

U.S. Country Commercial Guides



Georgia
2018

Country Commercial Guide – Georgia

Table of Contents

- Doing Business in Georgia*..... 4**
 - Market Overview 4
 - Market Challenges 5
 - Market opportunities 5
 - Market entry strategy 6
- Political and Economic Environment*..... 7**
- Selling U.S. Products and Services*..... 8**
 - Using an agent or distributor..... 8
 - Establishing a local office 8
 - Franchising..... 8
 - Direct Marketing 9
 - Joint Ventures/Licensing..... 9
 - Selling to the government 9
 - Distribution and sales channels 9
 - Express Delivery..... 10
 - Selling factors and techniques..... 10
 - e-Commerce 10
 - Trade promotion and advertising..... 11
- Leading Sectors for U.S. Exports and Investment* 17**
 - Agricultural Sector..... 17
 - Architecture/Construction/Engineering Services (ACE) 19
 - Oil and Gas 21
 - Electrical Power Systems (ELP) 23
 - Tourism 25
- Customs, Regulations and Standards*..... 27**
 - Trade agreements 30
 - Licensing Requirements for Professional Services..... 30
 - Web resources..... 30

<i>Investment Climate Statement</i>	30
Executive Summary	30
Openness To, and Restrictions Upon, Foreign Investment	32
Legal Regime	35
Industrial Policies	40
Protection of Property Rights	43
Financial Sector	47
State-Owned Enterprises	49
Responsible Business Conduct	50
Corruption	51
Political and Security Environment	52
Labor Policies and Practices	53
OPIC and Other Investment Insurance Programs	54
Foreign Direct Investment and Foreign Portfolio Investment Statistics	55
Contact for More Information	57
<i>Trade and Project Financing</i>	59

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2016. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

Doing Business in Georgia

Market Overview

Georgia is a small transitional market economy of 3.7 million people with a per capita GDP of \$4,068 (2017). Georgia is located at the crossroads between Europe and Asia. Its strategic location makes it a natural logistics and transit hub along the “New Silk Road” linking Asia and Europe via the Caucasus.

The Georgian economy is growing steadily, but external shocks in the region, such as Russia’s occupation of the Georgian regions of South Ossetia and Abkhazia and international sanctions related to the Russia-Ukraine conflict have had a negative impact on Georgia’s economy and contributed to a relatively low growth rate - 2.9 percent in 2015 and 2.8 percent in 2016. However, in 2017 the economy grew by an estimated 5 percent, with similar or higher growth projected in 2018.

In June 2014, Georgia signed an Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the European Union (EU). Through reduced tariffs and the removal of technical barriers to entry of exports to the EU, the DCFTA gives Georgian products access to over 500 million people in the EU. Reciprocally, products from the EU now enjoy easier access to the Georgian market. The government is in the process of approximating EU legal and regulatory standards.

Launched in 2009, the bilateral U.S.-Georgia Strategic Partnership Commission (SPC) holds regular government-to-government dialogues, including meetings of an Economic, Energy, and Trade Working Group that aims to coordinate Georgia’s economic development strategy and expand bilateral U.S.-Georgia economic cooperation. In addition to the SPC, in May 2012, the United States and Georgia launched a High-Level Trade and Investment Dialogue to encourage bilateral trade.

Georgia’s successful economic reforms are reflected in its rankings by reputable international organizations. Since 2003, the World Bank has recognized Georgia as one of the world’s fastest reforming economies and as a leader in fighting corruption. Georgia ranks 9th in the 2017 World Bank’s Ease of Doing Business index, 16th in the 2018 Economic Freedom Index, and 67th out of 137 global economies in the Global Competitiveness Report. According to Transparency International, Georgia has the lowest corruption rate in the region and International Credit Rating Agencies (Fitch, Moody’s Investors Service and Standards and Poor’s) rate Georgia as a stable country.

At present, Georgia’s main export markets are Russia (14.5 percent), Azerbaijan (10.0 percent), Turkey (7.9 percent), Armenia (7.7 percent) and China (7.6 percent). Turkey (17.2 percent), Russia (9.9 percent), China (9.2 percent) and Azerbaijan (7.6 percent) are Georgia’s main sources of imported goods. Georgia’s main imports are petroleum products and natural gas, automobiles, medicines, tobacco products, sugar, turbines for power generation, and wheat. After years of declining domestic manufacturing, most consumer goods are imported.

The Georgian government does not control the separatist territories of Abkhazia and South Ossetia, which have been occupied by Russia since the 2008 Georgia-Russia war. The situation along the

administrative boundary line (ABL) between Georgian-controlled territory and the separatist regions remains tense, with ongoing borderization efforts by de facto authorities and continued de facto detentions of those allegedly “illegally” crossing the ABL into the occupied territories.

Market Challenges

The Georgian government is working to reduce obstacles to doing business in Georgia. The government has reduced or eliminated the majority of tariffs, and depending on the type of good, custom tariffs could be 0 percent, 5 percent, or 12 percent. The majority of imports are subject to an 18 percent value added tax (VAT) and some products such as alcohol, tobacco and automobiles are also subject to an excise tax. In May 2016, the Georgian parliament adopted changes to the country's income tax laws based in part on the Estonian model, which exempts undistributed, reinvested, or retained corporate profits from income profit taxation. The law entered into force on January 1, 2017. Other taxes are Income Tax (20 percent), Corporate Profit tax (15 percent), Dividends Income Tax (5 percent), Property Tax (0.2-0.8 percent).

Companies have reported problems arising from a lack of judicial independence, inefficient decision making processes at the municipal level, shortcomings in the enforcement of intellectual property rights, lack of effective anti-trust policies, selective enforcement of economic laws, and difficulties resolving disputes over property rights.

Most business is conducted in Georgian, official laws and regulations are printed in Georgian, and products must be labeled in Georgian. However, many Georgians involved in international business speak English and the use of English is widespread.

Communications and marketing skills are still developing, and personal connections remain of great importance. The Prime Minister has prioritized education, and specifically, vocational education.

Consulting an attorney licensed to practice in Georgia is always advisable before any substantial business transaction.

While intellectual property rights legislation is quite advanced and the government signed an agreement with Microsoft in 2015 for the sale of Microsoft's Genuine OS Licenses and Enterprise Licensing for all Georgian government workstations, enforcement of intellectual property rights (IPR) remains uneven. As part of its commitment under its AA and DCFTA with the EU, Georgia is improving IPR enforcement and has made notable strides in public education as a first step in enforcement of international IPR standards.

Market opportunities

Technology, systems, and software are needed to support new business growth.

International organizations and foreign governments have Georgia remains an attractive market among countries in the region. The government has increased its focus on developing the infrastructure, energy, tourism, and agriculture sectors and has received substantial support from international donors. Materials, expertise, and equipment for these sectors is in demand.

Construction of roads, energy distribution infrastructure, water systems, hotels, and office space is expanding across Georgia, presenting opportunities for producers of building equipment and materials and providers of architectural and engineering services. Infrastructure is the second largest expenditure in the national budget.

Since consumers' purchasing power is somewhat constrained, consumers are principally interested in processed foodstuffs, used automobiles, and aftermarket accessories. The food processing industry holds particular opportunities given Georgia's agricultural potential, and agricultural machinery and processing lines are in demand.

Information procurement needs that can be filled by U.S. exporters. These agencies include the IMF, the World Bank, EU, Asian Development Bank, European Bank for Reconstruction and Development (EBRD), and USAID. The Millennium Challenge Corporation (MCC) concluded its first compact with Georgia in 2011; the second compact was signed in June 2013 and entered into force in 2014. As part of that second compact, Georgian students are receiving technical/vocational training as well as U.S. bachelor's degrees in science, technology, engineering and mathematics. The compact will end in July 2019.

Market entry strategy

Connecting with local representation is recommended before entering the Georgian market. American exporters should consider visiting Georgia before signing a sales or representation contract. There are several U.S.-trained and licensed attorneys and Western consulting firms operating in Georgia. In addition, the Economic/Commercial Section of the U.S. Embassy can help U.S. companies search for partners or market information.

Political and Economic Environment

“For background information on the political and economic environment of Georgia, please read [U.S. Department of State Background Notes](#).”

Selling U.S. Products and Services

Using an agent or distributor

Several business associations operating in Georgia can serve as a resource for obtaining information about local companies, distributors, wholesalers, and retail outlets. The American Chamber of Commerce (AmCham), Georgian Business Association, International Chamber of Commerce (ICC), and Georgian Chamber of Commerce are available to assist interested investors. Practical information is also available via the [Georgian Yellowpages](#).

The U.S. Embassy in Tbilisi regularly fields inquiries from U.S. businesses. In addition to complimentary consultations for U.S. companies, [the Political/Economic Section offers services such as “Gold Key Matching Service,” “International Partner Search,” or “Single Company Promotion” for a nominal fee on behalf of the Department of Commerce](#). Information may also be available from the [Ministry of Economic Development’s Business Information Centers](#), as well as [from the Ministry website](#). In addition, the [Ministry also supports a website for privatizations and tenders](#).

Establishing a local office

Business entities include sole proprietorships, joint liability companies, limited partnerships, limited liability companies, joint stock companies, and cooperatives.

In general, the process of registering a business in Georgia is quick and streamlined, and takes one day to complete. Registration of companies is carried out by the [National Agency of Public Registry \(NAPR\)](#). For registration purposes, the law does not require a document verifying the amount or existence of the charter capital. A company is not required to complete a separate tax registration. Pursuant to Georgian legislation, initial registration includes both the state and tax registration.

The following information is required to register a business in Georgia: personal information on the founder and principal officers, articles of incorporation, and the company’s area of business activity. Other required documents depend on the type of entity to be established. Registration fees are minimal.

Current legislation does not consider a representative of an international company a legal entity. However, the registration procedure is the same as for other types of enterprises. Companies should consult with licensed attorneys and accountants prior to opening a business in Georgia.

Franchising

Franchising is gaining popularity in fast food, production of soft drinks, and retail trading of consumer goods, cosmetics, and apparel. Coca-Cola, McDonald’s, Curves, Pepsi, Wendy’s, Subway, Dunkin’ Donuts, KFC, Domino’s Pizza, Precision Tune Auto Care, Best Western, Burger King, Marriott, and Holiday Inn all operate in Georgia.

Franchise relationships are governed by contract and commercial laws.

Direct Marketing

Direct marketing was previously considered difficult in Georgia because of poor postal services and limited use of the Internet. However, direct marketing is growing together with improvements in the respective sectors. Express courier services operating in Tbilisi include FedEx, UPS, TNT, and DHL.

Joint Ventures/Licensing

Joint ventures can be founded as any of the available entities for doing business in Georgia and operate subject to normal commercial laws.

Licensing is regulated by contract and by the Law on Enterprise Activity Licensing & Basis of Permission Issues.

Selling to the government

The Competition and State Procurement Agency (CSPA) is a state organization that governs government procurement through the e-tender system introduced in 2011. State purchases in the range of GEL 5,000- to 200,000 (\$2,040-81,550) are conducted through a simplified electronic tender which is a substitute to single-source procurement. Purchases above GEL 200,000 (\$81,550) mandate a call for a regular e-tender.

The Law on State Procurement requires an international tender announcement for contracts exceeding GEL 2 million (around \$815,500) for products and services, and GEL 4 million (around \$1.63 million) for public works projects.

Budgetary constraints limit the government's purchasing power. International organizations and foreign governments finance many major procurement purchases.

Credit terms are one of the most important factors in government purchasing decisions. Product quality and supplier reputation are other factors.

The time allowed for preparing bids after the announcement of a tender is frequently short. Documentation requirements, including Georgian translations, can be onerous for companies not based in Georgia.

Information about tenders is available from the [Georgian Competition and State Procurement Agency](#), and individual ministries such as the [Ministry of Defense](#). It can also be found at [Business Information Data Base](#).

The Georgian government finances some public work projects through Multilateral Development Banks. Please refer to "Project Financing" Section in "Trade and Project Financing" for more information.

Distribution and sales channels

Although some importers still handle their own distribution, several distribution companies have established networks for food, cosmetics, and consumer goods.

A significant part of retail stores are sole proprietorships with one outlet, especially in the regions outside Tbilisi, but there are a growing number of market chains such as Foodmart (SPAR's Georgian partner), Carrefour, Goodwill, Loli, 2Steps, Fresco, Smart, and Nikora. Retail chain shops sell Western brands of cosmetics, household goods, clothing, and electronics.

Turkish trading companies successfully operate in Georgia and opportunities may exist to form alliances with these companies and use their networks.

Express Delivery

There are number of express delivery and courier services operating in Georgia, that include FedEx, TNT, UPS, DHL, Aramex, Camex, Express Line Services, Inex Group, etc. The local company USA2Georgia LLC is successfully implementing package shipments from the USA, while GetIt.ge is preferred for shipments from/to the UK.

Time for shipment varies. For example, USA2Georgia has daily shipments to Georgia. Shipping takes approximately one week and includes a free delivery service to homes within Tbilisi city. Shipping fees depend on real and dimensional weight.

The state owned Georgian Post provides a universal postal service and has a significant comparative advantage as the largest network across the country. Georgian Post incorporates "Georgian International Express Mail Service" founded in 2001. It is included in the world network of the Express Mail Services providing mail services for EMS letters and parcels in 192 countries.

Web Sources:

- [Georgian Post](#)
- [FedEx Georgia](#)
- [TNT Georgia](#)
- [DHL Georgia](#)
- [USA2Georgia](#)
- [Getit.ge](#)
- [Inex](#)

Selling factors and techniques

American goods enjoy an excellent reputation. Price is usually the consumer's principal purchasing decision factor.

Local entrepreneurs often request concessionary payment terms or credit. American exporters should be wary of extending credit before establishing a long and satisfactory trading history with a customer, as well as limiting exposure. Cash in advance or the use of irrevocable letters of credit through a reputable local correspondent bank is advised. Enforcement of contractual rights by the local court system remains uneven.

e-Commerce

General Overview:

E-commerce is gaining a foothold as internet penetration increases year-by-year. By the end of 2017, 70 percent of households had broadband fixed internet, and 50 percent of cellphone users used mobile internet. In April 2015, the Ministry of Economy and Sustainable Development selected project implementer Open Net to provide a fiber-optic cable system across the country ensuring high-speed internet for 2,000 settlements across Georgia. The company has completed a feasibility study and is currently working with the private sector and the Ministry of Economy to develop the best way to implement the system. By the end of 2019, high-speed internet should be available throughout the country. This initiative will play an important role in Georgia's socio-economic development.

Credit card penetration is also increasing rapidly. As of April 2018 there were 7.6 million debit cards and 0.7 million credit cards issued across Georgia's population of 3.7 million people. Cardholders can pay public utilities electronically and purchase goods. Electronic payment of utilities is widespread through a growing network of electronic payment kiosks, particularly in larger cities. Electronic transactions over the last 4 years have increased significantly. For example, in April 2018, Georgian residents carried out 21.7 million transactions by payment cards worth \$816 million, 93 percent of which being in-country transactions.

There are no major buying holidays for e-commerce specifically, except Black Friday, since most apparel and consumer goods shopping is done from U.S. sources, such as amazon.com. Other popular e-commerce sites are [Alibaba](#), [Aliexpress](#), [Ebay](#), etc. Preferred payment methods include credit/debit card payments or PayPal.

Georgia is harmonizing the electronic flow of information among key players in logistics, shipping and transport industries by launching the Trade Facilitation System (TFS). The TFS enables traders, customs brokers, freight forwarders, shipping lines and other players in international trade to submit information through a single-entry point.

Georgia's Ministry of Economy and Sustainable Development (MoESD) is currently engaged in developing a draft law on e-Commerce. The adoption of the EU e-Commerce Directive is part of the Georgian government's commitment under its AA with the EU. The Law on e-Commerce will regulate the rights and obligations of intermediary service providers in the e-Commerce process, as well as protect consumers by making information services more transparent and standardized. USAID is assisting the government through its programs and providing expert opinion on the draft. The adoption of the law is planned for 2018.

Trade promotion and advertising

The Advertising Law sets advertising standards in Georgia. Advertisements must be in Georgian, and trademarks in a foreign language need to be accompanied with a text in Georgian. Pharmaceutical and medical equipment advertising requires a permit from the Ministry of Health. Advertising of firearms—including firearms used for sport—requires special permission from the Georgian Ministry of Internal Affairs. Alcohol and cigarette advertising is also subject to restrictions in the Advertising Law. Municipalities supervise and monitor compliance with the Advertising Law.

There are several advertising agencies in Georgia, but businesses usually contact television, press, and radio advertising agencies directly. Georgian broadcasters successfully switched from analogue to digital in 2015. The Tbilisi-based Georgian Public Broadcaster (GPB) includes Channel 1, Channel 2 as well as the Batumi-based Adjara TV, and all three are funded from the state

budget. There are also a number of independent commercial television stations, such as Imedi, Maestro, Rustavi 2, Pirveli TV, Kavkasia, Tabula, Georgian Dream Studios, Obiektivi, etc. The Georgian Orthodox Church also operates a satellite-based television station called *Unanimity*. There are 26 regional television broadcasters across Georgia that are members of the Georgian Association of Regional Broadcasters (GARB) that seek to strengthen the regional media's capacities and distribution of regional products.

The major newspapers are the weekly newspaper Kviris Palitra, weekly tabloids Asaval-Dasavali and Kviris Qronika, the daily tabloids Alia, Akhali Taoba, and Resonansi, and the thrice weekly paper Versia. Georgia Today, The Messenger, the Georgian Journal, and the Georgian Times are English language publications. Major analytical magazines—in print and online—are the weekly Tabula and Liberali, and major online publications include Netgazeti, Interpressnews, ambebi.ge, agenda.ge, ghn.ge, Civil.ge, and DFWatch.

Major periodicals are *The Georgian Business Week* (in Russian and English), *Bank and Finance*, *Banki Plus*, *Finance*, *Macro-Micro Economics*, and *Economics* (in Georgian and English). The Association of Regional Publishers is based in Tbilisi and was founded by regional newspapers. The American Chamber of Commerce in Georgia publishes the bimonthly *Investor.ge* magazine in English.

Expo Georgia, a local exhibition and conference center, also offers online advertising services including banner placement and links on its website.

Pricing

Because of limited consumer purchasing power, pricing is the primary factor that drives sales. In a sector where American exporters do not enjoy a technological advantage, there is significant price competition from low-cost suppliers in Turkey, Iran, and East Asia. Imports of taxable goods and taxable operations at every stage are subject to an 18 percent VAT.

Sales service/customer support

A growing number of official distributors and individual retailers offer delivery and installation services, as well as issue their own warranties on big-ticket items, usually for up to one or two years. American firms entering the Georgian market should consider the logistics of supporting their products in-country.

Protecting Intellectual Property

Although Georgia has signed all relevant treaties and enacted legislation in compliance with its international obligations, as a practical matter, protection and enforcement of intellectual property rights remains problematic. *See Chapter 6 for more information on intellectual property (IP) enforcement.* However, the government has taken several steps to introduce better practices. In addition, the EU-Georgia AA signed in 2014 mandates improved performance in this regard. Companies that intend to invest or trade in Georgia might be affected by intellectual property rights issues and are invited to discuss the matter with the Political and Economic Section of the U.S. Embassy in Tbilisi.

Several general principles are important for effective management of intellectual property (“IP”) rights in Georgia. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in Georgia than in the United States. Third, rights must be registered and enforced in Georgia, under local laws. For example, U.S. trademark and patent registrations will not protect you in Georgia. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

Granting patents registrations is based on a first-to-file system (or first-to-invent, depending on the country basis). Similarly, registering trademarks is based on a first-to-file (or first-to-use, depending on the country), so you should consider how to obtain patent and trademark protection before introducing your products or services to the Georgia market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Georgia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Georgia law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Georgia require constant attention. Work with legal counsel familiar with Georgia laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Georgia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce

- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT or [visit the STOPfakes website](#).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the [U.S. Patent and Trademark Office \(USPTO\)](#) at: 1-800-786-9199.
- For more information about registering for copyright protection in the United States, contact the [U.S. Copyright Office](#) at: 1-202-707-5959.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the [STOPfakes website](#).
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit the [STOPfakes website](#). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

The U.S. Department of Commerce has positioned IP attachés in key markets around the world. The IP attaché based in Kiev, Ukraine covers Georgia.

Due diligence

Information on potential business partners and clients can be difficult to obtain in Georgia. Laws and regulations are subject to change. Local attorneys and consulting firms can be of assistance. A list of attorneys is available from the U.S. Embassy in Tbilisi. Please also see the lists below.

The Economic Section of the U.S. Embassy also offers Department of Commerce services such as “Gold Key Matching Service,” “International Partner Search,” “Single Company Promotion,” etc. for a nominal fee.

Local professional services

The Political and Economic Section of the U.S. Embassy in Tbilisi offers a range of assistance to American firms interested in developing market opportunities or increasing their business in Georgia. There are number of private consulting firms that offer market research or legal support to foreign companies. American Chamber in Georgia, International Chamber of Commerce, or Georgia’s Chamber of Commerce are also instrumental for new market entrants.

Principal Business Associations

- American Chamber of Commerce in Georgia
- Georgian Chamber of Industry and Trade
- Georgian Business Association
- International Chamber of Commerce

Limitations on Selling U.S. Products and Services

No limitations known.

Web resources

- American Chamber of Commerce in Georgia
- America Georgia Business Council
- Civil.ge (news)
- Deloitte & Touche
- DLA Piper Rudnick Gray Cary
- Ernst & Young
- ExpoGeorgia
- Georgia.gov
- Georgia Department of Tourism
- Georgian Chamber of Industry and Trade
- Georgian Opinion Research Business International (GORBI)
- Georgia National Investment and Export Promotion Agency
- Georgian Research Institute for Scientific and Technical Information
- Institute for Polling and Marketing
- Ministry of Economic Development
- PricewaterhouseCoopers
- Privatizations
- Tbilisi Business Service Center
- Tbilisi Municipal Portal
- Tbilisi Yellow Pages

- U.S. Embassy in Tbilisi

Leading Sectors for U.S. Exports and Investment

Agricultural Sector

Overview

Georgia's fertile soil and favorable climate support production of a wide variety of high-value agricultural products including grapes and wine, nuts (hazelnuts, almonds, walnuts, and chestnuts), citrus fruits, apples, peaches, and apricots. Russia traditionally received most of Georgia's exports but, since 2014 when Georgia signed a DCFTA with the EU, new European markets have been developing. Georgia also grows an increasing quantity of crops, including vegetables and corn, for domestic consumption. Georgia relies on imported powdered milk, meat products, and wheat imports, but does produce some fresh milk domestically.

For Georgia, agriculture remains an important sector in terms of GDP contribution. In 2017, agriculture accounted for 8.2 percent of GDP, down from 9.4 in 2013. The sector also provides an important safety net for the rural population, employing around 43.12 percent of the labor force. Small farmers comprise 95 percent of all farmers, typically cultivating around one hectare of land with low output.

As a result of land reform, the Georgian government has privatized over 25 percent and leased out about 30 percent of the country's agricultural land. The amount of privately held arable land is much higher at 55 percent. The law on Privatization of State-owned Agricultural Land was passed in July 2005 which increased efficiency and output in the agricultural sector.

In 2017-2018, Parliament amended the Constitution, restricting the ownership of agricultural land to the state, local bodies, and Georgian citizens. However, the legislation allows for exceptional cases.

The Georgian government identified agriculture as a priority for development and has increased funding for agriculture by 60 percent. It has also set up the Agriculture Investment Fund to support the sector by providing credits for farmers. This may create additional demand for equipment and inputs to be supplied from abroad, including from the U.S.

Food Processing and Packaging

Georgia's location positions it to be an ideal exporter to markets in Russia and the EU, offering high-quality raw materials and a good location for food processing. The sector has suffered from the collapse of traditional links among post-Soviet states, decades of negligence towards state-owned enterprises in the sector, obsolete equipment, lack of investment, and lack of current technical knowledge. Georgia imports 80 percent of its packaged food products which has a significant

negative impact on its trade balance. However, the food processing industry is growing steadily but slowly following the privatization of state enterprises and an increasing demand for locally produced goods. In addition, a number of foreign aid programs, including USAID, target agricultural development and provide financial or material support to individual farmers or bigger enterprises to enable them to meet the requirements of international markets. Opportunities for growth in the sector are ripe, as natural conditions (climate, soil, and available labor) enable Georgia to become an exporter of agricultural goods to the broader region, including Europe, Asia, and the Middle East. This sector is growing steadily with a proliferation of Georgian-brand products - wine, beer, dairy, nut, sausages, fruit juices and mineral waters - filling local stores and beginning to find new export markets. Several years ago Georgia imported the majority of such products. Georgian wines and spirits have long enjoyed an excellent reputation in Russia and Commonwealth of Independent States countries, and improved bottling and packaging now allows Georgian firms to sell across a wider export market.

There are opportunities for U.S. exporters of food processing and packaging equipment for fruits, nuts (particularly hazelnuts), vegetables, citrus, and meat and dairy products. Currently, many of the existing processing plants use old Soviet equipment that does not provide for high productivity or technical safety. Existing alternatives mostly include Turkish technologies or second-hand lines from Europe. Based on information provided by local authorities and managers, the best sales prospects are for small and medium capacity bottling lines, production plants for wine and juices and machinery for tea processing and packaging. Additional prospects involve seed crushing and oil refining machinery. There is also demand for mini-bakeries and machinery for the manufacture of confections. Price and payment terms are important factors affecting customers' purchasing decisions. In many cases, the lease or purchase of used equipment may be a means by which local enterprises can acquire plant machinery and equipment for restarting production.

Agriculture Resources

[*How to Buy Land in Georgia*](#)

[*Ministry of Agriculture*](#)

Architecture/Construction/Engineering Services (ACE)

Overview

New construction and renovation in Tbilisi and Batumi and construction of the Baku-Supsa, Baku-Tbilisi- Çeyhan, and Shah Deniz pipelines have led a revival of the construction industry in recent years. Other energy related construction and rehabilitation projects are under consideration. In addition, necessary upgrades of transportation and tourism infrastructure will continue to create demand for construction services and building materials for the near future.

Numerous hotels have been built or are under construction in Tbilisi, Batumi and Kobuleti along the Black Sea coast. Commercial banks with new mortgage lending and joint projects with construction companies are playing an important role in the real estate market's development. Construction standards are undergoing reforms. The property will be developed by the Silk Road Group (SRG), a Georgian conglomerate whose businesses range from transportation and telecommunications to banking and real estate. In May 2015, Hilton Hotels opened a 247-room hotel in Batumi and a 165-room Hilton Garden Inn is currently under construction in Tbilisi. In addition, Marriott International opened its third hotel under the flagship Marriott-Moxy brand in Tbilisi by 2017.

The Georgian Co-Investment Fund (GCIF) announced in March 2014 its plans for a \$1.3 billion multi-faceted development project in Old Tbilisi involving multiple hotels, retail spaces, and other commercial real estate. The respective project named Panorama Tbilisi has been designed and is awaiting implementation.

The Georgian government announced a tender for the construction of a deep-sea port and Free Trade Zone north of Poti in Anaklia to expand the overall capacity of Georgia's ports and the Caucasus transit corridor. After a subsequent bidding process, the Conti Group -- a U.S.-based global developer and builder of capital-intensive assets -- founded Anaklia Development Consortium together with the Georgian development company TBC Holding, and won the tender. Conti is teamed with leading port designer Moffatt & Nichol. The \$3.7 billion project, toward which the government will contribute \$100 million, will have an initial capacity of 7 million tons (7.7 million tons), but is designed to handle 100 million tons when completed in 2020 or 2021. The port groundworks started in first quarter 2018. The project also involves modernizing Georgia's rail and road network and design plans for these projects are ongoing.

Significant reforms have been carried out in recent years to simplify the system of issuing permits in the construction sector, and construction businesses are now permitted to use the technical regulations of the OECD and the EU member countries for their construction projects. The government has also eliminated the need for construction licenses and has simplified the process for the issuing of construction permits. The government and municipal authorities further

facilitated and liberalized the paperwork to connect newly built construction projects to utility services.

There are a number of reputable construction and development companies in Georgia. A list of companies can be found via the [Georgia Business Directory](#).

In architectural design and technical solutions, local companies still generally rely on foreign specialists. It is common practice to solicit the provision of certain services for major construction projects through international tender. The Government of Georgia has initiated several projects for the rehabilitation of the old city of Tbilisi, with the participation of several banks and developers, to stimulate the construction sector. Georgia depends heavily on importing construction material. Locally available materials include cement, wood, and concrete. Resources such as tiling materials, roofing, and exterior-interior design staff are primarily imported from Europe and Turkey.

Despite the recent slowdown of previously soaring real estate prices, demand is still growing, especially for commercial development and office space. Competition in residential construction, particularly apartments, is likely to intensify.

ACE Opportunities

The modest growth of the middle class and easier access to credit has increased the demand for quality housing, corporate/business infrastructure, and real estate in general. Prices have increased by 200 percent for residential and 300 percent for commercial real estate since 2003. Demand is still expected to grow in the next few years. Georgia is located in an active seismic zone, so firms with expertise in building to standards that improve resistance to earthquakes are in demand. Tbilisi and other Georgian cities such as Batumi and Kutaisi feature many buildings in the Art Nouveau architectural style in need of significant rehabilitation.

ACE Resources

[Georgian National Investment and Export Promotion Agency](#)

[Ministry of Economic Development](#)

[Tbilisi Yellow Pages - Construction and Real Estate Section](#)

Oil and Gas

Overview

Georgia had 35 million barrels of crude oil proven reserves as of July 2018, but only a marginal amount has been exploited. Domestic natural gas reserves were estimated at 1.9 billion cubic meters (category 1P) as of January 1, 2018; however, little natural gas is being produced primarily due to retracted production activities. Most of country's demand for oil and gas products is met through imports.

On average, Georgia extracts 50 thousand tons of oil annually. Accordingly, 98 percent of domestically consumed oil is imported from neighboring counties, mostly Azerbaijan.

The territory of the country is divided into 25 licensed areas where international oil companies carry out search and extraction activities. Since 1996, 18 companies have been given an extraction license. A total of 15 oil fields have been found in Georgia so far and some expect to find more near Tbilisi in the Samgori district.

Together with business partners, BP has been operating energy transit projects in Georgia for 19 years. BP in Georgia is the lead investor and operator of Baku-Tbilisi-Ceyhan (BTC) pipeline, South Caucasus gas Pipeline (SCP), and Western Route Export Pipeline (WREP) -- also known as Baku-Supsa pipeline. In April 1999, the Baku-Supsa pipeline was opened to transport oil from the Caspian Basin to Western markets via Georgia's Black Sea terminal at Supsa. The Baku-Tbilisi-Çeyhan (BTC) oil pipeline opened in 2006, transporting oil from Azerbaijan to Çeyhan, a Turkish port on the Mediterranean Sea. The South Caucasus (Shah Deniz) natural gas pipeline opened in 2007 and runs from Baku to Erzurum in Turkey through Georgia.

BP has invested more than \$1.5 billion into energy projects and sustainable development initiatives in Georgia. A major part of BP's contribution to Georgia is providing gas from SCP for domestic use as well as local employment and taxes. BP employs more than 500 people and generates business for local suppliers and contractors. Recently, BP has started expansion of the SCP bringing additional gas supply opportunity and \$2 billion of investment. The SCP expansion project is part of the Southern Gas Corridor along with the Trans-Adriatic Pipeline (TAP) and TANAP pipelines, which is expected to provide 16 billion cubic meters per year (bcma) of gas to millions of consumers in Georgia, Turkey, Greece, Bulgaria and Italy.

A recently completed [USAID-financed gas main pipeline](#) makes available industrial levels of natural gas to the Poti Free Industrial Zone adjacent to Poti Port.

In July 2013, BP announced the selection of the TAP as the chosen route for gas from the Shah Deniz II oil field in the Caspian Sea basin. The TAP will carry gas from Turkey, through Greece and Albania, and across the Adriatic Sea to Italy, but not before passing through Georgia. To construct this new pipeline and related infrastructure, BP plans to spend around \$2 billion in Georgia over the next few years, the largest ever foreign investment in the country. Gas from Shah Deniz II is expected to begin flowing in 2019.

Among foreign companies involved in oil and gas search and drilling are Frontera Resources, Schlumberger Company (which arrived in Georgia in 2017), Indian Vectra Petroleum and Australian-Hong Kong Company's consortium .

OGS Best Prospects/Services

The government would like to attract more international companies for exploration and development of on and offshore oil and gas reserves through the [Georgian Oil and Gas Corporation](#) (GOGC). By law, GOGC participates in all exploration and extraction through production sharing agreements (PSAs) and operates the major domestic gas transmission pipeline. The government plans to launch a new project in 2018, involving tender for exploration of Black Sea coast of Georgia.

With three major pipelines crossing Georgia, pipeline maintenance services and equipment are in demand. Other oil and gas infrastructure require similar attention.

OGS Resources

[BP Caspian](#)

[Georgian Oil and Gas Corporation](#)

[Ministry of Energy](#)

[Tbilisi Yellow Pages - Energy & Energy Resources Section](#)

Electrical Power Systems (ELP)

Overview

Georgia is a net importer of electricity since 2012 but still exports some electricity during the summer months. There is significant additional export potential, especially to markets in Turkey and Europe. Georgia also serves as a transit country for electricity flowing between Azerbaijan, Russia, and Armenia. With assistance from USAID, the European Bank for Reconstruction and Development (EBRD), Kreditanstalt für Wiederaufbau (KfW), and the European Investment Bank (EIB), Georgia completed construction of an electricity interconnector project that allows for the export of electricity to more lucrative markets with high demand such as Turkey and Western Europe in the future. With assistance from KfW, a new high voltage transmission line is under development that, if constructed, will connect Georgia and Armenia and allow for greater power flow between those countries. The government of Georgia has aggressively undertaken efforts to attract investments in the hydro power sector. During 2011-2012, the U.S. government financed the rehabilitation of transmission lines that are an important part of the power transmission infrastructure for increased security of supplies and reliability, facilitating exports, and assisting Georgia in the establishment of the Georgia Electricity Market Model of 2015 that facilitated the development of an electricity trading mechanism with Turkey. Regional legal, regulatory and technical advisory assistance for the cross-border electricity trade with countries in the region is underway, along with technical advisory assistance to reduce cyber security risks of the Georgian power transmission system operator and others in the region. The U.S. government also supported the development of the Energy Strategy for Georgia which was partly based upon the Market Allocation Model (MARKAL). In June 2015, the U.S.-based Schulze Global Investments private equity firm launched \$100 million investment fund in Georgia that will mainly focus on hydropower projects and clean energy. The U.S. government provides legal and regulatory advisory assistance to Georgia to establish a fully competitive electricity market to meet the country's obligations under the Energy Community Treaty and to create a competitive market with transparent pricing and a stable environment. The U.S. government also supports the development of wind and solar power generation projects through technical advisory assistance renewable energy incentives schemes.

Eighty percent of Georgia's electric energy is produced by hydro power plants, 19 percent by thermal and around one percent by wind.

ELP Best Prospects/Services

The best opportunities for U.S. companies in this sector are in electricity power generation – specifically hydroelectric power, transmission, and distribution projects. There are also export opportunities for U.S. manufactured equipment and services during construction and rehabilitation of facilities, and management and upgrades of existing power infrastructure. Opportunities for U.S. suppliers are also available in projects financed by multilateral financial organizations and bilateral assistance: the World Bank, EBRD, the Asian Development Bank, and the Japan Bank for International Cooperation (JBIC), and KfW. Investors are also looking at the opportunities that wind and solar energy projects hold, and the government is supportive of initiatives that are related

to renewable energy, to lessen dependence on expensive import of fuel for thermal plants, and also to increase Georgia's electricity export potential.

Other opportunities exist in demand side energy management for the electricity distribution companies that serve electricity market end-users. These opportunities are for smart grid, metering and intelligent energy management systems for the distribution grid operators, industrial, commercial users and lesser extend for the residential users, as the country develops better incentives for energy efficiency.

ELP Opportunities

Georgia does not currently produce power generation and transmission equipment, with the exception of some small capacity hydroelectric turbines and electricity meters. Most current equipment was produced in the Soviet era, primarily in present-day Russia. Current efforts of the Georgian government to develop renewable energy include hydropower, wind, and solar generation infrastructure and construct new power transmission infrastructure should create demand for equipment and opportunities for U.S. investors and exporters. All medium and large hydroelectric generation facilities except Enguri and Vardnili hydropower plants have been privatized. Between 2009 and 2014, USAID's Hydroelectric Investment Promotion Project (HIPP) and Hydro Power and Energy Planning (HPEP) project worked with the Georgian Ministry of Energy to address gaps in Georgia's regulatory framework in an effort to encourage private sector investment and create the market rules to enable electricity exports, primarily to Turkey. A follow-on project supported market-based initiatives to promote and secure international investment into Georgia's small- and medium-sized run-of-river type hydroelectric power market. Development of the competitive electricity market and establishment of the renewable energy incentives should make wind, solar, and hydropower projects more attractive for investors, thus creating demand for U.S. equipment.

ELP Resources

[European Bank for Reconstruction and Development](#)

[Georgian Ministry of Energy](#)

[Georgian National Electricity Regulatory Commission](#)

[Georgian State Electrosystem](#)

[Japan Bank for International Cooperation](#)

[Kreditanstalt für Wiederaufbau Bank](#)

[World Bank](#)

Tourism

Overview

Georgia received 6,350,825 international visitors (tourists, transit, other) in 2016 and a record number of 7,554,936 international visitors (tourists, transit, other) in 2017. Georgia has substantial potential for tourism development because of its great natural beauty, varied topography, a pleasant climate, and rich culture and history. To facilitate tourism, the government of Georgia eased its visa regime, began widespread rehabilitation of roads, privatized infrastructure and hotels, and established limited tax incentives for tour operators. New development taking place in Batumi, at ski resorts in Gudauri, Bakuriani, Goderdzi and Mestia, the winegrowing region of Kakheti, and other areas are turning Georgia again into an attractive tourism destination.

Citizens from Georgia's neighboring states made up the largest share in total visits in 2016. The top five source countries were Armenia, Azerbaijan, Turkey, Russia, and Iran. Number of visitors from UK, the Netherlands, Spain, France and Germany demonstrated from 25 to 40% increase in the same year. The government has made it a priority to turn Georgia into four-season tourist destination and is supporting and promoting such areas as medical, entertainment, sports, wine and other kinds of tourism. 'Check In Georgia' is an example of the government projects, which supports turning Georgia into a regional cultural and entertainment center.

TIS Best Prospects Services

Georgian tour operators report demand growth in both summer and winter, particularly in adventure and cultural tourism. Despite this interest in travel to Georgia, suitable accommodations outside of the capital and the major resort areas are still scarce because facilities have not been maintained or do not exist. The seaside resorts of Batumi and Kobuleti are undergoing rapid development. Foreign investments have supported construction of high-end hotels throughout the country, such as Sheraton, Radisson, Biltmore, Marriott, Hilton, Millennium, and Rixos, with more in development. To develop new tourism destinations, the government is promoting the seaside areas of Anaklia and Kobuleti (north of Batumi) and the mountainous town of Mestia by building necessary infrastructure and offering concessionary terms to potential investors.

Opportunities

Development of tourism infrastructure will require significant investment and rehabilitation of assets such as hotels, restaurants, sport facilities, and ski resorts. Rehabilitation of several recently privatized hotels is underway in Tbilisi and Adjara and additional opportunities may be found in the ski resorts of Gudauri, Bakuriani, and Mestia.

The World Bank's roads rehabilitation and construction project aims to promote tourism by decreasing travel time and increasing auto safety as well as facilitating the transport of goods across the country. The World Bank is implementing a long-term program aimed at nature conservation, cultural heritage preservation, and sustainable tourism development.

The state-owned Partnership Fund and privately held Georgian Co-Investment Fund (GCF) are looking at investment opportunities in tourism infrastructure in Tskaltubo (Imereti region), Kakheti, and have new or ongoing projects such as Best Western Kutaisi and Radisson Tsinandali. These funds are interested in partnering with interested investors in these projects.

Tourism Resources

[*Georgian National Investment and Export Promotion Agency*](#)

[*Georgian State Department of Tourism*](#)

[*Georgian Tourism Association*](#)

[*Silk Road Group*](#)

[*Partnership Fund*](#)

[*Georgian Co-Investment Fund \(GCIF\)*](#)

Customs, Regulations and Standards

Trade barriers

Georgia has no quantitative restrictions (quotas) on trade (except on ozone depleting substances). Only medical products, firearms, explosives, radioactive substances, dual use goods, industrial waste, and a few types of agricultural chemical products are subject to import/export licensing. In 2005, the number of permits for import and export was reduced from 14 to eight. Excise taxes and VAT apply equally on imported and domestic products.

Import tariffs

Rates of duty on imported goods fall into three bands; 0 percent, 5 percent, and 12 percent. Nearly 90 percent of goods benefit from a zero rate of duty. Import of agricultural goods, food products, clothes, construction materials, wood and wood products, plastics, wire and cable, iron, steel, soap, organic surface-active agents, and washing preparations which are produced in Georgia in whole or in part, are major areas of goods taxed at higher rates. A combined rate of customs tariffs are applied to alcoholic beverages. A fee of €5 is charged per customs declaration for goods valued below 3000 GEL (\$1,225) and €60 (\$67) for goods valued above GEL 3000. As of January 1, 2015, the customs tariff on passenger cars will remain 0.05 GEL (\$0.022) per cubic centimeter of the engine capacity plus 5 percent of the amount of the customs tariff per each year of the use of a vehicle.

An 18 percent VAT applies to most imported goods. Fixed excise tax rates apply to certain goods such as alcoholic drinks, ethyl alcohol, ethyl petrol for cars, and cigarettes. The customs value of goods for customs clearance is defined based on the customs declaration. Export, transit, and re-export of goods are exempt from customs duties and fees. Chapter 39(1) of the Georgian Tax Code defines the amount of the customs tariffs and exemptions.

Once every 30 day period, individuals are allowed to import the following goods free of customs duties, VAT, and excise duties within the following limits:

Import of vegetables, fruit (including dried), tea, coffee, macaroni, bakery, sugar, confections (with the exception of chocolate), sausages, milk and dairy products that have a maximum total weight of 30 kg, and a total value of less than 500 GEL (\$204).

Import of 200 cigarettes, or 50 cigarillos, or 50 cigars, or 250 grams of tobacco product or any combination of these for personal use is permitted, but must not exceed 250 grams in total weight.

Import requirements and documentation

At a minimum, imports require a declaration, an invoice, and transport documentation. The Customs Code of Georgia does not require financial guarantees from importers to Georgia prior to the customs clearance, except for the temporary entry of goods.

Labeling and marking requirements

All cosmetics, pharmaceutical, chemical, processed food and utility products must have Georgian language labeling at the sales point. Alcoholic drinks and tobacco products require excise stamps.

U.S. export controls

The exporter in the United States must file a "[Shippers Export Declaration](#)" with the [U.S. Department of Commerce](#) for items exceeding \$2,500, but waivers are available for certain merchandise. There are restrictions on sales of military and defense equipment, including dual use items.

Temporary entry

Temporary importation procedures allow for the use of foreign goods imported into the customs territory of Georgia for return in an unaltered state, with total or partial exemption from import charges (except for customs duties) and without being subjected to trade policy measures for a certain period, except for changes due to wear and tear, and losses due to normal conditions of transportation or storage.

The period during which goods may remain under the temporary importation procedure shall not exceed two years. The Revenue Service of the Ministry of Finance of Georgia may however provide for different time limits for certain types of goods.

Prohibited and restricted imports

Georgia prohibits the import of goods that pose a threat to the health and safety of Georgia or its citizens, including for example, narcotics, pornography, or nuclear materials. Weapons and ammunition have complex licensing requirements, and interested parties should contact the Ministries of Justice and Internal Affairs prior to any importation.

Customs regulations and contact information

[Georgia's Revenue Service](#), which is subordinated to the Ministry of Finance, oversees implementation of customs regulations. Detailed Information about the specific regulations is available at the organization's webpage.

Standards for Trade

Overview

The government has adopted a system of "voluntary" standards and certification, whereby the importer can choose to conform his products to Georgian standards or the standards of any EU or Organization for Economic Cooperation and Development (OECD) member country. If foreign standards are chosen, they must be registered by the importer in the National Agency for Standardization, Technical Regulations and Metrology. Standards for food products are administered by the Ministry of Agriculture.

Standards

The main standards organization in Georgia is the National Agency for Standardization, Technical Regulations and Metrology.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets.

Conformity Assessment

Conformity assessment is one of the functions of the National Agency for Standardization, Technical Regulations and Metrology.

Testing, Inspection and Certification

If the importer chooses to comply with Georgian standards, there are about 100 test laboratories accredited in the following fields in Georgia:

Electrical Products;

Products from the chemical, perfume and pharmaceutical industries;

Food, drinking water and mineral water, alcoholic and non-alcoholic beverages;

Composition of soil and mineral resources;

Oil and mineral oil products;

Glass products;

Paints and dyes;

Building materials; and,

Radio engineering products.

Accreditation

Certification offices are accredited by the National Accreditation Office of the National Agency for Standardization, Technical Regulations and Metrology.

Publication of technical regulations

Publication of technical regulations is the responsibility of the National Agency for Standardization, Technical Regulations and Metrology.

Contact Information

[National Agency for Standardization, Technical Regulations and Metrology](#)

[Ministry of Agriculture of Georgia](#)

Trade agreements

As a member of the WTO, Georgia has Most Favored Nation trading relationships with all WTO member countries. Georgia benefits from Generalized System of Preferences reductions in tariffs on a wide range of products with Switzerland, Norway, Canada, and Japan. In 2010, the United States Trade Representative (USTR) accepted a petition alleging that Georgia's labor reforms violated the GSP labor eligibility criteria. USTR's review of the issues raised in the petition is ongoing. The EU grants Georgia GSP+ treatment, with duty free treatment for more than 7,000 products. Georgia has free trade regimes with countries of Commonwealth of Independent States and Turkey. In June 2014, Georgia signed an AA and DCFTA with the EU. Georgia signed a Free Trade Agreement (FTA) with China in 2017, and in 2018 it signed a FTA with Hong Kong.

Licensing Requirements for Professional Services

There is no unified agency that would regulate licensing requirements for all professional services. Professions that are subject to licensing have their respective bodies to issue permit or license. 'Law of Georgia on Licenses and Permits' regulates organized activity or action that can endanger human life or health, important state or public interest or use of state resources. This law defines comprehensive list of the types of licenses and permits and stipulates the rules of their issuance.

Web resources

[Georgia Customs Department](#) (tax/customs contents page)

[U.S. Government Export Controls](#)

Investment Climate Statement (ICS)

Investment Climate Statement

Executive Summary

Georgia is located at the crossroads of Western Asia and Eastern Europe. Since the Rose Revolution, Georgia has made sweeping economic reforms, moving from a near-failed state in 2003 to a relatively well-functioning market economy in 2017. Through dramatic police and institutional reforms, the government has mostly eradicated low-level corruption. According to a 2016 International Republican Institute (IRI) poll, 95 percent of respondents said they have not been asked to pay a bribe in the past year to receive a service or decision. Georgia ranks 9th in the 2017 World Bank's Ease of Doing Business index, 16th in the 2017 Economic Freedom Index, and 67th in the Global Competitiveness Report. Fiscal and monetary policy are focused on low deficits, low inflation, and a floating real exchange rate, although the latter has been affected by regional developments, including sanctions on Russia and other external factors such as a stronger dollar and weaker regional economies. Public debt and budget deficits remain under control.

In early 2014, the government published its medium-term economic strategy, Georgia 2020, which outlines Georgia's economic policy priorities. It stresses the government's commitment to business-friendly policies such as low taxes, but also pledges to invest in human capital and to strive for inclusive growth across the country, not just in Tbilisi. The strategy also emphasizes Georgia's

geographic potential as a trade and logistics hub along the New Silk Road linking Asia and Europe via the Caucasus. In 2016, Prime Minister Giorgi Kvirikashvili's four-point plan for economic reform continued many of those themes, focusing reforms and government spending on judicial and education reform, infrastructure development, and tax reform. Both strategies continue to guide fiscal and policy decisions.

