Georgia in the global ecosystem and the main priorities of sustainable development

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Abstract.
In the conditions of globalization, it is especially relevant to research the perspective of sustainable development of countries focused on increasing competitiveness. Sustainable competitiveness, on the one hand, as a guarantor of the country’s development, determines the place and role of each country in the world ecosystem and, on the other hand, ensures the growth of public welfare. Georgia – located at the crossroads of Western Asia and Eastern Europe, is trying to take a worthy place in the global economic system. It has a small but open market and benefits mainly through international trade, tourism and transit services. The New Silk Road gave the country the opportunity to further expand trade and economic relations through the "Middle Corridor" to attract foreign investors by offering favorable conditions and to ensure the formation and development of a competitive economy by joining the European Union. In the paper, based on statistical data, the main trends of the development of the national ecosystem, the achievements of Georgia and the priorities of the country’s economic development strategy are evaluated.

Keywords:
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**Introduction.** Globalization in the world economy is becoming increasingly large-scale. It is a process that reflects the search for joint ways to solve the problems faced by different countries in the world. Global problems include environmental, economic, health care and other challenges. The globalization process helps to strengthen the common social orientation of economies, improve the well-being of the world community and overcome global risks. Economic globalization forces countries and regions to ensure competitive goods and services production in order to take their place in the world economic space.

**Methodology.** The paper analyzes the scientific literature, economic studies and policy documents related to the research topic. Based on statistical data, the main trends of global ecosystem development, Georgia's achievements and priorities of the country's economic development strategy are evaluated.

**Literature review.** A necessary condition for the sustainable development of the economy is the partnership between the state, private sector and civil society. The partnership should be based on a common vision and goals, with the community at the center [1]. In the era of aggravation of world global risks, when almost every day we receive disturbing information about natural cataclysms: earthquakes, tsunamis, avalanches, floods, massive forest fires, the need for environmental protection and rational use of natural resources is growing even more. The main Sustainable Economic Development Goals (SDGs) [2], along with issues of poverty, inequality, prosperity, peace and justice, actively address climate and environmental challenges and are mainly focused on the development of a green economy [3].

**Discussion/Results.** The XXI century is recognized as the century of knowledge and intellectual capital, which significantly changed the country's competitiveness foundations. Today, countries achieve competitive advantage through innovations, new technologies, establishing new standards, investing in updating knowledge, creating new types of products, etc. All this leads to the effective use of resources in the country's state sector, the development of the public sector economy and the raising of the welfare of society based on healthy competition [4].
Building a competitive economy and achieving irreversible economic growth is hard to imagine without implementing an innovation-based approach. The main requirement of the Georgian national innovative ecosystem is to take into account the country's social, economic, political and cultural features. The national innovative ecosystem should ensure the unification of the efforts of all levels of state management bodies, the organization of the scientific-technical field, and the entrepreneurial sector of the economy for the accelerated use of science and technology achievements in order to realize the country's strategic national priorities.

Management and regulation of innovative processes is one of the main tasks of the state. The state provides:
- Accumulation of funds for scientific research and innovation;
- Coordination and stimulation of innovative activities;
- Creation of a legal base of innovative processes and formation of scientific-informational infrastructure;
- Regulation of the social and ecological direction of innovations, promotion of innovations, moral encouragement of innovators, etc.

The state’s main function is to protect entrepreneurship, property and personal freedom. In order to improve the national innovation ecosystem of Georgia, the Law of Georgia On Innovations was adopted in 2016. The law promotes the construction of an economy based on knowledge and innovations in the country, the assimilation of technologies created in other states in Georgia, the introduction and export of intellectual property and technologies created in Georgia, the penetration of advanced technologies into all fields of science and economy in order to increase the competitiveness of these fields [5]. The law applies to the innovative activities subjects, infrastructure supporting innovative activities, financing and commercialization of innovative activities.

According to the information of the Innovation and Technology Agency of Georgia, in order to support the Georgian startup ecosystem, a total of 186 projects were financed from 2018 to 2023, and more than 3,000 jobs were created. The amount financed by the government is 32 million GEL, and the
revenues of the funded startups reach 120 million GEL [6].

It is noteworthy that, consequently, of the implemented economic reforms, a stable economic system is functioning in Georgia. In 2005-2021, the average economic growth rate exceeded five percent. The COVID-19 pandemic has had a significant impact on the country's economy. In 2020, the economy of Georgia decreased by six percent [3].

In the post-pandemic period, from 2021, the economy of Georgia became active again and reached 10.4 percent economic growth. The trend continued with 10.2 percent growth in 2022.

The International Monetary Fund (IMF) attributes these economic results to tourism revenues, dramatically increased immigration levels caused by the war, cash flows and transit trade through Georgia. The mentioned factors also led to the growth of fiscal revenues, improvement of the current account balance and strengthening of the GEL.

Georgia is a top reforming country. In 2003-2021, 51 systemic reforms were implemented in Georgia. Georgia has made considerable improvements in areas like human rights, government transparency, freedom from corruption, effective governance, market efficiency and a favorable business environment. The successful and effective implementation of systemic reforms led to a notable improvement in Georgia's position in authoritative international rankings. Consequently, Georgia advanced in the international rankings and took the leading position among the other countries [7].

