

GEORGIA - PROMISING MARKET FOR INVESTMENTS



MINISTRY OF ECONOMY AND SUSTAINABLE
DEVELOPMENT OF GEORGIA



ENTERPRISE GEORGIA



GEORGIA IS A WINNING COMBINATION



Strategically located at the crossroad of Europe and Asia



Free Trade Agreements with 2.3 bln market - EU, China (Including Hong Kong), Turkey, Ukraine, CIS & EFTA



flat-rate, low taxes - No corporate profit tax on reinvested profit



Recognized as one of the easiest places to do business in the world



Modern and fast-developing infrastructure



Skilled and competitively priced labor force



Stable, effective and well-developed banking sector

STRONG SUSTAINED ECONOMIC GROWTH



Key Economic Indicators	2015	2016	2017
Nom. GDP, USD mn	13,988	14,377	15,164
Nom. GDP per capita, USD	3,767	3,865	4078
Real GDP growth, %	2.9%	2.8%	5%
Import (CIF), USD mn	7,300	7,295	7,982
Export (FOB), USD mn	2,204	2,113	2,728

Source: National Statistics Office

- ⚙️ Georgia's economy has experienced economic growth at a **CAGR of 4.1% (2012-2017)**
- ⚙️ Europe and Central Asia region experienced economic growth at a **CAGR of 1.6% (2012-2017)**
- ⚙️ In 2012-2017 the strongest growth occurred in:
 - **Financial services (11.2%),**
 - **Hotels/Restaurants (8.8%)**
 - **Construction (8%), etc.**

Each growing at a CAGR of 8%

RAPIDLY IMPROVING GOVERNANCE



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Doing Business

N 9

Up from #112 in 2005

1st among the countries
in Eastern Europe &
Central Asia



Economic Freedom

N 16

Up from #99 in 2005

9th among the
countries in Europe



Corruption Perceptions Index

N 46

Up from #130 in 2005

6th among the
countries in Eastern
Europe



Safety & Crime index

N 5

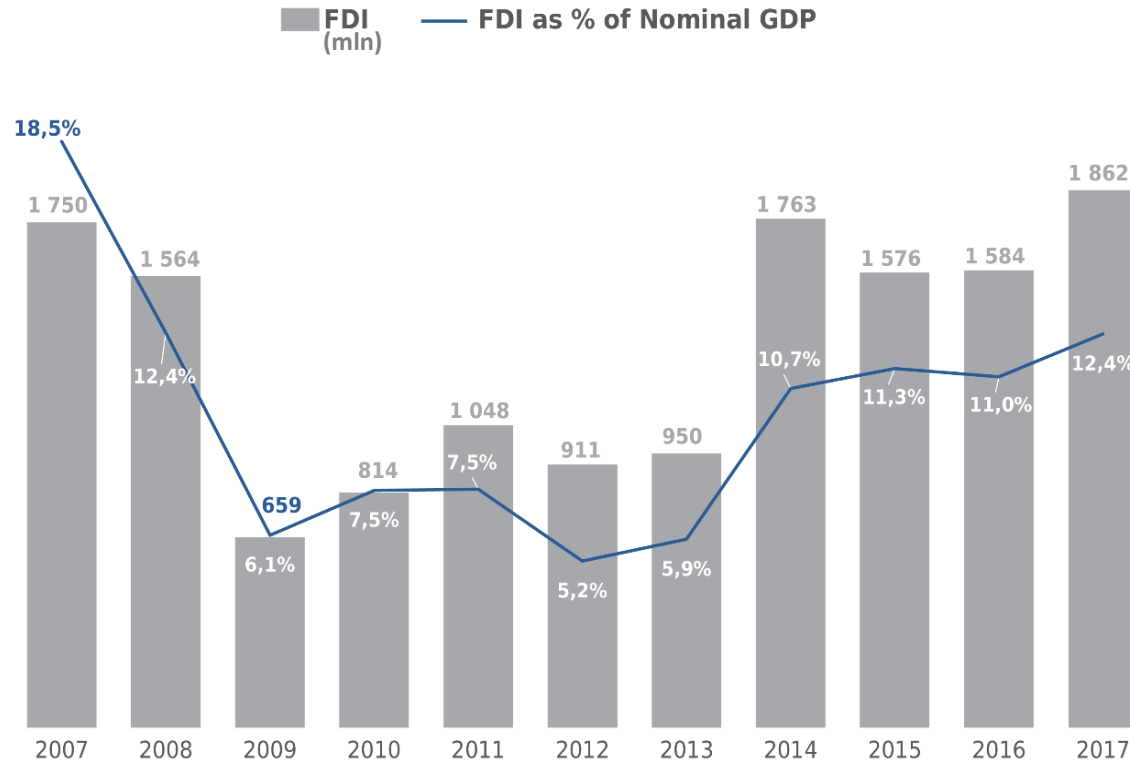
Up from #20 in 2012

5th place among the
125 countries



FOREIGN DIRECT INVESTMENT

FDI BY YEARS



⚙️ Share of reinvestments in total FDI was 34.9% in 2017 - highest figure during last 5 years

⚙️ Top FDI sectors:

- Transport and Communications
- Financial Sector
- Construction
- Energy
- Real Estate
- Manufacturing

⚙️ Azerbaijan is largest investor in Georgia, followed by Netherlands and Turkey

TAX INCENTIVES

- ⚙️ **Just six flat taxes**
- ⚙️ **8th Least Tax Burden Country in the World**
- ⚙️ **No Corporate Profit tax on retained profit**
- ⚙️ **Personal Income taxes for interest, dividends and royalties are reduced to just 5%**
- ⚙️ **Double Taxation avoidance with 55 countries**
- ⚙️ **No social security, capital gains, wealth or inheritance tax**
- ⚙️ **No restrictions on currency conversion or capital/profit repatriation**

Taxation System



REGIONAL HUB FOR DOING BUSINESS

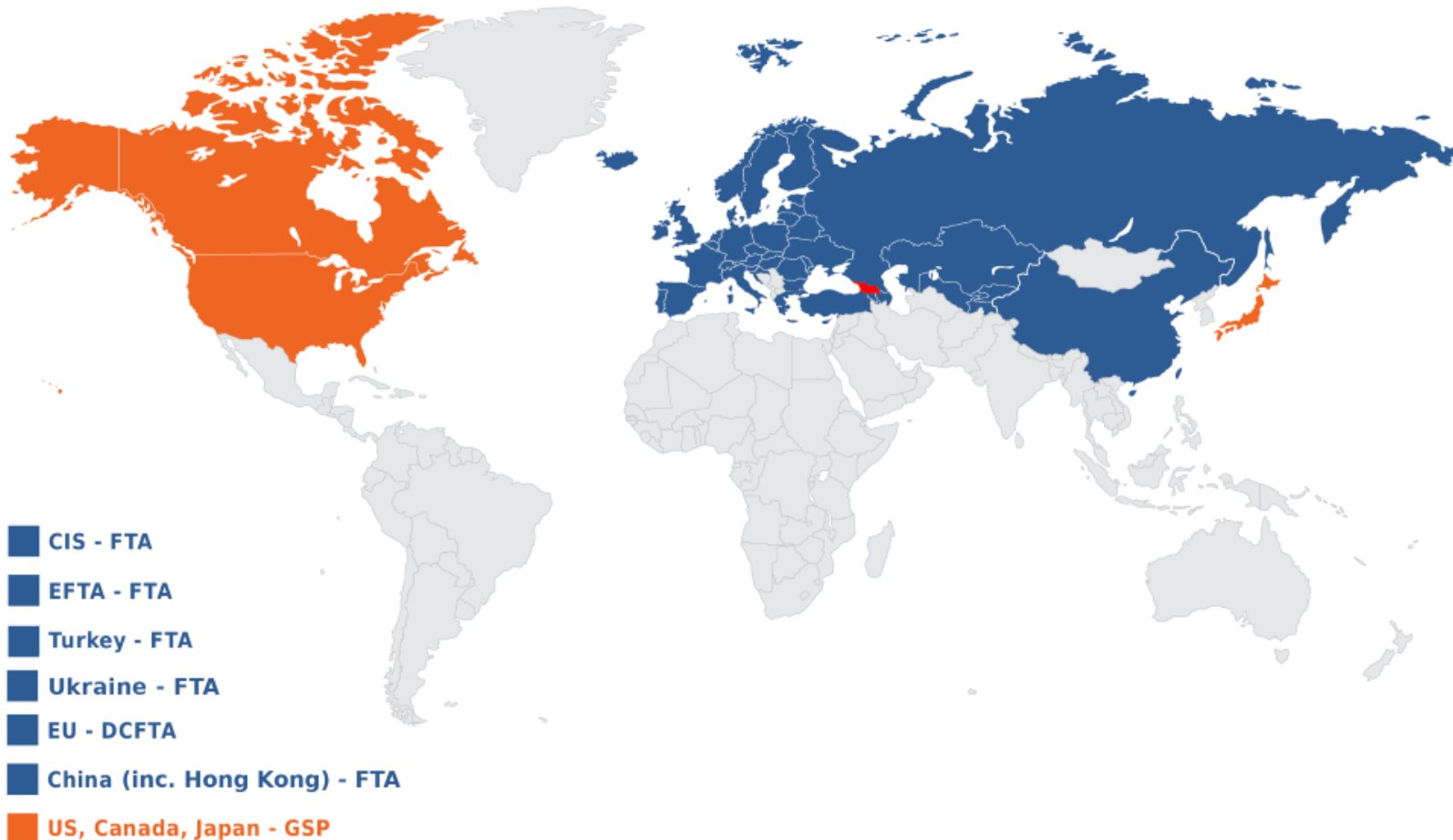


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FREE TRADE AGREEMENTS WITH 2.3 BLN MARKET



- ⚙️ Very simple and service-oriented customs policy and administration
- ⚙️ No quantitative restrictions or tariff barriers
- ⚙️ 80% of goods free from import tariff



*Most Favored Nation (MFN)
since 2000*

GEORGIA – TURKEY ECONOMIC COOPERATION



- ⚙️ **Total trade turnover (2017): 1.6 billion USD**
 - Export from Georgia: 217 million USD
 - Import to Georgia: 1.4 billion USD
- ⚙️ **FDI from Turkey to Georgia (2007-2017): 1.3 billion USD**
- ⚙️ **Visitors from Turkey to Georgia (2017): 1,007,276 (y-o-y growth 2%)**

INVESTMENT SECTORS



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HOSPITALITY & REAL
ESTATE

LOGISTICS

ENERGY

MANUFACTURING

BUSINESS PROCESS
OUTSOURCING

MANUFACTURING SECTOR



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International Companies Presented in Georgia



- ⚙️ Average monthly salary amounts to USD 370
- ⚙️ Free Trade Agreements with 2.3 billion market
- ⚙️ 1 kWh is ~7 USD cents for 30-110 kV high voltage electricity
- ⚙️ 4 Free Industrial Zones - No taxes except Personal Income Tax (20%)

- ⚙️ *“A highly qualified, technology-driven workforce and strong manufacturing capabilities are attracting high-tech businesses to Georgia” - Elbit Systems, manufacturing of aircraft composites*
- ⚙️ *“HeidelbergCement invests in Georgia because of its transparent and simple tax system, stable macro-economic environment and favorable geographic location” - HeidelbergCement*
- ⚙️ *“Georgia has transparent business climate, growing economy, acceptable labor cost and simple legislation” - Henkel*

FURNITURE SECTOR OVERVIEW



Geop Georgian Products Ltd .

