

**INVEST IN GEORGIA**

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**National Movement Party wins Parliamentary Elections**

Georgia held the parliamentary elections on May 21. Three election blocs and nine parties ran to secure seats in the supreme legislative body of Georgia.

According to the Central Election Commission (CEC), the ruling National Movement Party won a landslide victory in the with 59.14% of votes in the proportional party-list contest. As the CEC spokesmen Zurab Kachkachishvili stated on May 23, the ruling party also secured 71 MP seats out of 75 available in the majoritarian contest (based on single-mandate constituencies).

These are still the early results, however, according to the CEC, they are unlikely to change significantly. This means that the National Movement will have at least 120 seats out of 150 in the new parliament. It is well

enough to form the constitutional majority, which is two-thirds of seats.

Three opposition parties managed to overcome a 5%

7.45%.

According to the Central Election Commission, voter turnout was 55% with 1,905,960 people out of a registered 3,465,736



Election Commission counted votes and the ruling National Movement Party celebrated its victory, a parade was held on the Rustaveli Avenue

to celebrate the Independence Day on May 26. The guests included the Polish President Lech Kaczynski.

"I salute thousands of Georgian soldiers, thousands of Georgian reservists, who are presently protecting peace

threshold necessary for gaining seats in the parliament through the proportional party-list system. They are: the joint opposition bloc United Opposition (National Council/ New Rights) with 17.75%, the Christian Democrats (led by Giorgi Targamadze) with 8.65% of the vote and Labor Party (led by Shalva Natelashvili) with

casting their vote. The elections have been assessed by the international observers as mainly calm and meeting international standards.

Under the Georgian Election Code, final results of the Parliamentary Elections will be announced within 18 days from the election day.

As the Central

in Georgia and Georgia's future, each of us and our future generations and I want to promise entire Georgia that our country, despite attacks, despite pressure will become united, Georgia will return its territories and it will be unified," President Mikheil Saakashvili said.

## First International Logistics Conference Held in Tbilisi

### Foreign Trade Statistics

Tbilisi's first international logistics conference was held on May 8<sup>th</sup> at the Sheraton Metechi Palace Hotel. The keynote presentation of the conference was "Logistics City Tbilisi", which was attended by numerous guests from economic research institutes, foreign and Georgian business circles and international transport companies. The event was held with the support of the Ministry of Economic Development of Georgia, the Tbilisi Aircraft Manufacturing Company, Georgian National Investment Agency and Trans Care.

The conference was opened by Minister of Economic Development Ekaterine Sharashidze, who made a presentation about Georgia's recent economic performance. "Georgia looks attractive from the outside as an investment space, and we take pride in this economic atmosphere, which was achieved by enacting new reforms. We made the so-called 'Customs Reform' which aims at maximally liberalizing the country's customs policies for the import of marketable goods. The internal economic envi-

ronment of Georgia is now ready for new businesses to make the first steps without any additional problems. The main reasons why we managed this economic growth is a tough fight against corruption and the liberalization of business laws. We are just



shaping our future business management, and this new project is a good example of this," said Ms. Sharashidze, who welcomed the opening of the conference.

Another person who described the meaning of the project was the President of the Georgian Chamber of Commerce and Industry, Mr. Jemal Inaishvili: "We all know what part transportation services play in business: they are crucial for

transporting goods overseas and aid companies in marketing. Georgia is gearing up to face some big economic projects in the future and it really does have remarkable opportunities along with an improved business atmosphere. It is worth admitting

that previous problems were due to transportation shortcomings; yes we have Poti and Baku ports, but their capabilities seem to be too small, and now we are just improving our mistakes and this project will give us a helping hand. Successful management of this project will aid more comfort for investment in Georgia, and we are waiting for even more economic growth during the next ten years."

According to January-March 2008 data, Georgia's foreign trade turnover accounts for 1740.9 million USD, which is 37.1% more than the same data from the previous year. Out of this sum, exports make 330.6 million USD, whereas imports make 1410.3 million USD. Top product in exports is ferroalloys accounting for 17.4% of all exports (57.6 mln USD). The second biggest exported product is nitric fertilizers accounting for 10.1% of total exports (33.5 mln USD).

The top imported product for January-March 2008 period is cars accounting for 11.9% of total imports (167.9 mln USD). The second biggest imported product is oil and oil products accounting for 11.52% of total imports (162.9 mln USD).