Overall, business and investment conditions are sound. However, some companies have expressed an increasing lack of confidence in the judicial sector's ability to adjudicate commercial cases independently or in a timely, competent manner. Other companies complain of inefficient decision-making processes at the municipal level, occasional shortcomings in the enforcement of intellectual property rights, lack of effective anti-trust policies, selective enforcement of economic laws, and difficulties resolving disputes over property rights. Georgia's government continues to work to address these issues and, despite these remaining challenges, Georgia stands far ahead of its post-Soviet peers as a good place to do business.

The United States (U.S.) and Georgia work to increase bilateral trade and investment through a High-Level Dialogue on Trade and Investment and through the Strategic Partnership Commission's Economic Working Group. Both countries signed a Bilateral Investment Treaty in 1994, and Georgia is eligible to export many products duty-free to the United States under the Generalized System of Preferences (GSP) program.

Georgia has prioritized free trade agreements (FTAs) as a means of growing its economy and elevating its global economic presence. In June 2014, Georgia signed an Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the European Union, in 2017 completed an FTA with the European Free Trade Association (EFTA) countries of Iceland, Liechtenstein, Norway, and Switzerland, and in 2018, completed an FTA with China. Georgia suffered considerable instability in the immediate post-Soviet period. After independence in 1991, civil war and separatist conflicts flared up along the Russian border in the areas of Abkhazia and South Ossetia. The status of each region remains contested, and the central government does not have effective control over these areas. The United States supports the territorial integrity of Georgia within its internationally-recognized borders. In August 2008, tensions in the region of South Ossetia culminated in a brief war between Georgia and Russia. Russia invaded undisputed Georgian territory, and continues to occupy South Ossetia and Abkhazia. Tensions still exist both inside the occupied regions and near the administrative boundary lines, but other parts of Georgia, including Tbilisi, are not directly affected.

Transit and logistics are a priority sector as Georgia seeks to benefit from increased East/West trade through the country. This has been boosted by the Baku-Tbilisi-Kars railroad as well as the Anaklia Deep Sea Port project that involves two U.S. companies, the Conti Group and SSA Marine. Agriculture and tourism are also attractive areas for investment to respond to the increased inflow of international visitors and demands of local food processing industry.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	46 of 175	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of Doing Business"	2017	9 of 190	doingbusiness.org/rankings
Global Innovation Index	2017	68 of 128	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country (\$B USD, stock positions)	2016	2.0 53.5	http://www.bea.gov/international/factsheet/ http://www.geostat.ge/?action=page&p_id=2230&lang=geo
World Bank GNI per capita	2016	3,830	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

Georgia is open to foreign investment, and the Georgia National Investment Agency (GNIA) (www.investinggeorgia.org) has an aggressive marketing campaign to encourage more foreign investors to come to Georgia. GNIA is under the Ministry of Economic and Social Development. Legislation establishes favorable conditions for foreign investment, but not preferential treatment for foreign investors. The Law on Promotion and Guarantee of Investment Activity protects foreign investors from subsequent legislation that alters the condition of their investments for a period of ten years.

Limits on Foreign Control and Right to Private Ownership and Establishment

Georgia does not formally screen foreign investment in the country, other than imposing a registration requirement and certain licensing requirements as outlined below. Foreign investors have participated in most major privatizations of state-owned property. Transparency of privatization has, at times, been an issue. No law or regulation authorizes private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation, or control. Cross-shareholder or stable-shareholder arrangements are not used by private firms in Georgia. Georgian legislation does not protect private firms from takeovers. There are no regulations authorizing private firms to

restrict foreign partners' investment activity or limit foreign partners' ability to gain control over domestic enterprises.

There are no specific licensing requirements for foreign investment other than those that apply to all companies. By law, the government has 30 days to make a decision on licenses, and if the licensing authority does not state a reasonable ground for rejection within that time frame, the license or permit is deemed to be issued. The government only requires licenses for activities that affect public health, national security, and the financial sector. The government currently requires licenses in the following areas: weapons and explosives production, narcotics, poisonous and pharmaceutical substances, exploration and exploitation of renewable or non-renewable substances, exploitation of natural resource deposits, establishment of casinos and gambling houses and the organization of games and lotteries, banking, insurance, securities trading, wireless communication services, and the establishment of radio and television channels. The law requires the state to retain a controlling interest in air traffic control, shipping traffic control, railroad control systems, defense and weapons industries, and nuclear energy. Only the state may issue currency, banknotes, and certificates for goods made from precious metals, import narcotics for medical purposes, and produce control systems for the energy sector.

Other Investment Policy Reviews

The Organization for Economic Cooperation and Development (OECD) conducted an abbreviated Investment Policy Review most recently in 2014, based on its Policy Framework for Investment.

In January 2016, the World Trade Organization (WTO) concluded its second Trade Policy Review of Georgia. In this review, WTO members reiterated their approval of Georgia's broadly open, transparent, and predictable trade and investment regimes. During the review period, Members noted that Georgia had undertaken an impressive range of reform initiatives aimed at streamlining, liberalizing, and simplifying trade regulations and their implementation. The review lauded Georgia's trade openness and its commitment to the multilateral system through its responsible contribution to the work of the WTO.

WTO members commended Georgia for the ratification of the Trade Facilitation Agreement, which would benefit Georgia's role as a trade transit corridor in the region, and the related notification to the WTO of Category A, B and C commitments. Members also noted that Georgia was an observer to the Government Procurement Agreement and was currently assessing the prospects for joining the Agreement. Members welcomed the announcement that Georgia was considering joining the expanded Information Technology Agreement, which would constitute a significant step forward for attracting further investment. See more at:

https://www.wto.org/english/tratop_e/tp/e/tp428_crc_e.htm

Business Facilitation

The GNIA is a governmental institution within the Ministry of Economy and Economic Development. Previously an independent entity under the Prime Minister, GNIA aims to streamline processes for foreign investors and at times play the role of moderator between foreign investors and the government to ensure the investors receive updated information and access to relevant

government bodies. GNIA's services are free of charge. More information can be found at <http://www.investinggeorgia.org/en/>.

Registering a business in Georgia is relatively quick and streamlined, and Georgia tops the list of countries in the World Bank's Doing Business Report in this regard. Registration takes one day to complete and Georgia has a single window registration process. Registration of companies is carried out by the [National Agency of Public Registry](http://www.napr.gov.ge) (NAPR) (www.napr.gov.ge is in Georgian only), located in the Public Service Halls (PSH) under the Ministry of Justice of Georgia. The web page of the PSH (<http://www.psh.gov.ge/main/page/2/85>) outlines procedures and requirements for business registration in English. For registration purposes, the law does not require a document verifying the amount or existence of charter capital. A company is not required to complete a separate tax registration. The initial registration includes both the state and tax registration.

The following information is required to register a business in Georgia: personal information of the founder and principal officers, articles of incorporation, and the company's area of business activity. Other required documents depend on the type of entity to be established.

To register a business, the potential owner must first pay the registration fee, register the company with the Entrepreneurial Register and obtain an identification number and certificate of state and tax registration. Registration fees are: GEL100 (around USD45) for regular registration, GEL200 (USD90) for expedited registration, plus GEL1 (bank fees). Second, the owner must open a bank account (free).

Georgia's business facilitation mechanism provides equitable treatment of women and men. There are a variety of state-run and donor-supported projects that aim to promote women entrepreneurs through specific training or other programs, including access to financing and business training.

Outward Investment

The Georgian government does not have any specific policy on promoting or restricting domestic investors from investing abroad, and Georgia's outward investment is insignificant.

Investment Agreements and Taxation Treaties

Georgia has bilateral agreements on investment promotion and mutual protection enforced with 31 countries, including: the United States, Armenia, Austria, Azerbaijan, Belgium, Belarus, Bulgaria, China, the Czech Republic, Estonia, Finland, France, Germany, Greece, Iran, Israel, Kazakhstan, Kuwait, Latvia, Lithuania, Luxemburg, Moldova, the Netherlands, Romania, Spain, Sweden, Switzerland, Turkmenistan, Uzbekistan, the United Kingdom, and Ukraine. Agreements are concluded, but awaiting signing with Egypt, Kyrgyzstan, Turkey, and the United Arab Emirates (UAE). Negotiations are underway with the governments of Canada, Hungary, Iceland, Italy, Japan,

Qatar, and Slovenia. Additionally, in 2007, Georgia signed a Trade and Investment Framework Agreement (TIFA) with the United States.

On June 27, 2014, Georgia signed an Association Agreement (AA) and a Deep and Comprehensive Free Trade Area (DCFTA) with the European Union. In 2016, the government signed a free trade agreement with the European Free Trade Association (EFTA) countries of Iceland, Liechtenstein, Norway, and Switzerland. Georgia's free trade agreement with China entered into force in January 2018. A free trade agreement is in force with the Commonwealth of Independent States and others exist bilaterally with Ukraine, Russia (though trade is restricted by the Russian Government), Kazakhstan, Azerbaijan, Armenia, Moldova, Uzbekistan, Turkmenistan, and Turkey. Georgia has ongoing free trade agreement consultations with Belarus, Kyrgyzstan, the Cooperation Council of Gulf Arab States, and Tajikistan.

The United States and Georgia established a High-Level Dialogue on Trade and Investment in 2012, a bilateral dialogue aimed toward identifying measures to increase bilateral trade and investment. The United States and Georgia have shared a Bilateral Investment Treaty (BIT) since 1997, and Georgia can export many of its products duty-free to the United States under the Generalized System of Preferences (GSP) program.

Bilateral Taxation Treaties:

The United States and Georgia are beneficiaries of the U.S.-Georgia Bilateral Taxation Treaty as Georgia is one of the former Soviet Republics, which is covered under the U.S. treaty with the former Union of Soviet Socialist Republics (USSR). Double taxation issues are covered under the Convention with the Union of Soviet Socialist Republics on Matters of Taxation of 1973 (<http://www.irs.gov/pub/irs-trty/ussr.pdf>).

Georgia has concluded agreements for avoidance of double taxation with 54 countries: Armenia, Austria, Azerbaijan, Bahrain, Belarus, Belgium, Bulgaria, China, Cyprus, the Czech Republic, Croatia, Denmark, Estonia, Egypt, Finland, France, Germany, Greece, Hungary, Iceland, India, Iran, Ireland, Italy, Israel, Japan, Kazakhstan, Kuwait, Latvia, Liechtenstein, Lithuania, Luxemburg, Malta, the Netherlands, Norway, Poland, Portugal, Qatar, Romania, San Marino, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey, Turkmenistan, UAE, Ukraine, the United Kingdom (UK), and Uzbekistan. Treaties have been negotiated but are waiting to be ratified with Lebanon, and Oman, and treaty negotiations have started with Jordan, Montenegro, Saudi Arabia, Vietnam, Iraq, Argentina, Indonesia, Malaysia, Mexico, Albania, Colombia, Moldova, Mongolia, Morocco, New Zealand, Peru, the Philippines, Tajikistan, Uruguay, Brazil, Cuba, Ecuador, Canada, and South Africa. Georgia and Russia signed a double taxation avoidance treaty in 1999, which the Georgian Parliament ratified in 2000; although it has not been ratified by the Russian Duma, Russia regards it as an active agreement.

Legal Regime

Transparency of the Regulatory System

The Georgian government has committed to greater transparency and simplicity of regulation. The government publishes laws and regulations in Georgian in the official gazette, the Legislative Messenger, 'Matsne' (www.matsne.gov.ge). Another online tool to research Georgian legislation is www.codex.ge.

Draft bills or regulations are available for public comment. NGOs, professional associations, and business chambers actively participate in public hearings on legislation.

Georgia has six types of tax: corporate profit, value added tax (VAT), property, income, excise, and dividend. The tax on corporate profits is 15 percent. However, in January 2017, the government adopted a corporate profit tax scheme that exempts from income taxation undistributed, reinvested, or retained corporate profits. The VAT is 18 percent. The tax on personal income is 20 percent. The dividend income tax rate is 5 percent. There are no dividend and capital gains taxes for publicly traded equities (a free float in excess of 25 percent). There are excise taxes on cigarettes, alcohol, fuel, and mobile telecommunication. Most goods, except for some agricultural products, have no import tariffs. For goods with tariffs, the rates are five or 12 percent unless excluded by an FTA.

The Georgian National Investment and Export Promotion Agency has Business Information Centers in Tbilisi and other cities intended to provide domestic and foreign businesses with a standard package of information about doing business in Georgia. They also provide specific information for individual businesses. Business Information Centers also facilitate a public-private dialogue to improve communication between regulators and businesses. The government has, additionally, institutionalized engagement with the private sector through an independent Investors Council, which discusses legislative reforms, the government's economic development plan, and actions that would help grow the economy.

International accounting standards are binding for joint stock companies, banks, insurance companies, and other companies operating in the insurance field, limited liability companies, limited partnerships, joint liability companies, and cooperatives. Private companies are required to perform accounting and financial reporting in accordance with international accounting standards. Sole entrepreneurs, small businesses, and non-commercial legal entities perform accounting and financial reporting according to simplified interim standards approved by the Parliamentary Accounting Commission. Shortcomings in the use of international accounting standards persist, and qualified accounting personnel are in short supply.

The Law of Georgia on Free Trade and Competition provides for the establishment of an independent structure, named the Competition Agency, to exercise effective state supervision over a free, fair, and competitive market environment. Nonetheless, certain companies have dominant positions in pharmaceutical, petroleum, and other sectors.

International Regulatory Considerations

Georgia's AA with the European Union includes provisions for the establishment of the DCFTA. The agreement is designed to gradually introduce European standards in all spheres of Georgia's economy and sectoral policy: infrastructure, energy, the environment, agriculture, tourism, technological development, employment and social policy, health protection, education, culture, civil society, and regional development. It also provides for the approximation of Georgian laws with nearly 300 items of European legislation.

The DCFTA should promote a gradual approximation with European standards for food safety; the establishment of a transparent and stable business environment; an increase in Georgia's potential to attract investment; the introduction of innovative approaches and new technologies; the stimulation of economic growth; and support for the country's economic development.

Georgia has been a member of the World Trade Organization (WTO) since 2000 and consistently meets the Agreement on Trade Related Investment Measures (TRIMs) requirements and obligations. Since WTO accession, has not introduced any Technical Barriers to Trade. In January 2016, Georgia ratified the WTO Trade Facilitation Agreement (TFA).

Legal System and Judicial Independence

Georgia's legal system is based on civil law. The Ministry of Justice's Public Service Halls provide property registration.

Georgia does not have an integrated commercial code. There are, however, a number of different laws and codes (Tax Code, Law on Entrepreneurs, and Law on Insolvency) that constitute the legislative body for regulating commercial activity in Georgia.

According to Freedom House's 2017 *Freedom in the World Report*, "judicial independence continues to be stymied by executive and legislative interests," although judicial transparency and accountability have improved in recent years, in part due to increased media access to courtrooms." In 2016-17, several commercial disputes raised questions about the ability of the courts to hear commercial cases independently and competently within a reasonable time frame.

Regulations and enforcement actions are appealable, and they are adjudicated in the national court system.

Laws and Regulations on Foreign Direct Investment

The U.S.-Georgia BIT guarantees U.S. investors national treatment and most favored nation treatment. Exceptions to national treatment have been carved out for Georgia in certain sectors such as maritime fisheries, air and maritime transport and related activities, ownership of broadcast, common carrier, or aeronautical radio stations, communications satellites, government-supported loans, guarantees, and insurance, and landing of submarine cables.

Georgia's legal system is based on civil law. Legislation governing foreign investment includes the Constitution, the Civil Code, the Tax Code, and the Customs Code. Other relevant legislation includes the Law on Entrepreneurs, the Law on Promotion and Guarantee of Investment Activity, the Bankruptcy Law, the Law on Courts and General Jurisdiction, the Law on Limitation of Monopolistic Activity, the Accounting Law, and the Securities Market Law.