- Georgian company established in 2014
- Investment volume USD 2.5 million
- Company exports pet furniture to EU market
- Total export per year is USD 10 million

- ⚙ Consumption and production are increasing steadily
- ⚙ Georgian Furniture Cluster – 29 producer companies work together for economies of scale and better specialization
- ⚙ Production of raw materials (Leather, Foam etc.) is developing in Georgia
- ⚙ Average monthly salary in manufacturing of furniture - USD 230
- ⚙ 0% import duty in Europe – relatively easy to satisfy rules of origin for DCFTA (up to 50% of the costs/raw materials from the finished product’s ex-works value can be imported)
- ⚙ Government plans to train ~1000 people every year for the furniture manufacturing sector (3500 currently employed)

PRODUCTION, CONSUMPTION AND TRADE

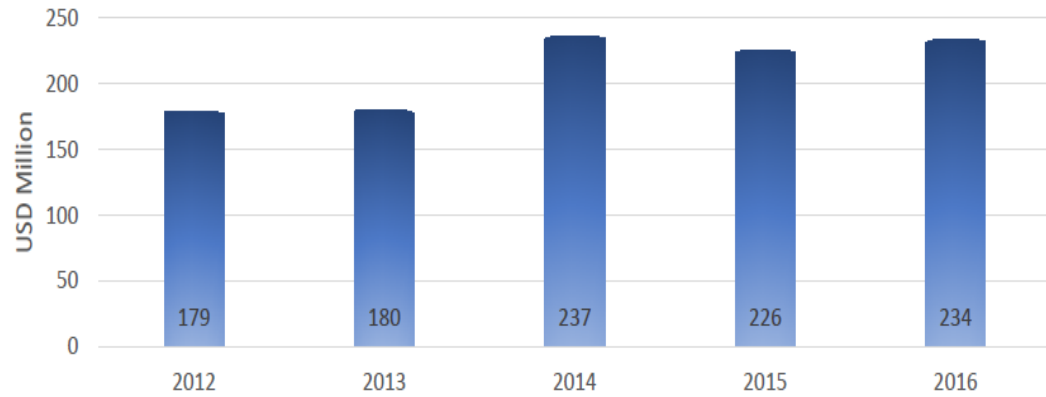


Figure 11- Furniture consumption in Georgia¹

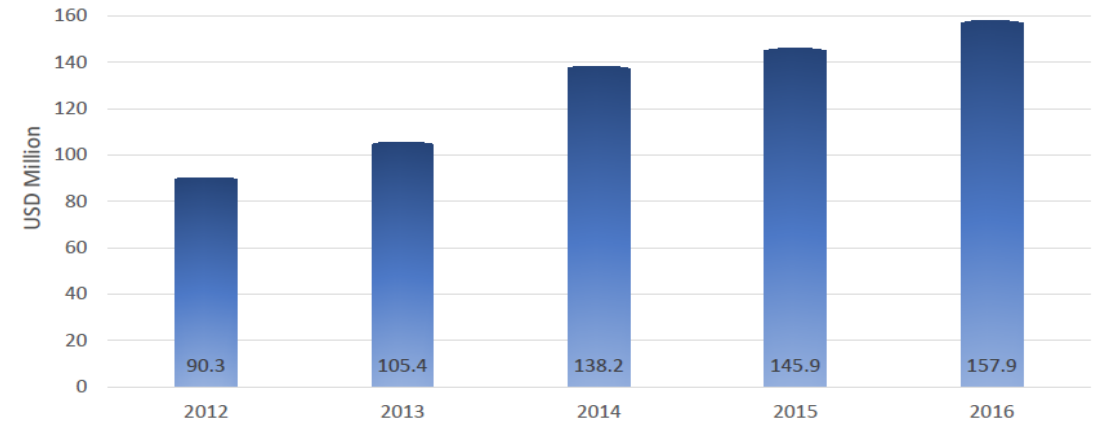
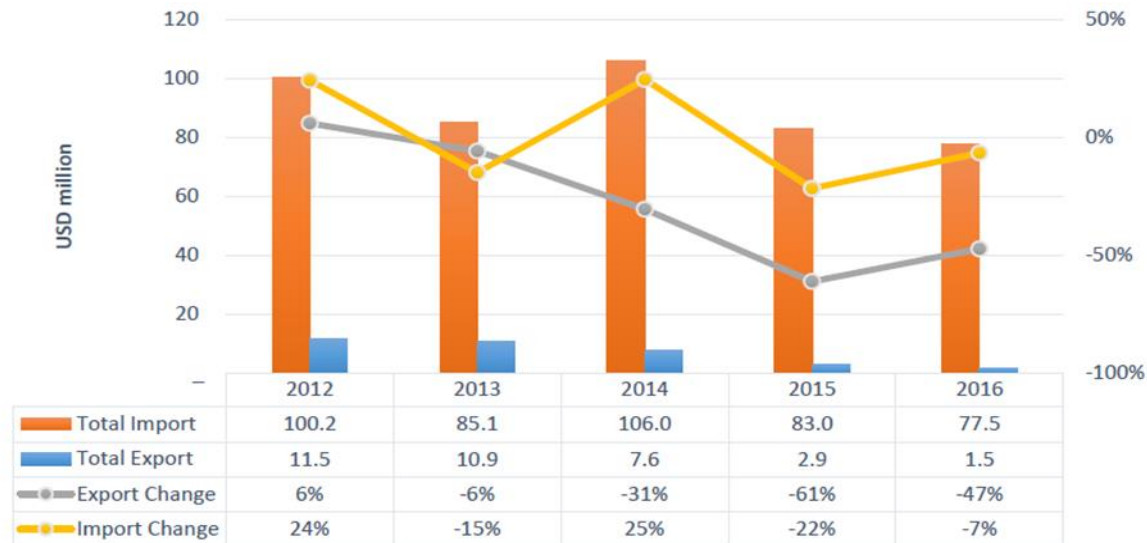
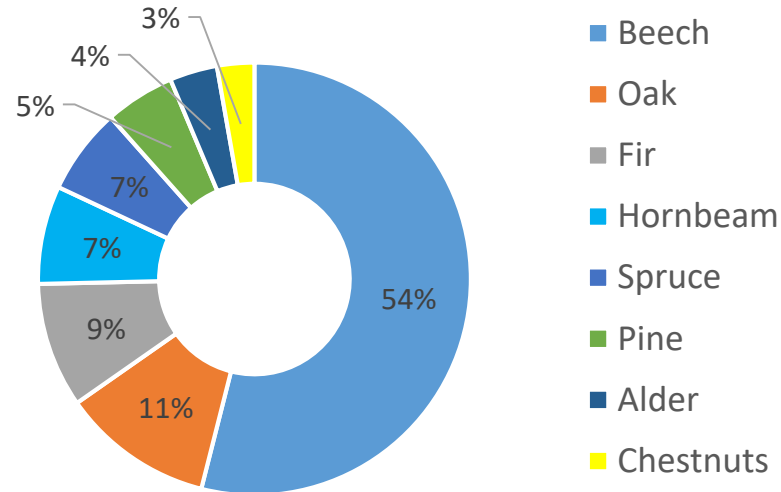


Figure 10- Furniture production in million



Main Tree Species



- ⚙ Total Forest Fund – 3,005,300 ha
- ⚙ Forest cover area – 2,772,400 ha (40% of Country's territory)
 - ✓ Mountain forests – 98 %
 - ✓ Lowland forests – 2%

