



Ministry of Finance of Georgia

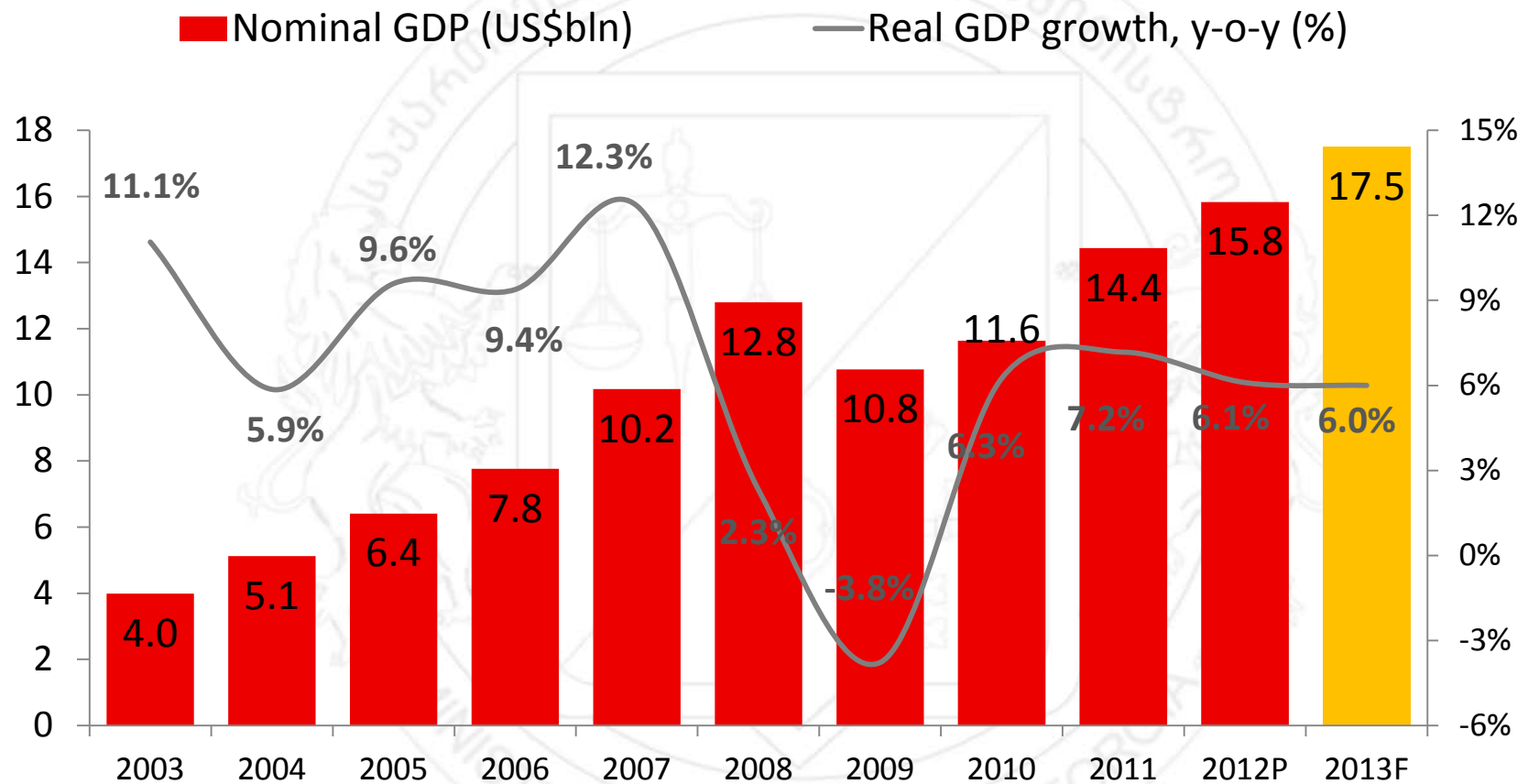


Georgia – Economic Reforms

April 2013



