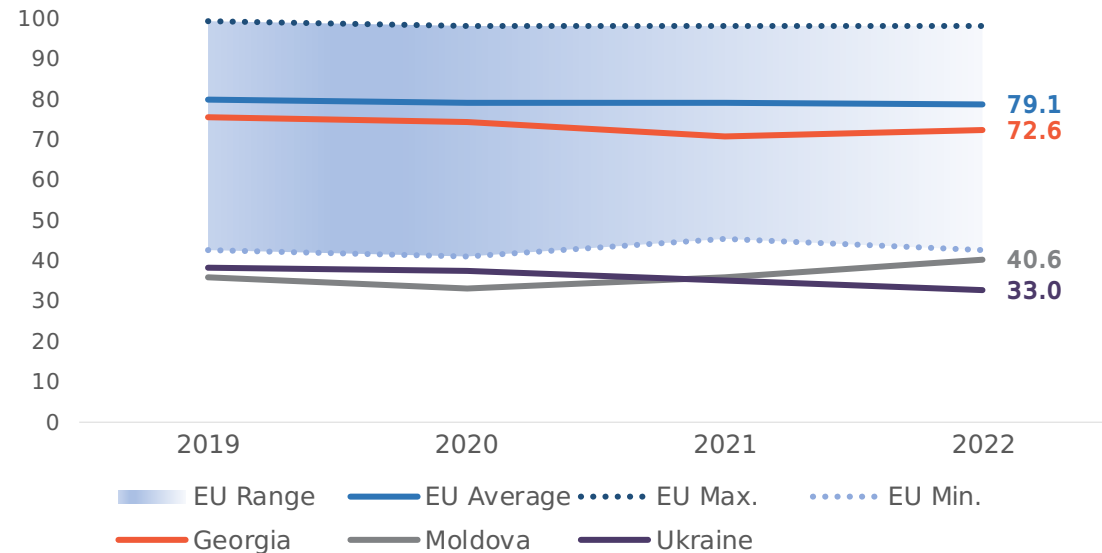


* While we acknowledge that EU membership is a highly complex issue that cannot be fully captured by these indicators alone, discussing them will nevertheless provide valuable insight into the current standing of Georgia.

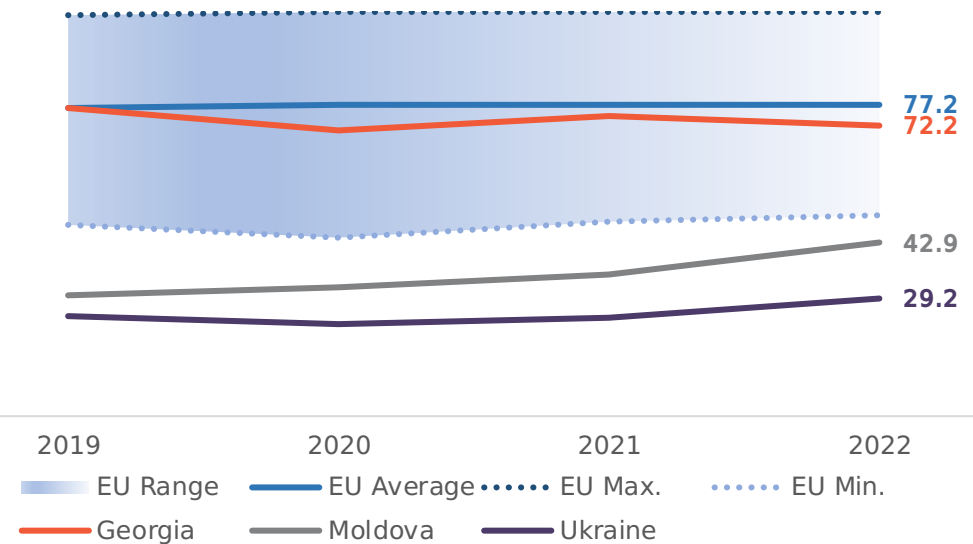


WORLDWIDE GOVERNANCE INDICATORS

WGI: Government Effectiveness, Percentile Rank
(0=lowest and 100=highest)



