Georgia Gap Analysis Highlights

Strategic Planning and Analysis Division, USAID

March 2013

1) When compared along democratic and economic reform dimensions, Georgia is the most advanced among the E&E Eurasia countries.[1] Georgia's progress in economic reforms even exceeds progress in the Balkan countries. Still, based on an extrapolation of 2006-2011 economic and democratic reform trends, Georgia is not likely to meet economic and democratic reform graduations thresholds in the near to medium term.
2) While Georgia leads E&E Eurasia in economic and democratic reforms, Georgia lags behind the E&E Eurasia average in human capital and in peace and security. Georgia lags in some key health and education dimensions as well in gender equality.
3) Macroeconomic reforms continue to remain at a consistent, slow upward trend. Microeconomic reforms, on the other hand, have experienced dramatic gains since the early to mid-1990s. Georgia is in the top ten ranking worldwide of the World Bank's *Doing Business* survey for the year 2012. It leads all other E&E countries on these business environment reforms.
4) Democratic reforms have advanced notably in Georgia since 2009, where advances have been made in anti-corruption efforts, electoral process, and governance, though offset some by backsliding in rule of law in 2010. Georgia advanced in political rights in 2012 according to Freedom House "due to the country's first peaceful handover of power to an opposition party after parliamentary elections that were judged free and fair by international observers and featured more pluralistic media coverage."
5) Since the global financial crisis in 2008-2009, Georgia's economic growth has rebounded robustly with an annual average growth rate in excess of 6%, outperforming both E&E Eurasia and the world average. Exports have been increasing, though the current account deficit (imports minus exports) remains high. Along with Ukraine and Moldova, Georgia's economy is likely still smaller (despite high growth recently) than what it was prior to the collapse of communism. The unemployment rate may have peaked in 2008-2009, though it still remains high, around 15%. Labor productivity is estimated by the World Bank to be among the lowest of the E&E countries and self-employment among the highest.
6) On both measures of energy and food security, Georgia is both inefficient and dependent on other countries. This dependency and vulnerability is further compounded by Georgia's high current account deficits (over 10% of GDP), and relatively high external debt (80% of GDP).
7) Georgia's under-five mortality rate has fallen significantly since the early 1990s, though it has not been a linear decline with years of even some backsliding, most recently and most notably in 2008. Life expectancy continues to rise and is closer to Balkan norms than E&E Eurasia. Both

[1] E&E Eurasia consists of Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, and Ukraine.

Georgia and Armenia have high life expectancies by Eurasia standards and higher than one might predict given their per capita incomes which are among the lowest of all the E&E countries. The incidences of tuberculosis have been high though stable; comparable to the E&E Eurasia average and much higher than the incidences of TB in Eastern Europe (where incidences continue to fall steadily).

8) Education data are very tenuous making it very difficult to assess broader trends. In that context, government expenditures on education as a percent of GDP have been among the lowest in E&E. While upper secondary enrollments have been increasing in Georgia, tertiary enrollments in recent years (2008-2011) have been significantly lower than earlier years (2000-2007). 2011 scores on analytical reading skills (or functional literacy) among fourth graders in Georgia show an encouraging trend of improvement, with scores exceeding an intermediate international benchmark though still lagging significantly behind E&E graduate country standards.
9) Gender inequality in Georgia is higher than all other E&E countries for which data are available (n=19). By global standards, however, this inequality is roughly average.
10) Georgia is one of the least peaceful and least secure countries in E&E; only Russia and Tajikistan lag more. Of the six peace and security components, Georgia lags the most in counter-narcotics and counter-terrorism.

Georgia Gap Analysis

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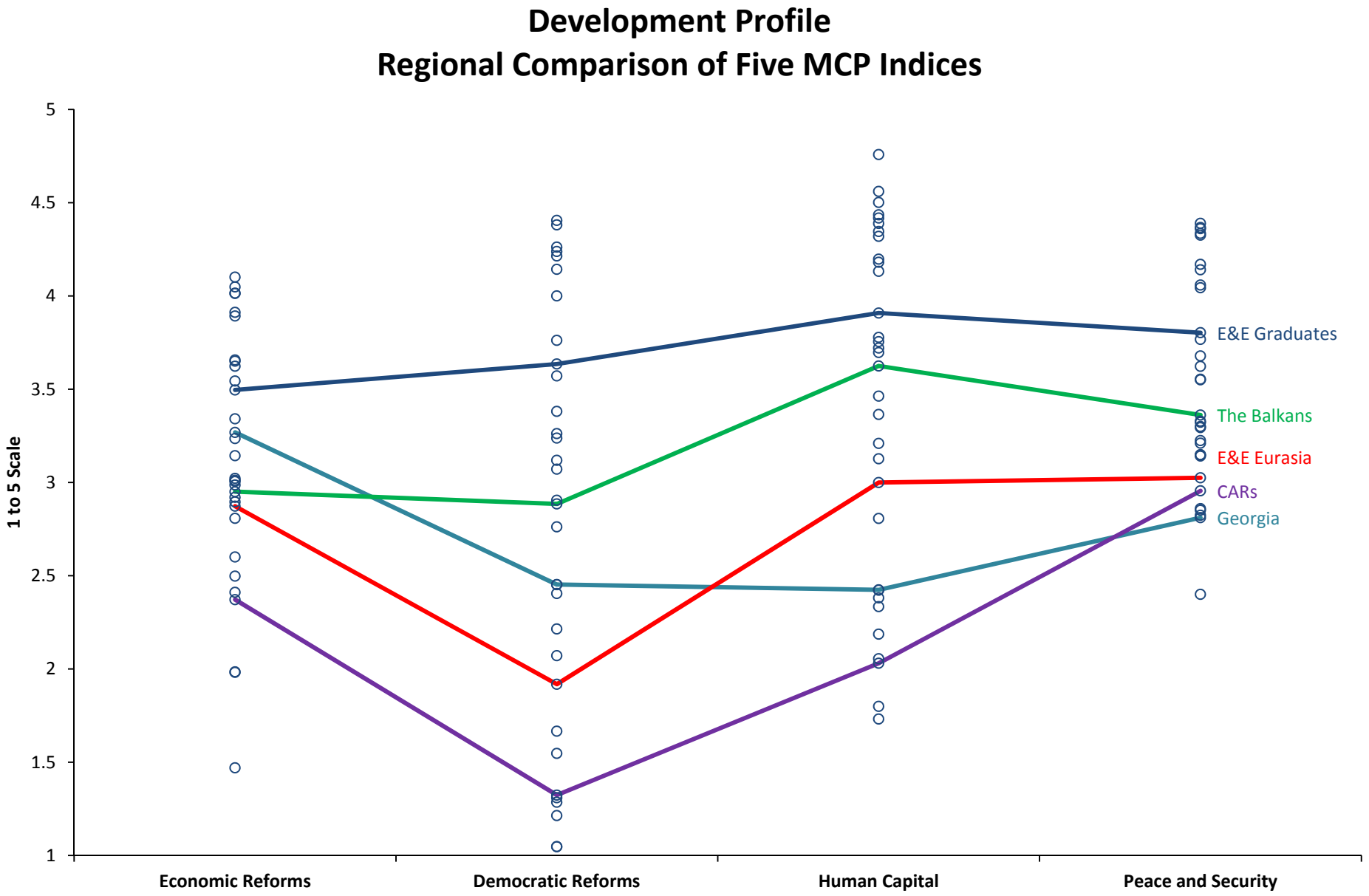
Figure 1



Scores calibrated on MCP 1 to 5 scale.

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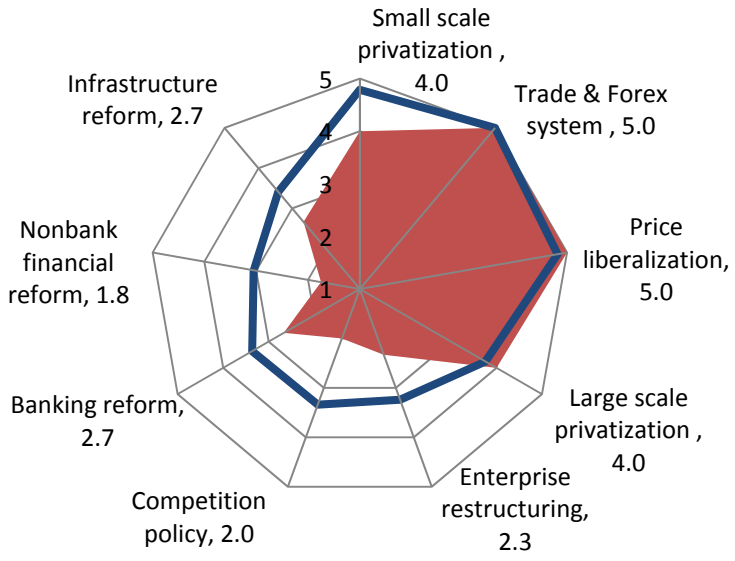
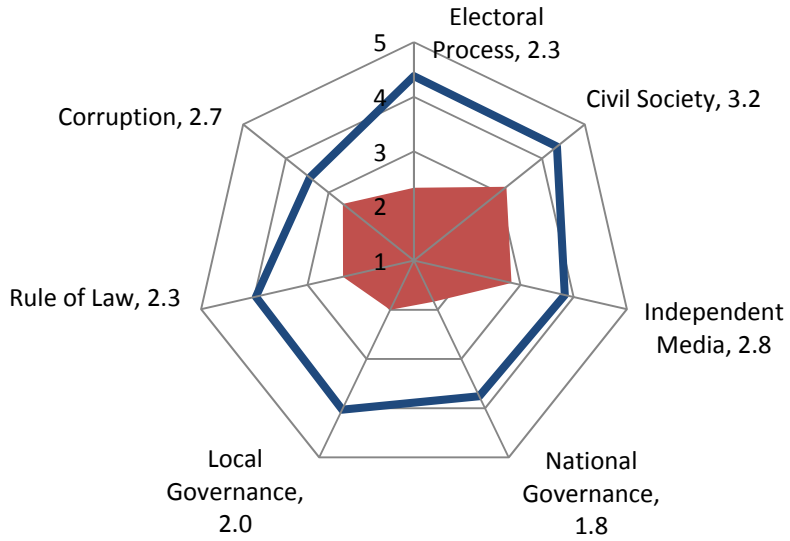
Figure 2