Robust Growth Potential

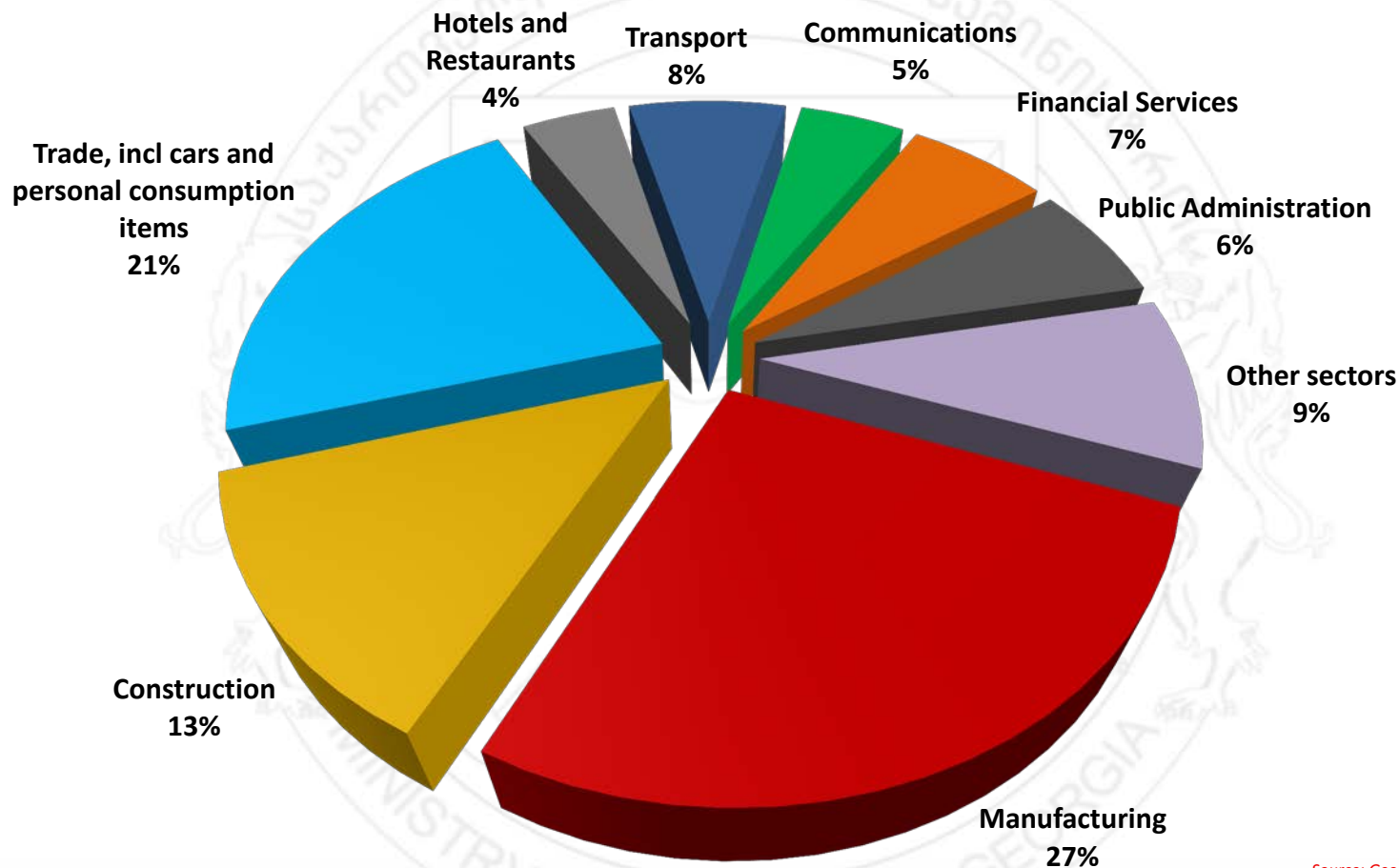


Economic Structure

(Contributions to the real GDP growth based on 2012)