WGI: Control of Corruption, Percentile Rank
(0=lowest and 100=highest)



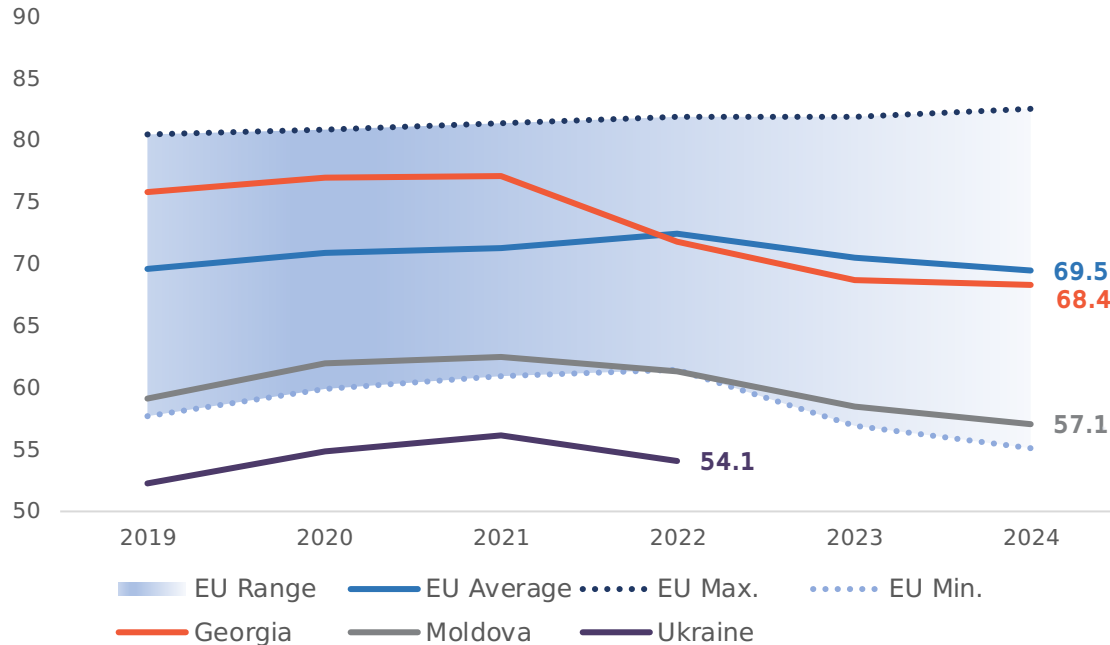
- The World Bank's Worldwide Governance Indicators (WGI) are designed to assess patterns of governance across countries and over time. One such indicator is **government effectiveness (GE)**, which captures perceptions of the quality of public and civil services, their degree of independence, the quality of policy formulation, and the credibility of the given government's commitment to such policies. Meanwhile, another WGI, namely **control of corruption (CC)**, measures perceptions of the extent to which public power is being used for private gain.
- **Between 2019 and 2022, the GE indicator for Georgia decreased from 75.7 to 72.6, representing an average annual drop of 1.3% over that period.** During the same timeframe, Moldova's GE saw average annual growth of 4.3%, while Ukraine experienced a 5% decline. In terms of its actual GE score, Georgia ranks considerably higher than the other two examined nations, falling somewhere between the lowest and highest scores reported by EU member states. However,

- Georgia is positioned at the lower end of the EU scale here, well below the highest (98.6 - Denmark) and also lower than the average (79.1) for EU member states.
- **In 2022, Georgia ranked higher than 8 EU member states in GE ratings.** In particular, Poland (61.8), Romania (53.3), and Bulgaria (42.9) had notably lower GE ratings compared to Georgia.
- **In the reporting period, the CC indicator for Georgia also dipped with an average annual decline of 1.7%,** while the corresponding indicator rose in Moldova (12.9%) and Ukraine (6.3%) during the same timeframe. Similar to the picture for GE, Georgia still ranks higher than the other two reviewed EU candidate countries, but below the highest (100 - Denmark) and average (77.2) scores for EU member states.
- **As of 2022, Georgia outperformed 10 EU member states on the CC front.** Notably, Romania (55.7), Hungary (51.5), and Bulgaria (50.0) ranked considerably lower than Georgia.

