



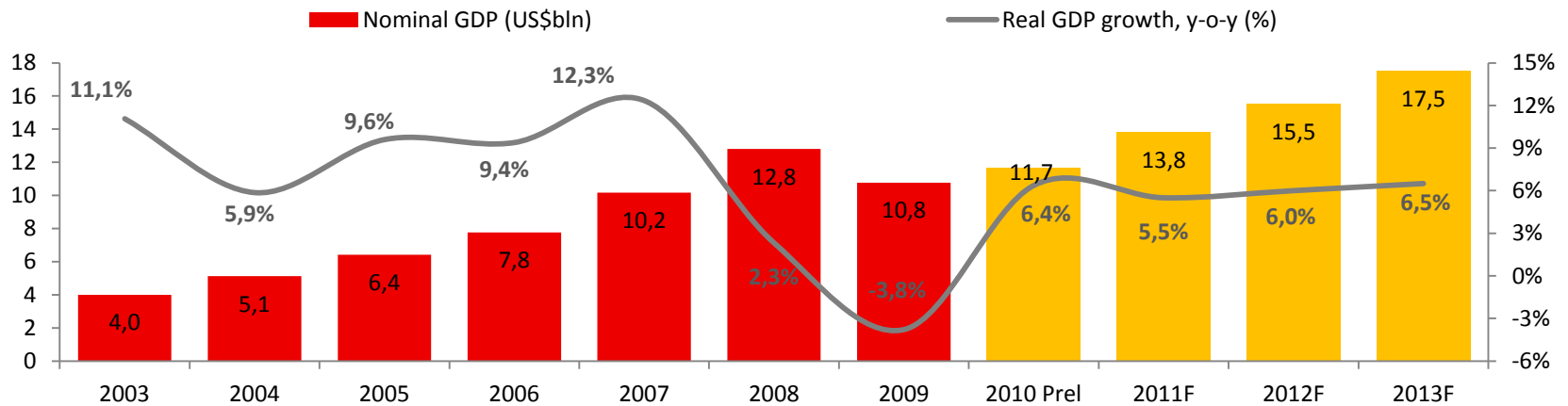
# Business Opportunities in Georgia

Georgian Chamber of Commerce and  
Industry

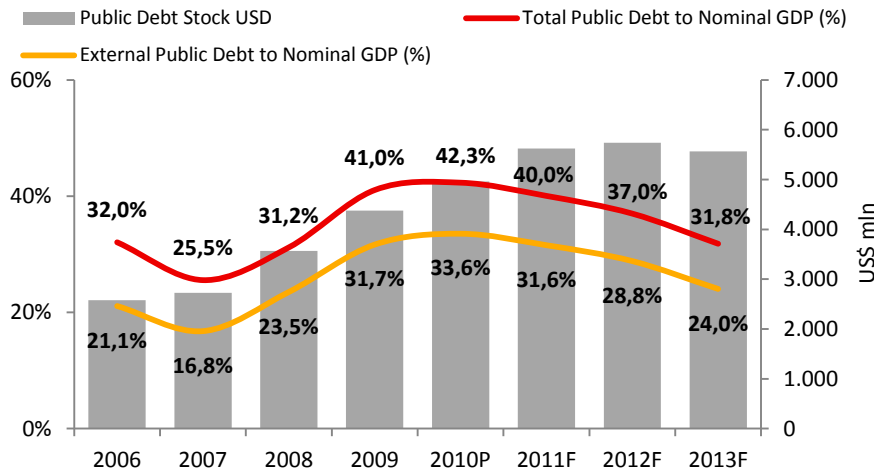
# Economy Overview



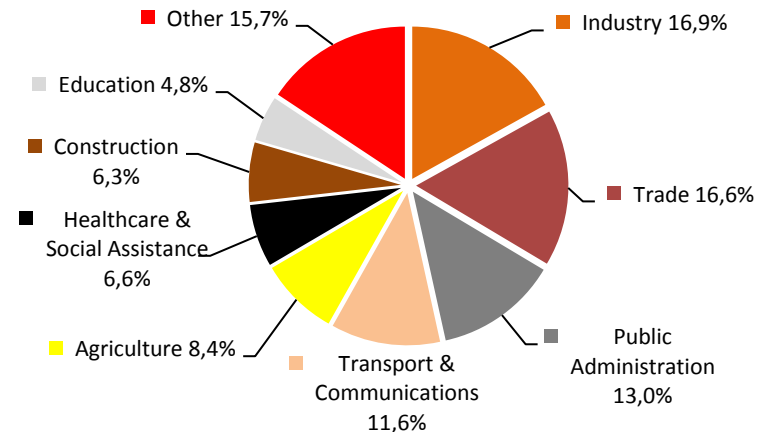
## GDP



## Debt Indicators: Below the Prudential Thresholds



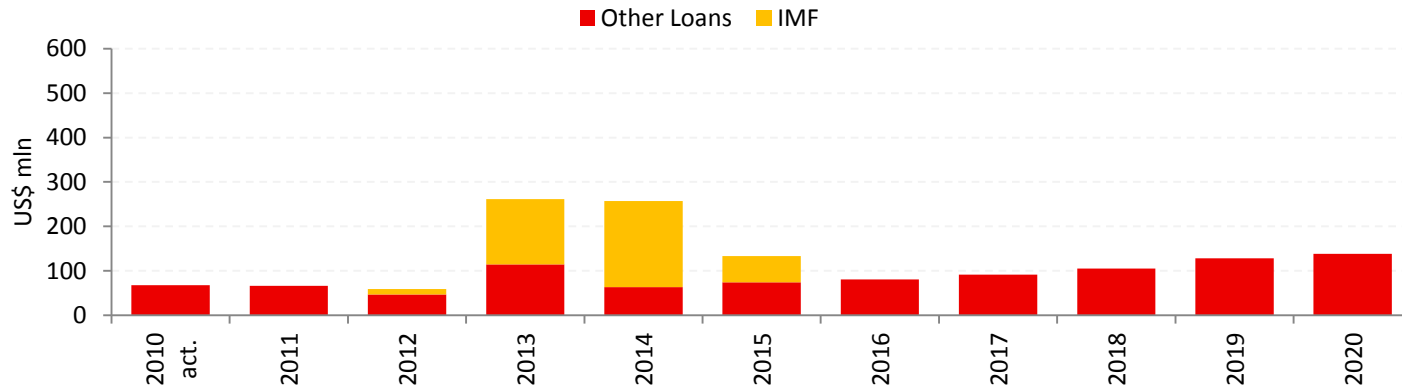
## Components of Nominal GDP 2010 Prel



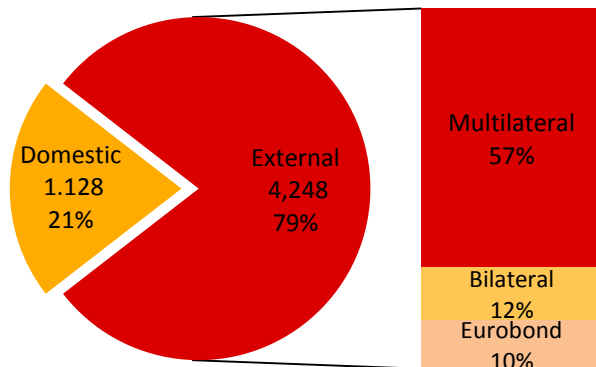
# Resilient Economy



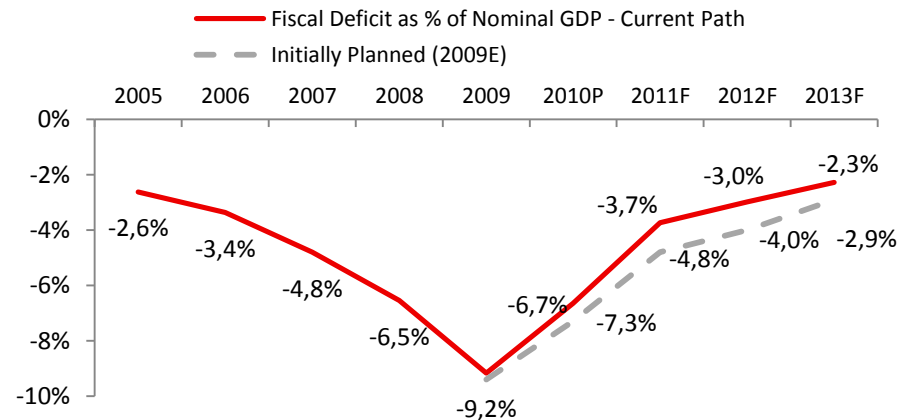
## Government External Debt Amortization Profile: Flat Trajectory, Easily Affordable Annual Repayment Volumes



