

Doing Business 2008

Georgia

COMPARING REGULATION IN 178 ECONOMIES

Doing Business 2008 **Georgia**

A Project Benchmarking the Regulatory Cost of
Doing Business in 178 Economies

Doing Business Project
World Bank Group



© 2007 The International Bank for Reconstruction and Development / The World Bank

1818 H Street NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org
E-mail feedback@worldbank.org

All rights reserved.
1 2 3 4 5 09 08 07 06

A copublication of the World Bank and the International Finance Corporation.

This volume is a product of the staff of the World Bank Group. The findings, interpretations and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. The World Bank Group does not guarantee the accuracy of the data included in this work.

Rights and Permissions

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The World Bank Group encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone: 978-750-8400; fax: 978-750-4470; Internet: www.copyright.com

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: pubrights@worldbank.org

Copies of *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulation* may be purchased at www.doingbusiness.org.

Contents



| | |
|-----------------------------|----|
| Introduction..... | 1 |
| Economy rankings..... | 2 |
| Reforms..... | 3 |
| Summary of indicators..... | 6 |
| Starting a business..... | 8 |
| Dealing with licenses..... | 13 |
| Employing workers..... | 18 |
| Registering property..... | 22 |
| Getting credit..... | 27 |
| Protecting investors..... | 31 |
| Paying taxes..... | 35 |
| Trading across borders..... | 39 |
| Enforcing contracts..... | 43 |
| Closing a business..... | 47 |
| Appendix..... | 51 |

Introduction

Doing Business 2008 is the fifth in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 178 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting 10 stages of a business's life are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2008* are current as of June 1, 2007. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The *Doing Business* methodology has limitations. Other areas important to business—such as a country's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not studied directly by *Doing Business*. To make the data comparable across countries, the indicators refer to a specific type of business—generally a limited liability company operating in the largest business city.

Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 178 economies: 46 in Sub-Saharan Africa, 31 in Latin America and the Caribbean, 28 in Eastern Europe and Pacific Islands, 24 in East Asia and Pacific, 17 in the Middle East and North Africa and 8 in South Asia—as well as 24 OECD high-income economies as benchmarks. Some of the regions have been divided into subregions to generate a total of 13 regional profiles.

The following pages present the summary *Doing Business* indicators for Georgia along with the comparator economies selected. The data used for this country profile come from the *Doing Business* database and are summarized in graphs and tables. This report allows a comparison of the economies not only with one another but also with the “best practice” economy for each indicator.

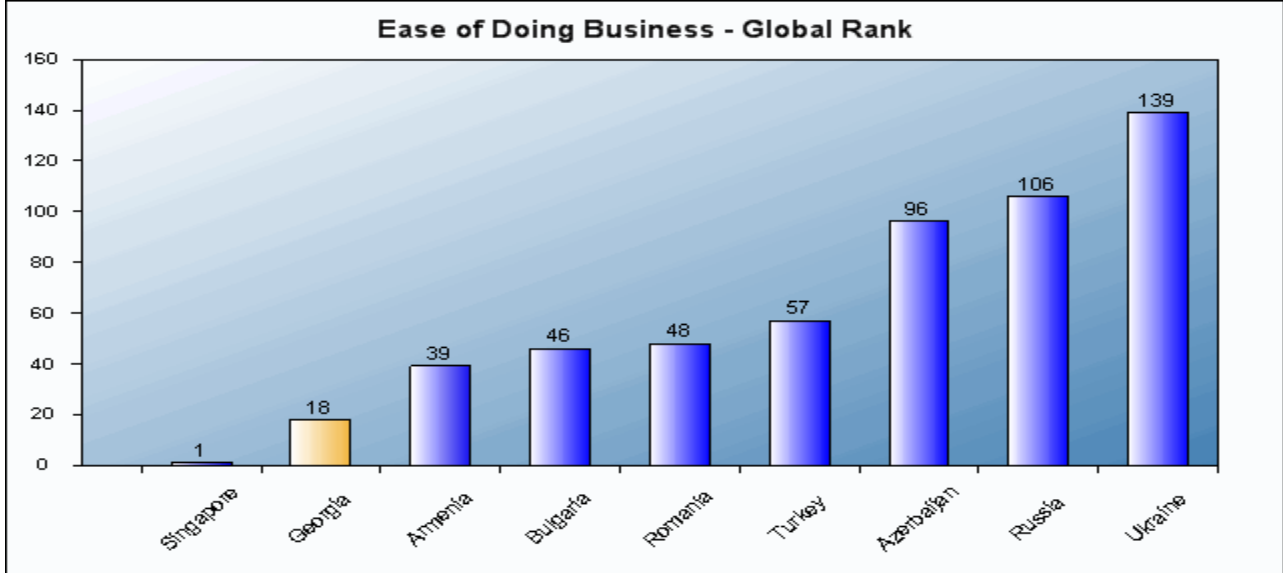
The best-practice economy are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other economies. These best-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 5.