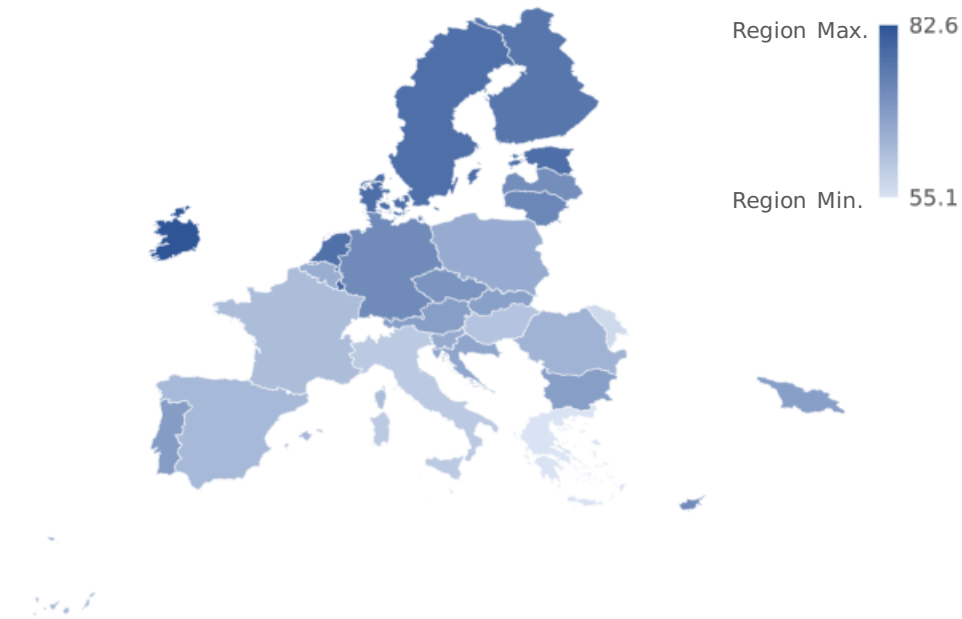


ECONOMIC FREEDOM

Index of Economic Freedom
(0=lowest and 100=highest)



Index of Economic Freedom (2024)



*Note, that data for Ukraine is not available for 2023 and 2024 years.

