

# GEORGIA - PROMISING MARKET FOR INVESTMENTS

November 25, Tbilisi



MINISTRY OF ECONOMY AND SUSTAINABLE  
DEVELOPMENT OF GEORGIA



ENTERPRISE GEORGIA



# GEORGIA IS A WINNING COMBINATION



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DEVELOPMENT OF GEORGIA



ENTERPRISE GEORGIA



**Strategically located at the crossroad of Europe and Asia**



**Modern and fast-developing infrastructure**



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



**Skilled and competitively priced labor force**



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



**Stable, effective and well-developed banking sector**



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

# STRONG SUSTAINED ECONOMIC GROWTH



| Key Economic Indicators  | 2015   | 2016   | 2017   | 2018   |
|--------------------------|--------|--------|--------|--------|
| Nom. GDP, USD mln        | 14,948 | 15,142 | 16,249 | 17,597 |
| Nom. GDP per capita, USD | 4,013  | 4,062  | 4,359  | 4,722  |
| Real GDP growth, %       | 3.0%   | 2.9%   | 4.8%   | 4.8%   |
| Import (CIF), USD mln    | 7,300  | 7,294  | 7,943  | 9,136  |
| Export (FOB), USD mln    | 2,204  | 2,113  | 2,736  | 3,356  |

Source: National Statistics Office

- ⚙️ Georgia's economy is expected to grow at a rate of **5%** (2019-2024) Source: IMF
- ⚙️ In 2015-2018 the strongest growth (CAGR) occurred in:
  - **Hotels & Restaurants (20.7%)**
  - **Electricity and Gas Supply (19.4%)**
  - **Professional Services (18.9%)**
  - **Construction (11.8%)**
  - **Financial and Insurance (10.5%)**

# RAPIDLY IMPROVING GOVERNANCE



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## Doing Business

N 7

Up from #112 in 2005

**2nd** among the  
countries in Europe



## Economic Freedom

N 16

Up from #99 in 2005

**8th** among the  
countries in  
Europe



## Corruption Perceptions Index

N 41

Up from #130 in 2005

**6th** among the  
countries in  
Eastern Europe



## Safety & Crime index

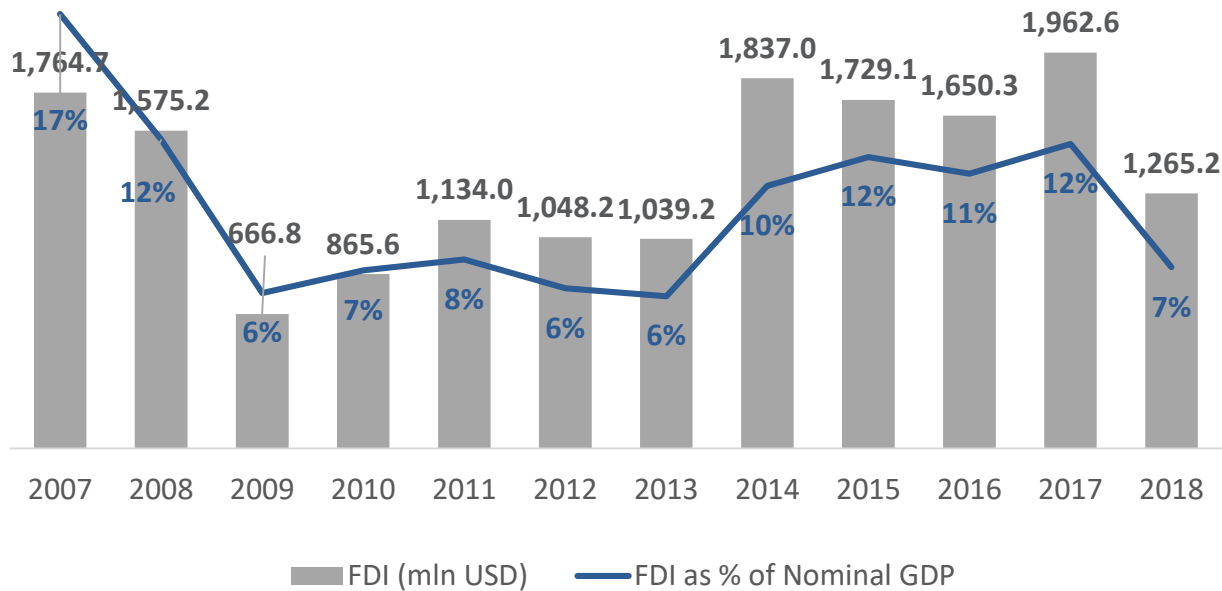
N 6

Up from #20 in 2012

**6th** place among  
the 125 countries




## FDI BY YEARS



- ⚙️ Share of reinvestments in total FDI was 35% in 2018; For comparison, same number stood at 31% in 2017
- ⚙️ Top FDI sectors:
  - Financial Sector
  - Transport and Communications
  - Energy
  - Manufacturing
  - Construction
  - Real Estate
- ⚙️ Azerbaijan is the largest investor in Georgia, followed by UK, Netherlands and USA







# TAX INCENTIVES

- ⊗ Pension contribution - 2% paid by Employer, 2% paid by Employee, 2% paid by Government
- ⊗ No Corporate Profit tax on retained profit
- ⊗ Personal Income taxes for interest, dividends and royalties are reduced to just 5%
- ⊗ Double Taxation avoidance with 56 countries, **Including Japan**
- ⊗ No capital gains, wealth or inheritance tax
- ⊗ No restrictions on currency conversion or capital/profit repatriation



**3<sup>rd</sup>** Least Tax Burden Country in the World by Total Tax Rate (% of profit)

### Taxation System

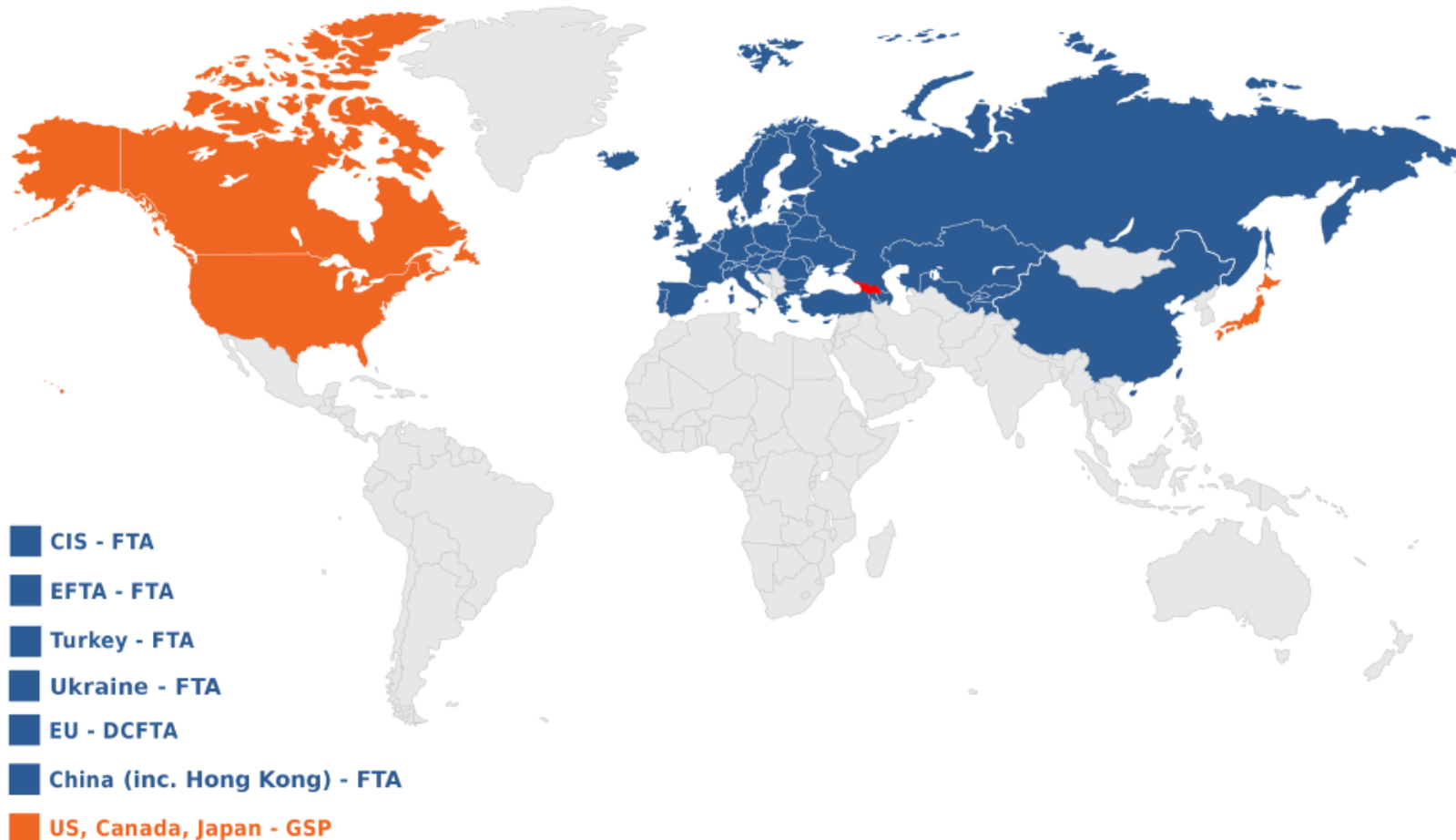
|   |   |
|---|---|
|  <p><b>15 %</b><br/>Corporate Profit Tax</p> |  <p><b>20 %</b><br/>Personal Income Tax</p>                                      |
|  <p><b>18 %</b><br/>Value Added Tax</p>     |  <p><b>&lt;1%</b><br/>Property Tax</p>  |
|  <p><b>Select Items</b><br/>Excise Tax</p> |  <p><b>0%, 5%, or 12%</b><br/>Import Tax<br/>(depending on goods imported)</p> |



# REGIONAL HUB FOR DOING BUSINESS



## 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**

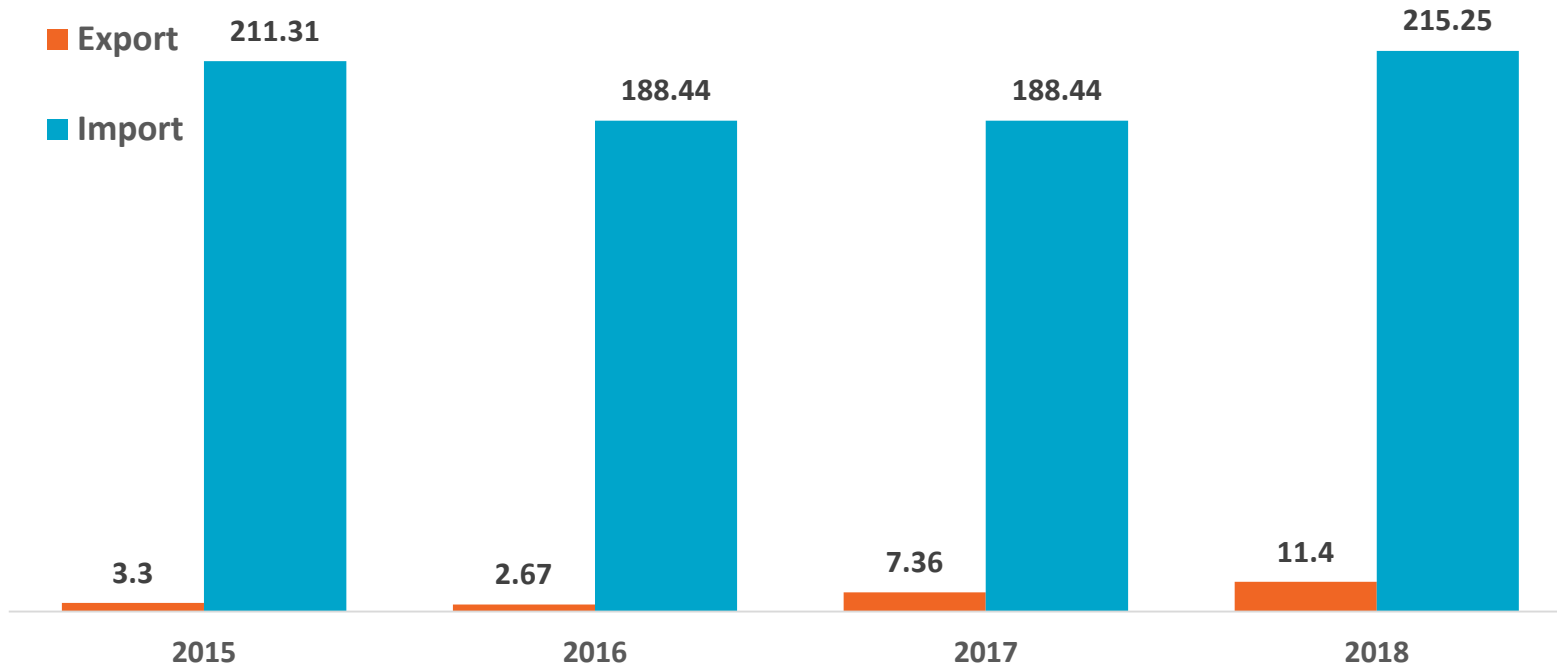


*Most Favored Nation (MFN) since 2000*

# Japan - Georgia Economic Relations



## Trade Between Countries, mln USD



## Major Exports to Japan

- ⚙ Aluminum
- ⚙ Scrap metal
- ⚙ Wine

## Major Imports from Japan

- ⚙ Vehicles
- ⚙ Tires
- ⚙ Medical Equipment

- ⚙ To date FDI from Japan amounts to more than 184 mln USD (including QII 2019)
- ⚙ In 2018, trade turnover between Georgia and Japan increased by 55% compared to the previous year, amounting to \$ 226.6 million
- ⚙ In H1 of 2019 Georgian Export increased by 14% and amounted to \$ 9.19 million;
- ⚙ Japan and Georgia have a GSP trade agreement



# Export Opportunities From Georgia to Japan

Based on historical trade information, the following products have the highest export potential from Georgia to Japan

- ⚙️ **Natural mineral waters** - export of mineral waters from Georgia to Japan increased by 206% in 2018 compared to 2017
- ⚙️ **Wine** - export of wine from Georgia to Japan increased by 28% in 2018 compared to 2017
- ⚙️ **Fruit and vegetable natural juices** - historically one of the top exported product from Georgia to Japan, increased by 41% in 2019/9 compared to 2018/9
- ⚙️ **Apparel** - While Georgia is becoming a new popular destination for apparel manufacturing, CAGR of import value in Japan during 2015-2018 amounted to 2% for apparel; thus both countries can benefit from enhanced trade relations in this sector



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# INVESTMENT SECTORS



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**HOSPITALITY &  
REAL ESTATE**

**LOGISTICS**

**ENERGY**

**MANUFACTURING**

**BUSINESS PROCESS  
OUTSOURCING**



# HOSPITALITY & REAL ESTATE

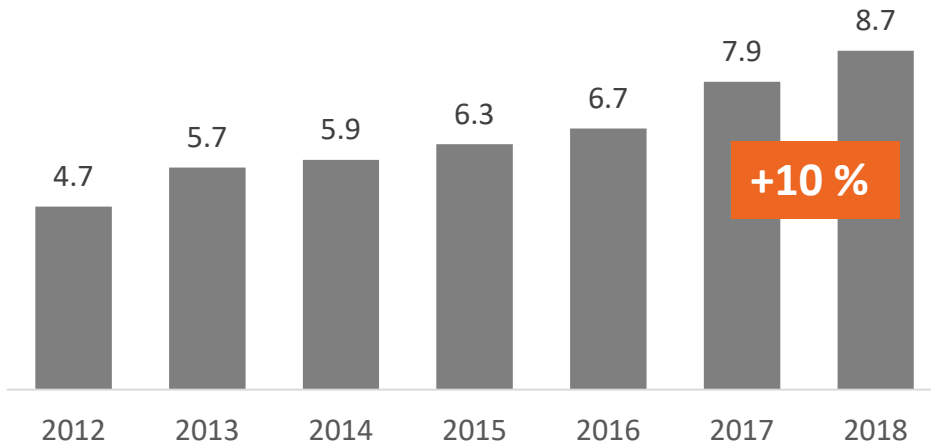


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International Traveler Trips (mln)



## PIPELINE OF ON-GOING BRAND HOTELS IN GEORGIA



- ⚙️ **Tourism revenue increased by 19% in 2018 (USD 3,3 bln)**
- ⚙️ **“International upscale brands enjoy occupancy rate of 72% in Tbilisi” Colliers International**
- ⚙️ **“Georgia has become a hub for tourism and business” Sheikh Nahyan Bin Mubarak Al Nahyan**

# 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 ~6 USD cents for 30-110 kV high voltage electricity
- ⊗ 4 Free Industrial Zones - No taxes except Personal Income Tax (20%)
- ⊗ Transportation cost from/to Georgia(per Container)  
Central Europe - 4,500 -5,000 USD  
Central Asia - 7,000 - 9,500 USD

- ⊗ ***“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, Cement Factory***
- ⊗ ***“Georgia has transparent business climate, growing economy, acceptable labor cost and simple legislation” - Henkel, Adhesives Factory***

## OVERVIEW

Georgia has rich history of manufacturing of auto, aircraft and locomotive products, dating back to Soviet times

- **Tbilisi Aircraft Manufacturing (TAM)**'s activities comprise production, modernization, overhaul and repair of military aircrafts and different military products
- **Kutaisi Auto Mechanical Plant** produces spare parts for agricultural products, ropeway, railway and mining products
- **Locomotive manufacturer company Elmavalshenebeli** assembles electric locomotives

## RECENT SUCCESS STORY

**Aero-Structure Technologies Cyclone (ATC)**, a joint venture between the Israeli firm Elbit Systems and the state-owned Partnership Fund opened a production facility for composite aircraft parts in Georgia in 2018

ATC produces composite parts for the major players, such as Boeing, Airbus, etc.