All forests are state property

New Forest Code

- ⚙ All timber harvesting works (in forests) will be carried out by the forest management bodies (e.g. National Forestry Agency (NFA))
- ⚙ The new Forest Code will support improvement and restoration of forest fund, and provide constant timber supplies for manufacturing purposes
- ⚙ Forest Categorization – the wood will be categorized and sold according to different quality (four categories)
- ⚙ Estimated timber resources (from preparation and removals) - 600 000 m³/year
 - ✓ Fuelwood – 300 000 m³
 - ✓ Industrial roundwood – 300 000 m³
- ⚙ Removals by species
 - ✓ Deciduous (beech, hornbeam, alder and other soft wood) – 60%
 - ✓ Coniferous (Fir, Pine, Spruce) – 40%

SUCCESS STORY: APPAREL AND FOOTWEAR SECTOR



- ⚙️ In 2004, Turkish investors began investing heavily in apparel sector of Georgia
- ⚙️ Footwear and bags manufacturing sector has emerged recently as local manufacturers started to export their products to different international markets
- ⚙️ Leather production is also developing in Georgia and currently Georgian leather is exported to Italy and Turkey
- ⚙️ Average monthly salary in manufacturing of footwear and apparel - USD 230
- ⚙️ Factories in Georgia produce apparel for international brands such as Moncler, Nike, Adidas, Mexx, Zara, Puma, Tommy Hilfiger, M&S etc.



Free land and/or building

- ⚙️ Government of Georgia can offer a free state owned land with an investment obligation

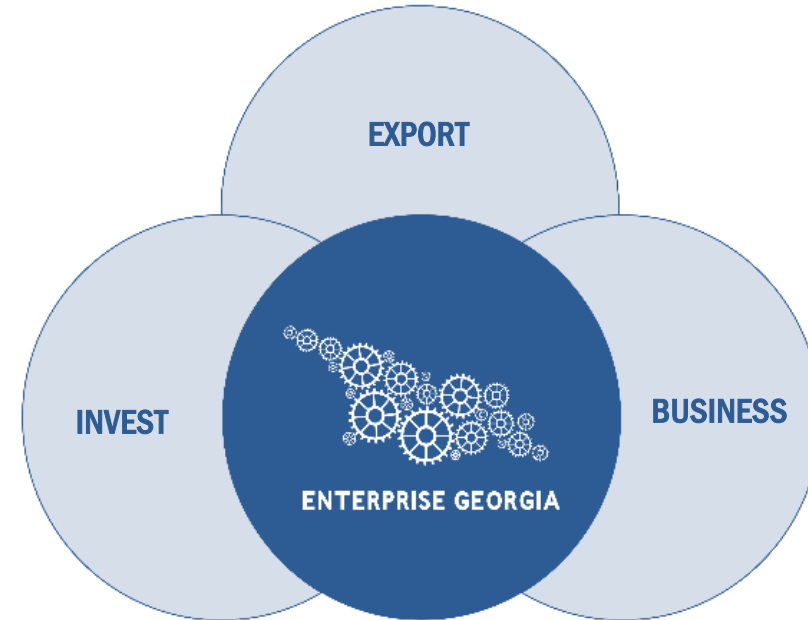
JSC Partnership Fund

- ⚙️ State-owned investment fund “Partnership Fund” can finance up to 49% of equity in new investment projects

Free Industrial Zones

- ⚙️ Four Free Industrial Zones operate in Georgia. Companies, which produce goods for export markets in Free Industrial Zones, are exempt from all taxes, except Personal Income Tax (flat 20%).

- ⚙️ LEPL “Enterprise Georgia” operates under the Ministry of Economy and Sustainable Development
- ⚙️ “One-stop-shop” for investors to support companies before, during & after investment process
- ⚙️ Moderator between investors, government and local companies



OUR SERVICES



General data, statistics,
sector researches



Access to Government at all
levels & connection to local
partners



Organization of site visits and
accompanying of investors



Legal advising &
Supporting services

THANK YOU



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