In the same period, Georgia's foreign trade turnover with the European Union equals 484.2 million USD, which is 29.3% more than the same data from the previous year. Out of this amount, exports account for 95.7 million USD (50.5% growth) and imports – for 388.5 million USD (25% growth). Trade with the EU makes 27.8% of Georgia's total foreign trade turnover.

In January-March 2008 Georgia's ten largest trade partners account for 67.9% of Georgia's total foreign trade turnover. Among them there are four CIS countries with 28.4% of Georgia's total foreign trade turnover. In the same period of 2007, Georgia's ten largest trade partners included three CIS countries (30.7% of Georgia's total foreign trade).

## GNIA held business forums in the regions of Georgia

In May 2008 the Georgian National Investment Agency held business forums in several regions of Georgia – Kakheti, Imereti and Guria. The first international business forum named "Kutaisi – The Second Capital" was held in Kutaisi where the representatives of the government and business circles discussed investment opportunities and development potential of the city including future development of the Kopitnari Airport, industrial development of Western Georgia, foreign investments in Kutaisi, natural resources, tourism, etc. The second business forum was held in Ozurgeti, Guria where the parties spoke about the region's development opportunities, "cheap credit" projects, tourism zone development in Bakhmaro, etc. The third business forum was held in Telavi, Kakheti where infrastructure development, road rehabilitation, water supply, irrigation problems, "cheap credit" projects, tourism development and other topics were discussed.

## Lithuanian Business Delegation visits Georgia

On May 6<sup>th</sup> and 7<sup>th</sup>, 2008, a delegation of Lithuanian businessmen, headed by Vice Minister of Economy of the Republic of Lithuania, paid a two-day visit to Georgia. The visit marks the intensification of economic and business links between Georgia and Lithuania, and shows the growing interest of Lithuanian businesses in the Georgian economy. Over the duration of the visit, the guests had an opportunity to meet the Minister of Economic Development of Georgia, as well as Georgian businessmen to discuss possible cooperation.

The Lithuanians arrived in the Georgian capital on the first direct flight from Vilnius conducted by FlyLAL, Lithuanian Airlines. From now on, it will be possible to

fly directly between Tbilisi and Vilnius twice a week at the cheapest rate on the market, according to a representative of FlyLAL. Pas-



sengers will also be able to fly to other European capitals via Vilnius.

A Georgian-Lithuanian Business Luncheon was held on the first day of the visit, where Eka Sharashidze, Minister of Economic Development of Georgia, briefed

the Lithuanian guests about Georgia's recent economic performance and investment opportunities. The delegation of the Lithuanian busi-

nessmen included the representatives from the construction, real estate, transportation and computer technologies sectors. After the business luncheon, Lithuanian and Georgian businessmen had an opportunity to share contacts.

There is a great interest from the Lithuanian businessmen in Georgia's investment opportunities. Business relations between the two countries have been growing fast recently, with 1.875 million USD of Lithuanian investments made in Georgia in 2007, according to the Department of Statistics of Georgia.

The visit of the Lithuanian businessmen was organized and supported by the Georgian National Investment Agency, Ministry of Economic Development of Georgia, Ministry of Economy of the Republic of Lithuania, Embassy of Lithuania in Georgia, International Chamber of Commerce, Baltic Chamber of Commerce in Georgia, and DLA Piper LLC.

## Baltic Chamber of Commerce Established in Georgia

On April 21, 2008, the Baltic Chamber of Commerce was officially presented to the public, highlighting the improving business climate in Georgia, and the growing interest of businesses from the Baltic countries in the Georgian economy. Increasing numbers of private businesses from Estonia, Latvia, Lithuania and Poland are seeking new business opportunities in Georgia. Over 30 companies representing Baltic and Polish capital have already been operating in Georgia.

Responding to this interest, ten companies representing the Baltic and Georgian capital have established

the Baltic Chamber of Commerce (Balcham).

The priorities of the Balcham are:

- ◆ to promote trade between Georgia and the Baltic countries and Poland;
- ◆ to increase investment flow between the Baltic countries, Poland and Georgia;
- ◆ to assist members in integrating into the Georgian economy;
- ◆ to contribute to the improvement of the overall investment climate in Georgia.

"Almost every week I receive a call or an email

from a businessman from the Baltic countries inquiring about business opportunities in Georgia", said Martins Vecvanags, the Chairman of the Board of the Balcham. "The Chamber will help these businessmen make business contacts and learn more about Georgia". According to him, over 20 companies have already expressed interest in joining the Balcham.

The establishment of the Balcham is supported by the Embassies of the Republic of Estonia, the Republic of Latvia, Republic of Lithuania, the Republic of Poland in Georgia and the Georgian

National Investment Agency.