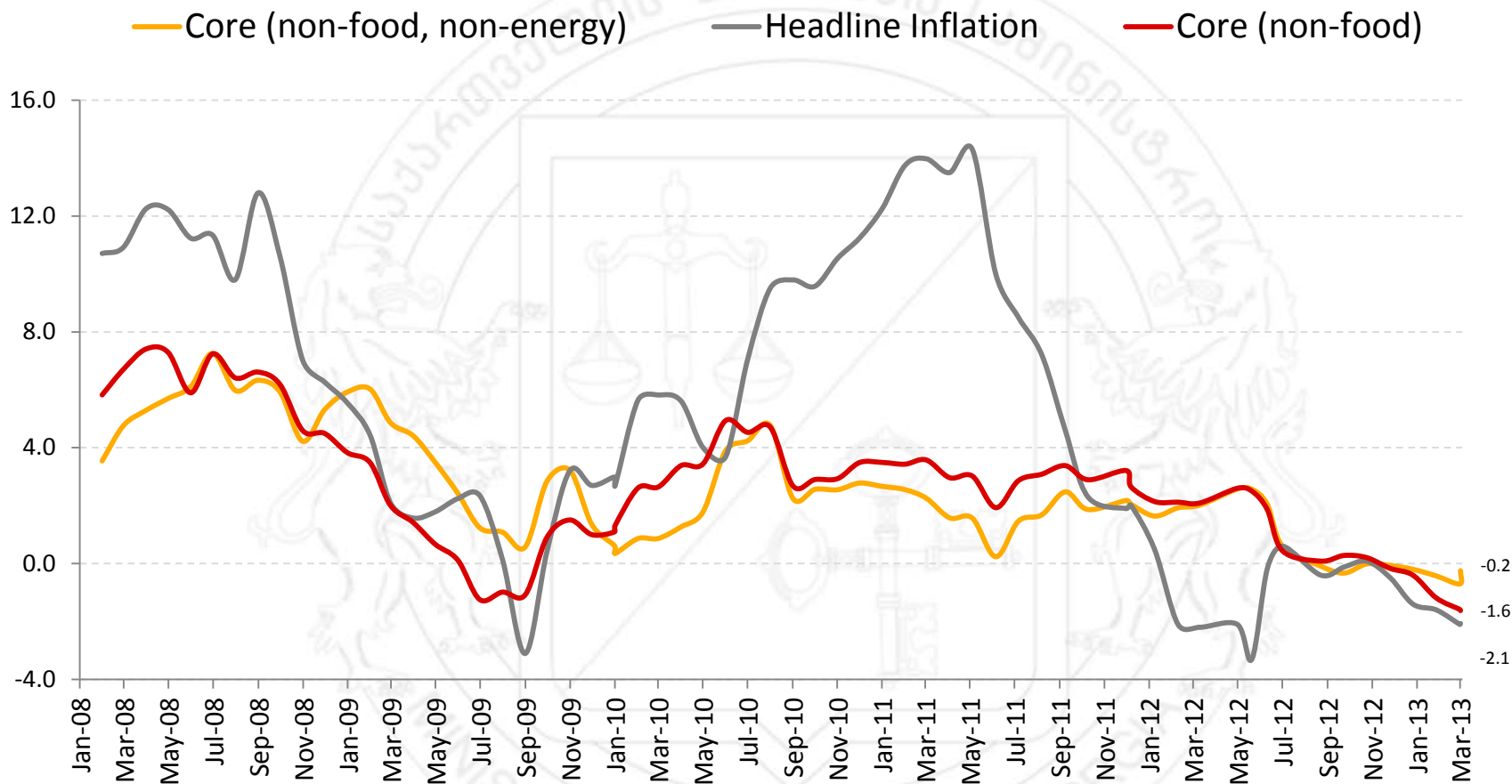


Broad-based growth dynamics, large pockets of potential growth



Source: Geostat

Inflation Dynamics



Liberalized Trade

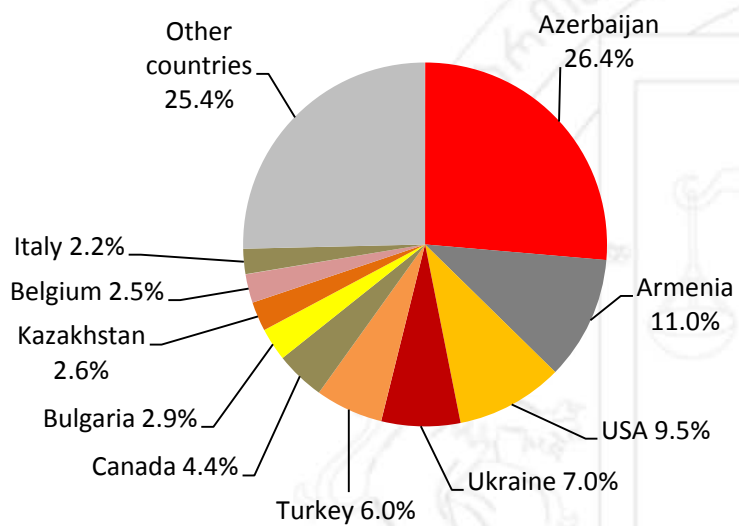


- ✓ Highly diversified trade structure by country and by product types
- ✓ WTO member since 2000
- ✓ Very simple and service oriented tax and customs policy and administration
- ✓ No quantitative restrictions or tariff barriers
- ✓ Genuine commitment to trade liberalism and openness
- ✓ Free trade agreement with CIS and Turkey
- ✓ Deep and Comprehensive Free Trade Agreement (DCFTA) negotiations with the EU (ongoing, conclusion expected in 2013)