## Affordable Public Debt Stock and Very Low Interest Rate on External Public Debt (in million USD)



## Consolidated Budget Deficit



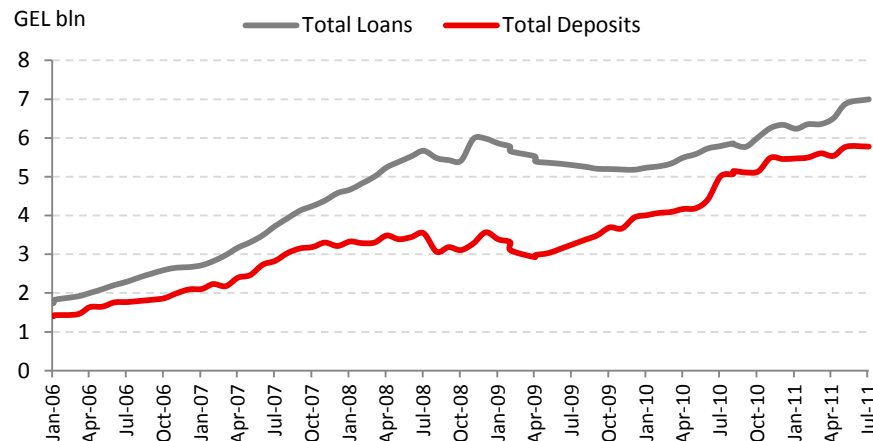
# Resilient Financial Sector



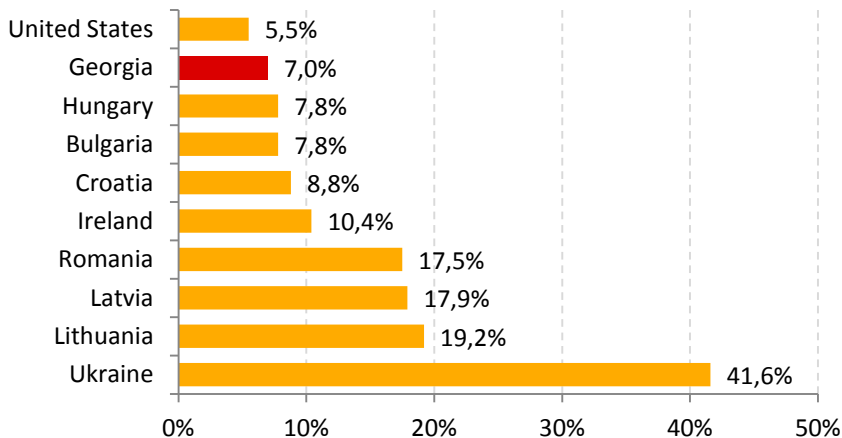
## Comments

- Georgia's banking sector represents only a very moderate contingent liability of the sovereign (Ratio of assets to Nominal GDP is 50.8% as of end-December 2010)
- Entirely privately owned since 1995
- No restrictions on foreign ownership of banks
- Well capitalised with average Basel I capital adequacy ratio of 24% (18% local standards)