Ownership and privatization of property is governed by the following acts: the Civil Code, the Law on Ownership of Agricultural Land, the Law on Private Ownership of Non-Agricultural Land, the Law on Management of State-Owned Non-Agricultural Land, and the Law on Privatization of State Property. Property rights in extractive industries are governed by the Law on Concessions, the Law on Deposits, and the Law on Oil and Gas. Intellectual property rights are protected under the Civil Code and the Law on Patents and Trademarks. Financial sector legislation includes the Law on Commercial Banks, the Law on National Banks, and the Law on Insurance Activities.

Competition and Anti-Trust Laws

The agency in charge of reviewing transactions for competition-related concerns is the Competition Agency, an independent legal entity of public law, subordinated to the Prime Minister of Georgia. The agency aims to promote market liberalization, free trade, and competition (see www.competition.ge). Georgia has also signed a number of international agreements containing competition provisions including the EU-Georgia Association Agreement. The DCFTA within the AA goes further than most FTAs, with elimination of non-tariff barriers and regulatory alignment, as well as binding rules on investments and services.

Expropriation and Compensation

The Georgian Constitution protects property ownership rights, including ownership, acquisition, disposal, and inheritance of property. Foreign citizens living in Georgia possess rights and obligations equal to those of the citizens of Georgia. The Constitution allows restriction or revocation of property rights only in cases of extreme public necessity, and then only as allowed by law.

The Law on Procedures for Forfeiture of Property for Public Needs establishes the rules for expropriation in Georgia. The law allows expropriation for certain enumerated public needs and provides a mechanism for valuation and payment of compensation, and for court review of the valuation at the option of any party. The Georgian Law on Investment allows expropriation of foreign investments only with appropriate compensation. Amendments made to the Law on Procedures for Forfeiture of Property for Public Needs allow payment of compensation with property of equal value as well as money. Compensation includes all expenses associated with the valuation and delivery of expropriated property. Compensation must be paid without delay and must include both the value of the expropriated property as well as the loss suffered by the foreign investor as a result of expropriation. The foreign investor has a right to review an expropriation in a Georgian court. In 2007, Parliament passed a law generally prohibiting the government from contesting the privatization of real estate sold by the government before August 2007. The law is not applicable, however, to certain enumerated properties.

The U.S.-Georgia BIT permits expropriation of covered investments only for a public purpose, in a non-discriminatory manner, upon payment of prompt, adequate and effective compensation, and in accordance with due process of law and general principles of fair treatment.

Expropriation disputes are not common in Georgia, although under the previous government (before 2012) reputable NGOs raised cases of illegal revocation of historic ownership rights in Svaneti, Anaklia, Gonio, and Black Sea-adjacent territories. There were cases of transfer of property under the previous government, which lacked transparency and allegedly were implemented under coercion, and two U.S. companies have recently alleged their assets are being expropriated through government actions.

Dispute Settlement

ICSID Convention and New York Convention

Since 1992, Georgia has been a member of the International Centre for Settlement of Investment Disputes (ICSID Convention), and a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

As a result of these international obligations, Georgia is bound to accept international arbitration and recognize arbitral awards. The Ministry of Justice oversees the government's interests in arbitrations between the state and private investors.

Investor-State Dispute Settlement

Georgia has signed bilateral investments treaties (BITs) with over 30 countries including the United States. Georgian investment law allows disputes between a foreign investor and a government body to be resolved in Georgian courts or at ICSID, unless a different method of dispute settlement is agreed upon between the parties. If the dispute cannot be heard at ICSID, the foreign investor can also submit the dispute to ad-hoc international arbitration under United Nations Commission for International Trade Law (UNCITRAL model law) rules. The right to use ICSID or UNCITRAL model law is guaranteed under the U.S.-Georgia BIT.

Disputes over property rights have, at times, undermined confidence in the impartiality of the Georgian judicial system and rule of law, and by extension, Georgia's investment climate. The government identified judicial reform as one of its top priorities and Parliament has passed reforms aimed at strengthening judicial independence. In May 2013, parliament reorganized the High Council of Justice, the institution charged with overseeing the administration of the judiciary, to make it more independent and free from political considerations.

Over the past ten years, there have been five investment disputes involving U.S. citizens, and all of them have been resolved through arbitral awards or out-of-court settlements.

Local courts recognize and enforce foreign arbitral awards issued against the government.

There is no substantial history of extrajudicial action against foreign investors.

International Commercial Arbitration and Foreign Courts

Georgia's arbitration law went into force on January 1, 2010. Georgia has enacted legislation based on the UNCITRAL Model Law. Domestic private arbitration firms, such as the International Arbitration Center (www.giec.ge), operate in dispute resolution between two private parties.

Bankruptcy Regulations

The Law of Georgia on Insolvency Proceedings regulates rehabilitation and bankruptcy. The law defines two types of creditors: secured and non-secured. Creditors can file a court claim for opening an insolvency proceeding, given certain conditions are satisfied (conditions vary, depending on the outstanding debt amount and the delayed days of repayment).

Creditor meetings are held in court and chaired by a judge. The creditor meeting can decide several issues, including the appointment of a supervisor of the bankruptcy or rehabilitation proceedings, and the appointment of a member of the facilitation council.

Secured creditors: Secured creditors must make unanimous decisions on approving a debtor's new debts, the encumbrance of the debtor's property, and suretyship. If there are no secured creditors, the creditor's meeting is authorized to make the same decisions. The secured creditors may suspend enforcement of the following resolutions made in the creditor's meeting on the material conditions of the agreement with the bankruptcy or rehabilitation supervisor or on the definition of the term of the rehabilitation. After the debtor's property is sold on auction, secured creditors have first priority for being repaid. All secured creditors must approve the rehabilitation plan and plan amendments. New equity investment in the debtor's company is only possible if there are prior consents from all secured creditors and the rehabilitation supervisor.

Non secured creditors: Non-secured creditors are satisfied only after all secured creditors are satisfied (unless otherwise agreed by all creditors unanimously). Non-secured creditors do not have voting rights for the rehabilitation plan approval.

The priority system shall not apply to creditors whose claim is secured by financial collateral.

Foreign creditors: The law provides additional time for foreign creditors to file claims. Creditors may file claims to the court and request to declare the agreements made by the insolvent debtor voidable and/or request reimbursement of damages, if such agreements inflicted damages to the creditor.

The Law of Georgia on Insolvency Proceedings only incurs criminal liabilities in case the debtor does not provide, or provides but with intentional delay, or provides falsified information about its obligations, assets, financial situation and activities, or ongoing disputes in which the debtor is involved.

The Debt Registry of the National Agency of the Public Register is Georgia's credit monitoring authority.

According to the "Resolving Insolvency" section of the World Bank's 2018 Doing Business Report, the Law of Georgia on Insolvency Proceedings made insolvency proceedings more accessible for debtors and creditors, improved provisions on treatment of contracts during insolvency, and granted creditors greater participation in important decisions during the proceedings.

Industrial Policies

Investment Incentives

In 2013, the Georgian Co-Investment Fund (GCF) was launched to promote foreign and domestic investments. GCF was announced as a reported six billion USD private investment fund, with the mandate of providing investors with unique access, through a private equity structure, to opportunities in Georgia's fastest growing industries and sectors.

Approximately 80 percent of the GCF will be invested in Georgia over a period of five years (2013-2018). The remaining 20 percent will be invested internationally. Priority areas with estimated expenditures announced at the launch of the fund are:

Energy – up to USD 3billion

Hospitality and Real Estate – up to USD1 billion

Agriculture and Logistics – up to USD0.5 billion

Manufacturing – up to USD1.5 billion

Other – up to USD0.5 billion

GCF's minimum internal rate of return (IRR) threshold for investment in projects is 17 percent and it intends to invest 25 to 75 percent of the total equity investment, with a minimum investment of USD5 million. GCF is expected to retain its ownership interest in the Portfolio Companies for up to seven years, extendable to a maximum of nine. During that period the Fund will exit from its investments by selling its ownership interest through:

Sale to existing co-owners or partners of the project;

Sale to external third parties;

IPO on local and international stock exchanges.

The government's 'Produce in Georgia' program aims to develop and support entrepreneurship, encourage creation of new enterprises, and increase export potential and investment in the country. Coordinated by the Ministry of Economy and Sustainable Development of Georgia through its Entrepreneurship Development Agency, National Agency of State Property, and Technology and Innovation Agency of Georgia, the project provides the following support:

Access to finance

Access to real property

Technical assistance

For more information please visit: <http://enterprisegeorgia.gov.ge/en/home>

The National Agency of State Property is in charge of the Physical Infrastructure Transfer Component, i.e., free-of-charge transfer of government-owned real property to an entrepreneur under certain investment obligations.

Low labor costs contribute to the attractiveness of Georgia as a foreign investment destination. It is also increasingly recognized as a regional transportation hub that provides access to the New Silk Road trade corridor linking Asia and Europe. However, legislation in 2018 will begin to enforce internationally-recognized labor standards for hard and hazardous industries, which may cause labor costs to increase.

Georgia's free trade regimes provide easy access for goods produced in Georgia to foreign markets. In some cases, foreign investors can benefit from these agreements by producing goods targeting these markets.

Foreign Trade Zones/Free Ports/Trade Facilitation

In June 2007, the Parliament of Georgia adopted the Law on Free Industrial Zones, which defined the form and function of free industrial/economic zones. Financial operations in such zones may be performed in any currency. Foreign companies operating in free industrial zones are exempt from taxes on profit, property, and VAT. Currently, there are four free industrial zones (FIZ) in Georgia:

UAE-based RAK Investment Authority (Rakia) purchased LLC Poti Sea Port in 2008 and began development of a free industrial zone on 300 hectares of land adjacent to the port. In 2011, Rakia sold 80 percent of the Port to APM Terminals, based in the Netherlands and part of the Danish A.P. Moller-Maersk group, but maintains 100 percent ownership of the Poti Free Industrial Zone, the first of its kind in Georgia and the whole Caucasus region. CEFC China Energy Company Limited has reportedly purchased 75 percent of shares of the Poti Free Industrial Zone from Rakia and was in negotiations in November 2017.

A 27-hectare plot in Kutaisi is home to the Egyptian company Fresh Electric, which constructed a kitchen appliances factory in 2009. The company has committed to building about one dozen textile, ceramics, and home appliances factories in the zone, and announced its intention to invest over USD 2billion.

Another FIZ in Kutaisi is being developed by the Chinese private corporation "Hualing Group," based in Urumqi, China. The Hualing Group launched its investment in Georgia in 2007 and has invested around USD500 million in eight large infrastructure and hospitality projects.

[\(http://hualing.ge/language/en/hualing-georgia/\)](http://hualing.ge/language/en/hualing-georgia/)

The Tbilisi Free Zone (TBZ) is in Tbilisi and occupies 17 hectares divided in 28 plots. TFZ has access to the main cargo transportation highway, Tbilisi International Airport (30 kms) and the Tbilisi city center (17 km). For more information, visit <http://www/tfz.ge>.

Performance and Data Localization Requirements

Performance requirements are not a condition of establishing, maintaining, or expanding an investment, but have been imposed on a case-by-case basis in some privatizations, such as commitments to maintain employment levels or to make additional investments within a specified period of time. Performance requirements such as the scope and time limit on licenses to extract natural resources or production sharing agreements have triggered complaints from some companies that transactions lacked transparency. Most types of performance requirements are prohibited by the U.S.-Georgia BIT.

The government does not follow a forced localization policy; foreign investors have no obligation to use domestic content in goods or technology. In addition, there are no requirements for foreign IT providers to turn over source codes and/or provide access to surveillance.

The Data Exchange Agency (DEA) is a principle entity of the Ministry of Justice, which aims to coordinate e-governance development, data exchange infrastructure, unified governmental networks, informational and communication standards, and cybersecurity policy. The DEA requires any company managing critical data to implement a number of security protocols to protect that information. (See www.dea.gov.ge)

Protection of Property Rights

Real Property

Secured interests in both real and personal property are recognized and recorded. However, deficiencies in the operation of the court system can hamper investors from realizing their rights in property offered as security. It is recommended that contracts between private parties include a provision for international arbitration of disputes. Mortgages and liens do exist and they are recorded in the National Electronic Registry System.

Foreign individuals and companies may buy non-agricultural land in Georgia. However, Parliament has amended legislation to place some new restrictions for non-Georgian citizens (including Georgian entities with foreign minority shareholders) from purchasing or inheriting agricultural land. According to the new bill, foreigners may own agricultural land if they: inherit the land; co-own the land through marriage to a Georgian citizen or by being a member of a Georgian citizen household; or hold a residence permit. If foreign agricultural land owners can no longer meet the requirements for agricultural land ownership, the alien must sell the agricultural land within six months or the government could seize the land. Also, agricultural plots owned by foreigners must be no larger than 20 hectares. For entities founded by foreigners, the land plot is limited to 200 hectares. Restrictions on land plot size do not apply to international financial institutions, commercial banks, or microfinance organizations. Lastly, the bill stipulates that all agricultural land sales to foreigners require a notarized contract. The notary must check if the alien or the entity registered by an alien under Georgian jurisdiction meets all the legal requirements for agricultural land ownership.

The U.S. government (together with the vast majority of the international community) does not recognize the jurisdiction of the de facto authorities in either the breakaway Abkhazia or South Ossetia regions, and warns American citizens against undertaking business ventures in those Russian-occupied regions. Furthermore, due to the volatility of the political situation, reported high levels of crime, and the limited ability of U.S. Embassy personnel to travel to the Abkhazia or South Ossetia regions to assist American citizens in distress, the Embassy also strongly discourages travel to these areas for any purpose. Land for sale in those regions may rightfully belong to internally displaced persons forced to leave the breakaway regions in the early 1990s and may have been placed improperly on the market. In such cases, the government of Georgia considers the sale of property in Abkhazia and South Ossetia illegal and the property could be reclaimed by original owners at a future date.

The government has developed an electronic registry system for recording land titles and is cooperating with international donors to improve the land cadaster in order to promote the development of Georgia's land market. Only 25 percent of privatized land in Georgia has a clear title, and the government has suggested a set of measures to simplify land registration and title clarification processes. Although the process for registering land has been simplified, it does not completely mitigate the potential for future land title disputes.

Property ownership cannot revert to other owners when legally purchased property stays unoccupied.

Intellectual Property Rights

Georgia acceded to the World Trade Organization (WTO) and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement in 2000. The Ministry of Economy and Sustainable Development is responsible for WTO compliance.

The legal framework for protection of intellectual property in Georgia is approximated to international standards. Six laws regulate intellectual property rights (IPR) in Georgia: the Law on Patents, the Law on Trademarks, the Law on Copyrights and Neighboring Rights, the Law on Appellation of Origin and Geographic Indication of Goods, the Law on Topographies of Integrated Circuits, and the Law on IP-Related Border Measures. Georgian law now provides protection for works of literature, art, science, and sound recordings for 50 years.

The National Intellectual Property Center of Georgia (Sakpatenti) provides legal protection of intellectual property objects in Georgia: it issues protective documents on invention, utility model, trademark, design, geographical indication and appellation of origin, new animal breeds and plant varieties, and ensures the deposit of copyrighted work. The Revenue Service, which is part of the

Ministry of Finance, is responsible for enforcing the protection of IPR holders that are listed in the Register of Intellectual Property Subject-Matters of the relevant service. The Revenue Service is responsible for border control and can halt import or export of items based on the register data. After the registration procedure is completed, the Revenue Service is liable to suspend counterfeit goods. According to the Law, the goods may be suspended for no longer than 10 working days, which may be extended by the Revenue Service for another 10 working days. The Law of Georgia on Border Measures Related to Intellectual Property provides for the possibility of destruction of counterfeit goods on the basis of a court decision.

IPR infringement of industrial property rights, copyrights, performers' rights, rights of makers of databases, trademarks or other illegal use of commercial indications can incur civil, criminal, and administrative penalties. Depending on the type and extent of the violation, penalties include fines, corrective labor, social work, or imprisonment.

Sakpatenti is an active and engaged partner of the United States in training to educate the public on IPR issues. Sakpatenti coordinates the government's approach to IPR enforcement under the Interagency Coordination Council (Council) for IPR Enforcement. The Council is an efficient platform for government institutions to exchange their views on IPR enforcement issues. According to a 2015 BSA Global Software survey, pirated software penetration decreased from 94 percent to 84 percent in 2015, and the downward trend continued in 2016. Georgia is improving IPR enforcement, but some problems persist. Many judges and lawyers lack sufficient knowledge of IPR laws and issues; pirated video and audio recordings, electronic games, and computer software are sometimes available; and unlicensed content free for users to download or stream is available on some websites.