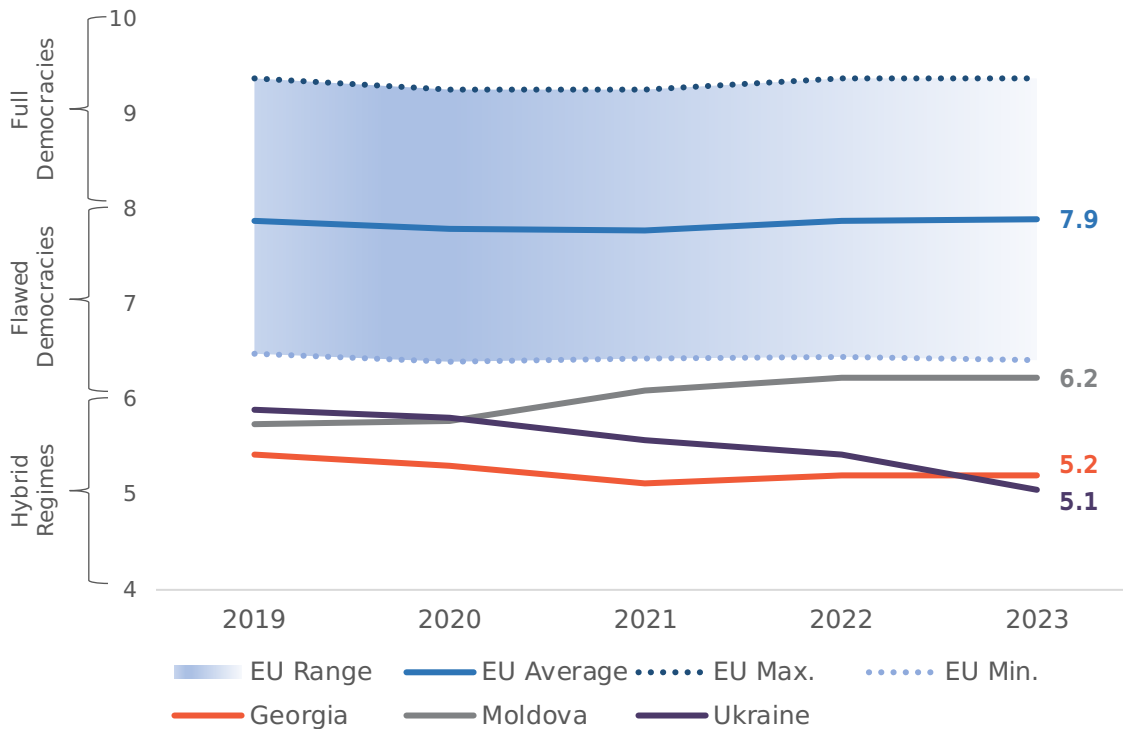
The Index of Economic Freedom (EF), created by the Heritage Foundation, provides a wide understanding of a country's situation by aggregating a range of indicators under the following four broad pillars:

- Rule of law (property rights, government integrity, and judicial effectiveness);
- Government size (government spending, tax burden, and fiscal health);
- Regulatory efficiency (business, labor, and monetary freedom);
- Open markets (trade, investment, and financial freedom).

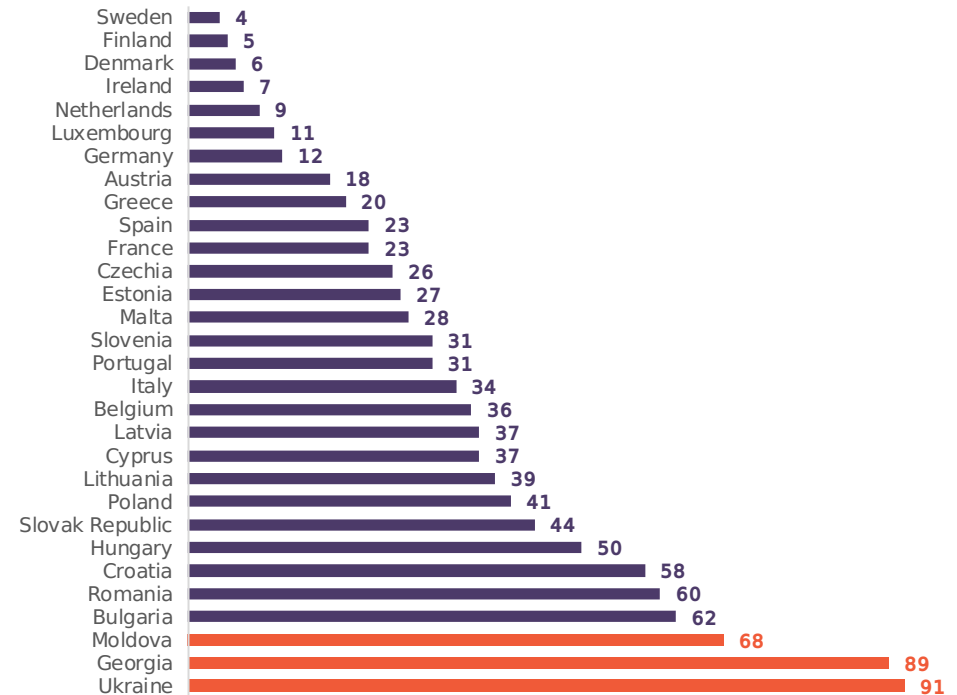
- Throughout the period of 2019-2024, Georgia's EF rating has undergone an average annual decrease of 2%, declining from 75.9 to 68.4. Despite that decline, Georgia still sits above Moldova and Ukraine, albeit it remains below the highest (82.6) and average (69.5) ratings for EU member states.
- As of 2024, Georgia is performing better than 12 EU member states on the EF front. In particular, Greece (55.1), Hungary (61.2), and Italy (60.1) have EF ratings notably below that of Georgia. Meanwhile, the best EF ratings within the EU currently belong to Ireland (82.6) and Luxembourg (79.2).