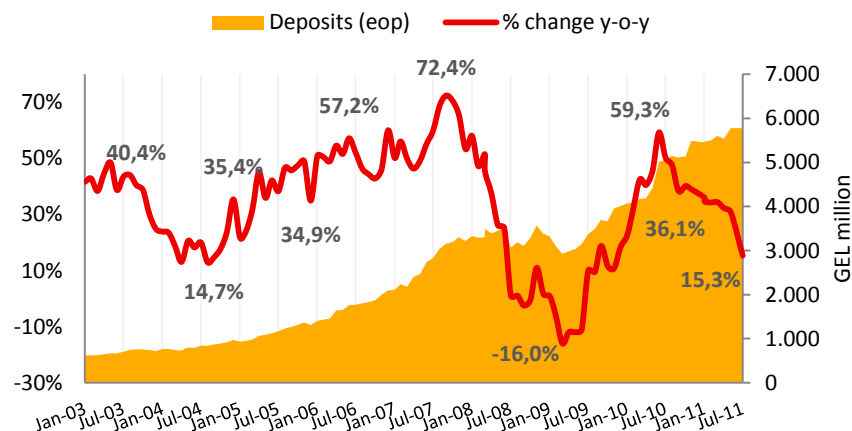
## Total Bank Deposits and Loans



## NPLs as % of Total Loans – IMF GFSR 2010



## Bank Deposits Have Grown Beyond Pre-Crisis Levels

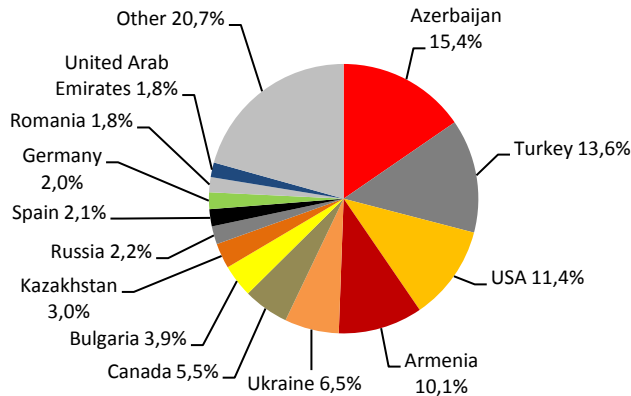


# Trading

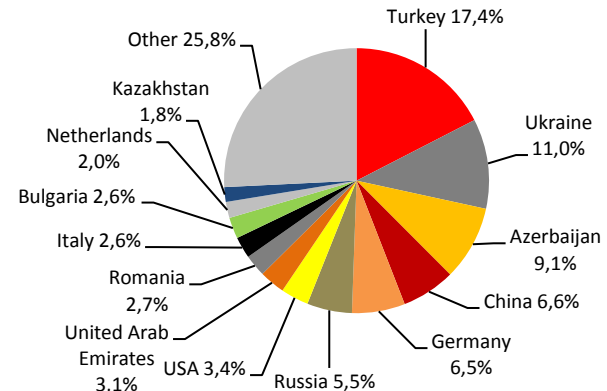


- WTO member since 2000
- Simplified customs regime since 2006, new customs code became effective in 2007. The customs code was combined with the existing tax code in 2010
- No quantitative restrictions on tariff barriers
- One of the two beneficiaries of the EU GSP+ Scheme in the CIS since 2006, granting local companies the right to export 7,200 categories of goods to the EU duty-free
- Georgia Turkey FTA was signed in 2008
- Negotiations involving FTA with the EU

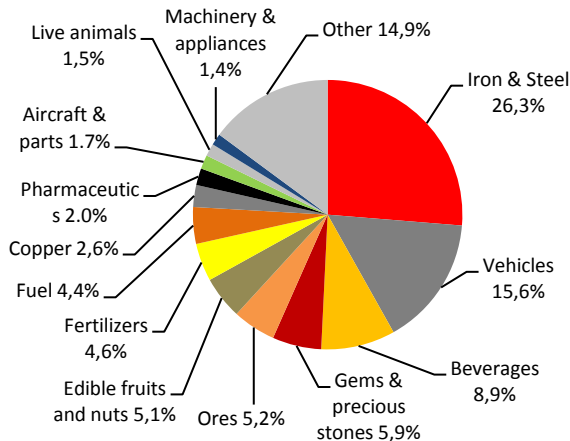
Export Structure by Country '10



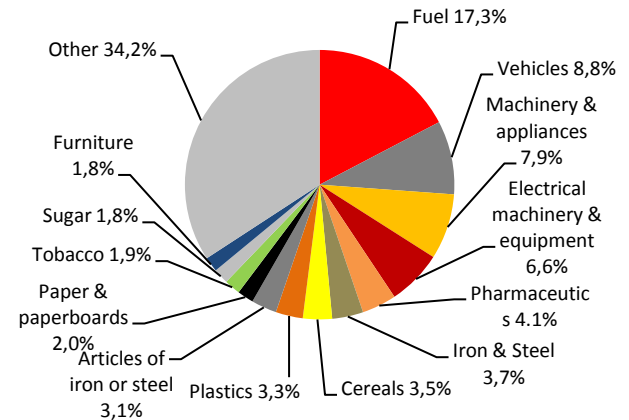
Import Structure by Country '10



Export Structure by Product '10



Import Structure by Product '10



# Energy Hub



- **LNG across Black Sea – Azerbaijan-Georgia-Romania Interconnection (AGRI) project initiated by three states together with NABUCCO – huge potential to transport gas from the Caspian to Europe**
- **The only country in the region (which doesn't have its own gas resource) that was not effected by gas crises in January 2009**
- **The only renewable energy exporter in the region**

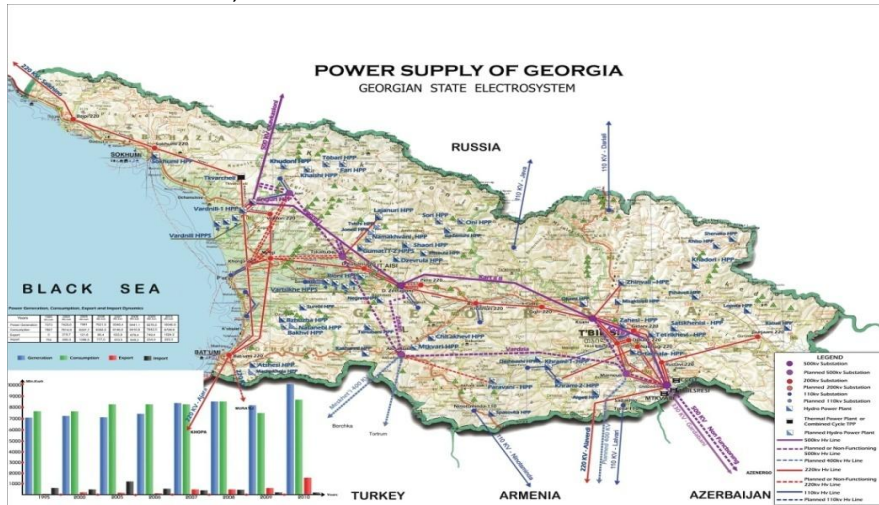
საქართველოს სავაჭრო-სამრეწველო პალატა  
Georgian Chamber of Commerce and Industry

- **Reliable transit country and regional energy hub**
  - Baku-Tbilisi-Ceyhan (BTC) oil pipeline
  - Baku-Supsa oil pipeline
  - South-Caucasus gas pipeline (SCP) from Shah-Deniz
  - North-South Gas pipeline
  - Georgia-Azerbaijan Southern Gas (GASP)
- **Gas supply contracts with SOCAR for 10 years and with Shah Deniz Consortium for 20 years**
- **Transit role for oil & gas – pipelines and railway**
  - Circa 1.6% of world oil production

# Energy Exporter



## Net Electricity Exports: Fast-growing Source of Export Revenues



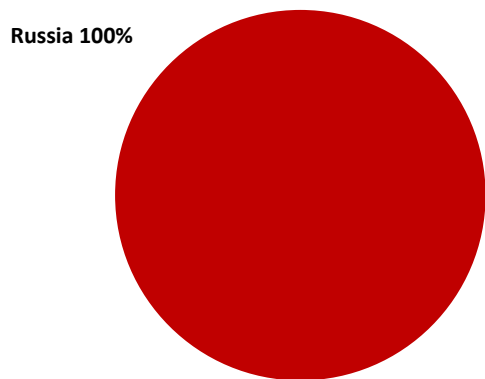
საქართველოს სავაჭრო-სამრეწველო პალატა  
Georgian Chamber of Commerce and Industry

- Significant, rapidly growing consumption rate and high tariffs on the Turkish electricity market expandable to Iraq, Syria and EU countries
- Net electricity exporter in all four neighboring countries since 2007
- Net exports for 2010 (1.3 TWh) more than 12 times higher compared to Year 2007, **aiming to double by 2015**
- New hydro projects awarded with installed capacity of 2,050 MW and potential export capacity of 6 TWh boosting annual exports to US\$ 300 million by 2018
- Construction of 500/400 KV power transmission line to Turkey
- 2 additional new interconnection lines to Turkey is under negotiation
- 10 new HPP projects under construction with installed capacity of 306 MW
- Significant untapped hydro resources; only an estimated 18% of the country's hydro potential are currently being utilised
- Once all three lines are operational, total transmission capacity to Turkey will reach 2000 MW - 15 times more than current interconnection capacity

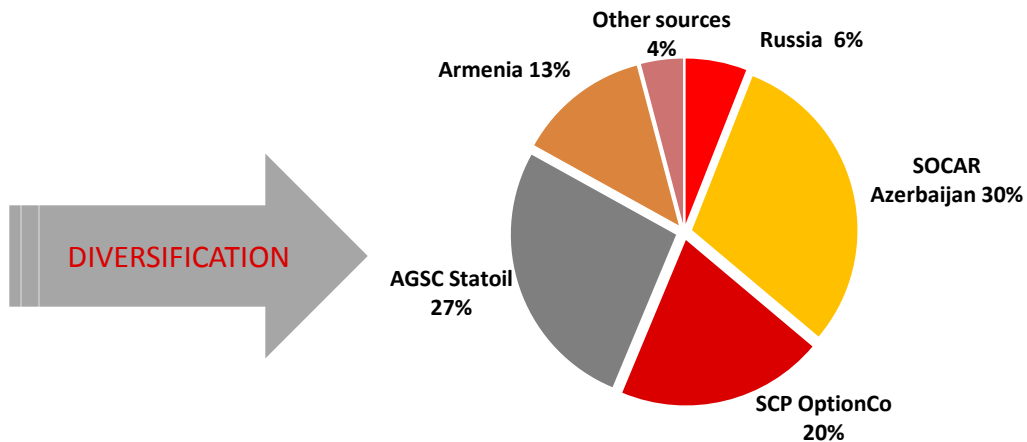
# Energy Security



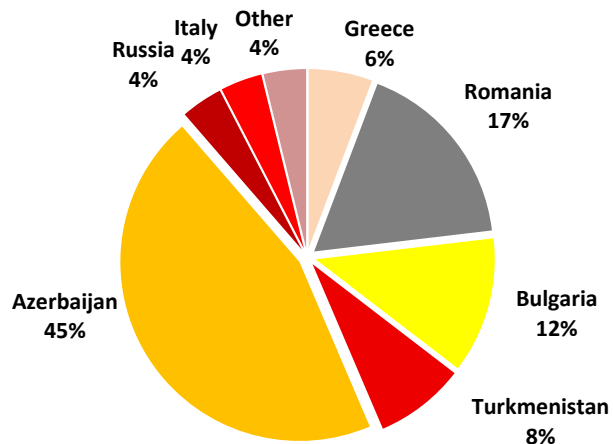
Geographical Distribution of Natural Gas Supply in 2005



Geographical Distribution of Natural Gas Supply in 2010



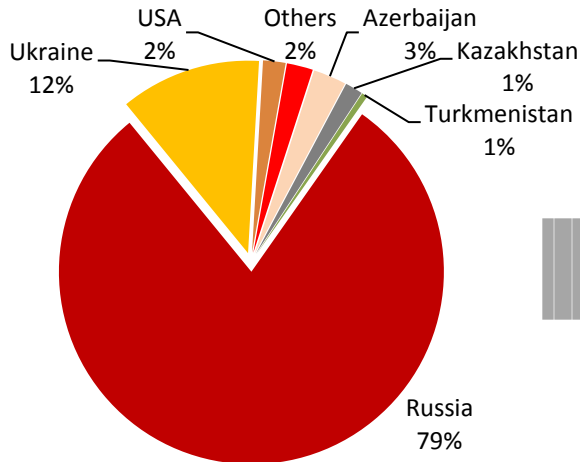
Geographical Distribution of Petroleum and Oil Product Import in 2010



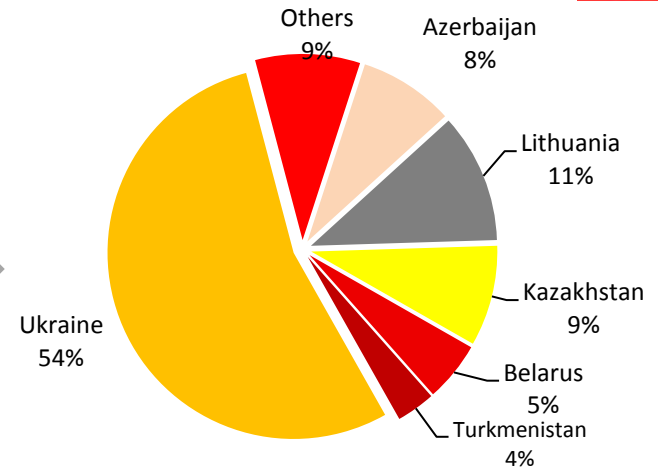
# Agricultural Export



**Geographical Distribution of Mineral Water Export in 2005: before Russian Embargo**

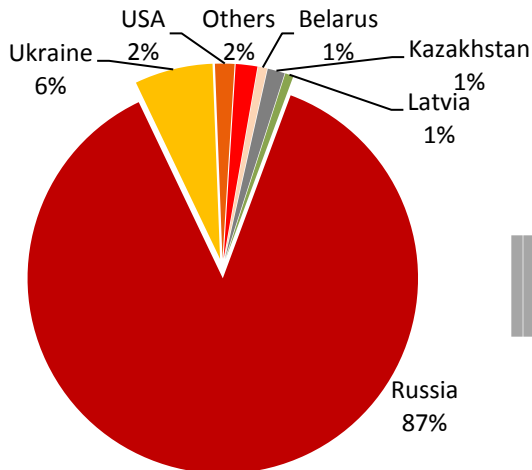


**Geographical Distribution of Mineral Water Export in 2010: Substantial Diversification Benefits Achieved**

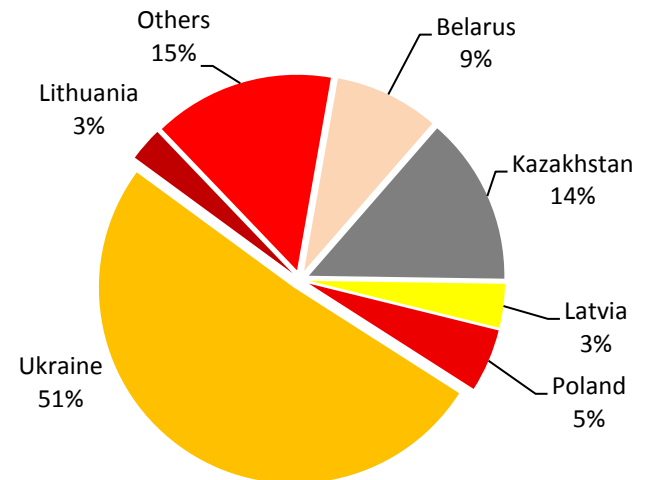


DIVERSIFICATION

**Geographical Distribution of Wine Export in 2005: before Russian Embargo**



**Geographical Distribution of Wine Export in 2010: Substantial Diversification Benefits Achieved**

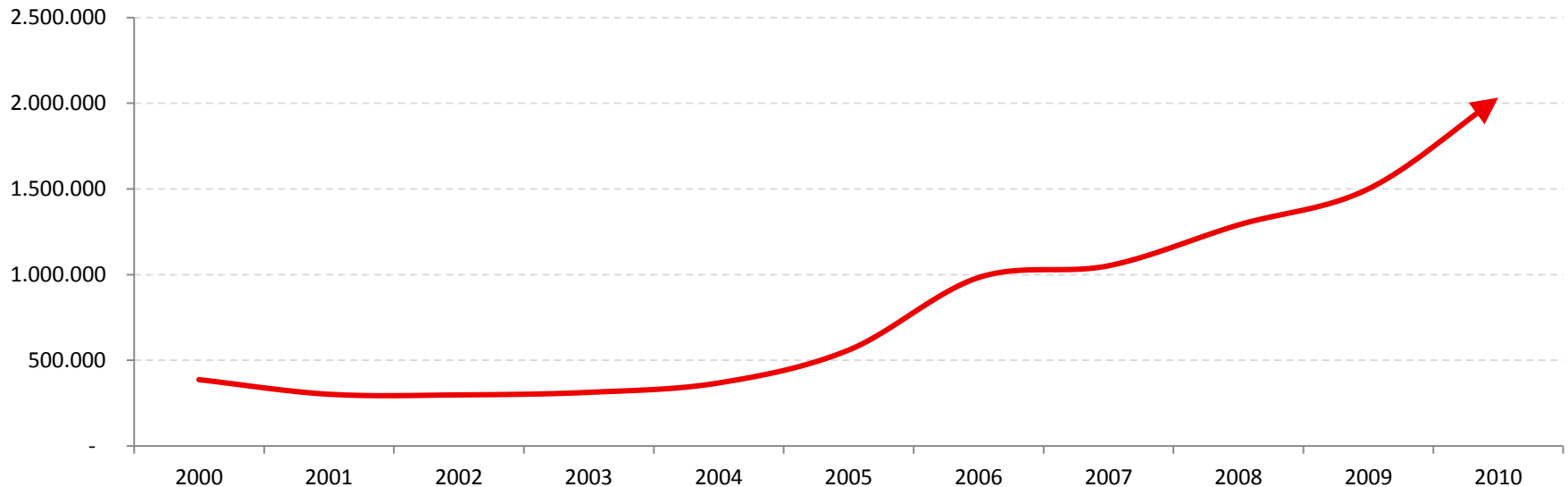


DIVERSIFICATION

# Tourism



## Rapidly Growing Tourist Arrivals



- Rebranding Georgia as tourism destination on international arena and transforming Georgia into regional tourism hub in the Caucasus
- Growth effects of the domestic road interconnectedness compounded by "vertical" approach to the revival of Georgia's traditional tourism hubs (Tbilisi, Mtskheta, Batumi, Bakuriani, Gudauri etc.) and (re)discovery of new promising destinations (Svaneti, Anaklia, Signaghi, Kvareli etc.) capable of providing tremendous lasting boost to sea and mountain tourism, to 'wine tours' and green tourism
- Domestic tourism development – area with significant unexplored growth potential
- Kobuleti and Anaklia Free Tourism Zone (plot of land for symbolic GEL 1 price, customized profit and property tax exemptions)
- Cultural sites inscribed on the UNESCO World Heritage List

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Georgian Chamber of Commerce and Industry

# Taxation



	'04A	'05A	'06A	'07A	'08A	'09A	'10A	'11	'12
Number of Taxes	21	7	7	7	6	6	6	6	6
VAT	20%	20%	18%	18%	18%	18%	18%	18%	18%
Income Tax	12-20%	12% flat	12% flat	12% flat	Social Tax + Income Tax 32% 25%	Social Tax + Income Tax 20%	20%	20%	20%
Social Tax	33%	20%	20%	20%	-	-	-	-	-
Corporate Income Tax	20%	20%	20%	20%	15%	15%	15%	15%	15%
Dividend & Interest Income Tax	10%	10%	10%	10%	10%	5%	5%	5%	5%

- No payroll tax or social insurance tax
- No capital gains tax
- No wealth tax, inheritance tax or stamp duty
- Foreign-source income of individuals fully exempted
- Tax rates reduction timetable has been further accelerated in 2008

# Double Taxation



## Effective Rates of Source Taxation

N	Country	Dividends	Interests	Royalties
1	ARMENIA	5%	5%	5%
2	AUSTRIA	0% / 5%	0%	0%
3	AZERBAIJAN	5%	5%	10%
4	BELGIUM	5%	5%	5% / 10%
5	BULGARIA	5%	5%	10%
6	CHINA	0% / 5%	5%	5%
7	CZECH REPUBLIC	5%	5%	0% / 5% / 10%
8	DENMARK	0% / 5%	0%	0%
9	ESTONIA	5%	5%	10%
10	FINLAND	0% / 5%	0%	0%
11	FRANCE (in force from 01.2011)	5%	0% / 5%	0%
12	GERMANY	0% / 5%	0%	0%
13	GREECE	5%	5%	5%
14	IRAN	5%	5%	5%
15	IRELAND (in force from 01.2011)	0% / 5%	0%	0%
16	ITALY	5%	0%	0%
17	KAZAKHSTAN	5%	5%	10%
18	LATVIA	5%	5%	10%
19	LITHUANIA	5%	5%	10%
20	LUXEMBOURG	0% / 5%	0%	0%
21	MALTA	0%	0%	0%
22	NETHERLANDS	0% / 5%	0%	0%
23	POLAND	5%	5%	10%
24	QATAR (in force from 03. 2011)	0%	0%	0%
25	ROMANIA	5%	5%	5%
26	SINGAPORE (in force from 01.2011)	0%	0%	0%
27	SPAIN (in force from 07. 2011)	0% / 5%	0%	0%
28	SWISS CONFEDERATION (in force from 07, 2011)	10%	0%	0%
29	TURKEY	5%	5%	10%
30	TURKMENISTAN	5%	5%	10%
31	UKRAINE	5%	5%	10%
32	UNITED ARAB EMIRATES (in force from 04. 2011)	0%	0%	0%
33	UNITED KINGDOM	0% / 5%	0%	0%
34	UZBEKISTAN	5%	5%	10%