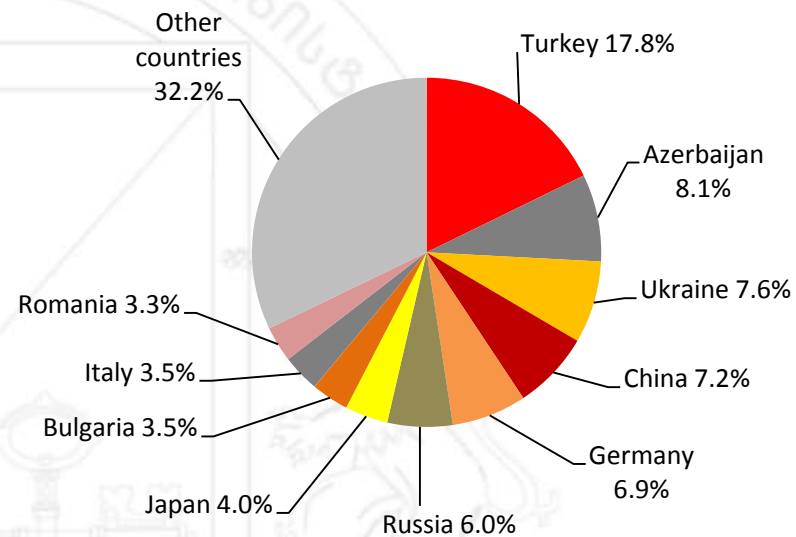
Diverse Trade Partners



Export Structure by Country 2012



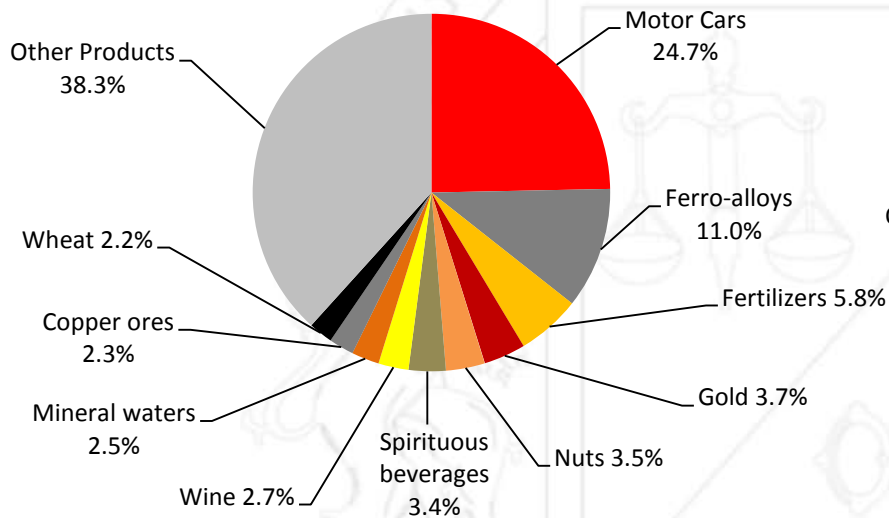
Import Structure by Country 2012



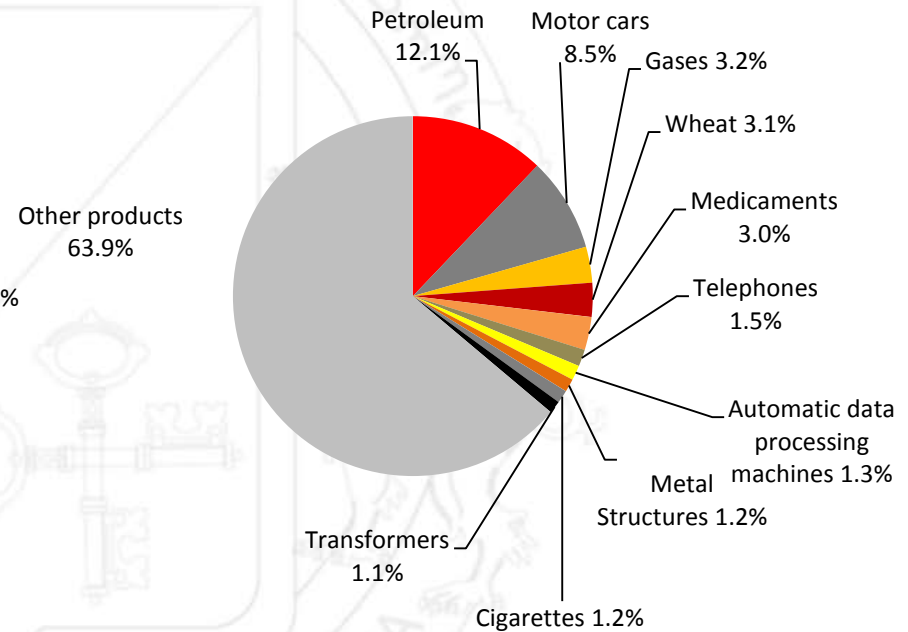
Diverse Trading Goods Structure