According to Bertelsmann Stiftung's 2022 Bertelsmann Transformation Index, Georgia among the 137 economies on the "Status Index" is in 52nd place with a 6.0 score and in 38th place with a 5.5 score on "Governance Index".

When assessing the quality of market competition in Georgia, the World Economic Forum's research - Global Competitiveness Rating is an important indicator. According to the Economic Forum definition, economic competitiveness is manifested in the development of institutions, government policies and natural factors that determine the country's level of productivity. Georgia ranks 74th among 141 countries in the 2019 Global Competitiveness Index with 60.6 points (maximum 100 points). In 2018, it was in the 66th place, so according to the last report, its position has deteriorated
by eight places. Georgia was in the highest position - 59th place in 2016 [8].

It is noteworthy that the "Global Competitiveness Index" ranking is not based on the assessment of official structures but on ordinary citizens and representatives of the business sector.

The 2019 report of the World Economic Forum - Global Competitiveness Index positively evaluates the efficiency of
the commodity market in Georgia. Compared to 2012, the country's rating improved by 34 positions, and in 2019 it took 48th place.

Georgia's indicators in the field of competition need thorough research and analysis. In terms of increasing competitiveness, the main challenge of Georgia still remains to strengthen the institutes, improve the quality of education and increase the efficiency of the labor market.

In the latest model of ensuring the country's competitiveness, the sustainable development of the economy has a special place. Integral Global Sustainable Competitiveness Index (GSCI) includes such blocks as:

- Intellectual Capital & Innovation: the capability to generate wealth and jobs through innovation and value-added industries in the globalized markets;
- Economic Sustainability: Economic Sustainability & Competitiveness reflect the ability to generate wealth through sustainable economic development;
- Governance Efficiency: Results of core state areas and investments - infrastructure, market and employment structure, the provision of a framework for sustained and sustainable wealth generation;
- Natural Capital: the given natural environment, including the availability of resources and the level of the depletion of those resources;
- Resource Efficiency & Intensity: the efficiency of using available resources as a measurement of operational competitiveness in a resource-constraint World;
- Social Capital: health, security, freedom, equality and life satisfaction within a country [9].

The Global Sustainable Competitiveness Index has been developed annually since 2012 by the consulting company SolAbility based on the sources used from the World Bank and various UN agencies. However, the index is measured through 189 indicators, which are grouped into the above-mentioned six blocks (sub-indexes). According to the latest data, Georgia ranks 65th among 180 countries, with an integral index of 44.5 [9].

For Georgia's sustainable competitiveness, substantial improvement of the economic sustainability and resource
efficiency blocks by ensuring the knowledge factor and the adoption of digital technologies is significant.

![The Sustainable Competitiveness Model](https://example.com/sustainable_competitiveness_model)

*Source: The Global Sustainable Competitiveness Index 2022*

Competition legislation is the basis for the implementation of competition policy in Georgia. Free and fair market competition is the basis of the economic development of any country. Accordingly, the competition protection legislation is in force in Georgia, and the one responsible for its enforcement is mainly the State Procurement Agency and the Competition Agency.

According to the World Bank Doing Business, Georgia's ranking in 2020 was 7th place among 190 countries, Overall distance to frontier (DTF) – 83.7 scores.

Georgia is in the top 10 countries in the following areas: Starting a Business – 2nd position, Registering Property – 5th position, Protecting Minority Investors – 7th position. In Doing Business, Georgia is listed among regional leaders on the total count of reforms in 2020. Georgia took the 1st position in the region – Europe & Central Asia (amongst 23 countries) in the same year.

According to the Economic Freedom of the World 2021 report, Georgia is in the top five countries with a score of 8.26.
In order to ensure the rapid development of the country and the growth of the well-being of the population, the Government of Georgia defined priority directions in the
"Vision - 2030 Development Strategy of Georgia", the achievement of which ensures the fulfillment of the set goals and objectives [11].

One of the main priorities of Georgia is to join the European Union. On June 23, 2022, the European Council officially recognized Georgia's European perspective. On November 9, 2023, the European Commission made a decision on the recommendation to grant Georgia candidate status, which is a key prerequisite in the process of Georgia joining the European Union.

By 2030, economic growth is planned to be on average 5%, the debt ratio to GDP will fall below the 40% mark, and the absolute poverty rate will be less than 11%.

From 2021, through the economic recovery and significant improvement of fiscal indicators, it is possible to significantly reduce the budget deficit and achieve fiscal sustainability. Taking into account the mentioned trends, it is expected that the budget deficit will be 2.7% of GDP by 2024, it will reach 1.8% of GDP by 2027, and decrease to 1.5% by 2030.

Development of foreign trade is planned. The process of foreign markets diversification, economic integration with the European Union and promotion of export-oriented companies will continue. The share of free trade regime countries in Georgia's exports will increase, and products of Georgian origin will have access to 2/3 of the consumer market under the free trade regime, which represents 72% of the world's population.

The competitiveness of Georgian export products in the world market will increase, which will contribute to the growth of exports. Customs procedures will be further simplified - closer to EU customs legislation, and public procurement system will be improved. The measures envisaged by the strategy will help Georgia better integrate into the global economy.

Conclusion. Thus, the sources analyzed prove that Georgia has secured a place in the global economic world and continuously tries to improve the achieved results. The priorities of sustainable development, which are presented in the development strategy of Georgia, ensure the formation of
a competitive economy and the achievement of the general well-being of the society.

References: