

ABSTRACT

The concept of the investment climate is understood as the quality of the economic and institutional environment, in which the economic entities develop and invest.

A good investment climate is an essential pillar of a country's strategy to stimulate economic growth, which in turn generates opportunities for poor people to have more productive jobs and higher income. Hypothesizing that long – term effect of foreign investment will result in increased employment and household income, poverty will be decreased and Georgian economy will be developed.

The thesis examines the transformation process of investment climate of the country during the transition period - "Rose Revolution" - to a democratic one. It focuses on effectiveness of investment climate in Georgia after transition period and analysis results faced after global crisis on Georgia's investment.

One of the major determinations of country's economic developments and well-being are the indicators of investment structure and volume. These indicators show attractiveness of economy for foreign investors and give clues for analyzing countries development process. "The effectiveness of public policy responses at both the national and international levels in dealing with the financial crisis and its economic consequences – is crucial for creating favourable conditions for a relatively quick recovery in both Foreign Direct Investment (FDI) flows and economic growth. The challenges are to restore the credibility and stability of the financial system to provide the "right" stimulus to investment and renew the commitment to an open economy" (UNCTAD, 2009).

Investment flows has significantly decreased after Georgia – Ossetian war thus causing poverty, unemployment and insecurity that become serious problems for the majority of Georgia's population. Attracting FDI to Georgia after Rose Revolution and slowing it down after Georgia – Ossetian war in Georgia – a country with low national savings but rich natural resources and insufficient capabilities of establishing new capacities for boosting economic prosperity – is an issue of major importance nowadays.

The thesis explains and deals with the real market situation, the economic hardships, its' disadvantages and discusses reasons for decreased investment process and

provides recommendations how to increase the competitiveness of the country's investment climate to retain existing and attract new foreign and domestic investors.

A multi-method research strategy included **qualitative research and quantitative analysis**. Data were collected from multiple sources: documentary evidence, scientific literature analysis, legal analysis, interviews with shareholders and public servants responsible on investor's protection issues, etc.

The research was conducted to assess country's investment climate and reveal priority areas for improvements.

Recommendations and conclusions provided by the author will contribute to the development of the sound and transparent investment climate encouraging foreign and domestic investors to invest in Georgian Economy.