Export Structure by Product 2012



Import Structure by Product 2012



Source: Geostat

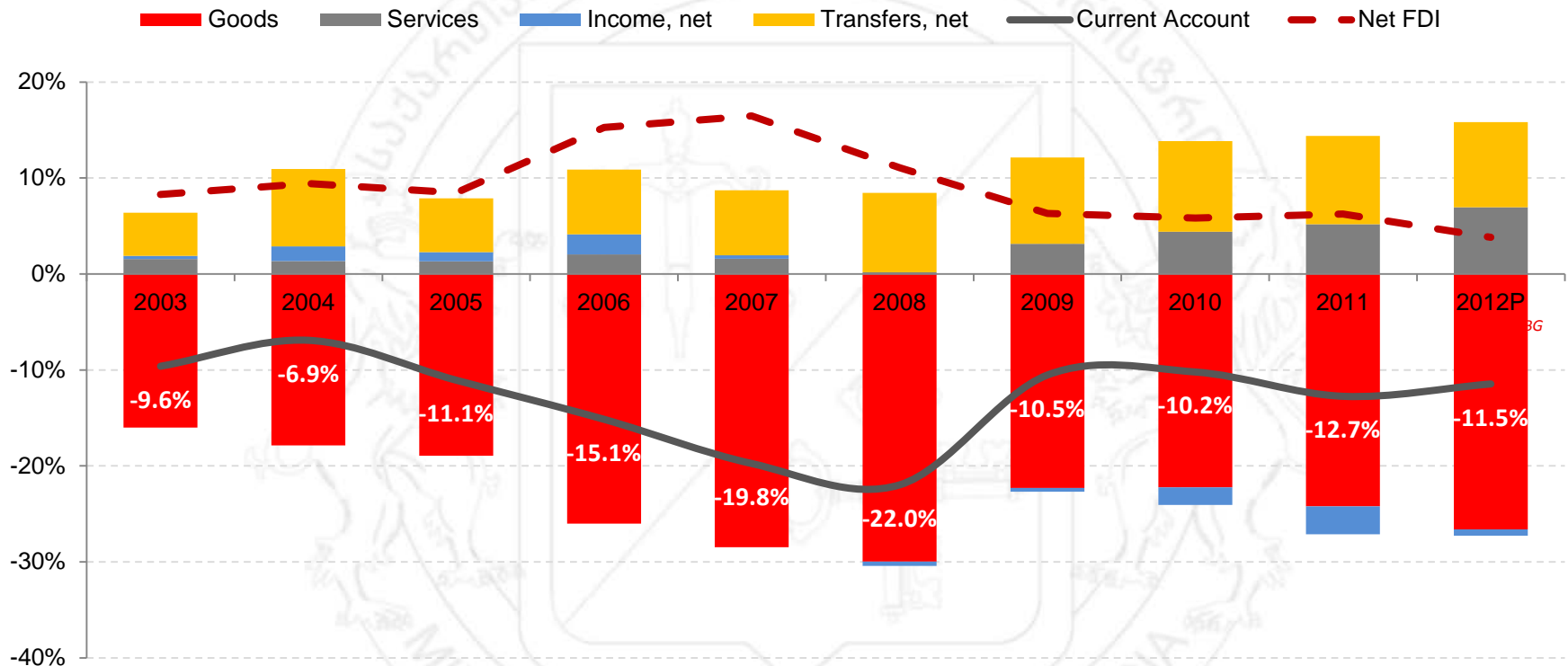
Source: Geostat

External Sector

Balance of payments - in sustainable equilibrium



Current Account Balance (% of Nominal GDP)

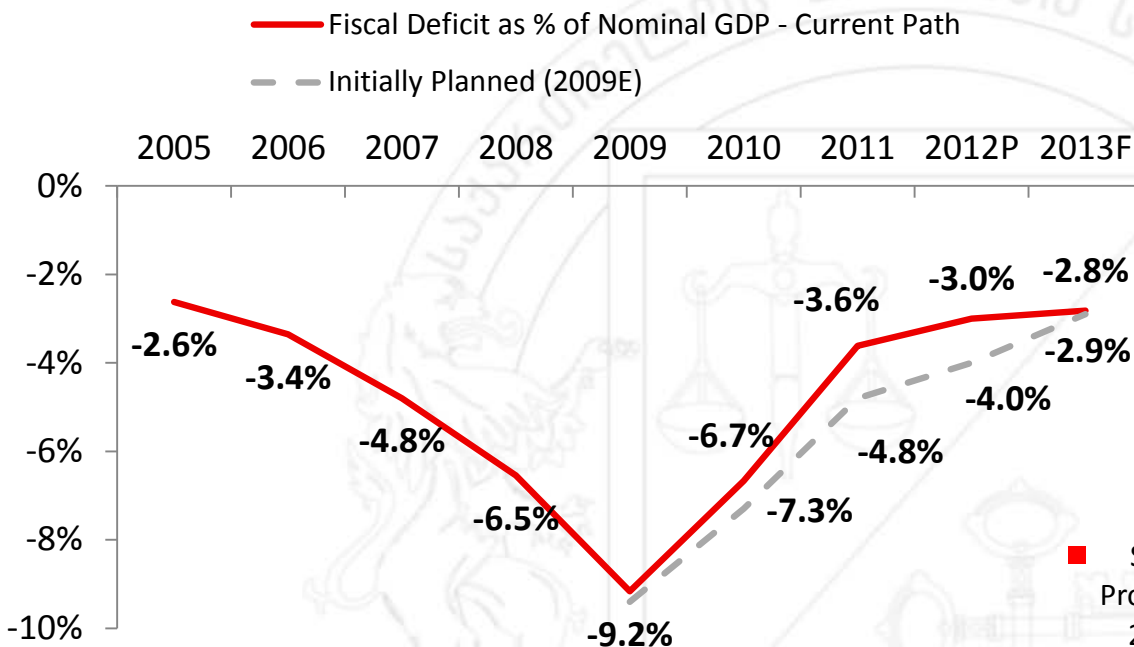


Strong Fiscal Performance

Driven by sustainably high revenues and prudent government spending



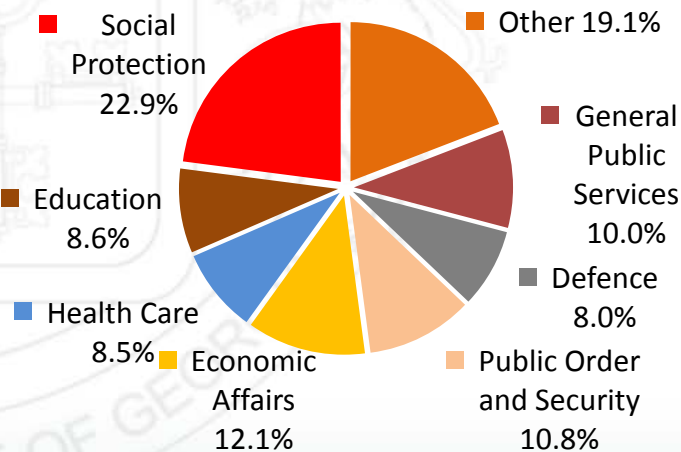
Fiscal Consolidation



Source: MOF

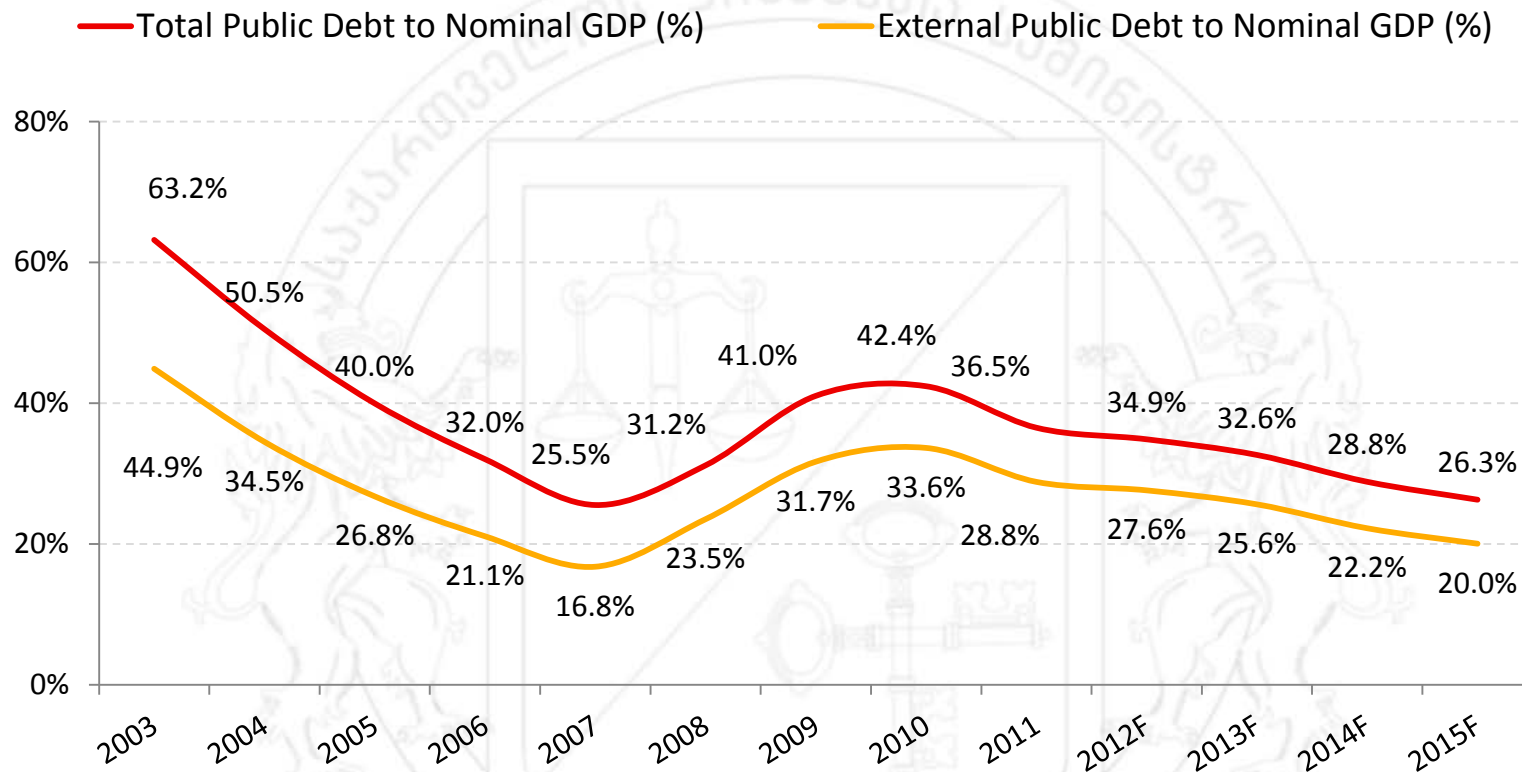
Composition of the 2013 State Budget Outlays