Georgia

Economic Reforms, 2012

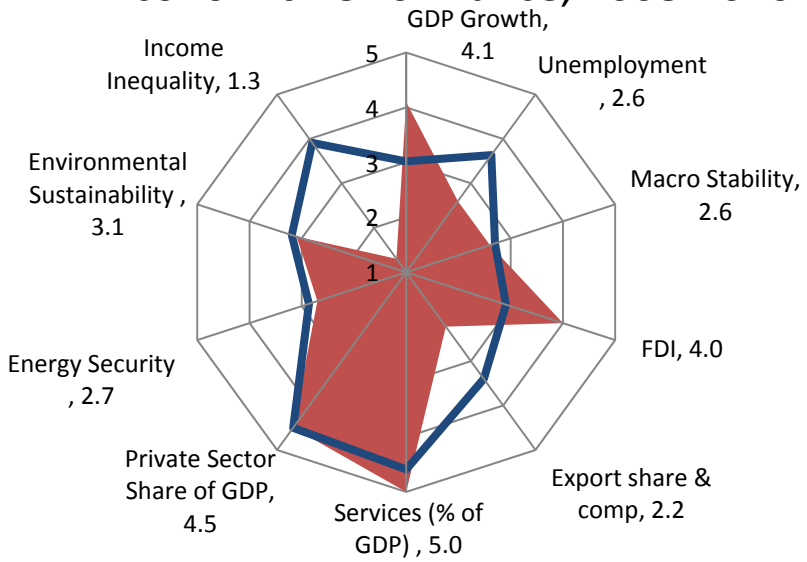


Democratic Reforms, 2011

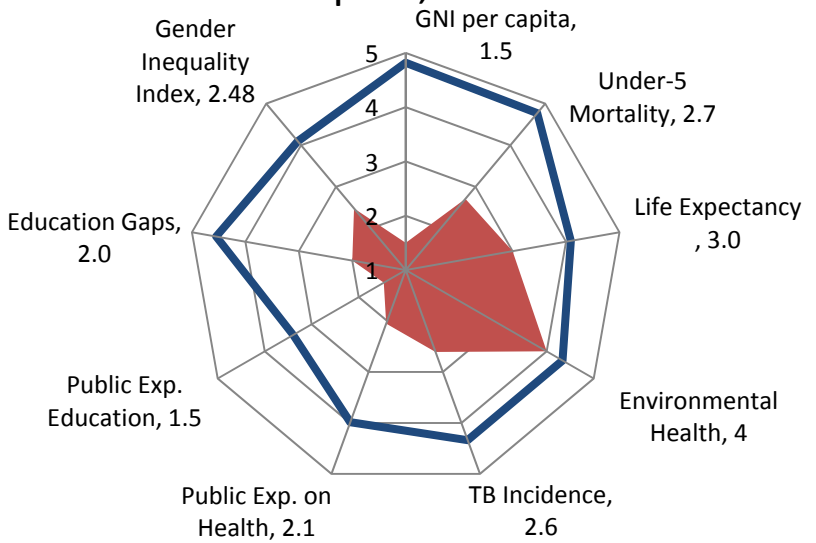


E&E Graduate Country Average

Economic Performance, 2008-2010



Human Capital, 2008-2010



Country graduates = Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

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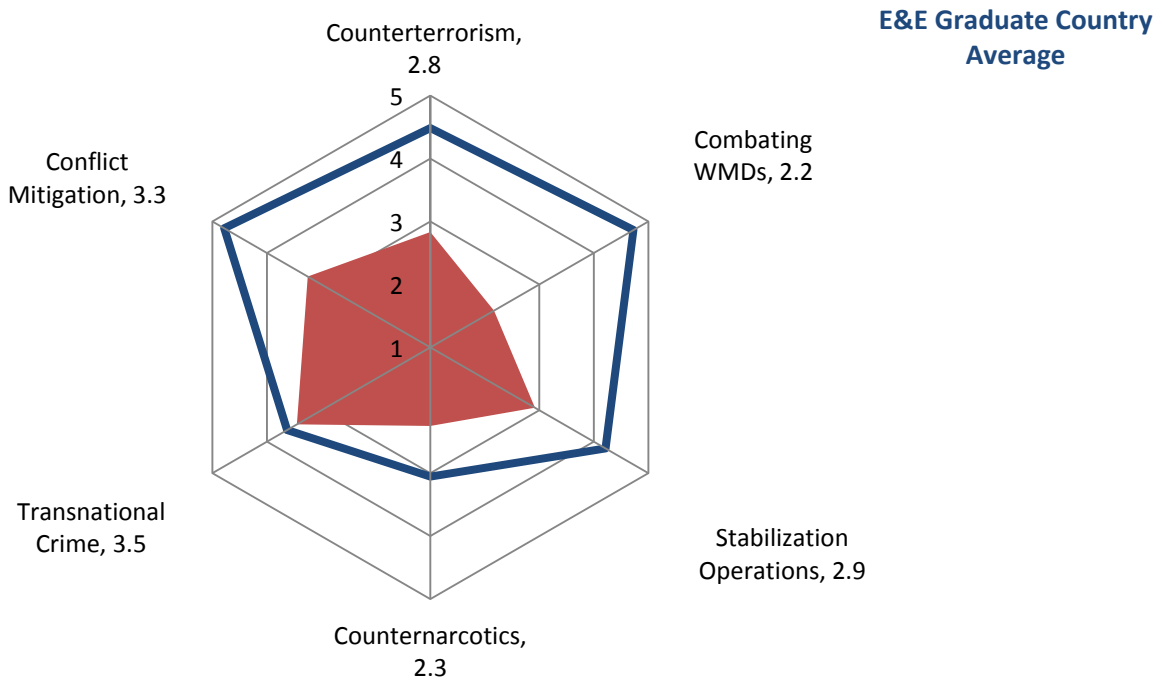
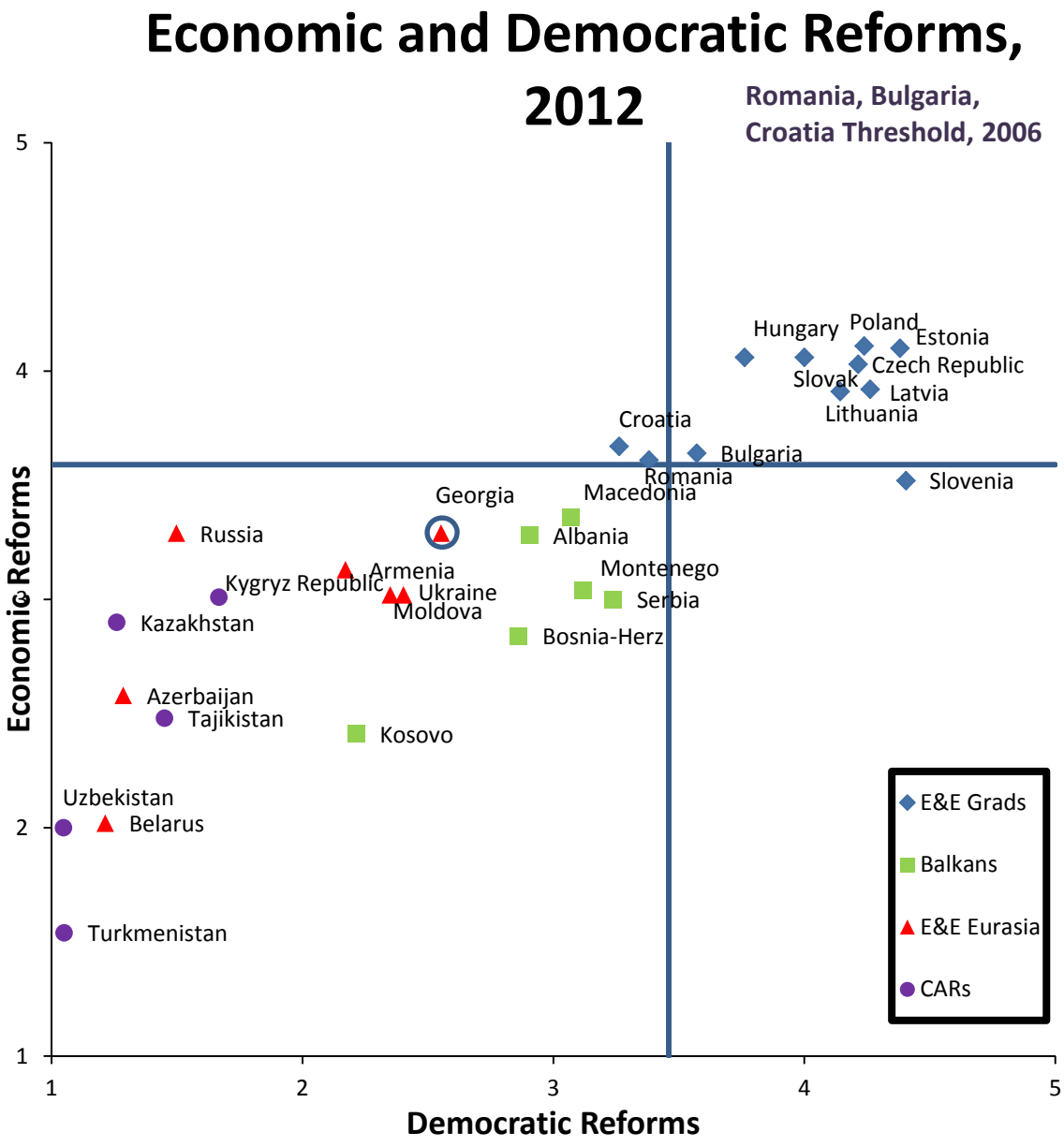
Figure 3

Peace and Security in Georgia



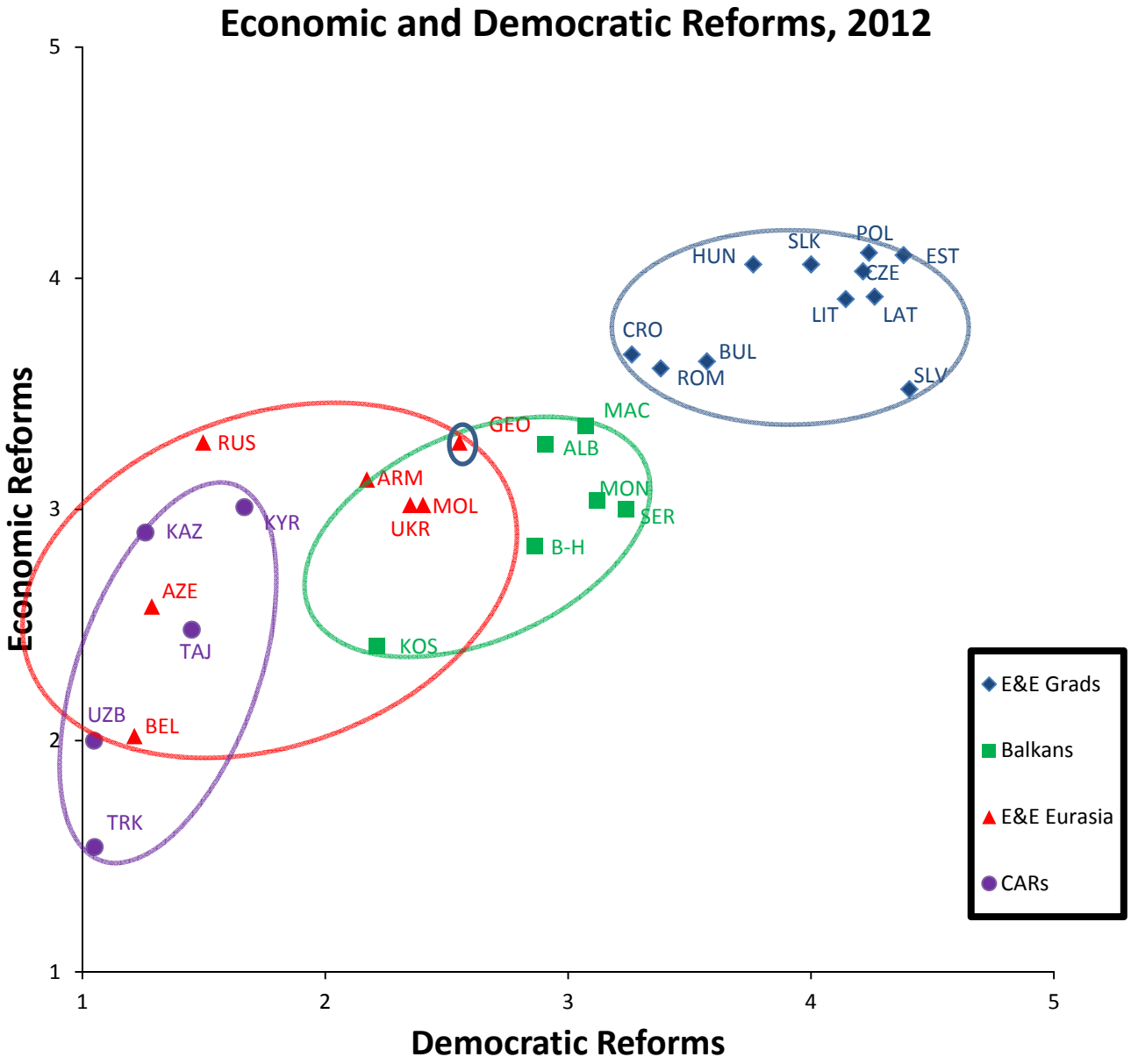
US State Department; Foreign Policy Magazine and the Fund for Peace; World Bank; US Commerce Department; Binghamton University; UNICEF; A.T. Kearney/Foreign Policy Magazine; UNODC; USTR; George Mason University
Country graduates = Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

Figure 4



Ratings are based on a 1 to 5 scale, with 5 representing most advanced worldwide. Freedom House, *Nations in Transit* (June 2012) and *Freedom in the World* (January 2013); and EBRD, *Transition Report 2012* (November 2012).

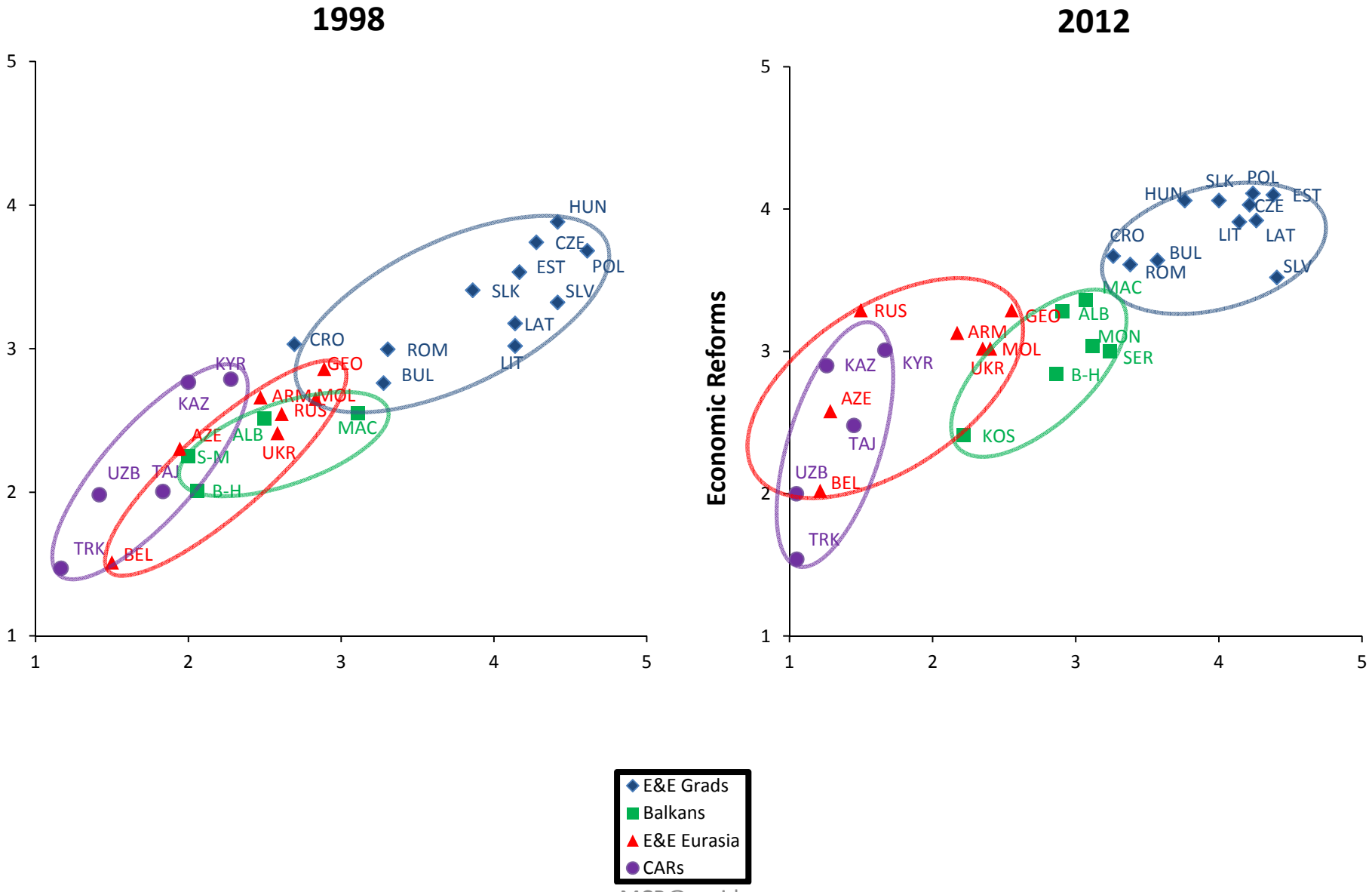
Figure 5



Ratings are based on a 1 to 5 scale, with 5 representing most advanced worldwide. Freedom House, *Nations in Transit* (June 2012) and *Freedom in the World* (January 2013); and EBRD, *Transition Report 2012* (November 2012).