## Ratified Treaties (effectiveness pending)

1. Kuwait
2. Israel
3. Egypt
4. Bahrain

*DTA treaties with 13 other states initiated.  
Negotiations to be held in the coming months.*

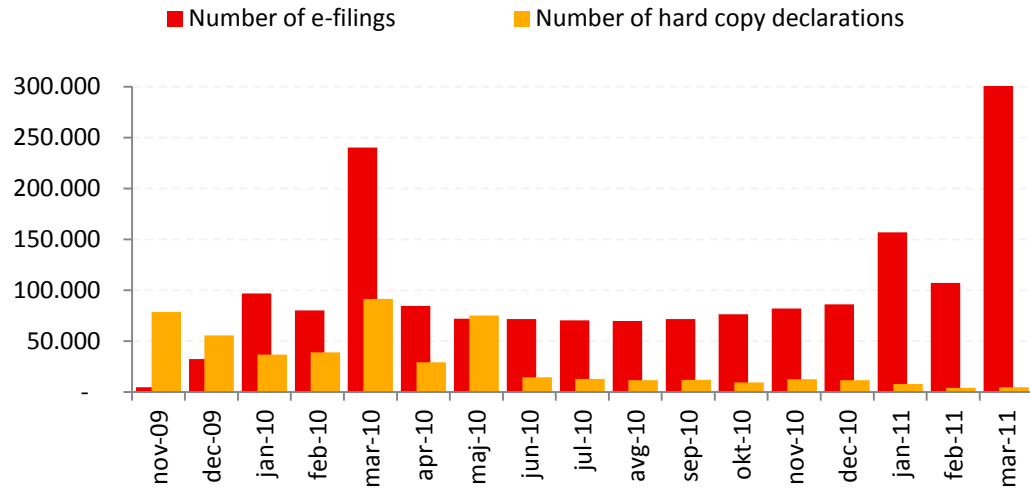
## Awaiting Signing or Ratification

1. Cyprus
2. India
3. Slovenia
4. Slovakia
5. Hungary
6. Norway
7. Portugal
8. Croatia

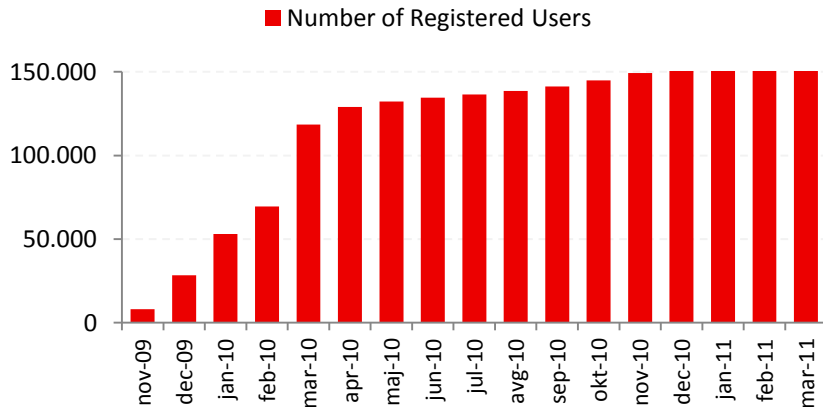
# Easy Tax Compliance



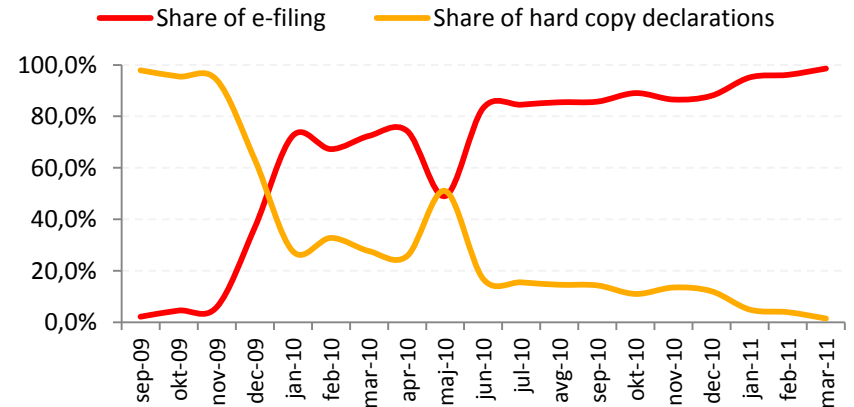
## Monthly Declaration Statistics



## e-filing: Number of Registered Users



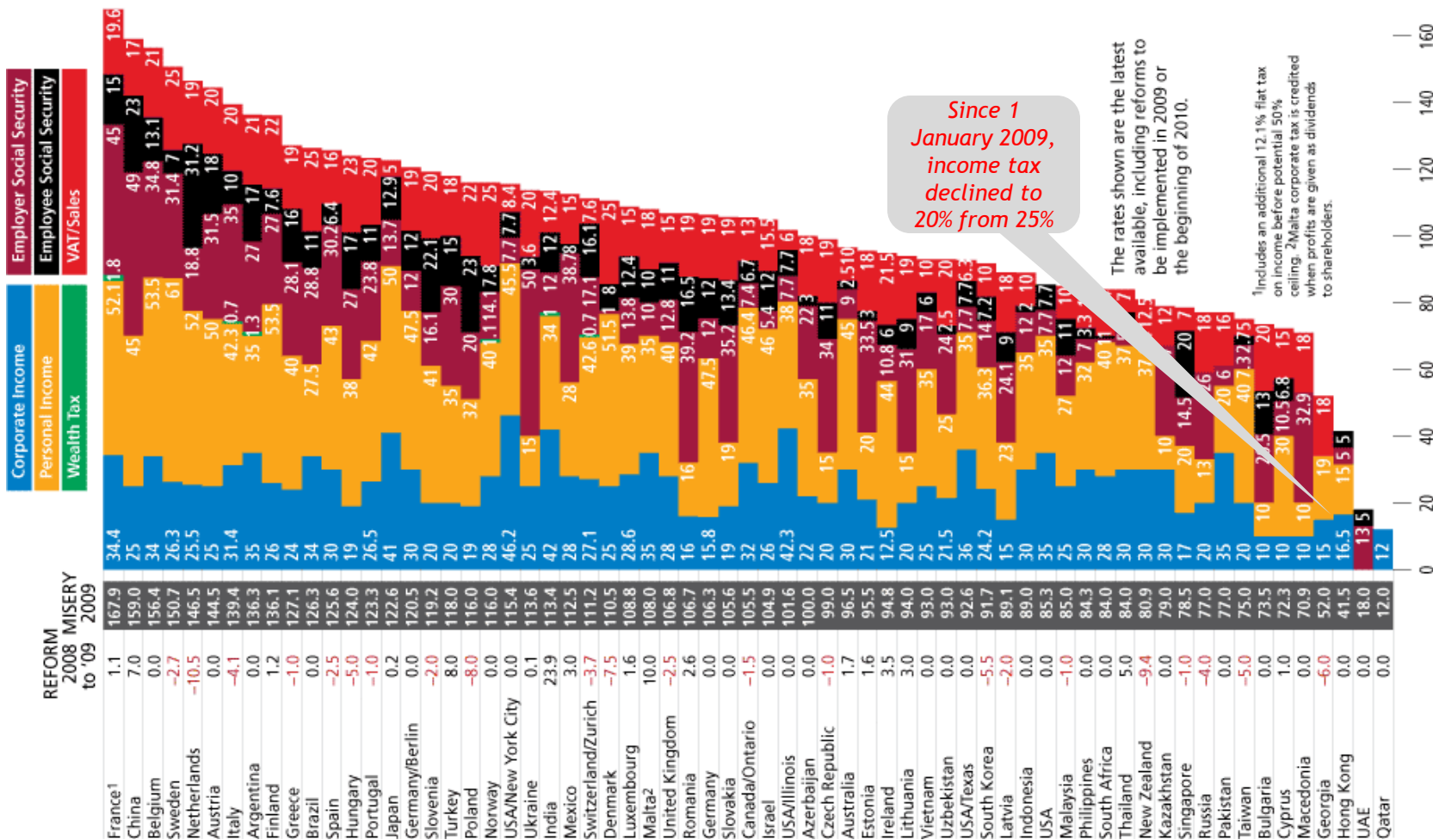
## e-filing vs. hard copy declarations



# Low Taxes



- According to 2009 Tax Misery & Reform Index, release by Forbes Business & Financial News, Georgia is the fourth least tax burden country after Qatar, UAE and Hong Kong



Since 1 January 2009, income tax declined to 20% from 25%

The rates shown are the latest available, including reforms to be implemented in 2009 or the beginning of 2010.

<sup>1</sup>Includes an additional 12.1% flat tax on income before potential 50% ceiling. <sup>2</sup>Malta corporate tax is credited when profits are given as dividends to shareholders.



# What we believe in

- The rule of law & property rights
- Minimal state fiscal footprint
  - Few, low and flat taxes
  - Minimal social security burden on businesses
- Sound money
  - Inflation targeting, single-digit inflation
- Free trade
- Flexible labour market, with minimal state interference in employer-employee relations
- Limited government
  - Deep de-regulation
  - Dramatically minimized and simplified licensing
  - Aggressive privatisation
- Means-tested, focused state assistance to the poor
- Lean and efficient civil service sector – providing value for taxpayers' money

# Top Reformer Over the Past 5 Years According to the World Bank – IFC Doing Business Report



DOING BUSINESS 2011

Five-year measure of cumulative change in *Doing Business* indicators between DB2006 and DB2011

