



Georgian Business Development News

Issue N10, December 2006

**Mgaloblishvili, Kipiani, Dzidziguri
(MKD) Law Firm**

*Contents:
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- **Three New Banks will be Added Soon Georgia's Banking Sector**
- Three new banks will be added soon to Georgia's banking sector: French bank Societe Generale purchased 60% of shares in Bank Republic; Kazakh Alliance Bank is opening a branch in Georgia; and Azerbaijan International Bank is establishing a bank in Georgia.
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- Increasing foreign investment in the banking sector of Georgia represents a priority for the National Bank of Georgia. Entry of foreign banks in the sector will enhance competitiveness of Georgian banking sector.
- (Sarke Information Agency)
- **Georgia Ratifies Agreement with Czech Republic on Avoiding Double Taxation**
- Parliament has ratified an agreement between Georgia and the Czech Republic on avoiding double taxation and tax evasion. The document was signed in Tbilisi this year. The Czech Republic is the 21st country with which Georgia has signed the agreement.
- Deputy Finance Minister Giorgi Godabrelidze says the document concerns in Czech Republic to such types of taxes as the income tax of physical entities, the income tax of legal entities and the tax on property, while in Georgia income tax, the profit tax and the tax on property.
- (Sarke Information Agency)
- **EBRD May Provide Loans For Projects in Real Estate Sector in Georgia**
- The EBRD plans to grant \$43.3 million in loan for the projects in a real estate sector. The proposed project is the bank's first property debt financing in Georgia.
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- The EBRD will provide half of the amount, while the remainder will be drawn from other banks. The EBRD will consider the question of providing the loan in December 2006.
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- If the EBRD provides the loan, the Georgian-based companies under the control of the Georgian Reconstruction and Development Company (GRDC) will receive the funds.
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- The projects in question are GRDC's four projects for the construction and refurbishment of entities in Tbilisi, including two office buildings, a shopping center and train stations of the central railway station. The total cost of the project is \$72.3 million.
- (Sarke Information Agency)
- **MOBITEL Acquires Two Licenses**
- JSC Mobitel (a subsidiary of Russian Vimpelcom) has acquired two licenses by auctions, reports the Georgian National Communications Commission. By the first auction, the company acquired a license for radio communication in some districts of Georgia, including Tbilisi. The JSC paid for the license 670,500 GEL.

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- The starting price was 638,593 GEL.
- Through the second auction, Mobitel acquired in Tbilisi a license for broadband wireless access network within a 10224±14 MHz and 10574±14 MHz frequency range (Tbilisi). The company paid for the license 18,100 GEL. The starting price was 17,262 GEL. Both auctions were held by the request of Mobitel. Only one company took part in the first auction.
- According to the commission, Telenet had also applied for the second auction, but the company had failed to provide all essential documents.
- Based on the auction terms, Mobitel is to launch practical operation in 1 year. JSC Mobitel has owned GSM-1800 standard mobile telephony license due in 2013. (Sarke Informationi Agency)

Around Half Of Loans Issued To The Trading Sector

- According to the National Bank (NB), for the nine months of the year, 941.3 million GEL has been issued to the trading sector in loan, or 48% of loans granted to legal entities.
- The industrial sector follows with 342.1 million GEL, or 19.6% of the total volume of crediting of legal entities.

- The loans granted to the construction sector is 183.5 million, or 10.5%; financial intermediation – 35 million GEL, or 2%; transport and communications – 32.7 million, or 1.8%. The crediting of the agriculture sector is still insignificant – 14.8 million GEL, or up to 0.8% of the total volume.
- Total crediting of legal entities has made up 1.8 billion GEL, which is 63% over the figure recorded by the end of 2005.
- Crediting of physical entities has increased by 39% to 680.5 million, or around 27% of loans issued by the banking sector in January-September. According to the NB, 72% of loans was granted in foreign currency. As of the end of June, the figures stood at 75%. (Sarke Informationi Agency)

Banking Sector Net Profit 65.5m GEL

- According to the National Bank of Georgia (NBG), net profit of the Georgian banking sector for the past nine months this year has made up 65.5 million GEL, which is up 34% compared to the similar period last year.
- Sixteen of eighteen operating banks have seen profit in the period (one more bank –Intellectbank is merging with the Bank of Georgia).
- Up to 80% of the profit – 52.3 million GEL

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- was realized by the five leading banks. In terms of profit, the TBC-Bank is leading with 16.8 million GEL, or 25.7% of total volume. The Bank of Georgia follows with – 13.9 million, or 21.2%, Cartu – 8.6 million, or 14.7%, Bank Republic – 8.1 million GEL, or 12.4%, and United Georgian Bank – 4.9 million GEL, or 7.4%.
- The Tbilbusinessbank and the Caucasus Development Bank, a branch of the Azerbaijani bank, have seen losses for the period – 1.1 million GEL and 19,000 GEL consequently.

(Sarke Informationi Agency)

January 1, Deadline for Food Producers to Receive Licenses for 2007

Georgia's National Agency for Food Safety, Veterinary and Plants Protection says January 1, 2007 is the deadline for food producers to get registered and receive a license for 2007.

Based on the food safety legislation, the Agency is entrusted to conduct inspection of food producing centers, and once suspicion arises, it has the right to get the suspicious products examined at any accredited laboratory.

According to the Law, the National Agency is allowed to carry out the planned inspection once in a year.

(Georgian 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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