

INVEST IN GEORGIA

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Mikheil Saakashvili reelected President of Georgia

On January 20 Mikheil Saakashvili who won the elections with over 53 percent of the vote was inaugurated as Georgia's new president.

The guests who arrived in Tbilisi for the inauguration ceremony included the presidents of Estonia, Latvia, Lithuania, Poland and Romania, foreign ministers of Russia, Sweden and Armenia, parliamentary speakers of the Czech Republic and Turkmenistan, prime ministers of Azerbaijan and Kazakhstan, the deputy prime minister of Ukraine, the U.S. Secretary of Commerce, the French minister for agriculture, and British, NATO and EU special representatives for the South Caucasus.

Particularly important is the visit of Russian Foreign Minister Sergey Lavrov, which together with other indications hints to improving relations with Russia. **Saakashvili invited President Vladimir Putin to his inauguration and although the latter did not come, his congratulations to Saakashvili delivered by Sergey Lav-**

rov, suggests that the tide in Russia-Georgia relations may be turning. Late last week, Russian chief sanitary



inspector Gennady Onischenko indicated that he was prepared to discuss resuming Russian imports of Georgian wine (which were halted in spring 2006).

There were seven candidates contesting in the January 5th presidential elections for the five-year presidential term. Below is the list of candidates in accordance to their numbers in the election ballot:

1. Levan Gachechiladze – nominated by the nine-party opposition coalition;

2. Arkadi Patarkatsishvili – a business and media tycoon and independent candidate;

3. Davit Gamkrelidze

– the leader of opposition New Rights Party;

4. Shalva Natelashvili – the leader of opposition Labor Party;

5. Mikheil Saakashvili – the ex-president and leader of ruling National Movement Party;

6. Giorgi Maisashvili – the leader of Party of Future;

7. Irina Sarishvili – the leader of Hope party.

Mikheil Saakashvili will serve the second presidential term for five years.

“Our priority in the last four years was to break the chains re-

straining our country's development. **The next five years will be dedicated to letting freedom enter in to every Georgian family, further strengthening of democracy and defeating poverty.** The welfare of every family will be the top priority of the reshuffled Georgian government, which I will present in the coming few days.”

Parallel to casting votes in the presidential elections, Georgians also voted on the issue of Georgia's integration into the NATO and the date of the forthcoming parliamentary elections. According to the data of the Central Election Commission, 72.5% of voters voted in favor of Georgia's integration into the NATO and 69.8% voted for the parliamentary elections to be held in the spring of 2008.

The Georgian Economy: The Next Five Years

The first presidential term of Mikheil Saakashvili (2004-2007) was characterized with deep structural reforms, rapid economic growth, high investment inflows and the high resilience to external shocks.

its 5-year plan, which will take the country to the next level of development.

Please, visit http://www.investingorgia.info/i2/Georgian_economy_2008-2013.pdf to further learn what the Georgian government has planned.

The Government of Georgia has outlined

Lado Gurgenzidze
Prime Minister of Georgia



Mikheil Saakashvili reelected President of Georgia

Prime Minister Lado Gurgenzidze attended the EuroMoney Conference in Vienna

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Mikheil Saakashvili received valuable endorsements when the United States followed the OSCE, the European Union and NATO (the latter two are the blocs the pro-Western leader wants Georgia to join) in giving the January 5th presidential election a qualified welcome.

During his first presidential term, **Mikheil Saakashvili achieved to have a corruption-free government, annual economic growth in double digits and large investment inflows.**

“I believe there are many aspects that need to be criticized, this is still a country in transition, this is still not a full-fledged, very well-formed, crystallized society, we still have lots of things to do”, said Saakashvili in an interview with the Associated Press. “But I think we are on the right track and this election has just proven that”.

On January 14-17 Prime Minister Lado Gurgenzidze paid an official visit to Vienna. He attended the EuroMoney Conference on January 15 and had a meeting with European bankers and investors about new financial investments. More than 1,200 delegates attended the conference. Lado Gurgenzidze dis-

cussed successful achievements of the Georgian government in liberalizing the economy. He presented Georgia’s plan for the next 5 years.

A roundtable discussion on Georgia was held on the same day where the Acting President of the National Bank of Georgia David Amaglobeli along with

Gurgenzidze and other senior representatives of the Georgian banking sector spoke about Georgia’s growing financial sector and future investments in this sector. A roundtable was attended by many and the prime minister’s remarks on continuation of Georgia’s economic growth in 2008 were well received.

Final Results by CEC (Central Election Commission) based on vote tallies from 3,482 polling stations are:

1	Mikheil Saakashvili	53.47 %	
2	Levan Gachechiladze	25.69 %	
3	Arkadi Patarkatsishvili	7.10 %	
4	Shalva Natelashvili	6.49 %	
5	Davit Gamkrelidze	4.02 %	
6	Giorgi Maisashvili	0.77 %	
7	Irina Sarishvili	0.16 %	

2007 Budget Performance

News

The Ministry of Finance of Georgia reported that the revenues and grants of the annual 2007 consolidated and state budgets exceeded the forecast by GEL 82.4 mln (up 36% y-o-y) and GEL 52.9 mln (up 37% y-o-y),

respectively. Consolidated budget revenues were GEL 5,915.6 mln, or 101% of the forecast numbers. Tax revenues collected were GEL 4,391.1 mln, or 102% of the budgeted amount. Non-tax revenues were GEL 880.7 mln or 104% of

the budgeted amount.

For more information see: http://www.investinggeorgia.org/uploads/file/2007_Budget_Performance_140108.pdf

Three new banks to open in Georgia

The banking sector is one of the fastest growing segments of the Georgian economy. There are now 18 commercial banks in Georgia, and at least three more are expected to join the mix in 2008.

ProgressBank, founded by Georgian football star Kakhi Kaladze, has already submitted its licensing application to the National Bank of Georgia.

In addition, a UAE investment group and a Kazakhstan Bank are both planning to open banks in the country.

National Bank of Georgia data shows foreign direct investment in the banking sector totaling USD 115.1 million in the first three quarters of 2007, more than twice the total in the same period of 2006.

The year's third quarter alone saw investments of USD 87, 2 million.

End of Period Consumer Price Index for 2007 declines to 11%

The Department of Statistics of the Ministry of Economic Development of Georgia reported that the consumer price index (CPI) for December 2007 declined to 0.3% from 1.4% in November 2007. As a result, the end-of-

period CPI for the twelve months ended 31 December 2007 declined to 11.0% from 11.6% at the end of the previous month. The annual end-of-period CPI in 2007 increased from 8.8% in 2006. However, the annual period-average CPI

in 2007 remained unchanged from the previous year at 9.2%.

For more information see: http://www.investinggeorgia.org/uploads/file/Inflation_Statistics_Dec_2007.pdf

Government of Georgia submits to Parliament the Global Competitiveness of the Financial Services Sector Act

The government reported that it has submitted to Parliament the draft Global Competitiveness of the Financial Services Sector Act (the "Act"), which, if passed, would trigger broad changes in 26 other laws and enhance significantly the stability and global competitiveness of the Georgian financial sector. The key changes under the Act

touch upon the following: Fiscal Policy, Free Industrial Zones & International Warehouse Regime, National Bank of Georgia, the Financial Services Authority and streamlining of the bank governance, Enhancement and streamlining of the anti-money laundering and "fit and proper" regulations, Taxation of financial instruments, International Fi-

ancial Institutions, Stock exchange demutualization and other changes in the securities law, Laws on electronic signature and accounting and auditing

For more information see: http://www.investinggeorgia.org/uploads/file/Financial_Services_Sector_Act_14_0108.pdf

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SPONSORS

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Ukraine – one of the largest trade partners of Georgia

According the data of 2007 (eleven months period) Ukraine is the third largest trade partner of Georgia. Trade turnover between Georgia and Ukraine in 2007 (January-November) constituted 549.6 million USD. The

figure is increased by 62.3% compared with the last year.

Georgian export to Ukraine is increased by 57.3% and it constitutes 78.4million USD. Main part of the export comes from

alcohol products and mineral water. In 2007 import from Ukraine constituted 471.2 million USD. It was increased by 63.2% compared with the last year. Most of all iron, black iron and tobacco products import was increased.



Did You Know...

INVESTMENT OPPORTUNITIES

HSBC, Europe's biggest bank one of the largest banking and financial services organizations in the world., has established its branch office in Tbilisi and has started operating. For more information visit <http://www.hsbc.com/1/2/>

Ernst & Young, a leading international professional services firm that assists businesses across all industries, has been operating on the Georgian market since 1994. Its Tbilisi office is staffed by over 50 professionals, together comprising the largest professional services firm in Georgia and the Trans-Caucasus region as a whole. For more information visit http://www.ey.com/global/content.nsf/Georgia_E/About_EY_-_Overview

PricewaterhouseCoopers, provider of industry-focused services for public and private clients, opened its office in Tbilisi in 2005. Since, it has seen remarkable growth along with the growth of its client base, which now covers all sectors of economy including Energy, Financial services, Consumer and Industrial Products, Telecommunications and Services.

For more information visit <http://www.pwc.com/extweb/aboutus.nsf/docid/9FE531F362D9B9FE802571480028E642>

Warid Telecom, the fastest growing GSM mobile company in Pakistan, is already in Georgia. It is backed by the Abu Dhabi Group, one of the largest groups in the Middle East and the single largest foreign investor group in Pakistan.