Legislative changes:

In line with Georgia's commitments under the DCFTA, to prevent and suppress infringements of IPR and to ensure the implementation of appropriate sanctions, the National Intellectual Property Center of Georgia (SAKPATENTI) drafted a package of amendments to the IP legislation, which was adopted by the Parliament of Georgia on December 23, 2017 and entered into force on 11th of January, 2018. The amendments were made to the following legislative acts regulating intellectual property: the Patent Law of Georgia, the Law of Georgia on Copyright and Related Rights, the Law of Georgia on Design, the Trademark Law of Georgia, the Code of Civil Procedure of Georgia, the Law of Georgia on Pesticides and Agrochemicals, and the Law of Georgia on Drugs and Pharmaceutical Activity.

According to the new amendments, in case of intellectual property rights infringement, the holder is endowed with authority to demand removal from circulation of infringing objects, their destruction, destruction of any images related to them and deletion of the material published online that infringes on exclusive rights, and the destruction of any technical devices, which is used to make these objects. According to the amendments, the holder of exclusive rights is entitled to

define, at their discretion, the caused damage and received benefit, and can demand lump sum compensation payment. The new amendments also stipulate provisional measures to preserve relevant evidence and restrain measures related to protection of intellectual property subject-matters, which is especially important in terms of effective enforcement of rights.

Georgia is also approximating laws on “border measures related to IPR” with the EU regulation N608/2013. Amendments were introduced in 2017, which included additional intellectual property objects to be protected at the border, including: design, patent, utility model, topographies of integrated circuits, new breeds of animals, and varieties of plants. Under the new amendments, customs authorities are entitled to take *Ex-officio* actions at the border and detain suspected IP rights infringing goods.

Development of an effective system of Internet Service Providers (ISP) Liability is also an obligation under the DCFTA. In order to implement an ISP Liability in Georgian legislation, in 2017, Sakpatenti drafted amendments to the Law of Georgia “On Copyright and Related Rights,” which introduce ISP related provisions. The amendments were drafted on the basis of the draft Law of Georgia “On Electronic Commerce,” prepared by the Ministry of Economy and Sustainable Development of Georgia.

In 2017, Investigation Service of the Ministry of Finance of Georgia initiated 21 cases under Article 189 of the Criminal Code of Georgia (infringement of rights of owners of copyright, related rights or database makers) and Article 196 (unlawful use of trademark (service marks) or other commercial designations). As a result, 42,876 items of counterfeit goods were seized, with the total value of GEL148,323 (USD60,000).

The Customs Department issued 120 orders on suspension of goods during the same period. Of these, in 53 cases the rights holder and the owner of the goods agreed on destruction of the goods. In 13 cases, the rights holder filed a lawsuit, and in 49 cases, the goods were released, because the goods were not proven to be counterfeit. In five cases, the goods are currently suspended as of the time of this report’s publication. The total value of the counterfeit goods destroyed on the basis of agreement between the rights holder and the owner of the goods (53 cases) is GEL120,940.

The Tax Monitoring Department of the Revenue Service opened 14 cases related to infringements of rights on intellectual property subject-matters. As a result, 7,851 items of counterfeit goods were seized, with the total value of GEL24,465 (USD62,000).

Georgia is not listed in USTR’s Special 301 report. Similarly, Georgia is not listed in the notorious market report. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at: <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Charles F. Seten

Economic Officer

(995) 32 227 7629

SetenCF@state.gov

For a list of lawyers in Georgia, please visit http://georgia.usembassy.gov/list_of_attorneys.html.

American Chamber of Commerce in Georgia
36a Lado Asatiani St., 0105, Tbilisi, Georgia
Tel: (995) 32 222 6907
E-mail: amcham@amcham.ge

Financial Sector

Capital Markets and Portfolio Investment

The National Bank of Georgia regulates the securities market. All market participants submit their reports in line with international standards. All listed companies must make public filings, which are then uploaded on the National Bank's website, allowing users to evaluate a company's financial standing. The Georgian securities market includes the following licensed participants: a Stock Exchange, a Central Securities Depository, nine brokerage companies, and six registrars.

The Georgian Stock Exchange (GSE) is the only organized securities market in Georgia. Designed and established with the help of USAID and operating under a legal framework drafted with the assistance of American experts, the GSE complies with global best practices in securities trading and offers an efficient investment facility to both local and foreign investors. The GSE's automated trading system can accommodate thousands of securities that can be traded by brokers from workstations on the GSE floor or remotely from their offices.

No law or regulation authorizes private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation or control. Cross-shareholder or stable-shareholder arrangements are not used by private firms in Georgia. Georgian legislation does not protect private firms from takeovers. There are no regulations authorizing private firms to restrict the investment activity of foreign partners or to limit the ability of foreign partners to gain control over domestic enterprises.

The government and Central Bank (National Bank of Georgia) respect IMF Article VIII and impose no restrictions on payments and transfers in current international transactions.

Credit from commercial banks is available to foreign investors as well as domestic clients, although interest rates are high. Banks continue offering business, consumer, and mortgage loans.

Money and Banking System

Banking is one of the fastest growing sectors in the Georgian economy. The banking sector is well-regulated and capitalized despite regional and global challenges faced in many neighboring countries. As of January 1, 2018, 16 commercial banks, including 15 foreign-controlled banks made up the banking sector in Georgia. In January 2018, the total assets of Georgian commercial banks were GEL33.7 billion (around USD13.5 billion). In the beginning of 2017, there were 73 microfinance organizations operating in Georgia, with total assets of USD1.5 billion.

Two Georgian banks are listed on the London Stock Exchange: TBC Bank (listed in 2014) and the Bank of Georgia (2006).

The National Bank of Georgia (NBG) is the central bank of Georgia, as defined by the Constitution. The rights and obligations of the NBG as the central bank, the principles of its activity, and the guarantee of its independence are defined in the Organic Law of Georgia on the National Bank of Georgia. The National Bank supervises the financial sector in order to facilitate the financial stability and transparency of the financial system, as well as to protect the rights of the sector's consumers and investors. Through the Financial Monitoring Service of Georgia, a separate legal entity, the NBG undertakes measures against illicit income legalization and the financing of terrorism. In addition, the NBG is the banker and fiscal agent of the government. (www.nbg.gov.ge)

The International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), the U.S. Overseas Private Investment Corporation (OPIC), the Millennium Challenge Corporation (MCC), the Asian Development Bank (ADB), and other international development agencies have a variety of lending programs that make credit available to large and small businesses in Georgia. Georgia's two largest banks – TBC and Bank of Georgia have correspondent banking relationships with the United States through Citibank, N.A.

Foreign Exchange and Remittances

Foreign Exchange

Georgian law guarantees the right of an investor to convert and repatriate income after payment of all required taxes. The investor is also entitled to convert and repatriate any compensation received for expropriated property. Georgia has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF Articles of Agreement, effective as of December 20, 1996, undertaking to refrain from imposing restrictions on payments and transfers for current international transactions and from engaging in discriminatory currency arrangements or multiple currency practices without IMF approval. Parliament's 2011 adoption of the Act of Economic Freedom further reinforced this provision.

Under the U.S.-Georgia BIT, the Georgian government guarantees that all money transfers relating to a covered investment by a U.S. investor can be made freely and without delay into and out of Georgia.

Foreign investors have the right to hold foreign currency accounts with authorized local banks. The sole legal tender in Georgia is the lari (GEL), which is traded on the Tbilisi Interbank Currency Exchange and in the foreign exchange bureau market.

The official exchange rate of the GEL is calculated based on transactions secured on the Interbank Foreign Exchange Market. Interbank trading with foreign currencies is organized in an international trading system (Bloomberg). Taking into consideration secured transactions, the weighted average exchange rate of the GEL against the USD is calculated and announced as the official exchange rate for the next day. The official exchange rate of the GEL against other foreign currencies is determined according to the rate on international markets or the issuer country's domestic interbank currency market on the basis of cross-currency exchange rates. The cross-currency rates are acquired from the Reuters and Bloomberg information systems, and the corresponding webpages of central banks. The information is automatically received, calculated, and disseminated from these systems.

Georgia has a floating exchange rate. The Central Bank (National Bank of Georgia) has said it does not intend to fix the exchange rate regime and does not generally intervene in the foreign exchange market, except under certain circumstances when the fluctuation has a high magnitude.

Remittances

There is no difficulty in obtaining foreign currency, nor are there significant delays in remitting funds overseas through normal channels. Several Georgian banks participate in the SWIFT and Western Union interbank communication networks. Businesses report that it takes a maximum of three days for money transferred abroad from Georgia to reach a beneficiary's account, unless otherwise provided by a customer's order. There are no known plans to change remittance policies. Travelers must declare at the border currency and securities in their possession valued at more than GEL30,000 (around USD15,000).

State-Owned Enterprises

After the fall of the Soviet Union, the new Georgian government privatized most state-owned enterprises (SOEs). At the end of 2013, the major remaining SOEs were Georgian Railways, Georgian Oil and Gas Corporation (GOGC), Georgian State Electrosystem (GSE), Electricity System Commercial Operator (ESCO), and Enguri Hydropower plant. Of these companies, only Georgian Railways is a major market player. The energy-related companies largely implement the government's energy policies and help manage the electricity market. There are also a number of Legal Entities of Public Law (LEPLs), independent bodies that carry out government functions, such as the Public Service Halls.

In 2012, Georgian Railways, Georgian Oil and Gas Corporation (GOGC), Georgian State Electrosystem, and Electricity System Commercial Operator LLC assets were placed under the Partnership Fund, a state-run fund to facilitate foreign investment into new projects. In addition, the fund controls 25 percent of shares in TELASI Electricity Distribution Company, but has stated its intention to sell those shares.

Despite state ownership, SOEs act under the general terms of the Entrepreneurial Law. Georgian Railway and GOGC have supervisory boards, while GSE and ESCO do not. Major procedures and

policies are described in the charters of respective SOEs. Georgia particularly encourages its SOEs to adhere to the OECD's Guidelines on Corporate Governance for SOEs.

The senior management of SOEs report to Supervisory Boards where such exist (GRW, GOGC); in other cases they report to the line ministries. Governmental officials can be on the supervisory board of the SOEs and the Partnership Fund has five key governmental officials on its board. SOEs explicitly are not obligated to consult with government officials before making business decisions, but informal consultations take place depending on the scale and importance of the issue.

To ensure the transparency and accountability of state business decisions and operations, regular outside audits are conducted and annual reports are published. SOEs with more than 50 percent state ownership are obliged to follow the State Procurement Law and make procurements via public tenders. The Partnership Fund, GRW and GOGC are subject to valuation by international rating agencies. There is no legal requirement for SOEs and sovereign wealth funds to publish an annual report or to submit their books for independent audit, but this is still practiced. In addition, GRW and GOGC are Eurobonds issuer companies and therefore required to publish reports.

SOEs are subject to the same domestic accounting standards and rules and these standards are comparable to international financial reporting standards. There are no SOEs that exercise delegated governmental powers.

Privatization Program

Georgia's government has privatized most large SOEs. Successful privatization projects include major deals in energy generation and distribution, telecommunications, water utilities, port facilities, and real estate assets. A list of entities available to be privatized can be found on the following website: www.privatization.ge. Foreign investors are welcome to participate in privatization programs. Information on investment conditions and opportunities can be obtained from the Georgia National Investment and Export Promotion Agency. Further information is also available at a website maintained by the American Chamber of Commerce in Georgia at: www.amcham.ge.

Responsible Business Conduct

While the concept of Corporate Social Responsibility (CSR) is not highly developed in Georgia, it is growing. Most large companies engage in charity projects and public outreach as part of their marketing strategy. The American Chamber of Commerce in Georgia has a Corporate CSR committee that works with member companies on CSR issues. The Global Compact, a worldwide group of UN agencies, private businesses, and civil society groups promoting responsible corporate citizenship, is active in Georgia. The Eurasia Partnership Foundation launched a program on corporate social investment, promoting greater engagement of private companies in addressing Georgia's development needs.

The Government of Georgia undertook an OECD CSR policy review in 2016 based on the OECD Policy Framework for Investment. (<http://www.oecd.org/countries/georgia/>). The report states that Georgia engages regularly with the OECD. It participates in the OECD Eurasia Competitiveness Program, which works with countries in the region to help unleash their economic and employment potential through boosting country and regional competitiveness, capturing more and better investment, and developing SMEs. It participates in the OECD Anti-Corruption Network for Eastern Europe and Central Asia, which provides a regional forum for promotion of anti-corruption

activities, exchange of information, elaboration of best practices and donor coordination. It is a member of the Task Force for the Implementation of the Environmental Action Program (EAP Task Force), which aims to address the heavy environmental legacy of the Soviet model of development. Additionally, the Support for Improvement in Governance and Management (SIGMA) program, a joint initiative of the EU and the OECD, has provided assistance to Georgia since 2008 to strengthen public governance systems and public administration capacities. Georgia participates in the OECD Committee on Fiscal Affairs' Base Erosion and Profit Sharing (BEPS) Project.

Corruption

Articles 332-342 of the Criminal Code criminalize bribery. Senior public officials must file financial disclosure forms which are posted online, and Georgian legislation provides for civil forfeiture of the undocumented assets of public officials who are charged with corruption offenses. Penalties for accepting a bribe start at six years in prison and can extend up to 15 years depending on the case's circumstances. Penalties for giving a bribe can include a fine, a minimum prison sentence of two years, or both. In aggravated circumstances, when a bribe is given to commit an illegal act, the penalty can be from four to seven years. Abuse of authority and exceeding authority by public servants are criminal acts under Articles 332 and 333 of the criminal code and carry a maximum penalty of 8 years imprisonment. The definition of a public official includes foreign public officials and employees of international organizations and courts. White collar crimes such as bribery fall under the investigative jurisdiction of the Prosecutor's Office.

Georgia is not a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Georgia has, however, ratified the UN Convention against Corruption. Georgia cooperates with the Group of States against Corruption (GRECO) and the OECD's Anti-Corruption Network for Transition Economies (ACN).

Following its assessment of Georgia in June 2016, the OECD released a report in September 2016 that concluded Georgia had achieved remarkable progress in eliminating petty corruption in public administration and should now focus on combating high-level and complex corruption. The report commends Georgia's mechanism for monitoring and evaluating the implementation of its Anti-Corruption Strategy and Action Plan as well as the important role given to civil society in this process. It also welcomes the adoption of a new Law on Civil Service and recommends that the remaining legislation necessary for the implementation of civil service reforms is adopted without delay. The Civil Service Bureau and Human Resources units in state bodies should be strengthened in order to ensure the implementation of the required reforms. The report highlights Georgia's good track record in prosecuting corruption crimes and in using modern methods to confiscate criminal proceeds. It recommends that Georgia step up enforcement of corporate liability and the prosecution of foreign bribery in order to address the perception of alleged corruption among local government officials as well as at the political level. The full report is available at:

<http://www.oecd.org/corruption/anti-bribery/Georgia-Round-4-Monitoring-Report-ENG.pdf>

Since 2003, Georgia has significantly improved its ranking in Transparency International's Corruption Perceptions Index (CPI) report. In 2017, Georgia's CPI score was 56 and it ranked 46th

out of 180 countries surveyed in the Corruption Perception Index. Georgia is ahead of its regional and Eastern European peers in this regard, as it outscores the Czech Republic, Malta, Croatia, Slovakia, Greece, Romania, Italy, Turkey, Russia, Armenia, and Azerbaijan.

While Georgia has been successful in fighting visible, low-level corruption, Georgia remains vulnerable to what Transparency International calls “elite” corruption: high-level officials exploiting legal loopholes for personal enrichment, status, or retribution. Although evidence is mostly anecdotal, this form of corruption, or the perception of its existence, has the potential to erode public and investor confidence in Georgia’s institutions and the investment environment. Institutions most vulnerable to corruption in Georgia include government at the federal and local level, parliament, the judiciary, political parties, law enforcement, media, and private business. Corruption remains a potential problem in public procurement processes, public administration practices, and the judicial system due to unclear laws and ethical standards.