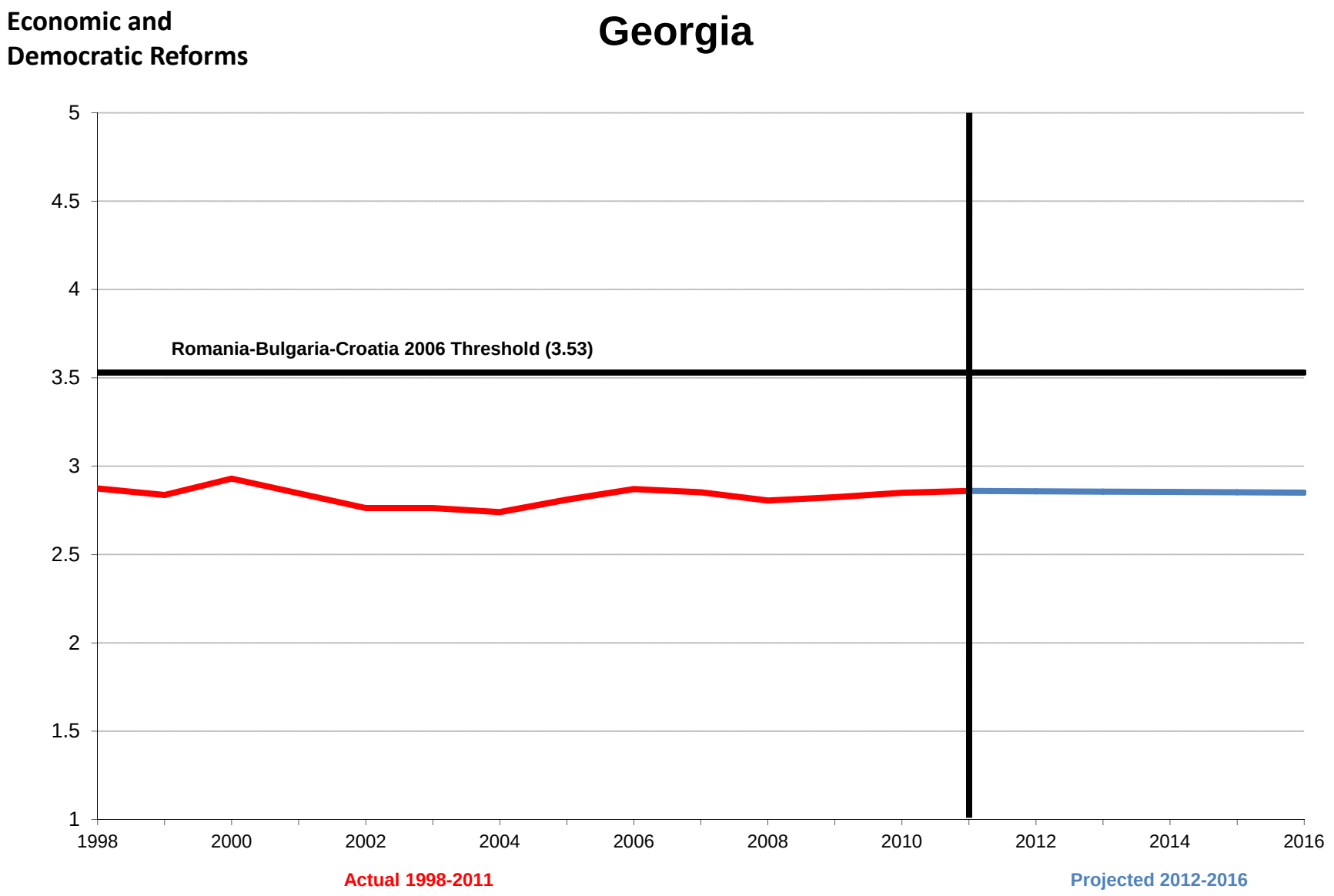
Figure 6

Economic and Democratic Reforms in Eastern Europe & Eurasia 1998 vs. 2012



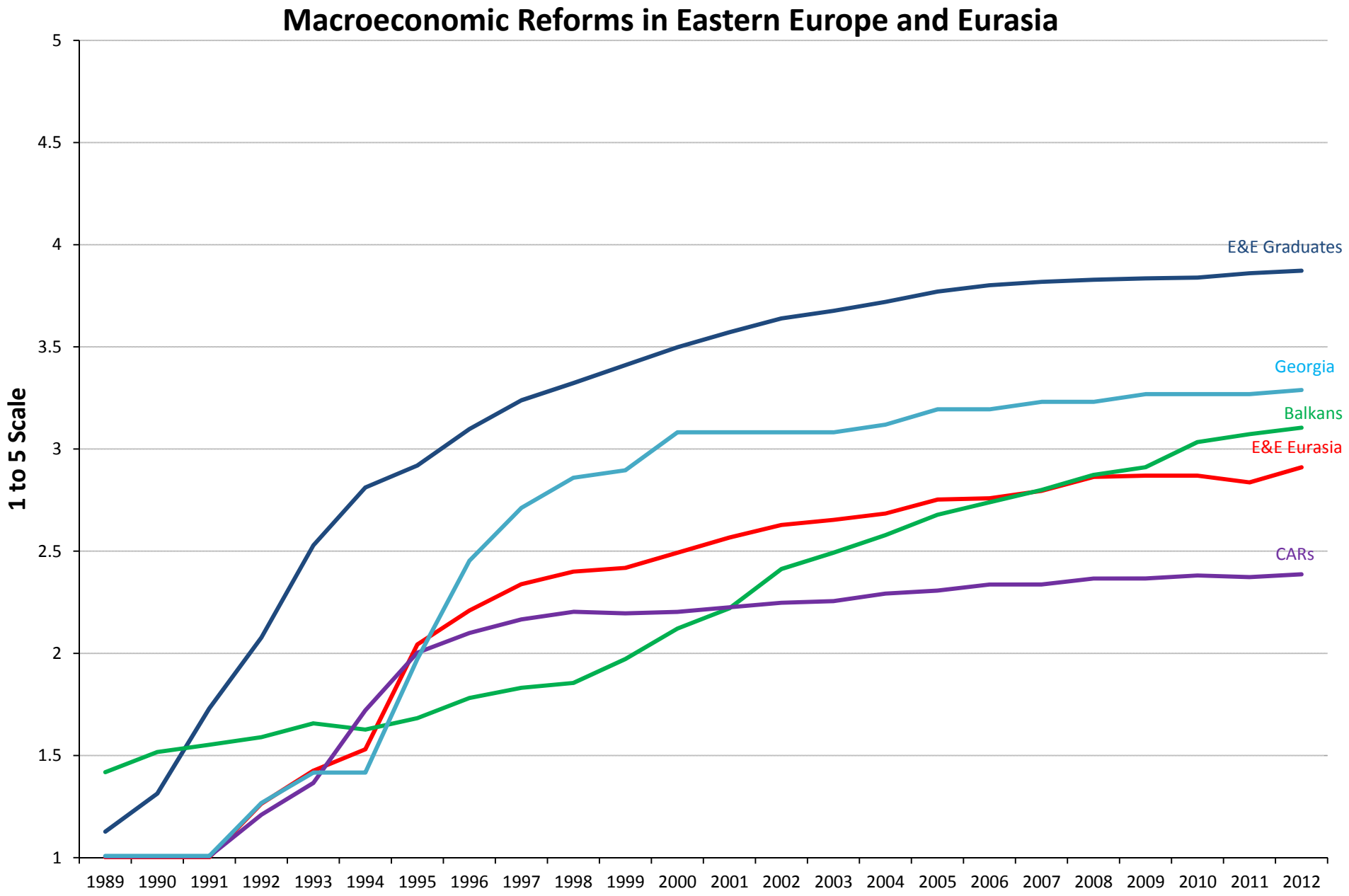
Ratings are based on a 1 to 5 scale, with 5 representing most advanced worldwide. Freedom House, *Nations in Transit* (June 2012) and *Freedom in the World* (January 2013); and EBRD, *Transition Report 2012* (November 2012).

Figure 7



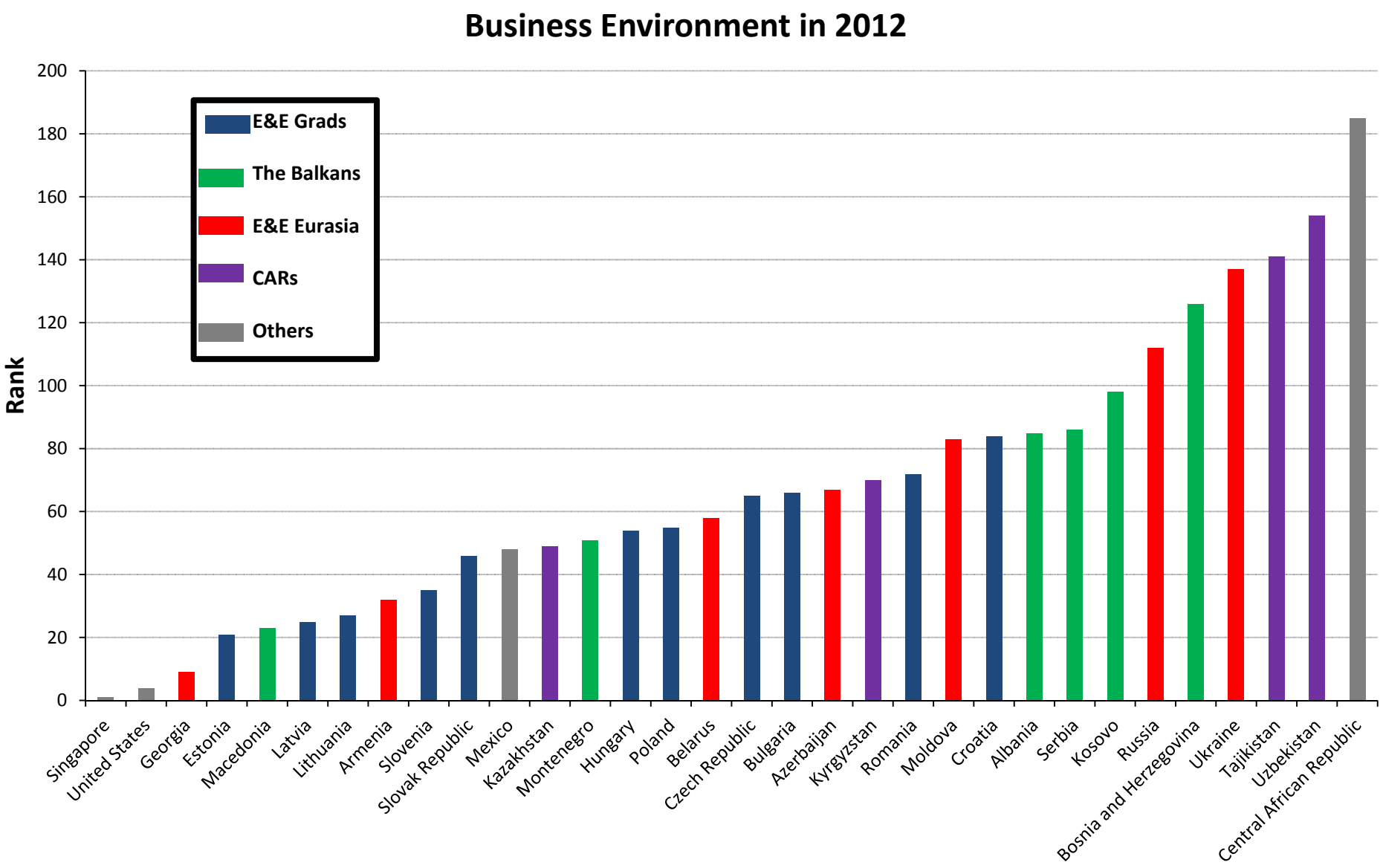
The projections are extrapolations from the average annual trends from 2007-2011. The economic reform data are drawn from the EBRD's annual *Transition Report*, and the democratic reform data are drawn from Freedom House's annual *Nations in Transit*.

Figure 8



Drawn from the EBRD, *Transition Reports*. Scores are based on 1 to 5 scale, with 5 representing the most advanced.

Figure 9



World Bank, *Doing Business* 2013, 185 countries are included in the analysis. The business environment is gauged based on 10 aspects: starting a business; dealing with construction; hiring and firing workers; registering a property; getting credit; protecting investors; paying taxes ; trading across borders; enforcing contracts; and closing a business.

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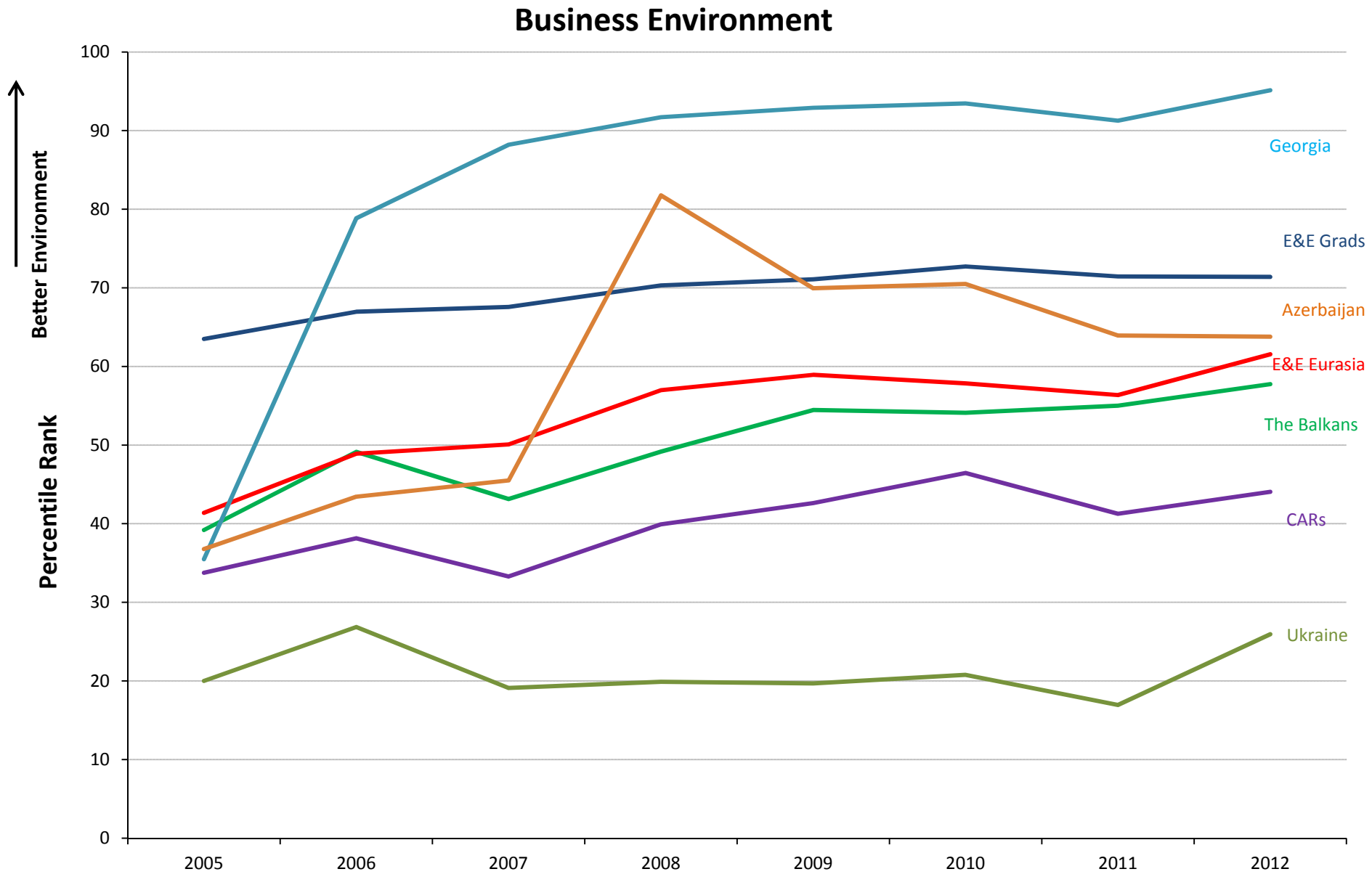
Figure 10



World Bank, Doing Business 2013. The analysis is based on 10 aspects: starting a business; dealing with construction; hiring and firing workers; registering a property; getting credit; protecting investors; paying taxes ; trading across borders; enforcing contracts; and closing a business.