# AUTOMOTIVE & AEROSPACE PARTS & COMPONENTS



Automotive parts such as **Brake Pads, Air Bags, Air conditioners and Radiators** have greater investment potential for manufacturing in Georgia

## Advantages That Georgia Offers In Manufacturing Of Automotive & Aerospace Parts

**Georgia's preferential trade regimes** - Georgia benefits from zero import tax to EU, EFTA, Turkey, CIS, Ukraine, China and Hong Kong for automotive parts, that otherwise amount up to 4.5% for EU, EFTA and Turkey, up to 10% for Ukraine, up to 30% for CIS and up to 25% for China and Hong Kong

**Raw materials** - Georgia is rich in deposits of copper, manganese, lead and zinc ore. In addition, some other raw materials such as steel, aluminum, nickel, lithium are available in neighboring countries with which Georgia has 0% import tax

**Average gross salary** per month for the industry ranges between USD 270-740, depending on a position and experience of an employee

**Availability of customized trainings for labor** - Vocational educational centers provide special courses based on investor's requirements and cost of trainings are mainly financed by the Government





# ELECTRONICS & COMPONENTS



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## ELECTRONICS INDUSTRY ON THE RISE

In the recent years, Georgia saw gradual revival of electronics industry

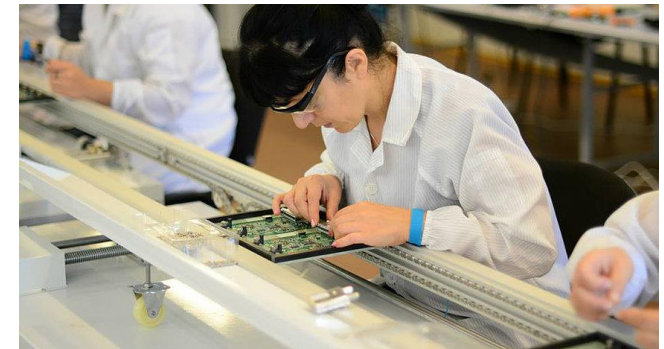
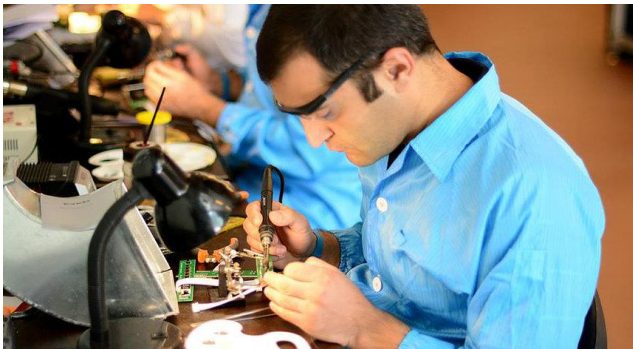
Along with Georgian companies, which produce semiconductors and home appliances, some international companies also benefit from Georgia's competitive advantages

Average monthly salary in the sector is USD 440

## RECENT SUCCESS STORY



French company Groupe Atlantic opened the electric heaters factory in Free Industrial Zone in Kutaisi city, Georgia



# APPAREL, FOOTWEAR AND BAGS

Georgia has rich experience of manufacturing **apparel, footwear, bags and other leather products**

## OVERVIEW

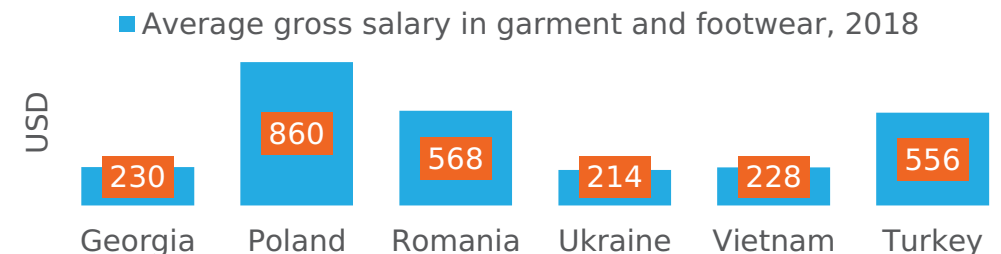
- Existing factories produce apparel for famous international brands, such as **Nike, Adidas, Moncler, Zara, Puma, M&S** etc.
- Footwear and bags manufacturing sector has emerged recently as local manufacturers started to export products to international markets
- Currently Georgian leather is exported to Italy and Turkey