Resources to Report Corruption

Government agency responsible for combating corruption:

Mr. Zurab Sanikidze

Head of Analytical Department

Ministry of Justice of Georgia

24 A Gorgasali Street, Tbilisi, Georgia

zsanikidze@justice.gov.ge

Non-governmental organization:

Ms. Eka Gigauri

Director

Transparency International

26, Rustaveli Ave, 0108, Tbilisi, Georgia

+995-32-292-14-03

ekag@transparency.ge

Political and Security Environment

Georgia suffered considerable instability in the immediate post-Soviet period. After independence in 1991, civil war and separatist conflicts flared up along the Russian border in the areas of Abkhazia and South Ossetia. In August 2008, tensions in the region of South Ossetia culminated in a

brief war between Georgia and Russia. Russia invaded and occupied areas of undisputed Georgian territory. While the separatist regions of South Ossetia and Abkhazia – where Russian troops and border guards have established a long-term presence – have declared independence, only Russia, Venezuela, Nicaragua, and Nauru recognize them. Tensions still exist both inside the breakaway regions and near the administrative boundary lines, but other parts of Georgia, including Tbilisi, are not directly affected. The Georgian government does not have effective control over these Russian-occupied areas. The United States supports the territorial integrity of Georgia within its internationally-recognized borders.

Violent street protests in Georgia are rare, though smaller political demonstrations take place. In recent years, police have fulfilled their duty to maintain order even in cases of unannounced protests.

Labor Policies and Practices

Georgia offers skilled and unskilled labor at attractive costs compared not only to Western European and American standards, but also to Eastern European standards. Skilled labor availability in the engineering fields remains underdeveloped. The official unemployment rate was 11.8 percent in 2016 according to State Department of Statistics, but actual unemployment is considerably higher given significant underemployment in the working population, especially in rural regions where subsistence farmers are considered employed for statistical purposes and job creation has remained a particular challenge. Recently, some investment agreements between the Georgian government and private parties have included mandates for the contracting of local labor for positions below the management or executive level.

Georgia's Labor Code defines the minimum age for employment (16), standard work hours (41 per week), and annual leave (24 calendar days). Other wage and hour issues are to be agreed between the employer and employee. Amendments to the Labor Code in July 2013 defined grounds for termination; the code defines severance pay for an employee at the time of termination of a labor relation, including the payment term. An employer is obliged to give compensation of not less than a month's salary to an employee within thirty (30) days. According to the amendments, an employer is obliged to give the dismissed employee a written description of the grounds for termination within seven days after an employee's request. The labor code also prescribes rules for paying overtime labor (over 41 hours), which must be paid at an increased hourly rate.

The amended Labor Code specified essential terms for labor contracts, including: the starting date and the duration of labor relations, working hours and holiday time, location of workplace, position and type of work, amount of salary and its payment, overtime work and its payment, the duration of paid and unpaid vacation and leave, and rules for granting leave. The code states that the duration of a business day for an underage person (ages 16 to 18) should not exceed 36 hours per week. Regulations prohibit interference in union activities and discrimination of an employee due to union membership. The amendments also mandated that the government reestablish a labor inspectorate to ensure adherence to labor safety standards. The government established a labor

inspection program under the Ministry of Labor, Health, and Social Affairs, created a chief labor inspector position, and hired 25 labor inspectors. On March 7, 2018, Parliament passed the Occupational Safety, and Health (OSH) Law that gives the government power to make unannounced inspections in some circumstances in companies operating among “hard, harmful, hazardous, and increased danger” occupations. The list of hazardous industries has not yet been enumerated, but will likely include construction, mining, metallurgy, energy, oil, gas, and others.

Employees are entitled to up to 183 days (six months) of paid maternity leave which can be up to 24 months when combined with unpaid leave. Leave taken for pregnancy, childbirth, childcare, and adoption of a newborn is subsidized by the state. An employer and employee may agree on additional compensation. Under the Labor Code, non-competition clauses are permitted and sometimes used in contracts. This provision may remain in force even after the termination of labor relations.

Employers are not required to pay social security contributions for employees. Employees pay a flat 20 percent income tax. The state social security system provides modest pension and maternity benefits. The minimum monthly pension is GEL180 (USD70). The average monthly salary across the economy in Georgia in 2016 was GEL950 (around USD 380). The minimum wage requirement for state sector employees is GEL115 (USD46) per month. Legislation on the official minimum wage in the private sector has not changed since the early 1990s and stands at GEL20 (USD8) per month, but is not applied in practice and is not being used for reference.

Georgia has ratified some ILO conventions, including the Forced Labor Convention of 1930; the Paid Holiday Convention of 1936; the Anti-Discrimination (Employment and Occupation) Convention of 1951; the Human Resources Development Convention of 1975; the Right to Organize and Collective Bargaining Convention of 1949; the Equal Remuneration Convention of 1951; the Abolition of Forced Labor Convention of 1957; the Employment Policy Convention of 1964; and the Minimum Age Convention of 1973.

Information on labor related issues is also available in the State Department’s annual reports:

Human Right Report: <http://georgia.usembassy.gov/officialreports/hrr.html>

Child Labor Report: <http://www.dol.gov/ilab/reports/child-labor/georgia.htm>

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) is the U.S. Government’s development finance institution. OPIC finance and political risk insurance programs assist U.S. companies with investing overseas. Since 1993, OPIC has committed over USD500 million in financing and political risk insurance for more than 50 projects in Georgia. OPIC investment in Georgia has focused on the following sectors: credit for small and medium-sized enterprises, and projects in the franchising, education, manufacturing, tourism, agriculture and health care sectors. Some recent examples are

OPIC's USD18 million loan commitment to finance a Marriott hotel in Tbilisi, a USD10 million loan commitment to finance a Radisson hotel in Kakheti, and an USD18 million loan commitment to finance a hospital in Tbilisi.

American companies in Georgia face severe competition from Chinese companies; those companies are often state owned, or could be private, and in both cases are supported by Chinese ExIm bank or other trade/investment tools.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2016	14,377.9	2016	14,378.02	http://data.worldbank.org/indicator/NY.GDP.MKTP.CD
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2017	74.4	2016	2	http://bea.gov/international/factsheet/factsheet.cfm?Area=337
Host country's FDI in the United States (\$M USD, Position, UBO)	N/A	N/A	2016	0	http://bea.gov/international/factsheet/factsheet.cfm?Area=337

Total inbound stock of FDI as % of host GDP

2016 11.1 2016 11

<http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>

* GeoStat (Georgia National Statistics Office)

Table 3: Sources and Destination of FDI

The IMF's calculations of foreign direct investment (FDI) in Georgia differ from the Georgian government's official calculations. The most recent IMF statistics available regarding Georgia's FDI are from 2016.

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	16,393	100%	Total Outward	N/A	100%
Azerbaijan	2,150	13.1%	N/A	N/A	N/A
UK	1,774	10.8%	N/A	N/A	N/A
Netherlands	1,623	9.9%	N/A	N/A	N/A
United States	1,481	9.0%	N/A	N/A	N/A
Turkey	1,275	7.8%	N/A	N/A	N/A

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

IMF Coordinated Portfolio Investment Survey data is not available for Georgia.

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)

Total		Equity Securities		Total Debt Securities	
All Countries	100%	All Countries	100%	All Countries	100%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

Contact for More Information

Charlie Seten
 Economic Officer
 U.S. Embassy Tbilisi
 Georgia
 Telephone: +995-32-227-7629
 Email: setenCF@state.gov

Trade and Project Financing

Methods of payment

Large Georgian banks service foreign trade transactions. Methods of payment generally include a letter of credit or advance payment. To carry out transactions through banks, buyers and sellers must have a written contract. Because of high interest rates and short-term lending offered by local banks, most enterprises prefer to purchase equipment through supplier-financed transactions.

Banking Systems

The central bank is the National Bank of Georgia (NBG). It sets monetary policy, issues licenses, and supervises the activities of banking institutions and currency exchange offices. To regulate circulating money and encourage deposits in Georgian lari (GEL), the national legal tender, the NBG requires commercial banks to keep a certain percentage of their foreign currency deposit liabilities in reserve.

The U.S. government has assisted the NBG to accelerate financial sector development in Georgia. NBG and most commercial banks use SWIFT to process international payments and messages. There are no restrictions on the number of bank accounts individuals and enterprises may hold with Georgian banks. The cost of lending remains high but may decline as Georgia's banking sector develops.

The banking system currently consists of domestically based small- and medium-sized banks, a handful of large banking institutions based in Tbilisi with subsidiaries (e.g., Vneshtorgbank, Privat Bank), and two foreign banks with branches (Turkish Bank Ziraat and the International Bank of Azerbaijan). As of January 1, 2018, 16 commercial banks, including 15 foreign-controlled banks made up the banking sector in Georgia. In January 2018, the total assets of Georgian commercial banks were GEL33.7 billion (around \$13.74 billion). In the beginning of 2017, there were 73 microfinance organizations operating in Georgia, with total assets of \$1.5 billion. Two Georgian banks are listed on the London Stock Exchange: TBC Bank (listed in 2014) and the Bank of Georgia (2006).

Credit from commercial banks is available to foreign investors as well as domestic clients, although interest rates are high. Banks continue offering business, consumer, and mortgage loans. The International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), U.S. Overseas Private Investment Corporation (OPIC), Millennium Challenge Corporation (MCC), Asian Development Bank (ADB), and other international development agencies have a variety of lending programs that make credit available to large and small businesses in Georgia. In the beginning of 2018 there were 69 microfinance organizations operating in Georgia, with total assets of around \$630 million, making small credit available to businesses.

For more information see Chapter 6, Investment Climate Statement, *Efficient Capital Markets and Portfolio Investment* section. Banking is one of the fastest growing sectors in the Georgian economy.

Foreign Exchange Controls

The lari (GEL) is the only legal tender in Georgia; it has no informal or parallel exchange rates. Foreign businesses may convert GEL into hard currency at the market exchange rate and freely transfer the proceeds abroad without limitation. One may hold foreign exchange in bank notes or on deposit in designated bank accounts. There are no limitations on these accounts' operation.

Since 1998, the GEL has maintained a floating currency. Despite the GEL's nearly 60 percent depreciation against the dollar in 2015-16, Georgia has no plan to change this monetary policy.

All Georgian banks accept and issue credit cards. Credit cards are accepted at many hotels, restaurants, and stores in Tbilisi, but some small stores or establishments do not accept them. ATMs are available throughout Tbilisi and in other cities.

U.S. Banks and Local Correspondent Banks

There are no U.S. banks with branches in Georgia, though most Georgian banks have correspondent accounts with U.S. banks.

Project Financing

For project financing and risk insurance, American investors and exporters may contact the Overseas Private Investment Corporation (OPIC), which provides direct financing and insurance coverage against political risk, currency inconvertibility, expropriation, and political violence.

The Economic Section of the U.S. Embassy in Tbilisi can provide contact information and assistance to any U.S. firm about export financing, insurance, local and domestic business associations and partners, and business climate information.

Georgia is a borrower from Multilateral Development Banks such as European Bank for Reconstruction and Development, Asian Development Bank, and World Bank.

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Commercial Liaison Offices to the European Bank for Reconstruction and Development](#), [the Asian Development Bank](#), and the [World Bank](#).

Web Resources

[Commercial Liaison Office to the European Bank for Reconstruction and Development](#)

[Commercial Liaison Office to the Asian Development Bank](#)

[Commercial Liaison Office to the World Bank](#)

Except of the banks, Georgia also has other internal sources of project financing, such as Co-Investment Fund and Partnership Fund, and government supported “Produce in Georgia” program.

The Georgian Co-Investment Fund (GCF)

In 2013 the government created the Georgian Co-Investment Fund (GCF) to promote foreign and domestic investments. The GCF, which was initiated by ex-Prime Minister Bidzina Ivanishvili, includes the international and domestic investment communities as Limited Partnerships (LPs), including sovereign wealth funds, major global corporations and private family offices from countries including United Arab Emirates, China, Azerbaijan, Turkey, and Kazakhstan. Ivanishvili’s personal contribution to the fund is reportedly \$1 billion. The remaining is held by the Abu Dhabi Group, the Ras Al Khaimah Investment Authority (both United Arab Emirates), Milestone International Holding from China, Mr. Alexander Moshkevich from Kazakhstan, capital from the estate of the late Badri Patarkatsishvili, Batumi Industrial Holdings (a subsidiary of KazTransOil), Çalik Holdings from Turkey, and the State Oil Fund of Azerbaijan (SOFAR). The fund is currently managing assets in excess of \$2 billion.

Approximately 80 percent of the fund will be invested in Georgia over the next five years, and remaining 20 percent will be invested internationally. Priority areas are: energy and infrastructure; hospitality and real estate; agriculture and logistics; manufacturing.

The fund has allocated capital for investments in the following sectors and industries: up to \$3 billion in energy and infrastructure; up to \$1 billion in hospitality and real estate; up to \$0.5 billion in agriculture and logistics; up to \$1.5 billion in manufacturing and up to \$0.5 billion in other sectors.

The Fund’s minimum IRR threshold for investment in projects is 17 percent and it intends to invest 25 – 75 percent of the total equity investment, with a minimum size of \$5million.

The Fund is expected to retain its ownership interest in the Portfolio Companies for up to seven years, extendable to a maximum of nine. During that period the Fund will exit from its investments through sale of its ownership interest through any of the following routes: Sale to existing co-owners or partners of the project; Sale to external third parties; IPO on local and international stock exchanges.

Enterprise Georgia

In 2014, the government implemented the state program “Enterprise Georgia.” The program aims to develop and support entrepreneurship, encourage creation of new enterprises and increase export potential and investment in the country. The program is coordinated by the Ministry of Economy and Sustainable Development of Georgia through its Entrepreneurship Development Agency, National Agency of State Property, and Technology and Innovation Agency of Georgia. The project provides the following support:

Access to finance

Hotel Industry Incentive

Film Industry Incentive

Micro and Small Business Support

Export Promotion

Trainings & Consulting

Business Service Center

For more information please visit the [Enterprisegeorgia.gov.ge website](http://Enterprisegeorgia.gov.ge).

Within the framework of this program the National Agency of State Property is in charge of the Physical Infrastructure Transfer Component, i.e., free-of-charge transfer of government-owned real property to an entrepreneur under certain investment obligations.

Partnership Fund

The Partnership Fund (PF), established in 2011, is a 100 percent state owned entity with equity value of 2.3 billion GEL (\$940 million). The fund aims to facilitate cooperation between the public and private sector, creating investment projects that lead to job creation and attract foreign investment. The fund is managed by a supervisory board chaired by the Prime Minister, and includes the Ministers of Economy, Energy, Finance, Justice, and chief executives of four banks: TBC, KSB, Bank of Georgia, and Liberty Bank.

The fund is assigned Fitch rating "BB-", which is equal to sovereign ceiling of Georgia.

PF provides equity financing, mezzanine, and in some cases subordinated loans (both convertible and non-convertible). PF's participation in projects is limited to minority shares (up to 50%). It co-finances companies and assists its partners and management teams in developing plans to create sustainable long-term value.

PF is split in two separate business units:

1. Asset management – PF has assets under management with combined annual turnover of over USD 750 million in 2012. PF's portfolio is comprised of Georgia's strategically important assets:

Georgian Railway – 100 percent of shares

Georgian Oil and Gas Corporation (GOGC) – 100 percent of shares

Georgian State Electro system – 100 percent of shares

Electricity System Commercial Operator – 100 percent of shares

JSC Telasi - 24.5% of shares

Georgian Railway and GOGC are the main source of financing for PF's investment activity.

2. Investment activity – the number of the projects implemented or under implementation in various sectors with a total value of over \$2.5 billion. PF has a mandate to invest only in Georgia. PF's strategy is aimed at attracting and supporting private investors. Energy, agriculture, manufacturing, real estate/tourism and logistics/infrastructure sectors are on the top of the

priority list as these sectors are largely untapped and have great potential for further development. PF co-invests in commercially viable investment projects with an experienced partner or specialized operator. PF acts as financial partner for private investors and provides mid to long-term financing.

Project conceptualization and initiation processes may be twofold: private investor seeks participation of the Fund in its commercially viable project, or PF initiates projects based on preliminary feasibility studies and then looks for private investors able and willing to fund it, either entirely or partially.

