



Georgia's Macroeconomy at a Glance: A good "crazy" March – agriculture, elections and expectations positively affect growth

In March 2014 economic growth in Georgia continued to impress, especially relative to last year's poor performance. The monthly year-on-year output growth was 8.3% while the quarterly estimate clocked an equally impressive 7.4% growth rate.

The growth numbers look very encouraging, and from the perspective of a layman observer almost too good to be true. In a country where close to 15% of the population lives below the national poverty line, where moderate poverty rate is hovering above 30% and the urban unemployment rate above 25%, it may be hard to buy into GeoStat's upbeat economic statistics.

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HIGHLIGHTS:



A New Elective Course at ISET: Corporate Finance Applied to a Developing Economy

ISET is offering an exciting new course in the 5th mini-term - "Corporate Finance Applied to a Developing Economy." The course is taught by Paul-Henri Forestier, former Director of the European Bank for Reconstruction and Development in Georgia. Among the guest lecturers on the course are Bruno Balvanera (EBRD Director for Ukraine, Belarus and the South Caucasus), Giorgi Kadagidze (head of the National Bank of Georgia), and KfW Regional Director for the South Caucasus Lars Oermann.

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Fiscal Policy for Inclusive Growth in Asia

On April 23, Dr. Donghyun Park, principal economist of the Asian Development Bank (ADB) made a presentation at ISET on Fiscal Policy for Inclusive Growth in Asia, a special theme chapter of the latest Asian Development Outlook.

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Presentation of EBRD's Transition Report

On April 8, representatives of the European Bank for Reconstruction and Development (EBRD) presented the Bank's latest Transition Report at ISET.

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PROJECT UPDATES:

Consumer Confidence Index: CCI increases before the elections

Leading GDP Indicators: Cautious optimism on growth in the first half of 2014

Khachapuri Index: Khachapuri index is up 5.8% in April 2014 as Great Lent ends



Capacity Building in International Relations in the South Caucasus — CABIR +

ISET was contracted by the Swiss Development Cooperation (SDC) to help design the concept of a regional program to build the capacity of civil servants in Armenia, Azerbaijan and Georgia to deal with economic and other aspects of international relations. Capacity Building for International Relations (CABIR+) Program will serve as the concluding phase in a multiyear training effort which has been implemented by SDC in the South Caucasus with the help of the Geneva Graduate Institute. ISET Director Eric Livny is currently involved in extensive consultations with government institutions and potential training partners in Armenia, Azerbaijan and Switzerland. ISET has been designated by SDC to serve as a regional coordinator of CABIR+ when the project goes ahead in 2015.



Pilot RIA on Draft Code on Spatial Planning and Construction

With the support of the USAID Economic Prosperity Initiative (EPI), Georgia is starting to implement a Regulatory Impact Assessment project (RIA). The ISET Policy Institute (ISET-PI) has been selected to lead one of three teams performing RIA in the country. Our research team will conduct a pilot (ex-ante) RIA on the draft Code on Spatial Planning and Construction.

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Small and Medium Enterprises and Their Importance for Economic Development in Georgia

On May 23, 2014, ISET hosted a dialogue on Small and Medium Enterprises (SMEs) and their Importance for Economic Development in Georgia. The participants discussed the steps needed to ensure the growth of SMEs in the country. The expert panel included speakers representing the Georgian government, SMEs, financial institutions, academia, NGOs, private businesses and business associations.

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FROM THE BLOG:



Can Georgia Develop a Knowledge-Based Economy?

Inspired by a speech the Israeli Ambassador to Georgia, His Excellency Yuval Fuchs, gave at ISET, Florian Biermann and Ia Vardishvili discuss the concept of Knowledge Economy and whether the Georgian economy can benefit from "leapfrogging".

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Fine and Punishment

The Georgian parliament adopted the draft law "on the Amendments to the Law of Georgia on Free Trade and Competition". So, is everything fine and well with the new law? Will cartels be broken up and the firms involved be fined and punished? Will Georgian consumers enjoy lower prices for gasoline, pharmaceuticals, and food? Michael Fuenfzig discusses potentially problematic details of the law and proposes further steps for fine-tuning the regulations.

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Georgian Churchkhelas: Thinking Out of the Traditional Box

Selling traditional agricultural products and handicrafts along the principal highways is a major source of income for many Georgian households. Over time some village communities have become specialized in certain products. However, even these "specialized" villages are doing relatively little to cultivate their local brands and innovate. Churchkhela is one example of how little "product innovation" there is in Georgia. In light of this, Eric Livny and George Bashedi discuss the successful Japanese experience of innovation in rural development.

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The Mystery of the Russian Economy

Until very recently Russia was considered by many foreign companies to be a somewhat difficult but promising country for investment. Yet, the events of just a few months ago, when Russia carried out the occupation and annexation of the Crimean peninsula under the claim of defending ethnic Russians, and the current threats of a military invasion in Eastern Ukraine have put these hopes on hold. Yaroslava Babych and Olga Azhigibetseva try to pinpoint the specific complex challenges facing the Russian economy, and how much the country's economy is still bound by its Soviet legacy.

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