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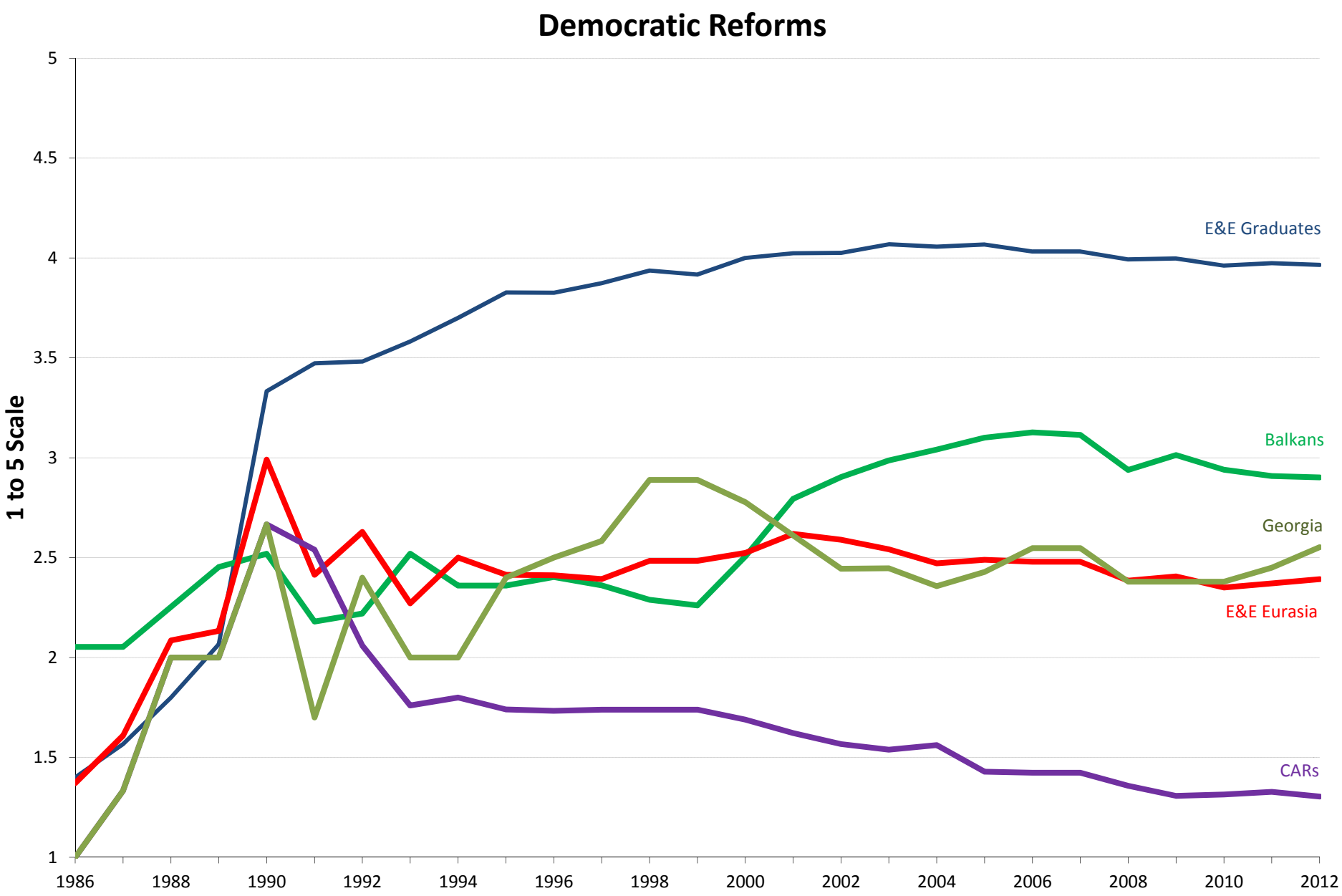
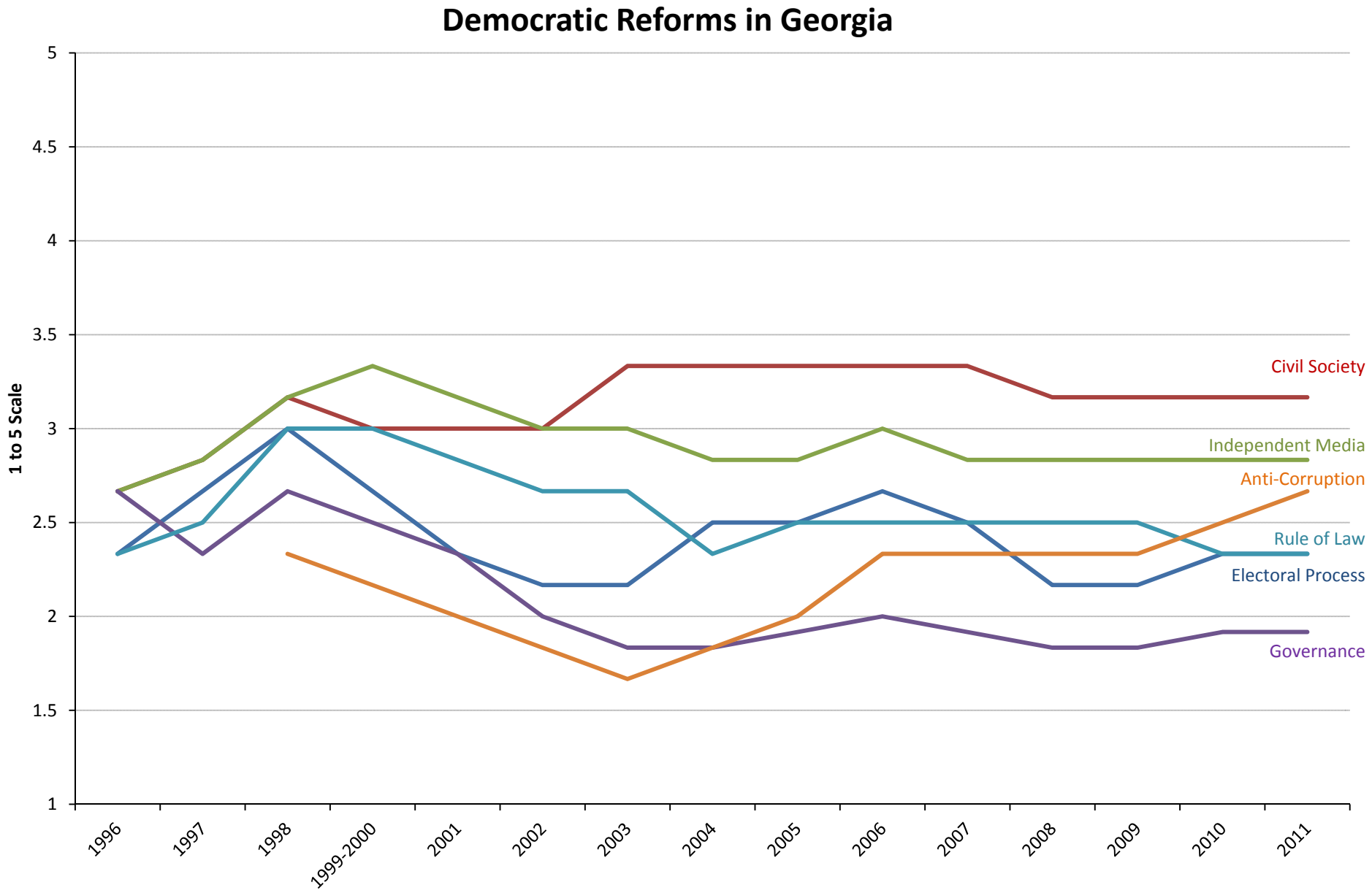
Figure 11



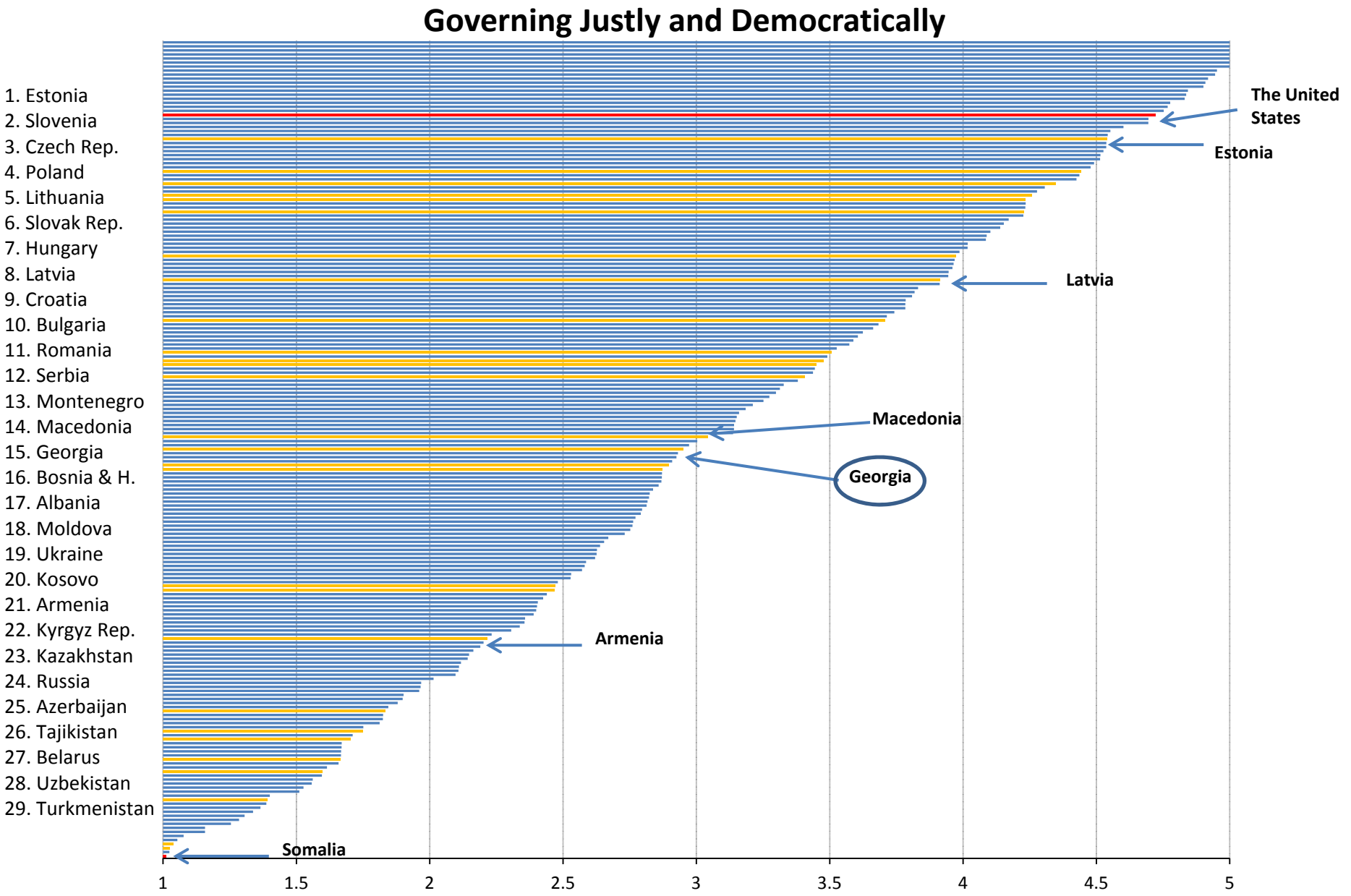
Ratings from 1 to 5, with 5 representing greatest development of democratic reforms. Freedom House, *Nations in Transit* 2012 ; *Freedom in the World*, 2013.

Figure 12



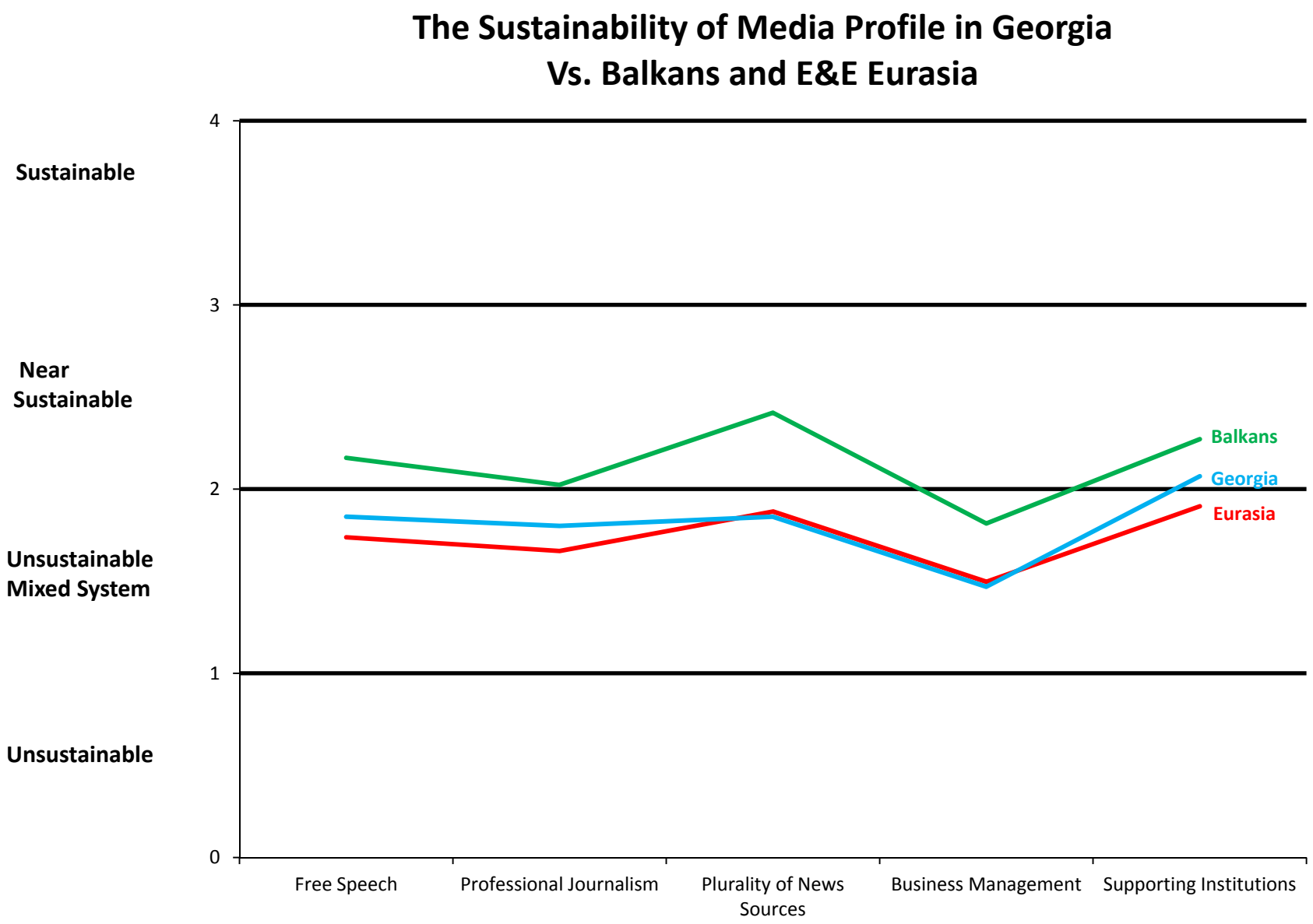
Source: Freedom House, *Nations in Transit.* Scores calibrated on MCP 1 to 5 scale.

Figure 13



Drawn from World Bank Institute, *Governance Matters Indicators* (2012); Freedom House, *Freedom in the World* (2013) and *Freedom of the Press* (2010). N=153. Ratings are based on a scale from 1 to 5, with 5 representing the most advanced. An index of 5 indicators: rule of law; anti-corruption; free media; political rights; and civil liberties.

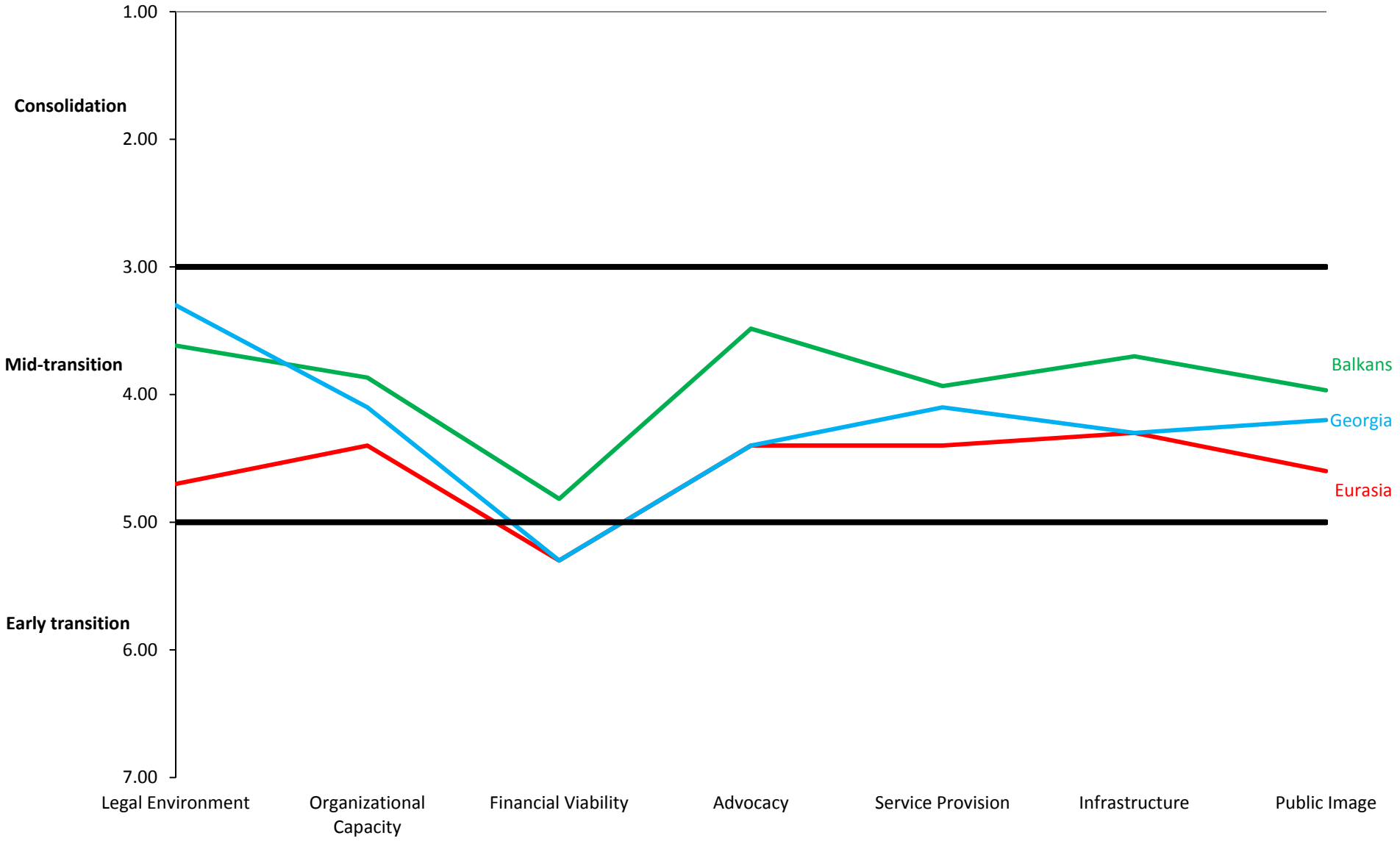
Figure 14



IREX, *Media Sustainability Index 2012.* Scale of 0 to 4 where 4 is the most advanced.