Footwear and bags manufactured by Georgian companies

## ADVANTAGES OF MANUFACTURING IN GEORGIA

- Proximity to strategic markets and possibility to save up to 12-30% duty** - with Free Trade Agreements, apparel, footwear & bags originated in Georgia, can have zero import tax to EU, Turkey and CIS countries
- Average monthly salary** in apparel and footwear manufacturing is USD 230
- Government's support with training and vocational education** - 12 state owned Vocational Educational Institutions around Georgia provide professional courses in shoemaking, cutting, sewing and other practical subjects used in the industry



## Free Land/building for Manufacturing Project:

- ⊗ Transfer of state owned land/building for free of charge (symbolic price 1 GEL) for manufacturing projects
- ⊗ Investment Obligation - the beneficiary should invest 6 times more than the market price of the property in capital city Tbilisi and 4 times more than the market price of the property in regions

## Interest Rate Co-financing:

- ⊗ 10% Interest Rate Co-financing for the first 2 years - loans in GEL
- ⊗ 70% collateral guarantee for maximum term of 10 years (not exceeding GEL 2,000,000)
- ⊗ Loan amount - GEL 150,000 - 5,000,000
- ⊗ Co-financing of consulting services - up to GEL 10,000

## Leasing:

- ⊗ 12% co-financing of the annual interest rate for the first 2 years
- ⊗ The initial value of the project - GEL 100,000-5,000,000



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

# BUSINESS PROCESS OUTSOURCING (BPO)



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**German, US and other foreign companies  
already provide BPO service from Georgia**

- ⊗ Average monthly salary - 450 USD
- ⊗ Time proximity and cultural flexibilities (GMT+4)
- ⊗ Language skills to serve English, German and Russian speaking countries
- ⊗ 62 higher educational institutions
- ⊗ 66 professional education centers
- ⊗ Lowest utilities costs (including internet) in the wide region, approximately 2.5 USD per sq. m.
- ⊗ The most attractive directions: CRM, HRO, F&A, ITO, Architecture and Design services.

***“Georgia was very welcoming due to its ease of opening a firm and finding quality team members. Georgia has an unique place with limitless potential” - Base4, architecture & engineering service outsourcing***



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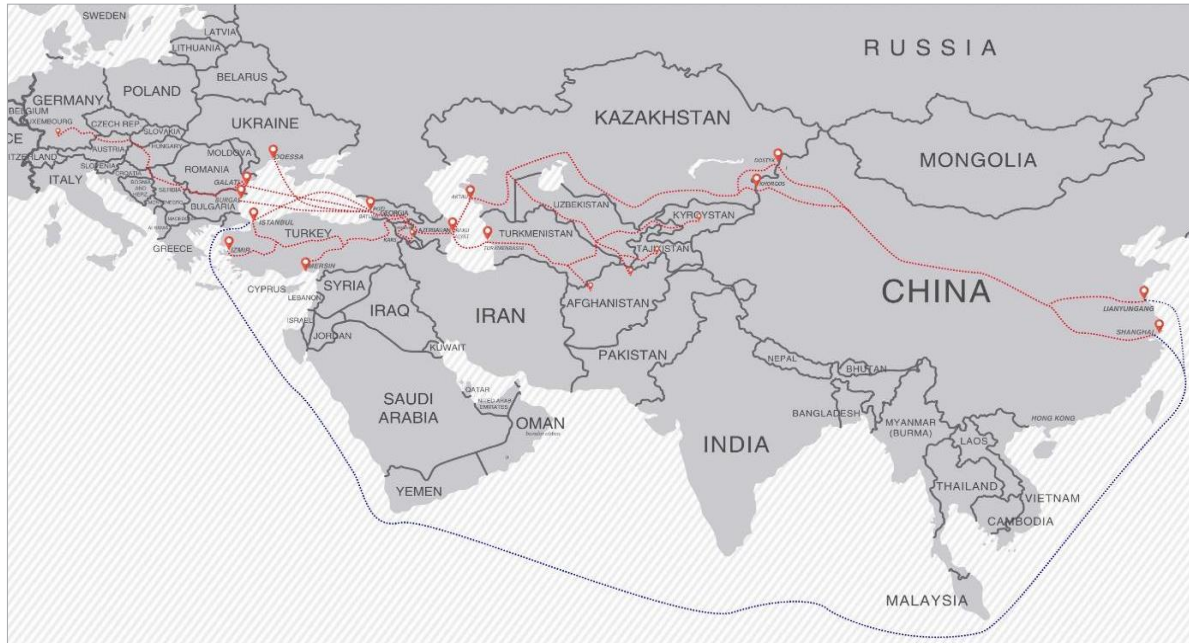
# TRANSPORT AND LOGISTICS SECTOR