Multilateral Development Banks

U.S. Trade and Development Agency (USTDA)

USTDA funds various forms of technical assistance, investment analysis, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services. USTDA has funded feasibility studies for a power transmission line, a cold storage facility, and other projects in Georgia.

Overseas Private Investment Corporation (OPIC)

The Overseas Private Investment Corporation (OPIC) is the U.S. Government's development finance institution. OPIC finance and political risk insurance programs assist U.S. companies to invest overseas. Since 1993, OPIC has committed over \$500 million in financing and political risk insurance for more than 50 projects in Georgia. OPIC investment in Georgia has focused on the following sectors: credit for small and medium-sized enterprises, and projects in the franchising, education, manufacturing, tourism, agriculture and health care sectors. Some examples are OPIC's \$18 million loan commitment to finance a Marriott-branded hotel in Tbilisi, a \$10 million loan commitment to finance a Radisson-branded hotel in Kakheti, and an \$18 million loan commitment to finance a hospital in Tbilisi.

U.S. Export-Import Bank (Ex-Im)

Ex-Im is also open for business and provides trade financing for the purchase of American goods, mainly through bank guarantees.

U.S. Agency for International Development (USAID)

USAID began operating in Georgia in 1992. During the past 24 years, the American people have provided over \$1.8 billion in assistance to Georgia through USAID. Building on this successful partnership, the U.S. Government will dedicate its resources to new and continuing USAID programs over the next several years to enhance Georgia's democratic, free-market, Western orientation. Programs include initiatives to stimulate economic growth, develop democratic

institutions, enhance energy security, and improve health and education. The U.S. Government will dedicate its resources to new and continuing USAID programs over the next several years to achieve the goal of Georgia's democratic, free-market, Western orientation transformation. Major development objectives include:

Democratic checks and balances and accountable governance enhanced

Inclusive and sustainable economic growth

Increasingly stable, integrated, and healthy society

Millennium Challenge Corporation (MCC)

In September 2005, the U.S. signed a five-year, \$395.3 million grant agreement, or "compact" with the Government of Georgia. The compact's projects included rehabilitation of rural roads connecting the southwestern part of Georgia to the capital Tbilisi as well as the Armenian and Turkish border crossings, repairs to gas pipelines, and upgraded or built water and wastewater systems in five major cities outside of the capital. It also provided credit and grants for more than 300 small and medium businesses involved in tourism and agriculture. The compact in Georgia entered into force (EIF) in April 2006, formally initiating the five-year timeline for project implementation. The compact concluded in April 2011.

In November 2008, MCC and the Government of Georgia signed a compact amendment providing \$100 million in additional funds to financial completion of road, water supply, and pipeline works under the original compact after the August 2008 conflict with Russia and as part of the U.S. government's larger \$1 billion assistance package to Georgia.

In January 2011, the MCC board approved Georgia's eligibility for a second compact, which was signed in 2013 and entered into force in July 2014. The \$140 million investment is designed to address one of the country's greatest constraints to economic growth: lack of a competitive, skilled workforce. Together, MCC and the Government of Georgia found that the greatest opportunity to improve education quality and address the skills mismatch in the country was to invest in science, technology, engineering and mathematics (STEM) education. Compact projects support this objective through nationwide high school math and science teacher and principal trainings; national and international student assessments; modernization and complete rehabilitation of rural schools; technical/vocational training in STEM fields, agriculture and tourism; and STEM higher education. Since 2015, Georgian students have the opportunity to obtain a U.S. bachelor's degree without leaving Georgia at San Diego State University (SDSU) in Tbilisi, SDSU in Georgia offers high quality, internationally accredited (ABET, ACS, WASC) programs in chemistry, computer science, and several engineering fields.

Upon completion in July 2019, all MCC-funded projects will be independently evaluated and results subsequently published. All MCC-funded projects are required to pass a 10 percent economic rate of return hurdle rate to be considered for investment.

World Bank

Georgia became a member of the World Bank (WB) in 1992 and the International Development Association in 1993. The World Bank Group mission in Georgia is to help end extreme poverty and boost shared prosperity in a sustainable manner. The Country Partnership Framework (CPF) for 2014-17 aimed to achieve faster, inclusive, and sustainable growth while seeking a greater focus on social outcomes and poverty reduction. To achieve this objective, two strategic areas of focus were outlined: (i) strengthening public service delivery to promote inclusive growth and (ii) enabling private sector-led job creation to improve competitiveness.

Since Georgia joined the World Bank in 1992, a total of 69 projects worth over \$2.72 billion of IDA credits and grants and IBRD loans have been provided to the country. The current portfolio consists of twelve active investment projects and one development policy operation for a total of around \$789 million (according to September 2017 data).

The new Systematic Country Diagnostic (SCD) for Georgia was launched early in 2017, in close consultation with the authorities and other stakeholders, in order to identify the most critical constraints and opportunities facing the country.

The new CPF for FY19–22 is currently being finalized and will be presented to the Board of Executive Directors before the end of FY18. The CPF will support the Government of Georgia’s vision of developing a market-based economy while ensuring nationwide prosperity and strengthening the country’s regional position.

International Finance Corporation (IFC)

Georgia became an IFC member and shareholder in 1995. As of December 31, 2016, IFC has provided around \$1.64 billion in long-term financing, of which \$774 million was mobilized by partners for 59 projects in financial services, agribusiness, manufacturing, and infrastructure. In addition, IFC has supported more than \$331 million in trade through its trade finance program, and implemented a number of advisory projects focused on developing the private sector.

As part of the World Bank Group Country Partnership Strategy for Georgia, IFC works to increase access to finance for MSMEs, promote sustainable private sector-driven growth through increased trade and competitiveness, develop Georgia’s significant renewable energy potential, support improvements in productivity for agricultural processing and food safety, and foster the development of public-private partnerships.

European Bank for Reconstruction and Development (EBRD)

[EBRD](#) is helping Georgia develop a dynamic private sector, particularly through financing micro, small and medium-sized enterprises (SMEs), and helping transform the county into a regional transportation and natural resources hub. The Bank's priorities in Georgia focus on strengthening private sector investment, modernizing the energy sector and promoting Georgia's regional and global economic integration, developing local currency and capital markets, expanding markets through inter-regional connectivity, and renewable energy, resource efficiency and climate change adaptation. The Bank also supports the new Georgian government's priority of making growth more socially inclusive by, for example, improving the quality of municipal services in less-developed regions of Georgia. From 1994 through 2016 the EBRD signed 216 projects in Georgia (with total project value of €2.978 billion (\$3.44billion) Current portfolio of projects stands at €778 million (\$898million), which is distributed among following areas: Energy (34%); Financial Institutions (29%); Industry, Commerce & Agribusiness (29%); and Infrastructure (8%).

Asian Development Bank (ADB)

ADB has supported Georgia since 2007. Its sovereign loans to Georgia total \$2.42 billion: \$1.41 billion from ordinary capital resources (OCR), \$900 million from concessional OCR, and \$114 million in co-financing. Non-sovereign loans total \$330 million. As of 1 January 2017, Georgia's classification as a middle-income country excludes it from further access to concessional ordinary capital resources (OCR).

ADB's key development priorities in Georgia are to foster inclusive and sustainable economic growth, reduce poverty, enhance regional connectivity, and improve public service delivery. Priority sectors include transport, water supply and sanitation, energy, public sector management, and finance. In 2014, ADB approved Georgia's graduation from access to ADF resources, taking effect from 1 January 2017. Between 2008 and 2016, ADB approved emergency assistance and five program loans totaling \$500 million.

Web resources

[Millennium Challenge Georgia](#)

<https://www.ebrd.com/georgia.html>

[Export-Import Bank of the United States](#)

[OPIC](#)

[SBA's Office of International Trade](#)

[Trade and Development Agency](#)

[U.S. Agency for International Development](#)

[USDA Commodity Credit Corporation](#)

[World Bank](#)

Business Travel

Business customs

The development of personal rapport is an important part of business relationships in Georgia. Business meetings tend to be relatively relaxed affairs. Although tardiness does not necessarily reflect a lack of respect, foreign visitors should be punctual. Business lunches are less common than in the U.S. and Europe. Elaborate dinners - known as "Georgian tables" or "supras" - are generally long affairs, at which numerous, informal and impromptu toasts are often required of both host and honored guests. Wine is an important part of Georgian culture, and is a part of any meal. Georgians take great pride in their reputation as gracious hosts.

Travel advisory

[U.S. State Department Georgia Travel Information Sheet](#)

Visa requirements

A passport is required. U.S. citizens visiting for 90 days or less do not need a visa. Armenian and Azerbaijani visas are no longer valid for transit through Georgia. For further information on visas, please contact:

Georgian Embassy to the U.S.:

1101 15th Street, NW Suite 602,
Washington DC, 20005

Tel: (202) 387-2390, fax: (202) 393-4537

U.S. Embassy Tbilisi encourages visiting Americans to register with the Consular Section of the U.S. Embassy in order to obtain updated information on travel and security within Georgia.

Travel information about Georgia:

U.S. companies that require travel of foreign businesspeople to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links:

[State Department Visa Website](#)

[Consular Section, U.S. Embassy Tbilisi](#)

Currency

The official currency is the Georgian Lari.

Telecommunications/Electronics

Georgia enjoys direct-dial long distance service for international calls. The capacity and quality of landlines was limited but respective infrastructure is being improved continuously. Cellular phones are ubiquitous and relatively inexpensive. BlackBerry service is available. Internet access is

available at large hotels and at internet cafes and parks in Tbilisi and some other towns. Subscriber Internet service is available through several local providers and is also moderately priced by regional standards. However, Internet access might be limited outside of Tbilisi and other major cities.

Transportation

The condition of most main roads in the country is average, but remains poor in rural areas. Within the capital there are many new and inexpensive buses, taxis, and "marshrutka" minibuses. There is also a functioning subway system in Tbilisi. A cab ride from the airport to the center of Tbilisi should cost approximately \$20.

Tbilisi International Airport is Georgia's principal international airport handling 1,000-1,200 passengers per hour, and is served by a Georgian flag carrier Georgian Airways (formerly Airzena), Lufthansa, Turkish Airlines, FlyDubai, Czech Airlines, Lot Polish Airlines, Aegean Airlines, Alitalia, Qatar Airways, China Southern Airlines, Azerbaijani Airlines, AirBaltic, Belavia, Ukrainian International Airlines, Aircompany SCAT, Siberian Airlines, Air Arabia, Air Astana, Atlas Jet and Pegasus Airlines among others. A major rehabilitation and expansion of the Tbilisi and Batumi airports has been carried out in 2016. Charter flights to destinations in Russia are operated by Russian and Georgian carriers.

Newly rehabilitated Kutaisi International Airport in western Georgia (up to 3 hours' drive from Tbilisi) offers cheap flights by Wizz Air to Bulgaria, Cyprus, Greece, Germany, Hungary, Lithuania, Italy and Poland. A new airfield was constructed in Mestia (in the mountainous Svaneti region). Recent addition to the pool of Georgian airports is Telavi Airport in Kakheti (eastern Georgia), which on the initial stage will serve domestic flights only, with further plans for diversification.

Batumi Airport offers international connections to Baku, Istanbul, Kiev, Minsk, Moscow (charter flights), and Kharkov (summer only).

Georgia's railroad system has improved substantially for passenger trains in recent years, but is relatively slow. Tbilisi-Batumi passenger train has become a preferred mode of transportation for travelers to western Georgia, given the 4 hour drive time and comfortable wagons. Currently, about 90 percent of freight traffic travels on the main Trans-Caucasus route between the Black Sea ports of Poti and Batumi through Tbilisi to Yerevan (Armenia) and Baku (Azerbaijan). Completion of the Baku-Tbilisi-Kars (BTK) Railway in 2017-18 will facilitate rail transport from Azerbaijan to Turkey and Europe.

Language

The official language is Georgian and the most widely spoken across the country. English is gaining in popularity and Russian is also used but less so among youth. Interpreters are widely available and are relatively inexpensive.

Health

Elderly travelers, travelers with chronic medical conditions, and travels with young children are advised to purchase overseas medevac insurance and bring an adequate amount of medication for the duration of their stay, some medication may not be registered in Georgia and thus will not be available even with a valid prescription.

Medical services in Georgia are in a state of transition with many positive changes over the past year. Small private, well-equipped hospitals like MediClub in Tbilisi and Medina in Batumi are fully operational. These facilities have well-trained staff, practicing evidence-based medicine. Medical corporations EVEX and Geo-Hospitals have network of hospitals and out-patient clinics in Tbilisi and other regions. Many state hospitals remain in poor repair but have the capability to stabilize and transfer patients to a higher level of medical care in Georgia and on to western European destination. Several facilities like New Hospital or Avertis are inviting foreign specialists for consultation.

Tricare health insurance for active duty and retired U.S. military is accepted at many facilities. Cigna International is also accepted at many private clinics and hospitals. Travelers should check with their health insurance company to inquire about overseas coverage.

Although Georgia has a pediatric immunization program schedule of vaccination, it differs from the one in the U.S. Some of American vaccines are not included in Georgian vaccination plan (and vice versa). In addition, local vaccines are not FDA approved. It is advisable that travelers check with the Centers for Disease Control and Prevention (CDC) for the latest vaccine recommendation for travel to Georgia. Prevalent diseases include Hepatitis A and Rabies.

The U.S. Embassy maintains a list of English-speaking physicians. Travelers may obtain further information on health matters from the Centers for Disease Control and Prevention's International Travelers' Hotline at (404) 332-4559.

Local time, business hours, and holidays

Standard time zone for Georgia is: UTC/GMT + 3 hours during summer time and UTC/GMT + 4 during wintertime. Georgia does not observe daylight savings time. Although the business day runs from 9:00 a.m. to 6:00 p.m., the best contact time is 10:00 a.m. to 5:00 p.m. Business leaders and senior government officials tend to start work around 10:00 a.m., work into the night, and often break for a late working dinner.

Georgia has 14 national holidays – 2015 Holiday Calendar:

- January 1-2 New Year's Day
- January 7 Christmas (Orthodox Church)
- January 19 Epiphany (Orthodox Church)
- March 3 Mother's Day
- March 8 International Women's Day
- April 9 Independence Restoration Day
- April 14 Good Friday
- April 17 Easter Monday (Recollection of Deceased)

- May 9 Victory Day
- May 12 St. Andrew's Day
- May 26 Independence Day
- August 28 Day of the Virgin (Orthodox Church)
- October 14 Svetitskovioba (Day of the Saint)
- November 23 St. George's Day

Temporary Entry of Materials and Personal Belongings

Travelers to Georgia must fill out a customs declaration upon arrival and present it to customs officials upon departure. Travelers must declare on the customs form all items of value, including currency; failure to do so may result in fines or other penalties. If your customs form is lost or stolen, please report the loss to the police to obtain a certificate to show to customs officials upon departure.

Georgia's customs authorities may enforce strict regulations on the temporary importation into or export from Georgia of items such as alcohol, tobacco, jewelry, religious materials, art or artifacts, antiquities, and business equipment. Only personal medications with a doctor's prescription can be imported without the permission of the Georgian Department of Healthcare.

U.S. citizens may not import firearms into Georgia; however, hunting weapons may be brought into the country for a two-week period based on valid Georgian hunting licenses. While there is no limit to the amount of currency that can be imported, travelers bringing more than 30,000 GEL (approximately \$13,263) in cash are required to make a declaration. If more money is exported than was declared at the time of entry, the traveler is obligated to prove it was legally obtained. There are limits on the amount of exported Georgian currency.

The Department of Expertise and Evaluation under the Ministry of Culture and Science must license any valuables being taken out of Georgia such as artwork, antiques, jewelry, paintings, etc. This license describes the object, assesses its value, and provides permission to export it from Georgia. The U.S. Embassy in Tbilisi, Georgia can provide more specific information on quantities of items that can be imported duty free, as well as duties for specific items. It is also advisable to contact the Embassy of Georgia in Washington, D.C. for specific information regarding customs requirements.

Travel Related Web resources

- [Tbilisi Weather](#)
- [Info-Tbilisi](#)
- [Mediclub Georgia](#)
- [International Medical Support Services](#)