Figure 15

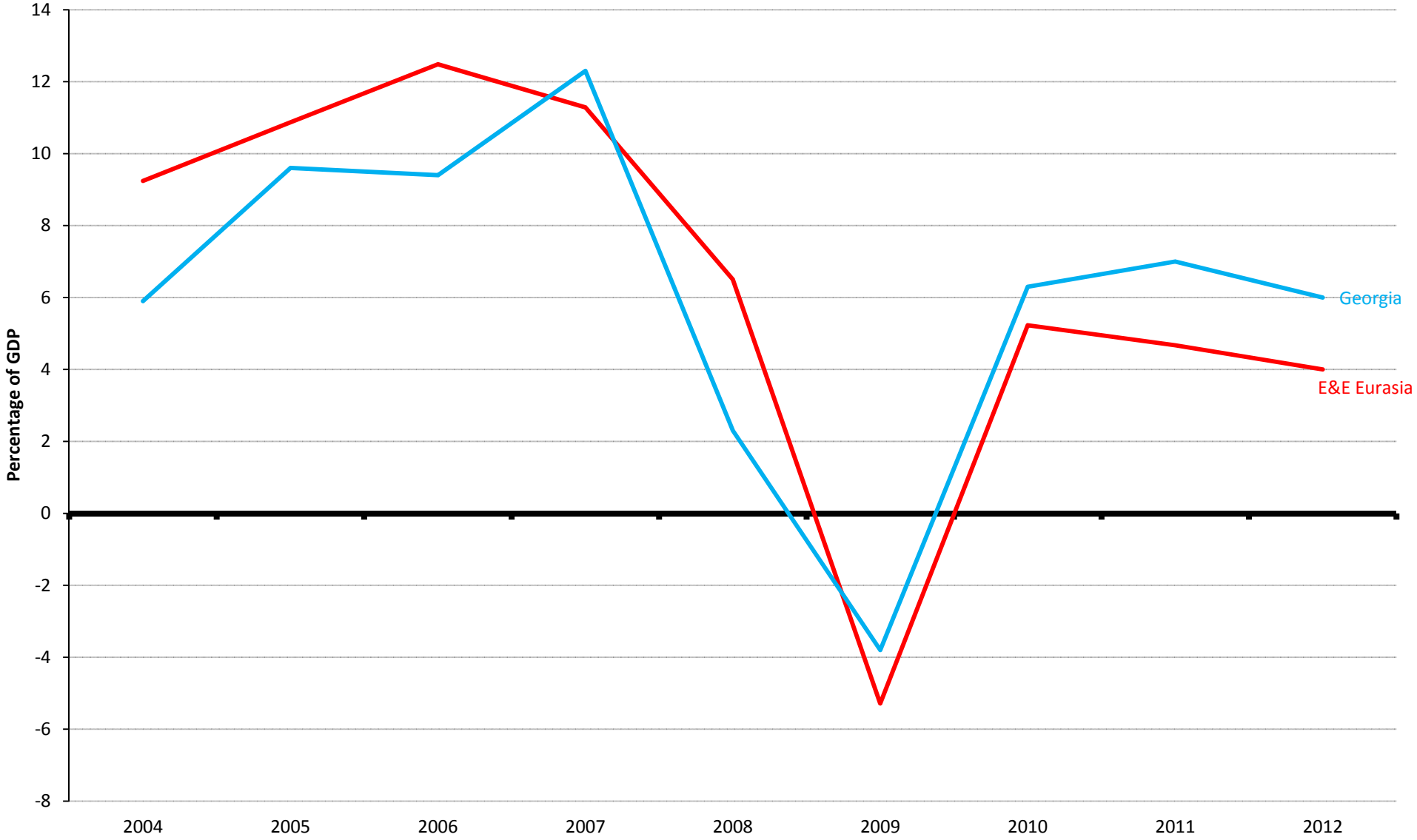
The Sustainability of Civil Society Organizations Profile in Georgia Vs. Balkans and E&E Eurasia



USAID, *2012 CSO Sustainability Index for Central and Eastern Europe and Eurasia*. Scale of 1 to 7 , with 1 representing the most advanced.

Figure 16

Economic Growth and Contraction in Georgia vs. E&E Eurasia (% Change in GDP)



World Bank, *World Development Indicators*, 2012; Economist Intelligence Unit Database. Equally-weighted calculations for the E&E Eurasia sub-region.

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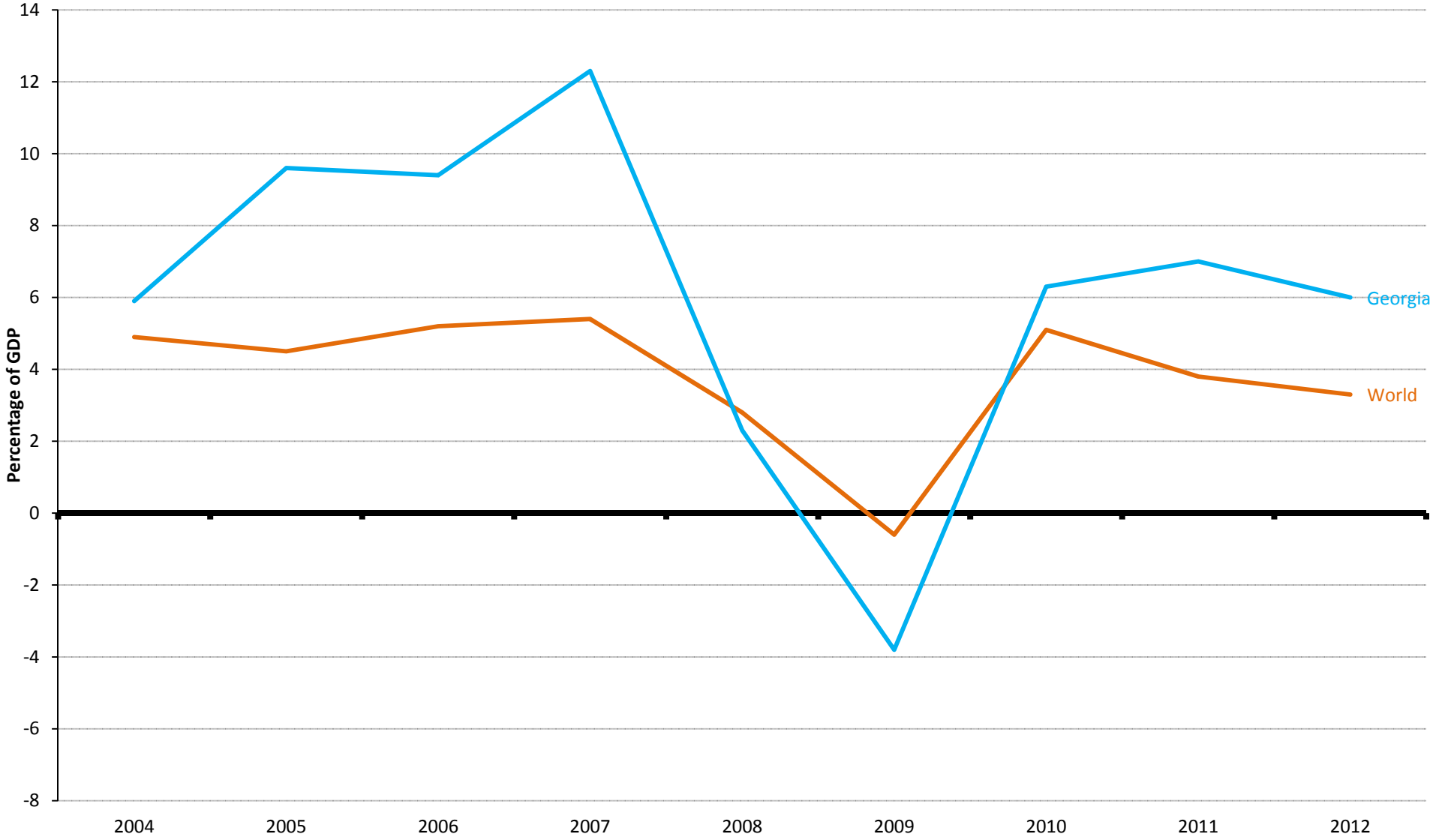
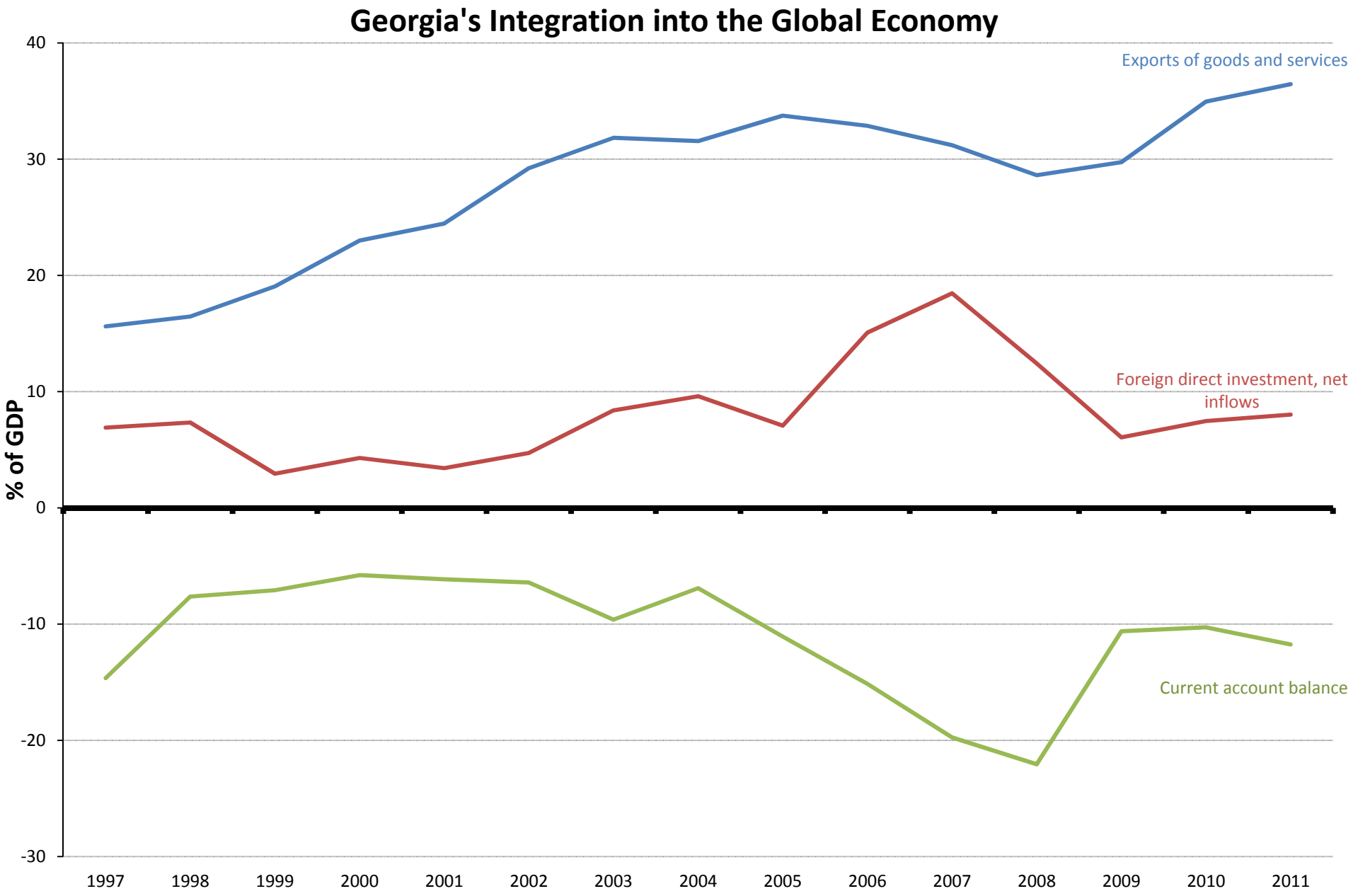
Figure 17

Economic Growth and Contraction in Georgia vs. the World (% Change in GDP)



World Bank, *World Development Indicators*, 2012; Economist Intelligence Unit Database. Equally-weighted calculations for the World.

Figure 18



World Bank Development Indicators; 2012 (2-28-2013)

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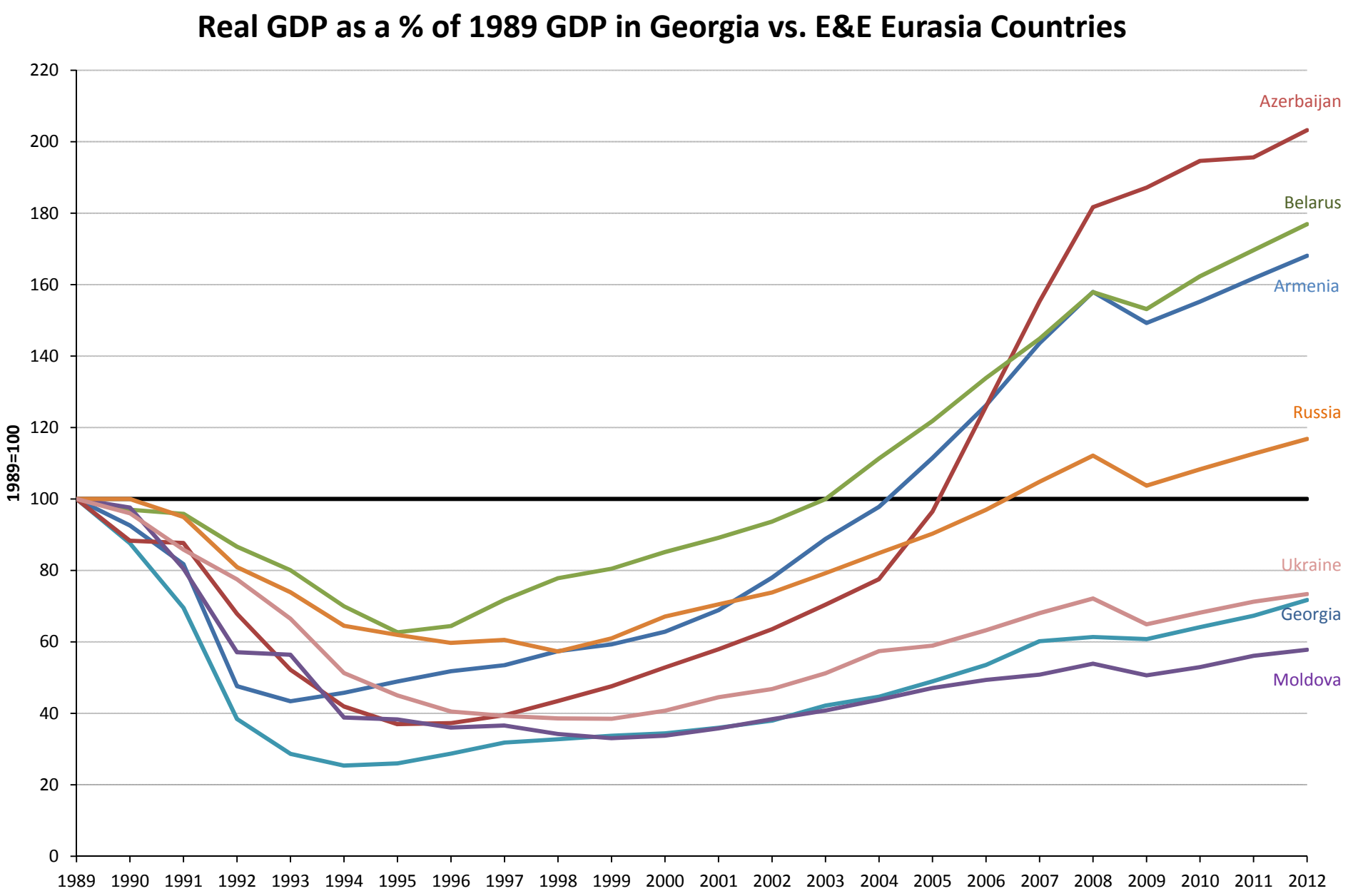
Figure 19