"Georgia is open to foreign investments, and I am glad to see the rising interest of businessmen from Baltic States towards our country. The creation of the Baltic Chamber of Commerce is an important step towards intensifying business links between Georgia and the Baltic states," said Mikheil Kobaladze from the Georgian National Investment Agency.

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## Israeli Business Forum held in Tbilisi

On May 12, a Georgian-Israeli business forum entitled "We Build Together" was held in Tbilisi to celebrate Israel's 60<sup>th</sup> anniversary. A large delegation of Israeli businessmen visited the Georgian capital for this occasion. 60 Israeli-led investment projects currently in progress in Georgia were presented at the conference.

The investment projects are being carried out in many sectors, including agriculture, technology, tourism, aviation and real estate.

The forum, organized by the Israel-Georgia Chamber of Business, and the Georgian National Investment Agency, opened with speeches by the President of the Israel-Georgia Chamber of Commerce, the Minister of Economic Development of Georgia, and the Ambassador of Israel to Georgia.

Lasha Zhvania, former Ambassador to Israel, was one of the first to attract Israeli investors to Georgia: "Current Georgian-Israeli relations themselves define this conference's necessity today. Firstly, it presents the development of the investment environment in Georgia, and familiarizes the in-

vestors with the situation here, and the different business projects, and lets them decide where to invest their money. The important thing is that investments in Geor-



Itsik Moshe, President of Israel-Georgia Chamber of Business and Lado Gurgenidze, Prime Minister of Georgia

gia have increased lately, which strengthens the economy and makes it more attractive for further investment. We hope more Israeli companies invest in Georgia in the future."

The opening speeches were followed by consultations on legal, banking, financial and audit issues.

Even though Israeli investors are well aware of the current political tensions in Georgia, they remain confident that it will not damage their long-term plans, and

they all seem happy to do business with Georgia. As project-leader Moshe Rapa-port commented: "All connections between Israel and Georgia are very important for us, we have been here for a year already, and we like to be here because of the good business environment."

This opinion was sec-

onded by Itsik Moshe, the president of Israel-Georgia Chamber of Business: "We should always be realistic, and what was really the most important at this forum, is the fact that despite recent events, Georgia's image remains high internationally. Nearly 100 people are at this forum today, and 30 of them are newcomers who came to Georgia to invest their money."

Taking into consideration the fact that "Israel is a small country but with a big potential", as Lasha Zhvania evaluated it, the forum is supposed to be one step forward in developing economic situation in Georgia.

The Georgian Minister of Economic Development, Ekaterine Sharashidze, commented: "This forum is very important for the development of Georgian-Israeli relations, and for the economic development of our country. Hundreds of investments are already made in Georgia from Israel, and today's forum will really be helpful for attracting new investors, and consequently creating new industries and new jobs".

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## New Investment Program In Greenfield HPPs Initiated

The Government of Georgia has approved the standard terms and conditions for the greenfield investments in hydro power plants (HPPs). The Ministry of Energy has announced the solicitation of expressions of interest by investors in greenfield HPPs and other renewable energy plants under the build-operate-own (BOO) structure.

A list of prospective greenfield HPP sites has been published by the Ministry of Energy on its website ([www.minenergy.gov.ge](http://www.minenergy.gov.ge)). The list comprises 87 sites, with the prospective capacity ranging from 5 MW to 60 MW. Most of the prospective HPPs comprising the list are expected to be run-of-the-river facilities.

Investors interested in investing in greenfield HPPs from the list are required to

submit a standard application form to the Ministry of Energy, available on its website. Once an application is received for a particular greenfield site, the site will be marked as "Under Offer" on the Ministry of Energy website, and will remain available for other investors to submit competing applications during a 30-day period. If no competing application is submitted during this period, the initial prospective investor is automatically declared the winner upon submitting a bank guarantee in the amount of US\$170,000 per MW of prospective capacity, and is invited to sign a standard Memorandum of Understanding with the Ministry of Energy, as well as other standard documentation. In the event that more than one prospective investors apply

for the same greenfield site, the winner will be declared in accordance with a transparent formula assigning equal weights to the size of the bank guarantee (per MW of prospective capacity) and declared time to completion.

The winner will be able to purchase the land of the greenfield site at a nominal price following the execution of a land sale and purchase agreement with the Ministry of Economic Development.