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- ⚙️ **Strategic location within Belt and Road initiative**
- ⚙️ **Alternative route through Georgia takes 10-15 days from China to Europe instead of 45 days of traditional route**

*“Georgia has strategic Geographically hub location, key position in Caucasus region, transparent tax and customs regulation” - Gebrüder Weiss, logistic company*

## Sea Port

- 🚢 **Poti Sea Port (APM Terminals)**
- 🚢 **Batumi Sea Port (BIH)**
- 🚢 **Kulevi Terminal (SOCAR)**
- 🚢 **Supsa Terminal (BP)**

## International Airports

- ✈️ **Tbilisi International Airport (TAV)**
- ✈️ **Batumi International Airport (TAV)**
- ✈️ **Kutaisi International Airport (UAG)**

## Roads and Railway

- 🚆 **Georgian Railway - Total Length: 2,083.9 km**
- 🚗 **Road - Total Length: 20,329 km**

# ENERGY SECTOR



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## HYDRO POWER

- ⚙️ Georgia is among top countries in terms of water resources per capita (only 25% utilized)
- ⚙️ 80% of total electricity is generated from HPPs



## WIND

- ⚙️ Wind potential of Georgia is estimated to be up to 1500 MW
- ⚙️ Share of wind power in total generation will reach 10% by year 2025



## SOLAR

- ⚙️ Big potential for solar energy development
- ⚙️ During the year in most regions there are 250-280 sunny days and the annual average amount of sunshine hours is over 2000

## International Companies Presented in Georgia



Clean Energy



ANADOLU GROUP



K water

***“Georgia has one of the largest untapped hydro potentials in Europe, making the country an attractive destination”  
Clean Energy Group***



## SUPPORT TOOLS

### Produce in Georgia:

- ⊗ 10% Interest Rate Co-financing (2 years)
- ⊗ 70% Collateral Guarantee
- ⊗ Free Land for Manufacturing (investment obligation)

### Host in Georgia:

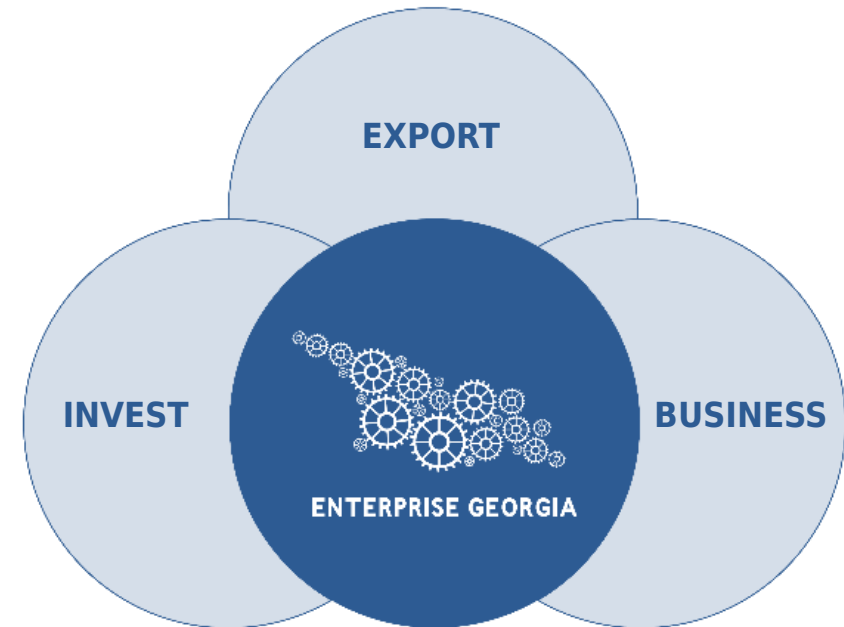
- ⊗ Co-financing of Franchising Fee/Management Contract (hotels)
- ⊗ 10% Interest Rate Co-financing (2 years)