World Bank Development Indicators; 2012

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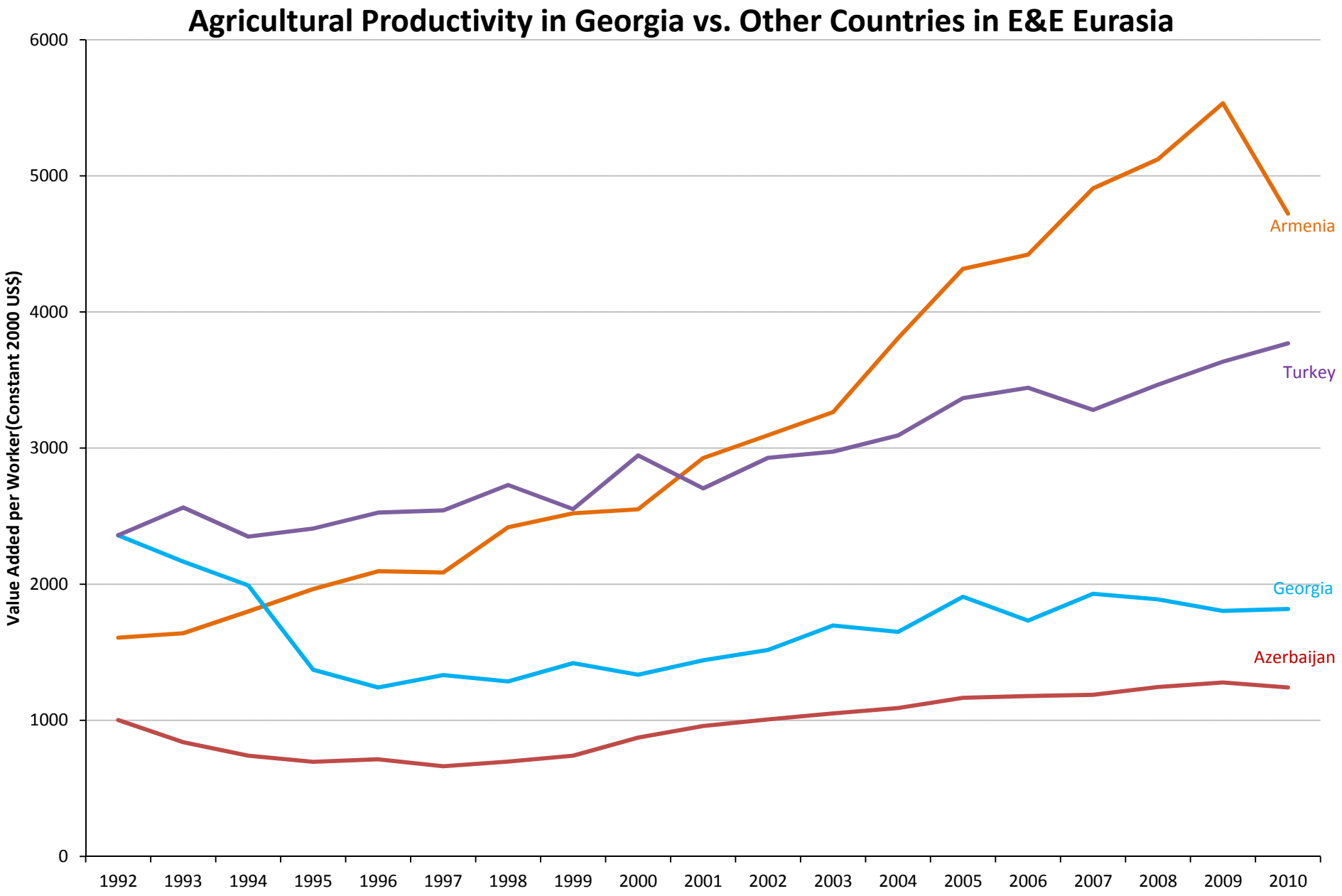
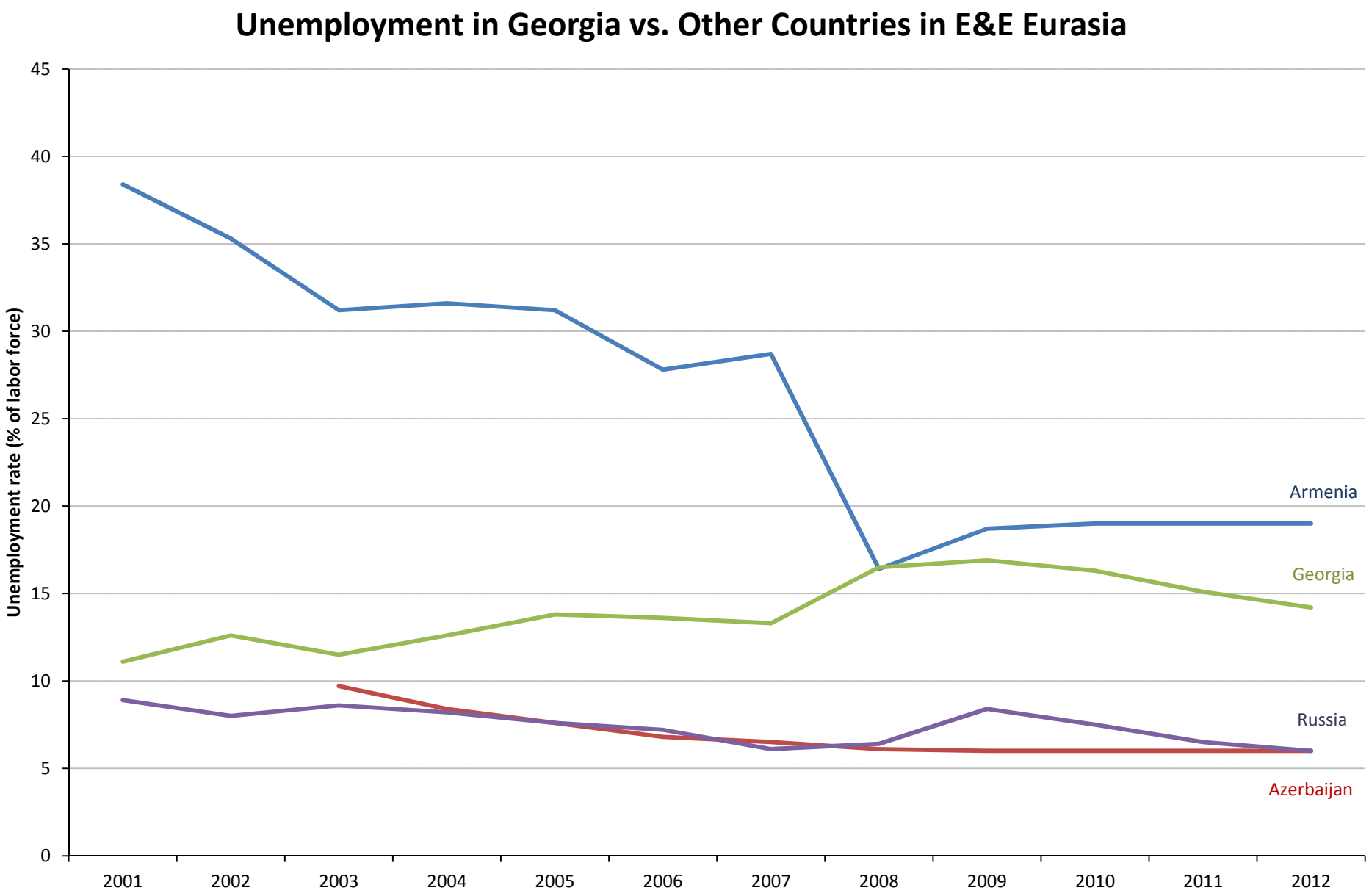
Figure 20



World Bank Development Indicators; 2012)

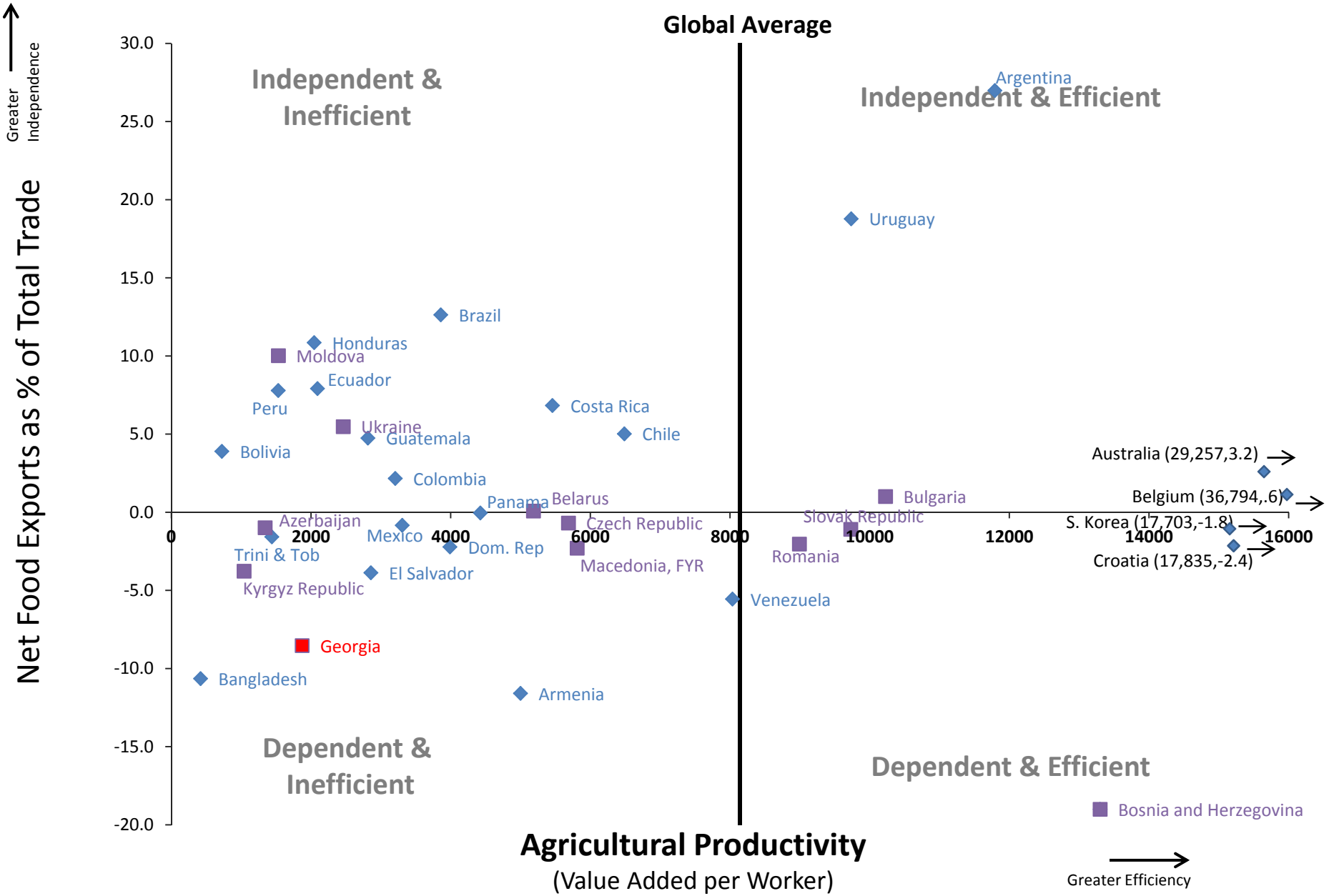
Figure 21



IMF, *World Economic Outlook Database 2012*

Figure 22

Food Security in the World



World Bank, *World Development Indicators* (2011). Calculations by MCP team.

