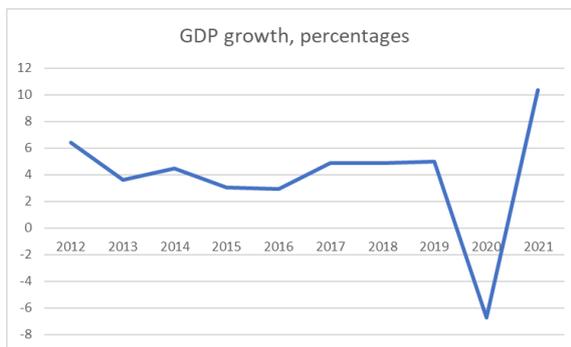


GEORGIA Country brief

Economic Overview

Rapid growth amid structural changes

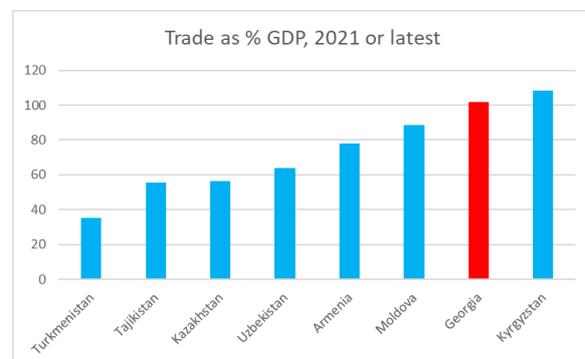
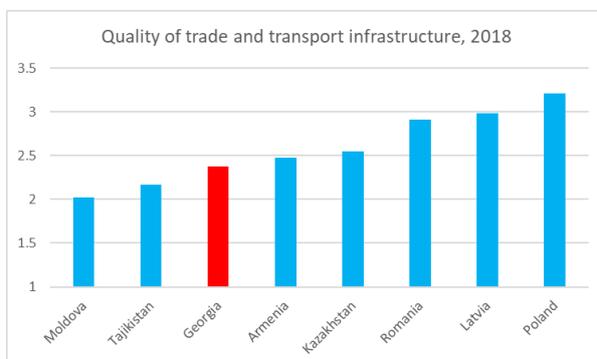
The economy of Georgia has been expanding at a rapid clip over the last decade. Given the growing importance of tourism and other services, the restrictions linked to the COVID-19 pandemic resulted in a sharp output contraction, from which the economy bounced back strongly. Overall, GDP increased at annual average rate close to 4% and the country has moved from a lower to upper middle-income status. Despite the relatively small contribution to GDP, agriculture accounts for around one fifth of employment, while agri-food products represent more than one fourth of exports.



Source: IMF, GeoStat

An open country that would benefit from logistics and infrastructure improvements

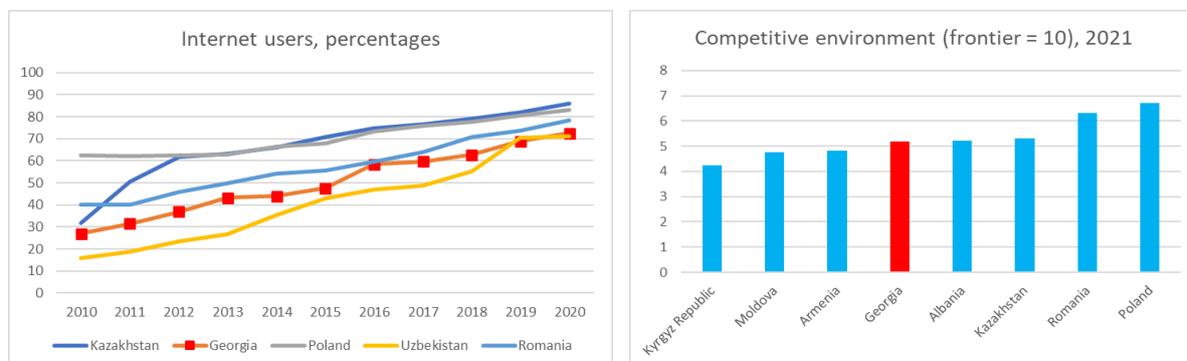
Georgia is country with a large degree of trade openness, but this partly reflects the importance of the tourism sector. Its geographic position, including access to the sea, gives it an important role as a transit hub. However, there is room for improvement regarding the quality of infrastructure to facilitate both external integration and internal connectivity. Better logistics and improved trade facilitation would help the country to capitalise to a larger extent on its location advantages and the opportunities opened by the EU Association Agreement. Revamping infrastructure would also contribute to address poor road safety: Georgia has the highest road fatality rate among all programme countries.