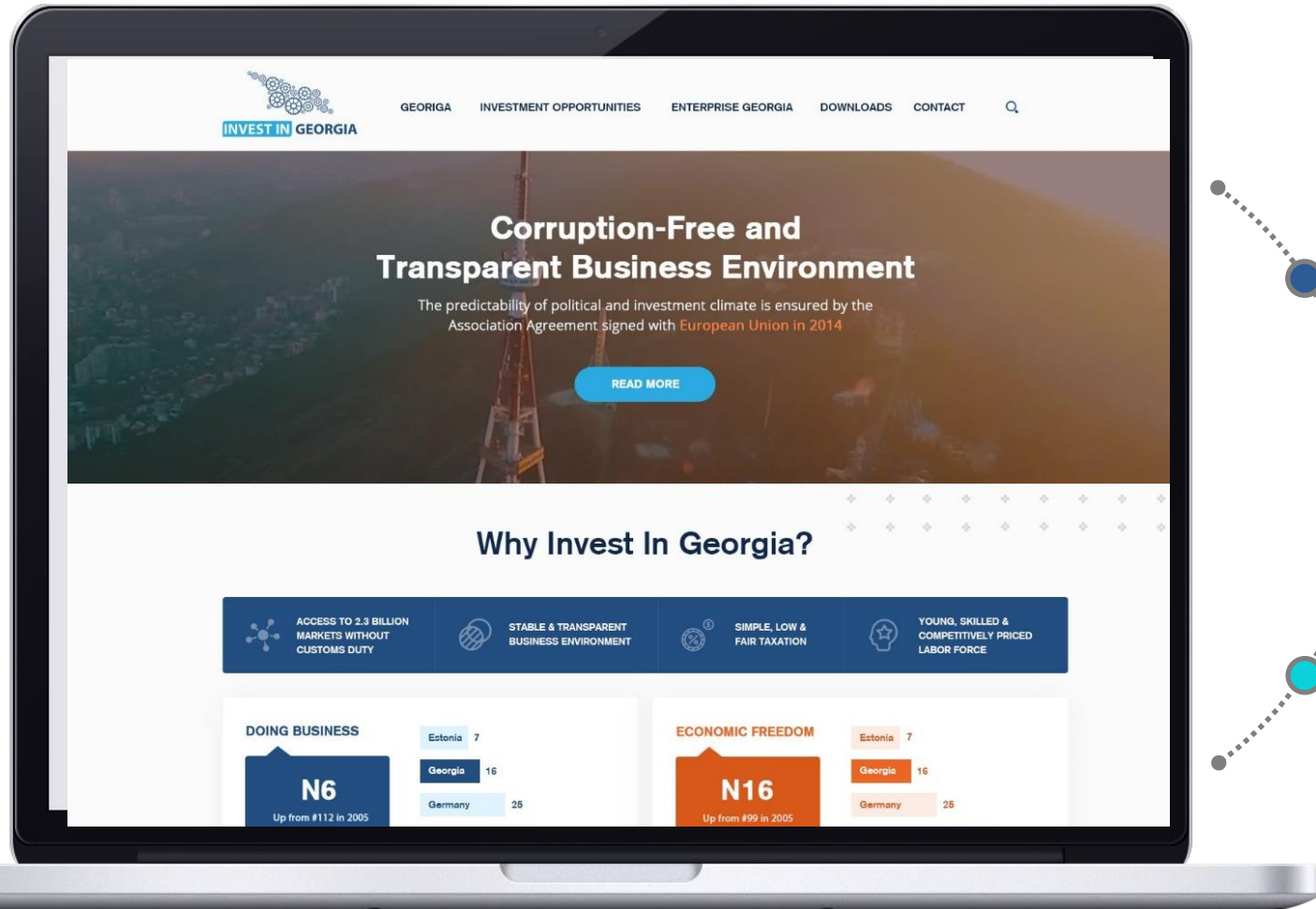
### Film in Georgia:

- ⊗ 20%- 25% cash rebate

### **CO-INVESTMENT AND RISK-SHARING PARTNERSHIP OPPORTUNITIES:**

State-owned investment fund: Partnership Fund





## All The Latest information

- Economic Data
- Utility Costs
- Sectoral Information
- Investor Testimonials

## Many Useful Tools

- Benchmarking
- Investment Roadmap
- Interactive Map

## Brochures, Reports And Guidebooks

- Download Sectoral Brochures
- Find All The Latest Reports
- “How To” Guidebooks

# THANK YOU



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