Democracy index
(minimum=0 and maximum=10)



Democracy Ranks of EU countries, Georgia, Moldova, and Ukraine in 2023
(1=first, 167=last)



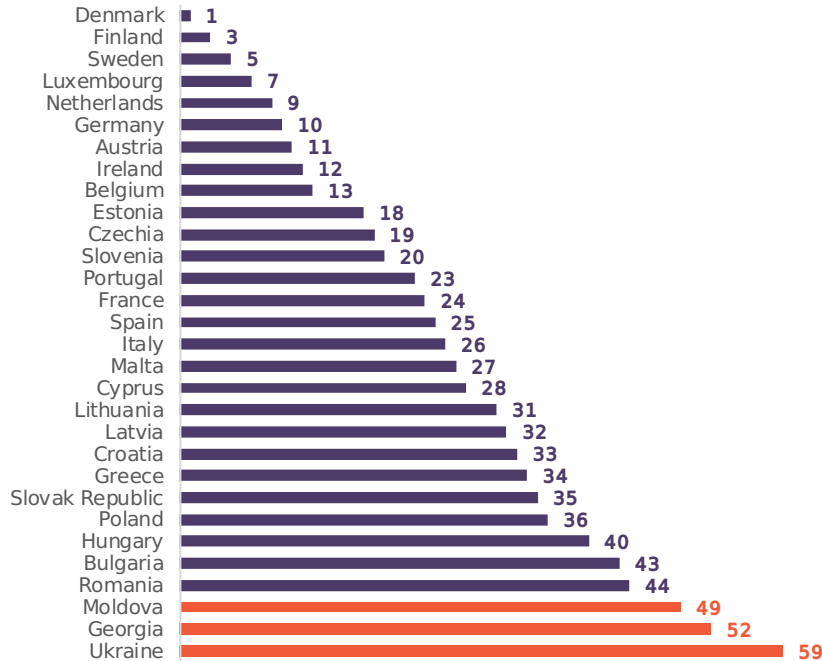
- **The democracy index** by the Economist Intelligence Unit aggregates data on the electoral process, pluralism, the functioning of government, political participation, political culture, and civil liberties to enable a comparable cross-country analysis.
- Of these components, in 2023, Georgia performed worst in the **functioning of government** (3.6/10) and **political culture** (3.8/10), while it did best in the **electoral process and pluralism** (both 7/10).
- **Georgia's democracy index declined by an annual average of 1% between 2019 and 2023, falling to 5.2.** Ukraine's drop in this regard over the same period was more pronounced (3.7%), while, contrarily,

- Moldova recorded average annual growth of 2%. Ultimately, Georgia and Ukraine are classified among "hybrid regimes," while Moldova has been categorized as a "flawed democracy" since 2021.
- **All three of the examined countries lag significantly behind the average for EU member states.** In 2023, the average democracy index for EU member states stood on the border between the "flawed democracy" and "full democracy" categories.
- In 2023, Moldova ranked closest to the worst-performing EU member state (Bulgaria) in the democracy index, while Georgia and Ukraine lay significantly lower in the table.