The investor will be free to sell the electricity generated by the HPP either domestically or abroad without any restrictions, except for a three-month period during the winter season (1 October – 1 April) as specified by the Ministry of Energy, during which the electricity may only be sold domestically. The electricity tariff in this case is not sub-

ject to any regulations or caps. If so desired, the investor will be able to sign a 10-year agreement entitling the investor to sell, in its sole discretion, part or all of the electricity to the state-owned Energy System Commercial Operator, but at tariffs set by the independent regulator. No other restrictions or limitations shall apply to the greenfield sites in the approved list.

Additionally, the Government of Georgia invites interested prospective investors to initiate discussions regarding the terms and conditions of investing in several large greenfield HPP sites, with prospective capacities ranging from 60 MW to 600 MW. The list of these large HPP sites is also published on [www.minenergy.gov.ge](http://www.minenergy.gov.ge).

## Invitation for Expressions of Interest in the Acquisition of an 85% Equity Interest in JSC Gudauri

### Investment Opportunity

The Government of Georgia invites international and local investors to submit expressions of interest for the purchase of 84.7% equity interest in JSC Gudauri, the owner of a ski-in/ski-out hotel, located in the Kazbegi region of Georgia, 120 km away from Tbilisi international airport, at the altitude of 2,000-3,275 meters from the sea level. The Gudauri hotel is located in the heart of the eponymous ski resort in Georgia, which is set in a spectacular location high in the Greater Caucasus. Southern



exposure of Gudauri resort ensures plenty of sunshine and its altitude and location offer great snow conditions from May through November through

provides skiers with access to some of the finest powder-snow in the Caucasus.

The assets of Gudauri include, inter alia, Gudauri Hotel, several adjacent small and large size cottages, and several Doppelmayr ski lifts in good working condition.

For more information, please, visit:

[http://www.investingeorgia.org/projects/investment\\_opportunities/](http://www.investingeorgia.org/projects/investment_opportunities/)

## Sound Budget Performance In Q1 2008

## GNIA supports SMEs



### Government of Georgia Press Release

As the Ministry of Finance of Georgia reports, the revenues of the Q1'08 consolidated and state budget exceeded the forecast by GEL 95.3 mln (up17% y-o-y) and GEL 79 mln were GEL 1,122.6 mln, or 1(y-o-y), respectively. Consolidated budget revenues 07% of the budgeted amount, up 18.4% y-o-y. Consolidated non tax revenues were GEL 157.4 mln or 108% of the budgeted amount, up 19.6% y-o-y. "I wish to congratulate my colleagues at the Ministry of Finance on their solid performance in Q1, which confirms once again the strength of the underlying economical fundamentals," commented Nika Gilauri, Minister of Finance.

### M-O-M CPI in April 2008 Rose by 0.3%, Y-O-Y Period Average CPI at 9.7%

As the Department of Statistics of the Ministry of Economic Development of Georgia reports, the consumer price index (CPI) rose by 0.3% m-o-m in April 2008, up from a 0.1% m-o-m increase in March 2008. The end-of-period CPI for the twelve months ended 30 April 2008 increased by 12.2% from 12.3% at the end of the previous month. The annual period-average CPI in April 2008 rose by 9.7% from 9.5% in March 2008.

The e-o-p CPI change by 12.2% in Georgia compares favorably to 30.2% in Ukraine, 25.1% in Kyrgyzstan, 19.1% in Kazakhstan, 18.5% in Azerbaijan, 14.2% in Russia and 13.1% in Bulgaria and is broadly in line with Georgia's other regional peers. The National Bank of Georgia maintained its key policy rate at 12% at the Monetary Policy Committee meeting held on 14 May 2008. "Inflationary pressure remains very high, but we are working together with the National Bank to employ an optimal combination of monetary and fiscal measures to contain inflation", commented Nika Gilauri, Minister of Finance.

## Financial Sector News

### Amendments to the Law of Georgia on the National Bank of Georgia

On March 18, 2008, the Parliament adopted amendments to the Law of Georgia on the National Bank of Georgia. Among other, the amendments introduce a new regulatory body, - the Financial Supervision Agency. The mentioned Agency shall be established under the auspices of the National Bank of Georgia and shall exercise control over the financial sector.

### Amendments to the Law of Georgia on Commercial Banks

On March 18, 2008, the Parliament adopted amendments to the Law of Georgia on Commercial Banks. Pursuant to the amendments, the Financial Supervision Agency of Georgia shall assume control over the activities of commercial banks, including registration, licensing, inspection and other. Furthermore, by virtue of the amendments, the mandatory corporate structure of commercial banks has been changed and namely, instead of the Revision Commission, the Audit Committee shall be established. The Audit Committee shall function within the framework of the Supervisory Council and shall support the functioning of the internal and external audit of a commercial bank.