For more information visit <http://www.waridtel.com/cgi-bin/warid/dev1/warid/homepage>

From 35th in 2007 to 32nd in 2008: Georgia moves up on the Heritage Foundation's Index of Economic Freedom

Georgia ranks 32nd in the Index of Economic Freedom World Rankings 2008 prepared by the Heritage Foundation and the Wall Street Journal. Georgia's economy is 69.2 percent free, which makes it the world's 32nd freest economy out of 157 countries and puts it in the category of moderately free economies. Georgia is ranked 18th out of 41 countries in the European region. It moved three steps up compared to the index of economic freedom released in 2007.

According to the report, "Georgia scores extraordi-

narily well in business freedom, fiscal freedom, government size, investment freedom, and labor freedom. Business operations are simple and not hampered by red tape. A very low top income tax rate complements the low corporate tax rate, and tax revenue is fairly low as a percentage of GDP. The strongest national institution is the labor market, which is highly flexible and far freer than those of most advanced economies."

Georgia scores 85% in terms of business freedom, 71% in terms of trade

freedom, 90,7% in terms of fiscal freedom, 81.3% of government size, 71,4% of monetary freedom, 70% of investment freedom, 60% of financial freedom, 35% of property rights and 99,9% in terms of labor freedom.

According to this year's index, Georgia scores better in terms of economic freedom than such countries as Norway, Czech Republic, Latvia, France, etc.

For more information see the full report at <http://www.heritage.org/research/features/index/downloads.cfm>

CITY CENTER TBILISI

BARGANA DEVELOPMENT LLP, being a part of Kazakhstan investment holding **BARGANA**, would like to present their new development project **CITY CENTER TBILISI**.

The project idea is to build up new modern district with residential and commercial construction. The projected territory is located in the center of Tbilisi and has the area of 510 000 sq.m., total construction area is more than 700 000 sq.m., total project cost is about 700 mln. USD.

The complex "CITY CENTER TBILISI" is a unique project of creation of a new business and cultural center, a kind of "city in the city" with all the necessary residence and work infrastructure and a wide range of the relevant services, so that there will be no need to leave the premises.

BARGANA DEVELOPMENT LLP is now looking for interested investors for this project. The company is ready to discuss different options of cooperation, including the sale of some part of the project or organizing joint-venture.

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Georgian Company Profile

MADNEULI – best of Georgian gold and copper



JSC Madneuli is the leading mining company in Georgia contributing more than 10% of Georgian exports. Its gold-copper-barite mines are located in the Bolnisi region of southern Georgia 80 kilometers away from Tbilisi.

The first processing plant in the area started in 1975. Since then the company has established itself as a respected precious metals producer in Georgia and in the post Soviet Union space.

JSC Madneuli is owned by GeoProMining (formerly Stanton Equities Corporation) since 2005, when a tender for privatization of the company was held. Since then the company has achieved a significant progress in various directions and has maintained a leading position in Georgian economy.

In 2006 Madneuli's net profit amounted to \$67 million, 164% more than in the previous year. The size of the personnel has almost doubled since the privatization from 800 to 1500 workers. Last year the state budget received about \$33 million from Madneuli. The share of the company's products in

Georgia's exports is about 8%.

The company's main products are copper and gold concentrates. The main export markets currently are the countries of Western Europe.

Madneuli's owner, GeoProMining also owns the Quartzite LTD – a company, which works on extraction of pure metals from secondary ones.

Social Responsibility

Implementation of various social projects has become an important part of Madneuli's and Quartzite's activities. During last two years the companies have participated as sponsors in over 90 projects in wide variety of fields, ranging from sports to agriculture. The total sum of the contributions has amounted to more than GEL 2 million.

Madneuli's support for Georgian football has already become a tradition. In the years 2006-2007 the company has spent about GEL 350 thousands on the local Bolnisi Sioni team. In the year 2008 the company will be the general sponsor of the Georgian national football team.

Madneuli also sponsored

various charitable projects and organizations, churches and monasteries, the development of the Georgian viniculture and the conflict regions, higher education institutions and art-related events.

Over a million Lari was spent on various social projects by the Quartzite LTD.

Environment Protection

One of the main goals of the Madneuli management is to make sure that the company's activities satisfy various national and international ecological standards. British-American Company Golder Associates has conducted an environmental audit in Madneuli according to the standards of the International Finance Corporation.

In February 2007 Madneuli signed a memorandum of mutual understanding with the Ministry

of Environment Protection.

In 2007 a research laboratory was created for Madneuli's ecological service. The laboratory's equipment was assessed positively by ecological experts from TUV and IFC and representatives of the Ministry of Environment Protection. The laboratory helps the company to conduct monitoring of the environment systematically.

Madneuli plans to continue and enhance all these activities. "While our past is impressive, we are determined to meet the challenges and opportunities for our future holds," the company's website reads.

For more information about Madneuli visit

www.madneuli.ge

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