Georgian Business Development News

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Mgaloblishvili, Kipiani, Dzidziguri (MKD) Law Firm

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- **Implementation of Millennium Challenge Georgia started on Sunday**
- The statement on the official start of implementation was made by Zurab Noghaideli, Georgian Prime Minister and John Danilovich, MCC Chief Executive in the State Chancellery of Georgia on Sunday.
- The decision on allocation of USD 295 m within a Millennium Challenge program for Georgia was made by the US State Department in 2005 autumn.
- USD 49,5 m will be earmarked for energy branch, in particular for reconstruction of the trunk gas pipeline, approximate USD 100 m - for roads repairs, USD 60 m - for development of regional infrastructure, USD 32,5 – for investment funds and USD 15 m – for agriculture products refineries.
- The US delegation, led by Senator Jim Kolb arrived in Georgia on Sunday. The delegation includes Scott Garrett, member of the Financial Services Oversight and Financial Institutions and the Consumer Credit Subcommittees, John Boehner, Republican House Majority Leader, John Danilovich, France Read, Head of MCC Eurasian Department, Jacob Stephanek, MCC chief legislator and Ben Pirson, US Navy officer.
- The delegation will meet Mikheil Saakashvili, President of Georgia, Gela Bejuashvili, Foreign Minister, Nino Burdjanadze, Chairwoman of the Parliament and the MPs.
- The delegation will also tour Krtsanisi Military Training Center to study
- implementation of the Stability and Security Operations program.
- The US delegation will leave Tbilisi for Yerevan on Monday.
- (Prime-News)

- **Application For Tender On Batumi Sea Port Leasing Starts On Monday**
- Submitting of applications for the tender on leasing the Batumi Sea and Trade Port starts on April 12th, Prime-News was told at the Ministry of Economic Development.
- Leasing of the seaport under 49-year term management will be carried through a competitive-bid. The initial rent will stand at USD 35 m. The share capital of the seaport is GEL 20 564 789. The deadline for submitting of applications is may 12, day of the competition bid.
- According to the conditions, the future renter must pay whole price during three months and must maintain capacity of the seaport cargo-turnover at laser 6 m tonnes a year. (Prime-News)

- **Georgian and Turkish Parties Start Joint Commissioning Of Batumi Airport In Autumn**
- The Turkish and Georgian parties will start joint commissioning of the Batumi Airport in the autumn.
- The corresponding agreement was discussed at the session of the Foreign Affaires Committee of the Parliament of Georgia. Zaza Tchelidze, Deputy Economics Minister was attending the

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- session.
- According to him, a new customs terminal will be set in the town of Khopa in Turkey for Turkish passengers who will use the Batumi Airport, where they will arrive by special bus.
- According to Kote Gabashvili, Chairman of the Foreign Affairs Committee, The Batumi Airport will be ready for commissioning after repairs by the autumn.
- The agreement will be presented at the plenary session on the next week for ratification.
- The above-mentioned agreement was signed on March 14th 2006. (Prime-News)

- **Fuel Prices To Be Increased**
- Fuel prices increasing is expected in Georgia, according to Oil –Producing and Consumers Union Head Vano Mtvarelishvili information. "Oil prices increasing in Georgia will be realized in the parallel regime of oil prices increasing in the world. 1 tone of petrol price in increased form US $130 up to US $ 581.50 in international market, Genui stock. Dizel price well increased up to US $ 581.50 (with US $40) ," –Mtvarelishvili said.
  As he reported petrol import is increased with 16% and dizel with 30 % 2005, with comparing of 2004. So, more with GEL 75 0654 908 will be put into the state budget, comparing with the recent
- year,"'—Vano Mtvarelishvili said. (medianews)

- **IMF Starts Implementation Of Business Facilitation Project In Georgia**
- The International Financial Corporation starts implementation of a project for facilitation of small and medium sized businesses in Georgia.
- The project is being implemented with financial support by the Canadian International Development Agency, BP and its partners in gas and oil business, Prime-News was told by the IFC representatives.
- According to them, the project will be implemented in cooperation with the government of Georgia and is aimed at reduction of regulation burden for businesses, monitoring and research of the business environment for small and medium sized enterprises and better information service for small and medium sized businesses. (Prime-News)

- **EBRD Opens Credit Line To Basisbank**
- The European Bank for Reconstruction and Development opens a credit line to Georgian Basisbank, Prime-News was told by Murman Ambroladze, Basisbank Financial Director.
- According to him, several millions allocated by the international financial agencies will be earmarked for medium

- business credits.
- Murman Ambroladze rejected the information on planned merger of Basisbank with the Bank of Georgia.
- According to him, he agrees with the banking experts saying that merger of banks is a positive process that contributes to strengthening of banking system.
- “Bank with considerable assets is more likely to attract investments, but independence is more important for us”, Murman Ambroladze said.
- According to him, the shareholders take independent development as priority and the bank plans to open two new branches this summer.
- Murman Ambroladze said that 2005 projected figures were executed successfully - assets grew by 69,9%, credit portfolio – by 98,7% and liabilities- by 94%. Volume of funds attracted doubled to approximate USD 40 m. (Prime-News)