### Amendments to the Law of Georgia on Micro Finance Organizations

On March 18, 2008, the Parliament adopted amendments to the Law of Georgia on Micro Finance Organizations. Pursuant to the amendments, the Financial Supervision Agency shall carry out registration and supervision of the micro-finance organizations of

On May 2, 2008, the Georgian National Investment Agency (GNIA) gathered small and medium size enterprises to inform them about how to obtain grants for financing their business projects. For this GNIA invited the Citizen's Network of Foreign Affairs (CNFA) of Georgia.

CNFA Georgia, which is implementing the MCC/MCG funded Agribusiness Development Activity (ADA), was selected through an international tender to implement a USD 15 million contract to develop the management of agribusiness development, and the evaluation of grant applications. At present, 68 projects are already approved with total value of USD 2.9 million, creating 1030 new jobs.

The main aim of the meeting was to familiarize the media and other NGOs with the grant process. Zurab Chekurashvili, Enterprise Initiative Specialist from CNFA Georgia commented: "As a matter of fact, any of the willing inhabitants have a chance to fill the application form for receiving the business grant absolutely free of charge. The applications can be filled out in Georgian, Russian, and English in central or regional offices of ADA or via the internet."

It is hoped that this project, coupled with the ever-improving economic conditions of Georgia will help provide a long-term reduction of poverty in the country's agriculture-dependent regions.

# Georgian National Investment Agency's activities in pictures



Then Chairman of the Supervisory Board of the Bank of Georgia Lado Gurgenidze speaks at the 'Invest in Georgia' Business Forum in London on October 31, 2007



The first international business forum was held in Kutaisi on May 17, 2008



Minister of Economic Development of Georgia speaking at the first International Logistics Conference held in Tbilisi on May 8, 2008



A Georgian-Israeli business forum "We Build Together" was held in Tbilisi on May 12 to celebrate Israel's 60th anniversary

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TBC Bank Vice-President Giorgi Bedineishvili at the Vienna Business Forum



GNIA teamed up with the Economist Magazine to hold a business forum in Vienna on October 29, 2007



# Georgian Company Profile

## Dio – windows, doors, blinds, curtains and more

Dio is a leading Georgian company specializing in the production of windows, curtains, blinds, mosquito screens, metal-plastic window frames and doors. Dio can be seen as a classic example of a successful family



business led by a sister and a brother. The company counts twelve years of existence and has survived all ups and downs of the Georgian economy. Owing to hard work, innovative approach and careful planning, Dio has managed to hold a leading position on the market in its field.

Dio offers its customers a wide selection of high quality products with full service. The company's internal policy is strictly defined: the rapid sourcing of the world's latest innova-

tions, the expansion of partnership networks, the manufacture of original and stylish state-of-the-art products, and – most importantly – a customer-oriented business. "Since our very first day we have always followed one principle: to offer our customers high-quality products that will serve them for many years. We also pay particular attention to the quality of our service in order to provide maximum comfort for our clientele. We offer full service to our customers which covers everything from measuring, delivering and installing the product," explains Dio's President Irma Daushvili.

Dio's production includes, but is not limited to, German metal-plastic windows and doors for varying climatic conditions that come backed up with a 50-year guarantee, remote control garage doors, top quality awnings for verandas, balconies and summer cafes, manual and automatic safety shutters for flats and offices, and easy and multiple use mosquito nets.

Dio is proud of the International Certificate of Quality Management – ISO 9001-2000. Its products have won many different awards and certificates at numerous international exhibitions and

trade fairs.

The company's production line is currently equipped with modern German machines manufactures by Urban – a company that has earned a high reputation by consistently meeting the established European standards of excellence. Dio imports raw materials from Germany and other countries and assembles the final product here in Georgia.

Over the past ten years Dio has grown from a small firm into a solid, medium-sized company standing securely on its own. "We started up our company in the spring of 1996 when the business environment was very difficult. At that time we never thought that our company would become so successful and would grow to become so big and popular. I think the main keys to our success have been hard work and a strong sense of responsibility to our custom-

ers," says Dio's President Irma Daushvili.

The business climate in Georgia has changed quite a bit in the 12 years since the company was founded. "If we look at the statistical data of our company's work, the last



few years have been more successful than the initial stage," Irma Daushvili says.

For more information about Dio and its products and services, please, visit [www.dio.ge](http://www.dio.ge)

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