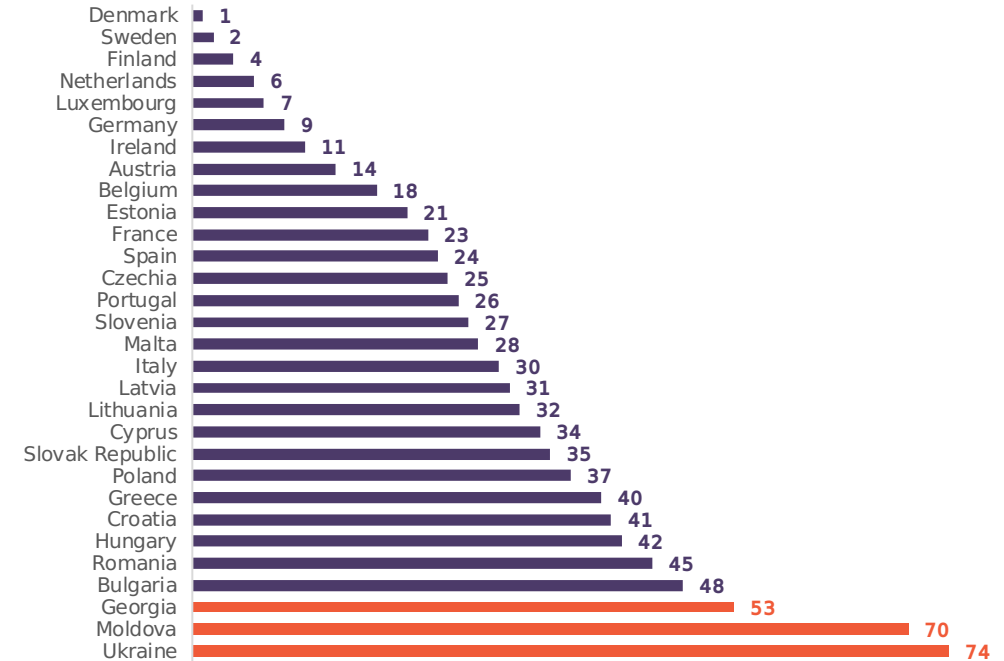


SOCIAL PROGRESS AND PROSPERITY

Social Progress Index Ranks of EU Countries, Georgia, Moldova, and Ukraine in 2023
(1=first and 170=last)



Prosperity Index Ranks of EU Countries, Georgia, Moldova, and Ukraine in 2023
(1=first and 167=last)



- The **social progress index** provides insights on non-economic aspects of global social performance, through aggregating indicators on basic needs, foundations of wellbeing, and opportunities in nations.
- In 2023, Georgia, Moldova, and Ukraine ranked below all EU member states under the social progress index. Between 2019 and 2023, the rankings of Moldova and Georgia declined by 12 and 2 places, respectively, while Ukraine's ranking went unchanged over this period.
- Notably, in 2023, Georgia's best performance in the social progress index came under the "basic education" indicator (22nd), with its worst results coming in the "inclusive society" (118th) and "freedom and choice" (103rd).

- The **prosperity index** is another aggregate measure, encompassing various aspects within a country, including economic growth, wealth, investment environment, and quality of life.
- In 2023, Georgia's highest ranking among the prosperity index indicators was in "investment environment" (47th), with its worst performance in "natural environment" (128th).
- In 2023, Georgia ranked higher than Moldova and Ukraine on the prosperity index, but was still below the worst-ranked EU member states. Compared to 2019, Georgia's ranking here did not change, while Ukraine and Moldova both fell in the rankings by 22 and 11 places, respectively.