- **Submission Of Applications For Privatization Of Elektrokavshiri Starts On Wednesday**
- Ministry of Economic Development of Georgia starts reception of applications for competition on leasing of Batumi Trade Seaport Ltd. and privatization of JSC Elektrokavshiri (Georgian Electrical Communication) on Wednesday.
- Leasing of the port for 49-years and
- privatization of Elektrokavshiri will be
- carried out through a competitive bid, Prime-News was told by the representatives of the Ministry of Economic Development.
- According to them, the initial leasing price of the port is USD 35 million, while the initial sale price of Elektrokavshiri amounts to USD 50 million.
- 100% of shares of Batumi Trade Seaport Ltd. and 90.65% of Elektrokavshiri are state-owned.
- The competition on privatization and leasing of the above-mentioned establishments will be held on May 12th.
- Ilia Gotsiridze, Chairman of Privatization Department under the Ministry of Economic Development of Georgia, told Prime-News that buyer of Elektrokavshiri would also be handed 4 pairs of fiber-optic cables, property of Georgian Railways.
- According to Gotsiridze, the process of hand over of the property will be finished till the agreement is concluded with the lessee of the establishment.
- The conditions of the competition provide for payment of the price of the units under privatization within 3 months after the agreement.
- Lessee of the port will have to transport at least 6 million tons of cargo per year, while the buyer of Elektrokavshiri will be charged with the obligation to preserve the profile of the company and its service area for three years. (Prime-News)

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- **Three Private Banks To Be Shut Down**
- Three private banks out of present nineteen in Georgia will be shut down by the next year.
- As Prime-News was told by Gogita Tsutskiridze, Vice President of the Georgian Banks Association, Shugrepimexbank, Tetri and TbilBusinessBank will not be able to increase their supervision capital to GEL 12 m by January 01 2007, as provided by the new legislative amendments.
- The private banks suffer constant problem of functional reliability owing to their reduced credit profiles. New legislation contributes to merger of banks competence between the large ones, Gogita Tsutskiridze says.
- "Merger of banks gives start to strong financial agency and trust of consumers towards it is increasing. The banks that have large assets have greater chance to attract resources from the international financial institutions and investment banks. It makes banking service more available", he said. (Prime-News)

- **Germany and Georgia to Sign New Agreement on Avoiding Double Taxation**
- Germany and Georgia will sign a new agreement on avoiding double taxation in a about a month, Deputy Finance Minister Dimitri Gvindadze, has told Sarke. The first agreement was signed still in 1981, however, it has yet to be ratified.
- In 1992, the document was approved by the Georgian Foreign Ministry alone. Gvindadze says still the double taxation avoiding scheme has been operating in the country, which may be confirmed by letters of the Justice and Foreign Ministries.
  Before the agreement is signed, however, now the right of tax bodies to manage the issues mentioned in the agreement and provided in the Tax Code has been suspended.
  The government planned to require from Parliament to endorse the document on the basis of the Vienna Convention. However, since the new agreement is being prepared the question has fallen out of agenda.
  (Sarke Information Agency)

- **Direct Investment in 2005 Declines But Growth Expected in 2006**
- Total foreign investment in 2005 amounted to $447.8 million, which is 10% less compared to the figure in 2004, Zaza Broladze, the chairman of the Department of Statistics, has told journalists. The chairman of the department linked the reduction to a decline in investment by the BP oil company as the construction of the Baku-Tbilisi-Ceyhan pipeline was in its final stage in the period. BP invested in 2005, $264.5 million (up to 60% of total investment), which is 26% less compared to the figure in 2004. At the same time, foreign investment without BP contribution made up $183.3

- million, which is 31% more compared to the figure in 2004, Broladze said. Further Broladze said that this year the investment is expected to increase to $740 million, of which BP investment is expected to make up $195 million, while investment from Kazakhstan - $100 million and Turkey - $65 million (the airport construction). (Sarke Information Agency)

- **Eu-Georgia Business Council established**
- From now on EU-Georgia Business Council will stand along with other business councils operating in Georgia. The presentation of Eu-Georgia Business Council took place at Tbilisi Marriot on April 4, 2006.
- The Eu-Georgian Business Council (EUGBC) has been founded by European and Georgian companies as a non-profit association. The EUGBC is housed in Brussels, at the heart of European Union activities.
- The EUGBC is business driven organization, whose main purpose is to encourage investment and trade between EU and Georgia; promote Georgia in EU as a place to invest and do business and vise versa; promote and protect the common business interests of its members; foster ties in EU and Georgia between businesses, governments and civil societies. The EUGBC is managed by a Board of Directors, with daily activities carried out by the Secretary General. The main activities of the EUGBC will include provision of key business information on Georgia and EU to members such as relevant legal reforms, different EU assistance programs, projects and opportunities, calls for tender on the privatization of Georgian State property, state purchase inquiries and various investment projects, data on customs and tax laws, EU trade policy makers, appropriate governmental bodies and civil societies in Georgia and EU; facilitation of discussions between Georgian and EU companies, governments and civil societies and increase business contacts; advising interested companies on how to develop their network and build their image in Georgia and EU; organization of conferences workshops, trade missions and product promotions.

The EUGBC is founded by BP Exploration (Caspian Sea) Limited Georgia, BP Capital V.O.F, Georgian Glass and Mineral Water Company, STATOIL coordination center, CANARGO Standard Oil Products Limited. (Business Week)

Mgaloblishvili, Kipiani, Dzidziguri (MKD) law firm was founded in November 1996. It operates as a general partnership and is recognized as well-established, respected leading law firm in Georgia with major national, regional and international clients.

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