Source: World Bank Development Indicators

A conducive regulatory environment for businesses but challenges remain

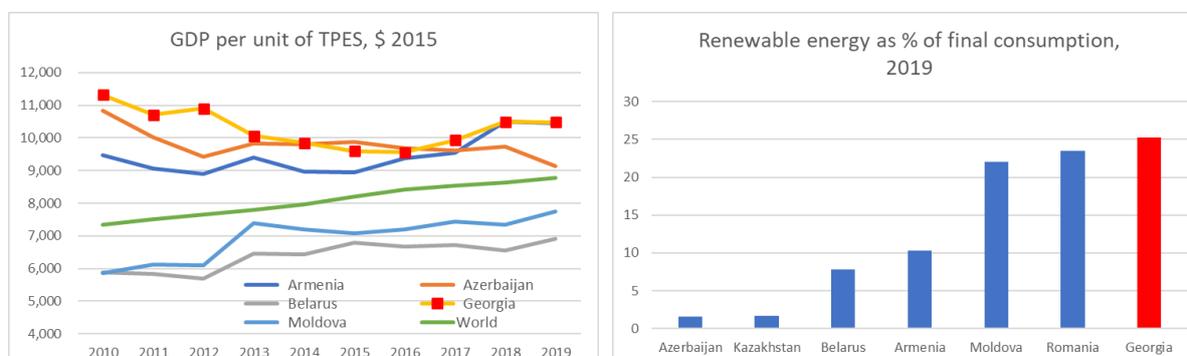
Georgia has a regulatory environment that is conducive to business development. However, there are other aspects that weaken the overall business environment and limit productivity growth, including lack of skills to meet changing business needs and infrastructure deficiencies. Exports remain dominated by low complexity products with limited integration in global value chains. Regional differences regarding access to public services and economic opportunities are large.



Source: ITU, EBRD

Environmental degradation has economic and human costs

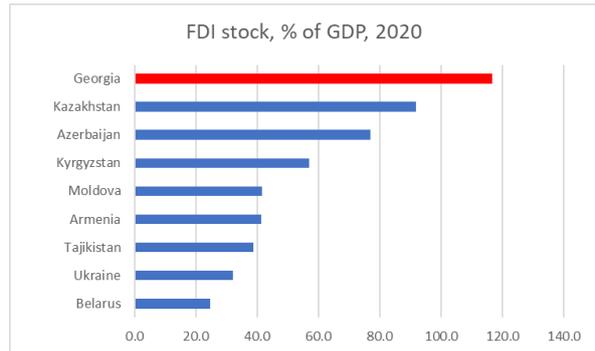
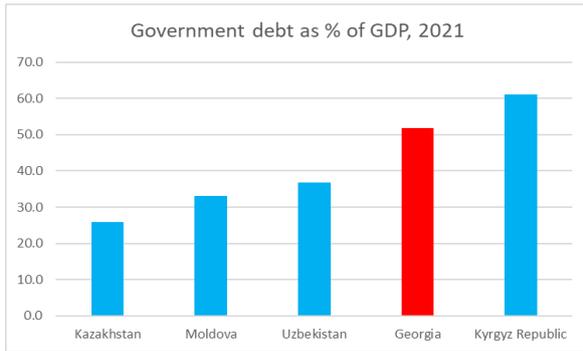
Energy efficiency is relatively high in relation to other countries in the region but much lower than in the EU. The uptake of renewables also compares well but a large untapped potential remains outside the hydro sector. However, the costs of environmental degradation are significant, including land degradation, with a negative impact on agricultural productivity, and the deterioration of coastal ecosystems, which are important for the tourist sector. Air pollution, including indoor pollution in rural areas, is a significant source of premature mortality. Waste management is deficient and incentives for behavioural change are not strong enough.



Source: IEA; SDG UNECE database

Access to external resources remains critical to advance development

Government support to address the COVID-19 pandemic increased the public debt burden. Limited fiscal space constraints the possibilities for infrastructure revamping and other development priorities. However, good relations with IFIs have facilitated access to external resources. The country has also benefited from comparatively high ODA inflows in recent years. It has attracted significant FDI inflows, which have covered most of the traditionally large current account deficit.



Source: IMF, Ministry of Finance of Georgia, UNCTAD