Source: MOF



Source: MOF

Public Debt Performance



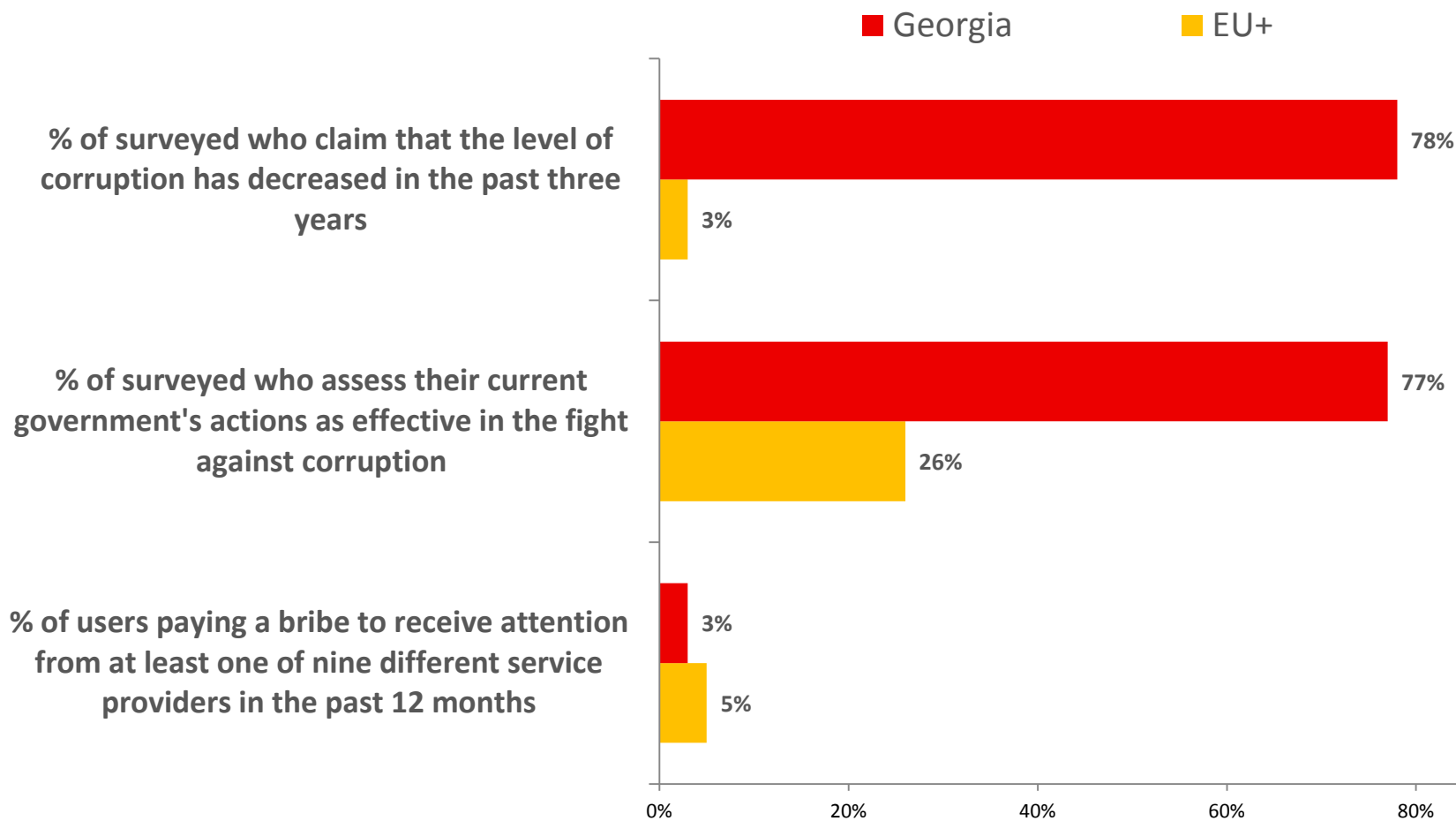
Note: projected principal + interest payments based on 31 December 2012 debt stock