DB change score

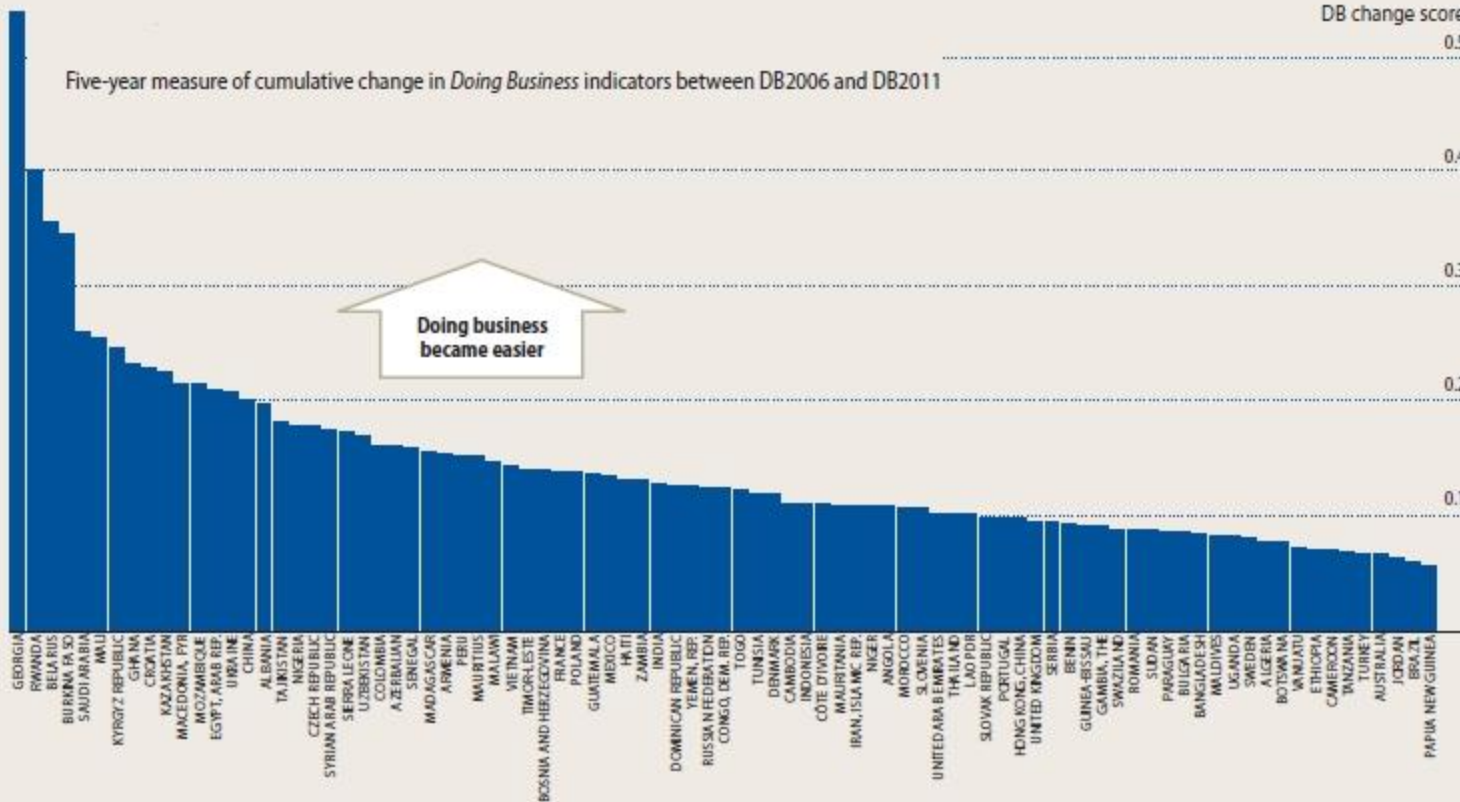
0.5

0.4

0.3

0.2

0.1



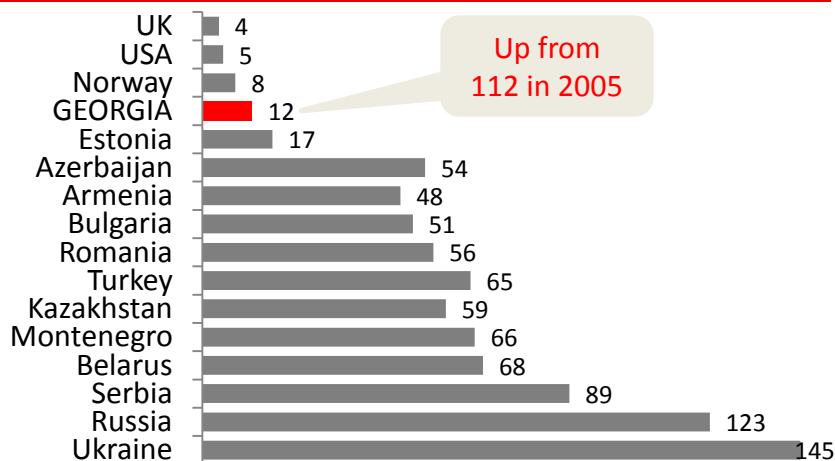
Note: The DB change score illustrates the level of change in the regulatory environment for local entrepreneurs as measured by 9 *Doing Business* indicator sets over a period of 5 years. This year's DB change score ranges from -0.1 to 0.54. More details on how the DB change score is constructed can be found in the Data notes.

Source: *Doing Business* database.

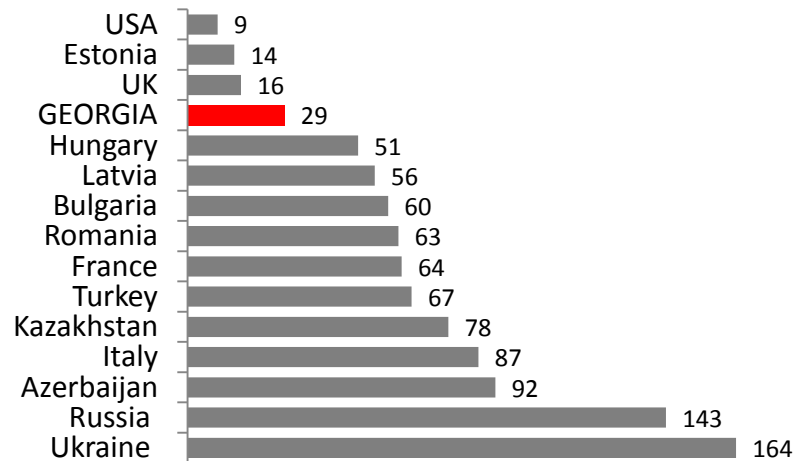
# Reforms - Creation of Favorable Market Environment



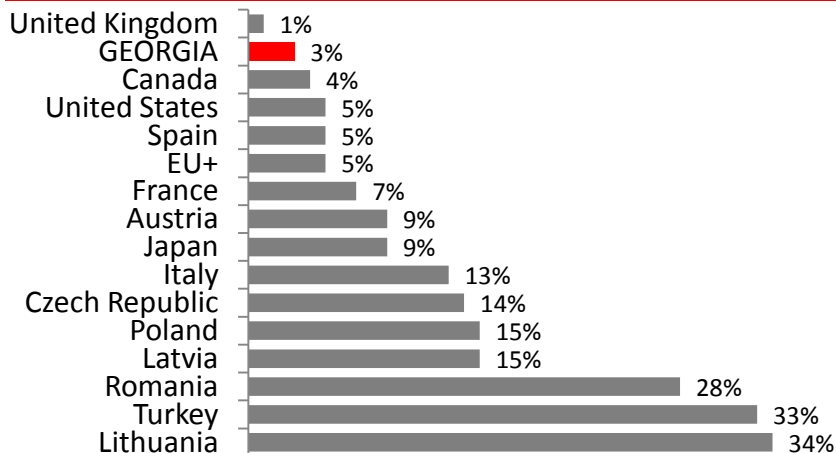
Ease of Doing Business, 2011 (WB-IFC Doing Business Report)



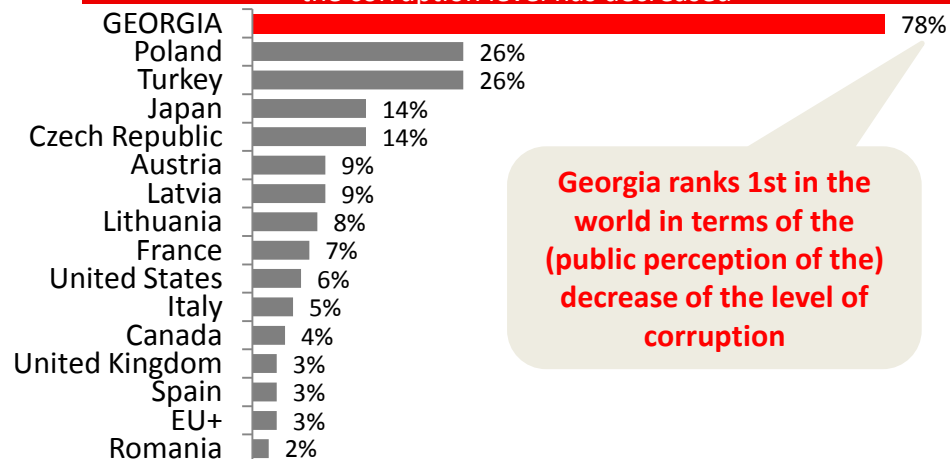
Economic Freedom Index, 2011 (Heritage Foundation)



TI 2010 Global Corruption Barometer: % admitting having paid a bribe within the last 12 month



TI 2010 Global Corruption Barometer: % of the surveyed claiming the corruption level has decreased



Georgia ranks 1st in the world in terms of the (public perception of the) decrease of the level of corruption



# Investing Across Borders - Indicators of Foreign Direct Investment Regulation According to the World Bank

Sector	GEORGIA Score	Regional Average	Global Average
Mining, oil & gas	100	96.2	92
Agriculture & forestry	100	97.5	95.9
Light manufacturing	100	98.5	96.6
Telecom	100	96.2	88
Electricity	100	96.4	87.6
Banking	100	100	91
Insurance	100	94.9	91.2
Transport	100	84	78.5
Media	100	73.1	68
Construction, tourism & retail	100	100	98.1
Health care & waste management	100	100	96

“Georgia is one of the most open countries to foreign equity ownership as measured by the Investing Across Sectors indicators. All of the 33 sectors covered by the indicators are fully open to foreign investment. There are neither sectors with monopolistic or oligopolistic market structures nor any perceived difficulties in obtaining any required operating licenses” – Summary by the World Bank



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