- This overview of economic, political, and social indices has provided a means through which **to explore areas in which Georgia is lagging** behind its EU counterparts, which is crucial in determining where work needs to be done for the country to achieve fully-fledged Euro-Atlantic integration.
- According to the analysis of selected indices, Georgia generally maintained satisfactory positions under **Government Effectiveness** and **Control of Corruption**, sitting slightly below the EU average. Although Georgia is performing better than Moldova and Ukraine, its scores in these indicators declined throughout 2019-2022, which raises some concern. While, in the same period, Moldova improved its Government Effectiveness and Control of Corruption significantly and Ukraine enhanced its Control of Corruption rating considerably.
- Georgia also performed to a reasonable level (higher than Moldova and Ukraine, but slightly lower than the EU average) in **Economic Freedom** during the reviewed period, albeit a downturn was observed from 2021 onwards. In particular, declines were noted under the **rule of law, fiscal health, monetary, business, and labor freedom** indicators. To a notable extent, the trends in the latter four indicators could be at least partially attributed to the COVID-19 pandemic.
- In terms of **the quality of democracy**, which is among the main priorities of the EU, Georgia lags behind EU member states and Moldova, but it performs slightly better than Ukraine as of 2023.
- With respect to **Social Progress** and **Prosperity**, Georgia falls short of EU member states, but not to a significant degree. Compared to Moldova and Ukraine, Georgia performs better than both countries in the prosperity indicator, however, it lags behind Moldova in the social progress indicator.
- **To conclude, Georgia outperforms Moldova and Ukraine, in most of the selected indicators** (Government Effectiveness, Control of Corruption, Economic Freedom, and Prosperity). Nevertheless, Georgia has shown notable declines in certain indicators since 2019, whereas Moldova and Ukraine have experienced significant improvements in some areas.
- **The most significant gap between Georgia and the EU average was identified in the area of Democracy**, according to the analysis. Today, this concern is heightened as democracy in Georgia is considered to be under threat as the Parliament of Georgia has passed a law on the transparency of foreign influence.
- According to an **urgent opinion published by the Venice Commission**, this law (when it is enacted) will have significant negative consequences for freedoms of association and expression, the right to privacy, the right to participate in public affairs, as well as the prohibition of discrimination in Georgia. The urgent opinion also states that the draft law contradicts the Constitution of Georgia (Article 78 states that the constitutional bodies shall take all measures within the scope of their competences to ensure the full integration of Georgia into the European Union and the North Atlantic Treaty Organization), undermines Georgia's commitments to EU integration, and hinders the potential chances of becoming an EU member state. Given that the European Commission has already started **accession negotiations with Moldova and Ukraine**, there is a concern that Georgia may permanently lag behind these candidate countries due to ongoing processes.



BASIC ECONOMIC INDICATORS

Basic Economic Indicators	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024
Nominal GDP (mIn USD)	17638.7	16010.7	18853.0	24989.5	6421.3*	7687.6*	8134.8*	8284.9*	30536.8*	-
GDP per Capita (USD)	4741.4	4300.8	5083.6	6731.2	1718.6	2057.5*	2177.2*	2227.5*	8210.1*	-
GDP Real Growth (%)	5.4%	-6.3%	10.6%	11.0%	8.2%*	8.1%*	7.0%*	6.9%*	7.5%*	-
Inflation (%)	4.9%	5.2%	9.6%	11.9%	7.6%	1.6%	0.6%	0.4%	2.5%	0.3%
FDI (mIn USD)	1354.1	595.3	1252.7	2097.9	566.4*	505.7*	316.0*	206.5*	1594.7*	-
Unemployment Rate (%)	17.6%	18.5%	20.6%	17.3%	16.4%	18.0%	16.7%	15.6%	16.4%	14.0%
External Debt (mIn USD)	5741.0	7535.1	8205.3	8345.6	8 473.0	8 510.5	8 452.8	8 907.8	8 907.8	-
Poverty Rate (relative)	19.5%	21.3%	17.5%	15.6%	-	-	-	-	11.8%	-

* Preliminary data



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Giorgi Khishtovani

Research Director

g.khishtovani@pmcginternational.com

Nika Kapanadze

Researcher

n.kapanadze@pmcginternational.com

Nana Kajaia

Researcher

n.kajaia@pmcginternational.com

Salome Kavelashvili

Junior Researcher

s.kavelashvili@pmcginternational.com

Mariam Jikia

Research Assistant

m.jikia@pmcginternational.com

Address: 61 Aghmashenebeli Avenue, 3rd floor,
Tbilisi 0102, Georgia.

Tel: (+995 32) 2921171, 2921181

Email: research@pmcginternational.com

Website: pmcresearch.org