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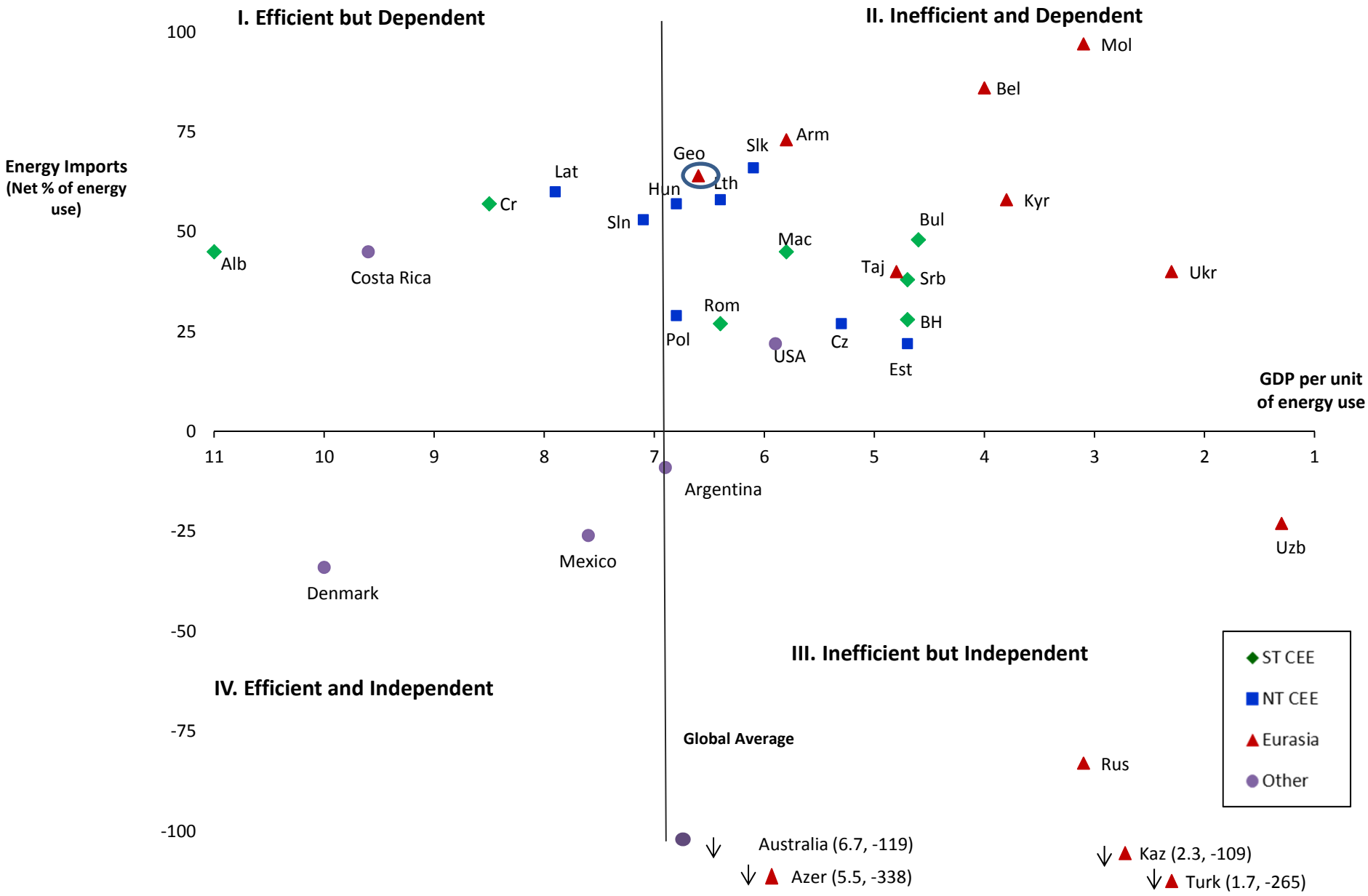
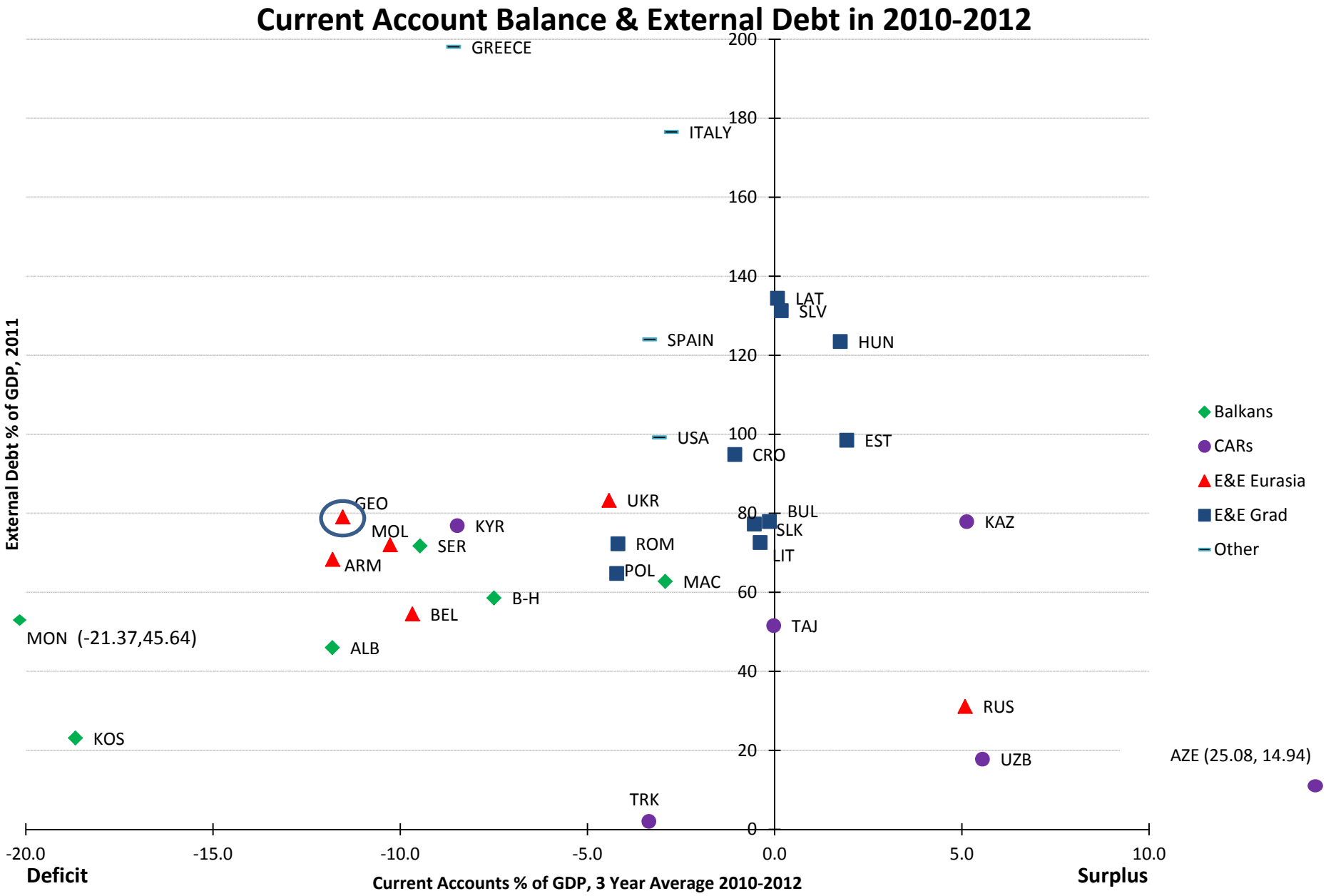
Figure 23

Energy Security, 2010



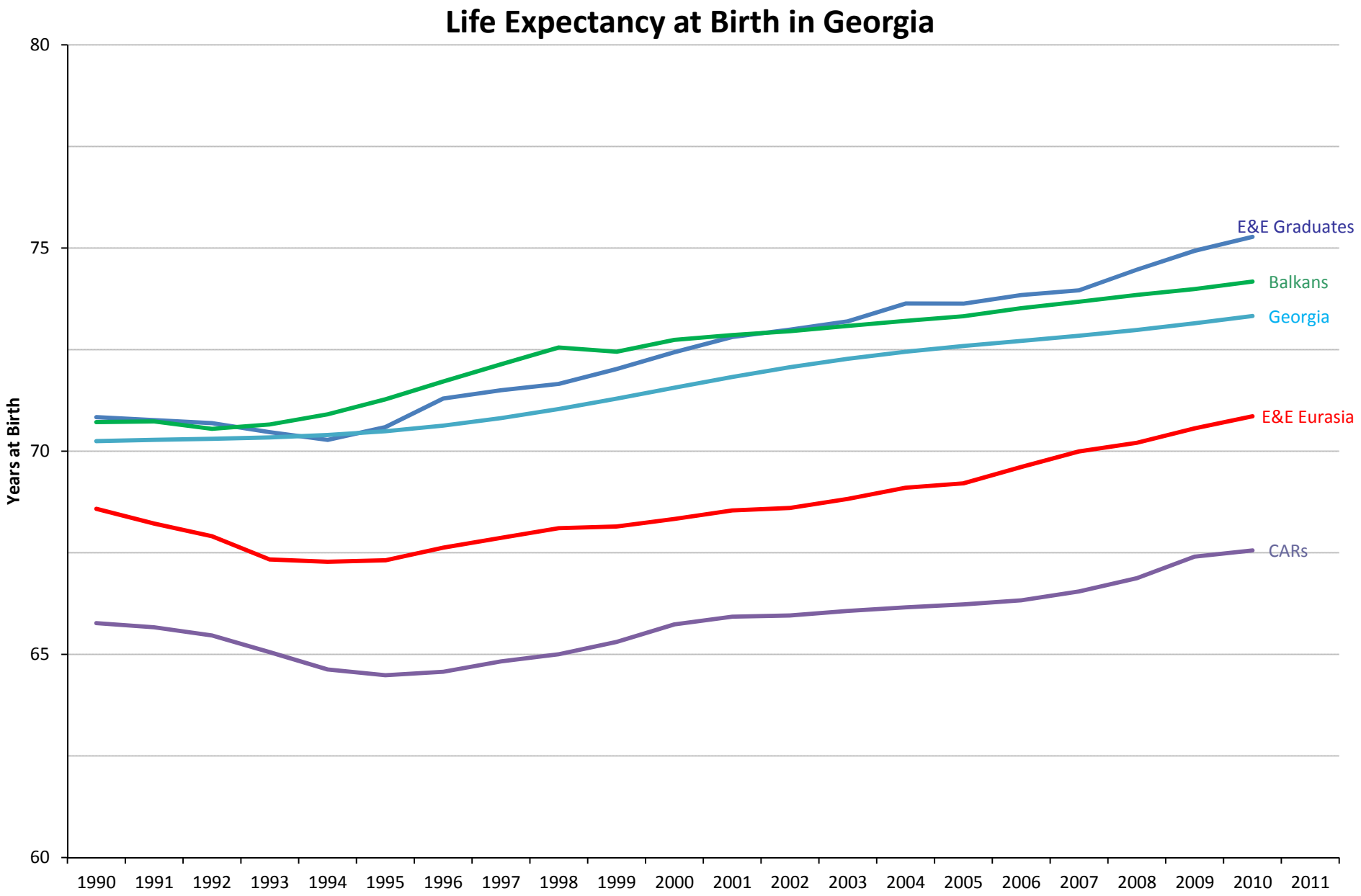
World Bank, *World Development Indicators (*2011).

Figure 24



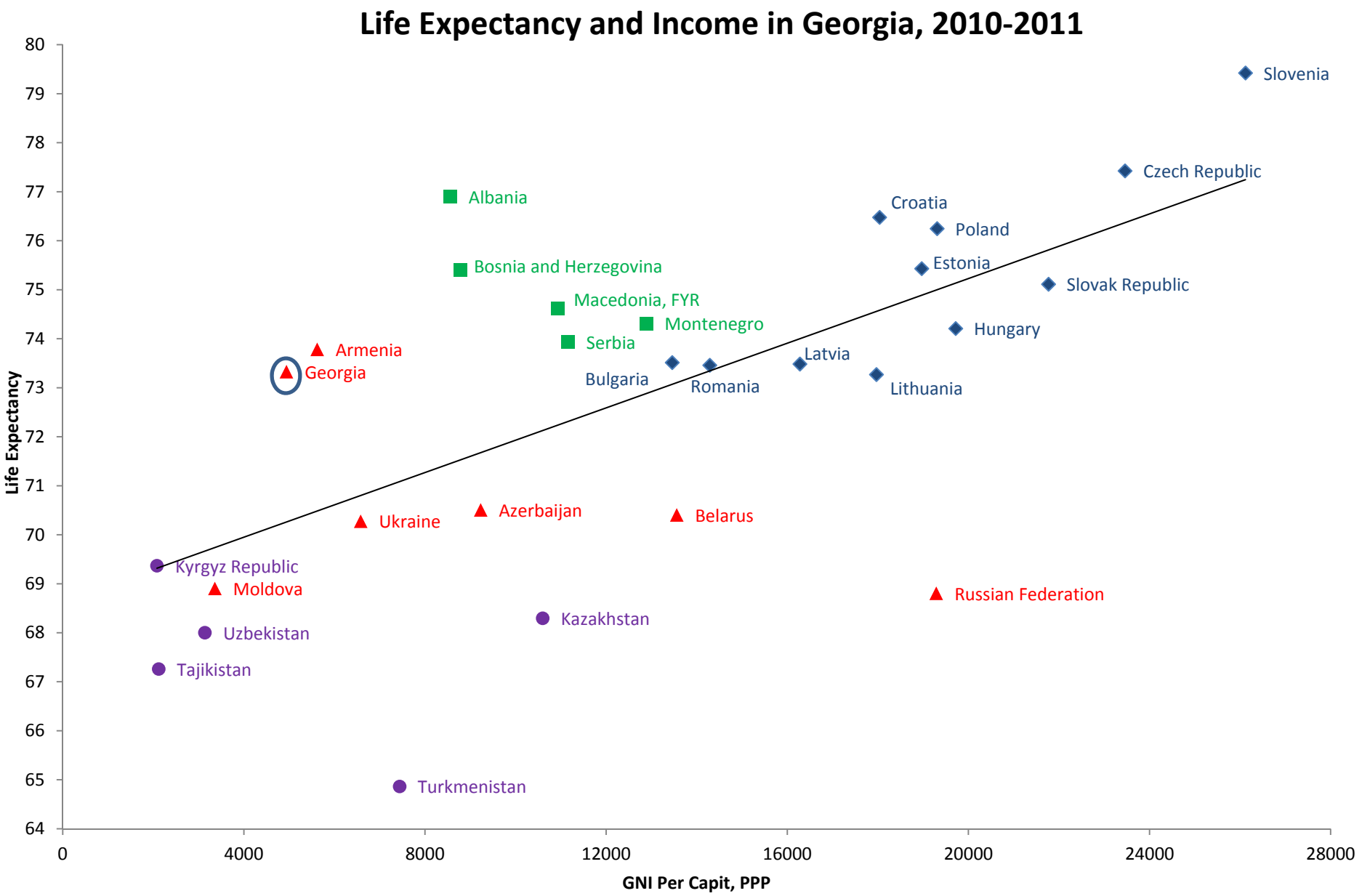
EBRD, *Transition Report 2010 and Transition Report 2012* and IMF, *World Economic Outlook* (2013).

Figure 25



World Bank, *World Development Indicators* (2012).

Figure 26



World Bank, *World Development Indicators* , 2012.