Source: MOF



REFORMS

Corruption Free Destination



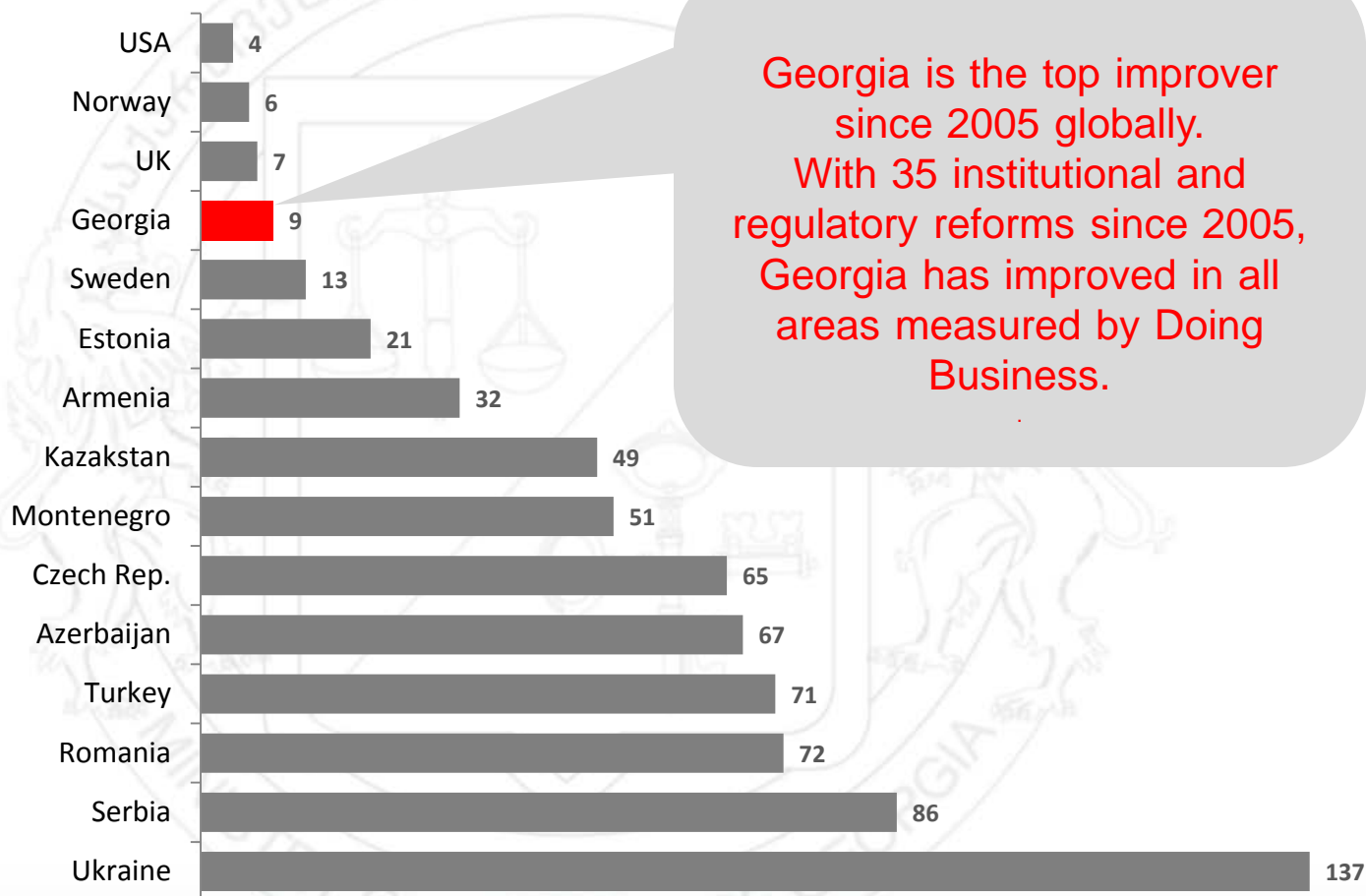
Source: Transparency International 2010/11
Global Corruption Barometer



Taxation is Simple, Tax Rates are Low

	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13
Number of Taxes	21	7	7	7	6	6	6	6	6	6
VAT	20%	20%	18%	18%	18%	18%	18%	18%	18%	18%
Income Tax	12-20%	12% flat	12% flat	12% flat	Social Tax + Income Tax 32%	Social Tax + Income Tax 25%	20%	20%	20%	20%
Social Tax	33%	20%	20%	20%	-	-	-	-	-	-
Corporate Income Tax	20%	20%	20%	20%	15%	15%	15%	15%	15%	15%
Dividend & Interest Income Tax	10%	10%	10%	10%	10%	5%	5%	5%	5%	5%

Ease of Doing Business



Economic Freedom Trend

Economic freedom index, 2013



Development Partners



- 1. Investment projects in infrastructure, roads, municipal, water and wastewater, solid waste, energy, agriculture, etc.
- 2. Budget support for reforms in different sectors
- 3. Technical assistance





Key Guiding Principles Going Forward

- ✓ **Maintain stable macroeconomic environment, backed by prudent fiscal, monetary and financial policies;**
- ✓ **Continue implementation of successful reforms and build on the existing success stories and accomplishments;**
- ✓ **Foster free and fair competition to establish truly level playing field for all businesses working in Georgia;**
- ✓ **Ensure best possible transparency and accountability in the public sector;**
- ✓ **Strengthen social safety net to enhance purchasing power of the most vulnerable;**

Key Guiding Principles Going Forward

- ✓ Continue implementation infrastructure development, while improving selectivity of projects to ensure maximum possible economic impact;
 - ✓ Energy Infrastructure
 - ✓ Roads Infrastructure
 - ✓ Municipal and Regional Infrastructure
 - ✓ Agriculture

- ✓ Establish investment fund that will foster inflow of long-term capital for financing of bankable investment opportunities;



Thank You!