Figure 27

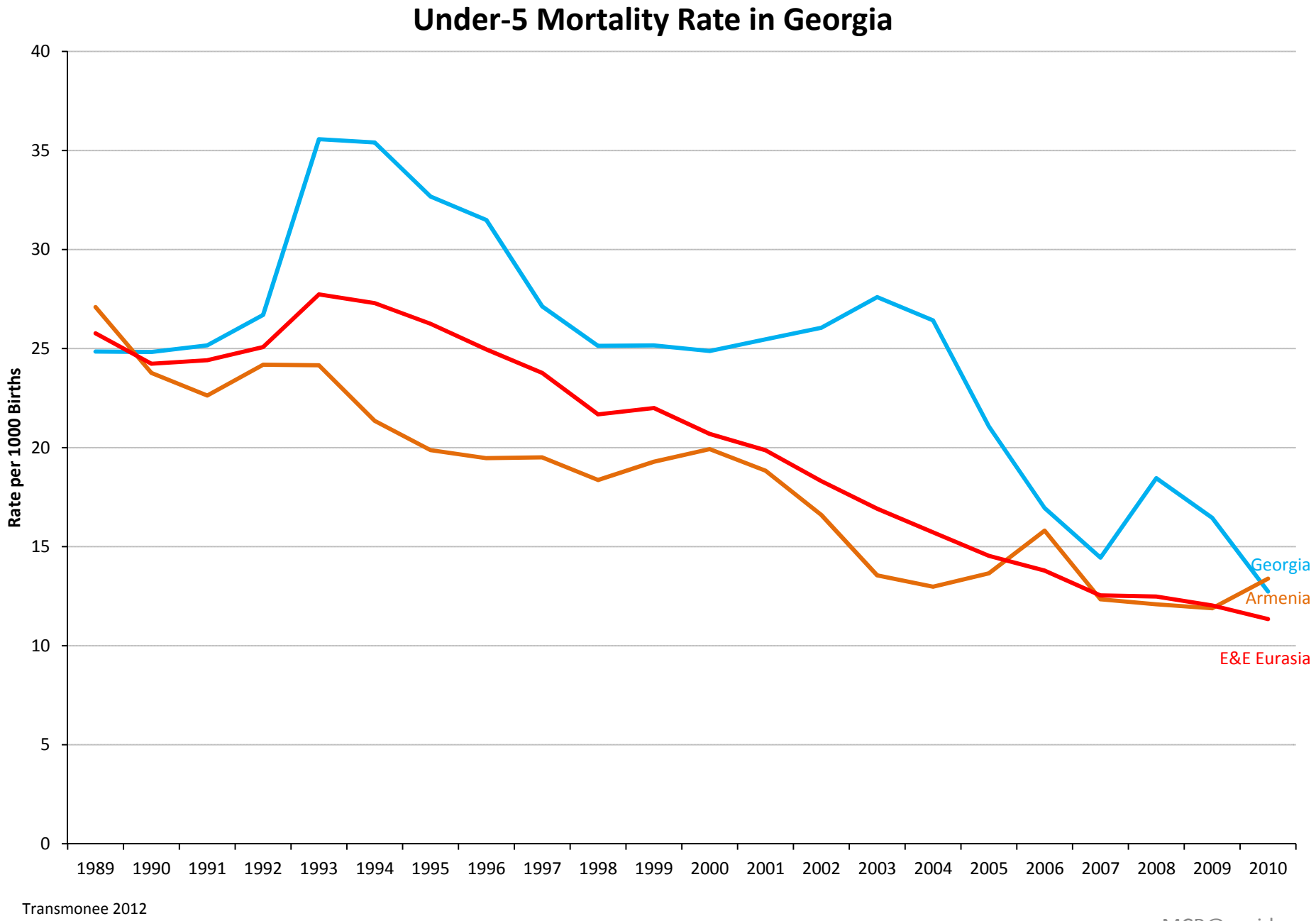


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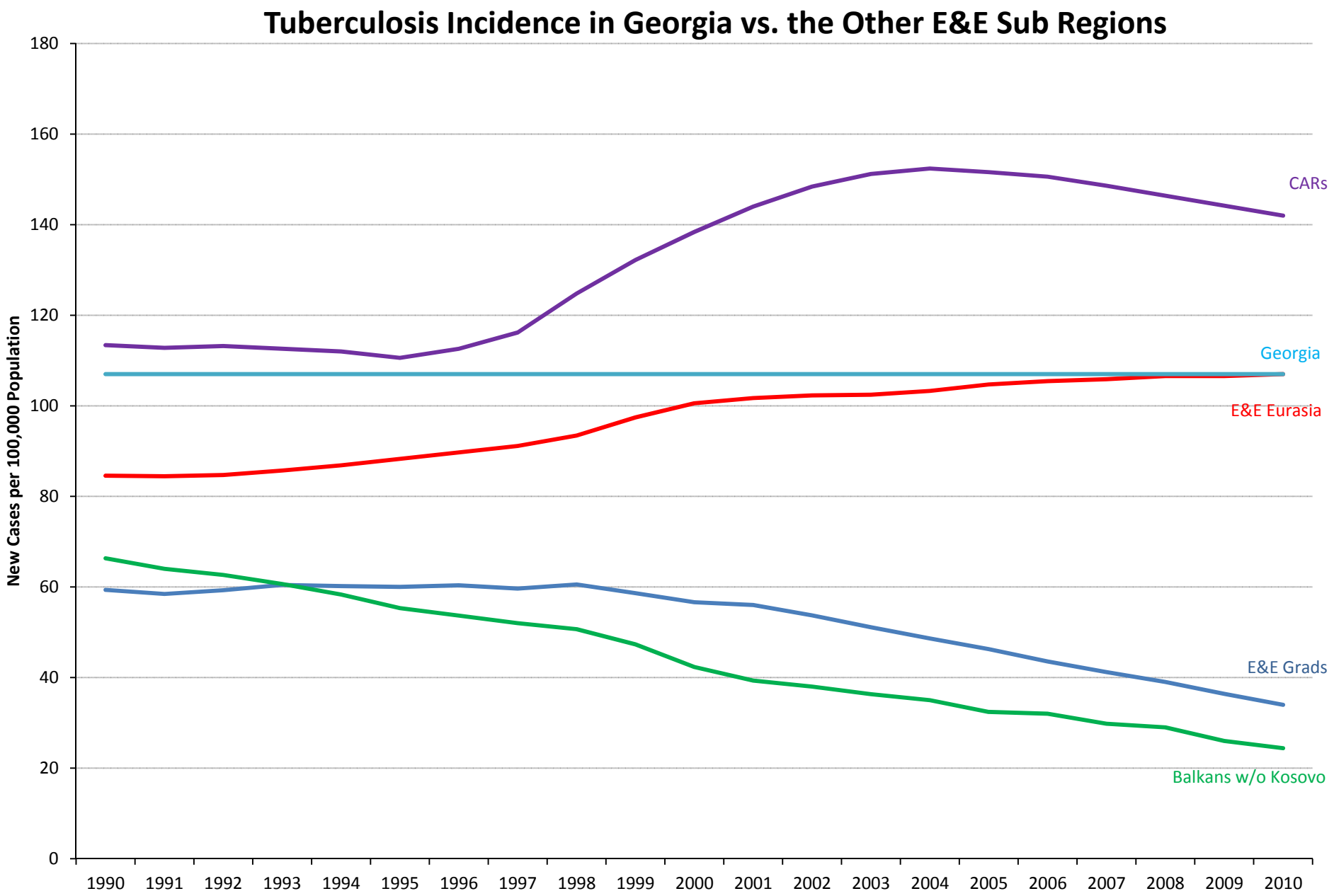
Figure 28



World Health Organization, *European Health For All Database* (January 2009).

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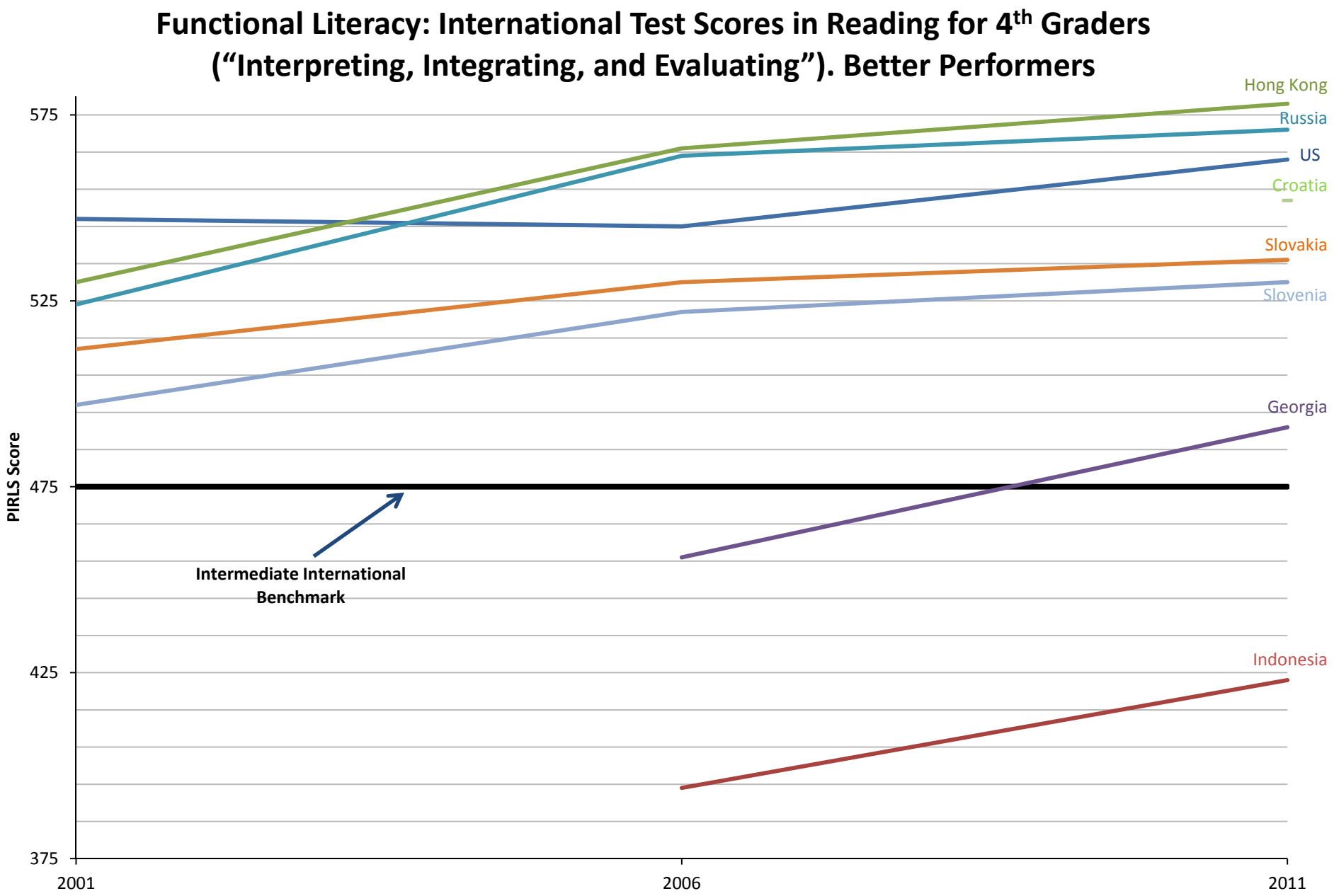
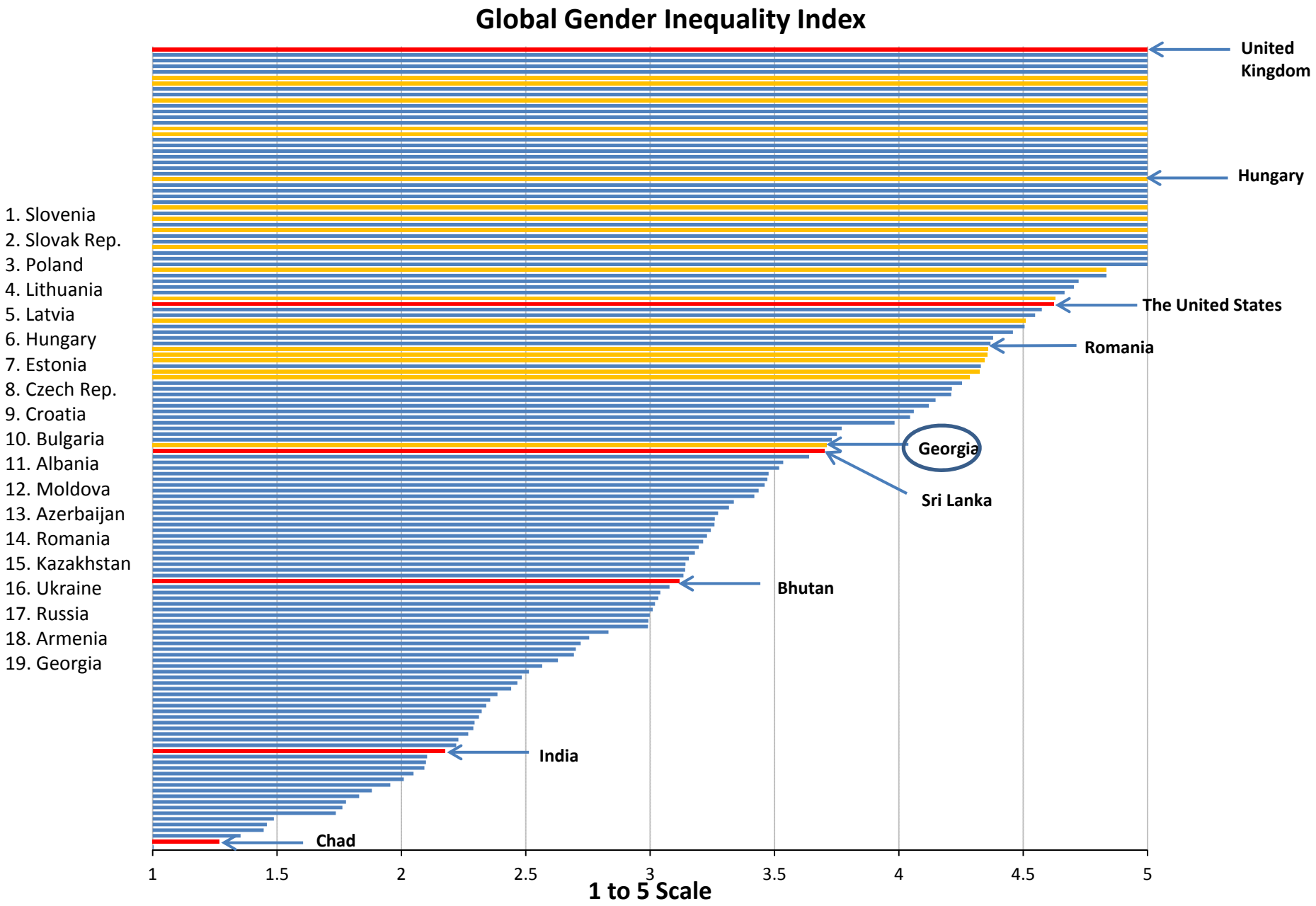
Figure 29



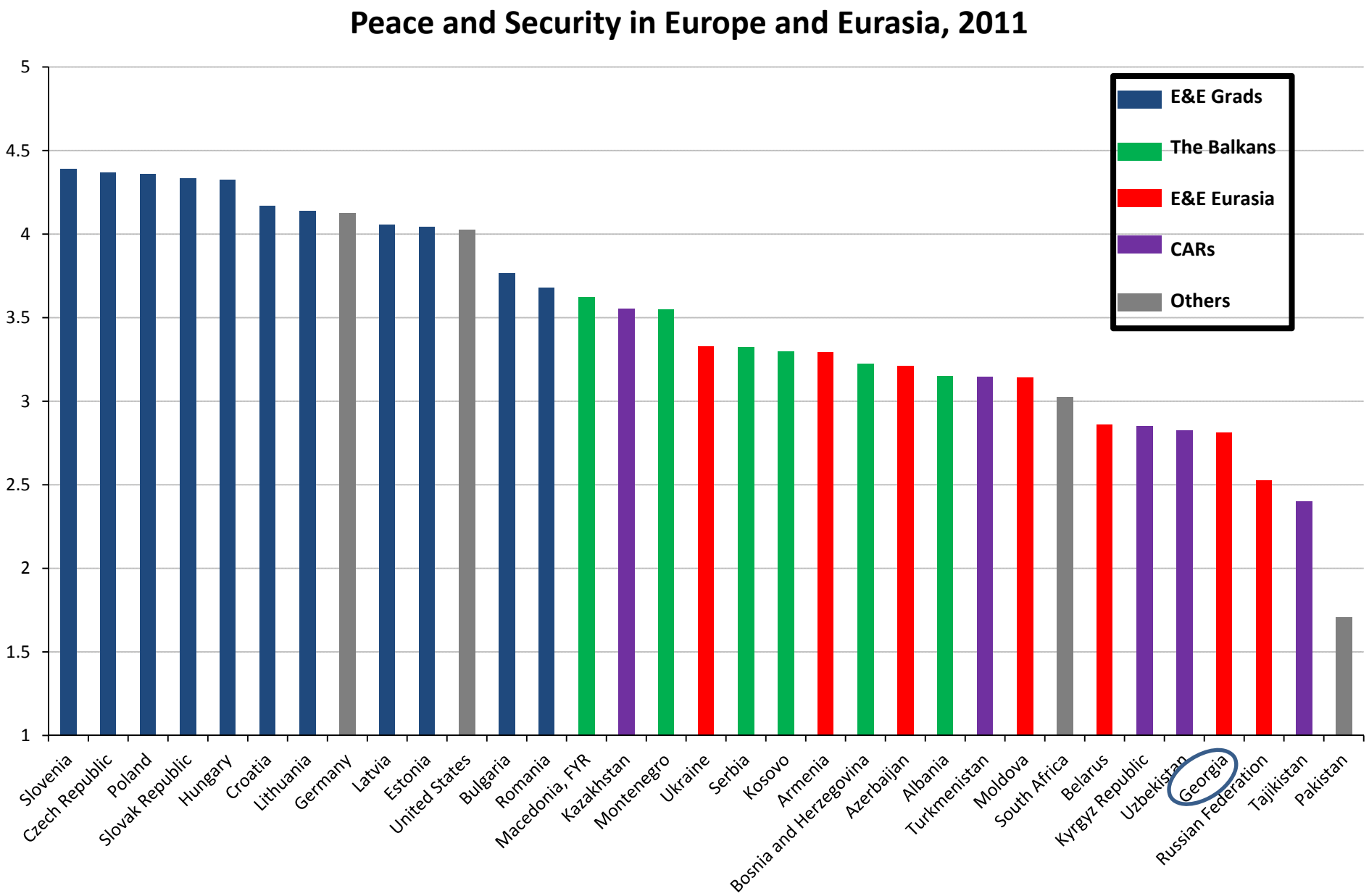
International Association for the Evaluation of Educational Achievements, Progress in International Literacy Study 2011 (2013).

Figure 30



Source: UNDP, *Human Development Report*, 2012.

Figure 31



See *Appendix* for elaboration of the methodology. Scores calibrated on MCP 1 to 5 scale, with 5 representing the most advanced.

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