More information is available in the full report. *Doing Business 2008* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website <http://www.doingbusiness.org>

Economy Rankings - Ease of Doing Business

Georgia is ranked 18 out of 178 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Georgia - Compared to Global Best / Selected Economies:



Georgia's ranking in Doing Business 2008

| Rank | Doing Business 2008 |
|------------------------|---------------------|
| Ease of Doing Business | 18 |
| Starting a Business | 10 |
| Dealing with Licenses | 11 |
| Employing Workers | 4 |
| Registering Property | 11 |
| Getting Credit | 48 |
| Protecting Investors | 33 |
| Paying Taxes | 102 |
| Trading Across Borders | 64 |
| Enforcing Contracts | 42 |
| Closing a Business | 105 |

Reforms - Who is reforming?

This year Egypt tops the list of reformers that are making it easier to do business. Egypt's reforms went deep with reforms in 5 of the 10 areas studied by Doing Business, and it greatly improved its position in the global rankings as a result. Besides Egypt, the other top 10 reformers are, in order, Croatia, Ghana, FYR Macedonia, Georgia, Colombia, Saudi Arabia, Kenya, China, and Bulgaria.

1. **Egypt**, the top reformer in the region and worldwide, greatly improved its position in the global rankings on the ease of doing business. Its reforms went deep. Egypt cut the minimum capital required to start a business, from 50,000 Egyptian pounds to just 1,000 and halved the time and cost of start-up. It reduced fees for registering property from 3 percent of the property value to a low, fixed amount. It eased the bureaucracy that builders face in getting construction permits. It launched new one-stop shops for traders at Egyptian ports, cutting the time to import by seven days and the time to export by five. And it established a new private credit bureau that will soon be making it easier for borrowers to get credit.

2. **Croatia** reformed in four of the 10 areas studied by Doing Business. Two years ago, registering property in Croatia took 956 days. Now it takes 174. Company start-up also became faster, with procedures consolidated at a "one-stop shop" and pension and health services registration now online. Credit became easier to access: a new credit bureau was launched, and a unified registry now records charges against movable property in one place. In its first two months, €1.4 billion in credit was registered. In addition, amendments to the country's insolvency law introduced professional requirements for bankruptcy trustees and shorter timelines.

3. **Ghana**, a top 10 reformer for the second year running, continues to increase the efficiency of its public services. It cut bottlenecks in property registration, reducing delays from six months to one. Greater efficiency at the company registry and the environment agency cut the time for business start-up to 42 days. Changes in the port authority's operations sped up imports. New civil procedure rules and mandatory arbitration and mediation reduced the time it takes to enforce contracts.

4. **FYR Macedonia** eliminated the minimum capital requirement for business start-up, sped up the process for getting construction permits, lowered the corporate income tax rate to 12 percent (with another cut to 10 percent planned for 2008), and simplified tax payment procedures. Its ranking on the ease of doing business rose from 96 to 75.

5. **Georgia** reformed in six areas. It strengthened investor protections, including through amendments to its securities law that eliminate loopholes that had allowed corporate insiders to expropriate minority investors. It adopted a new insolvency law that shortens timelines for reorganization of a distressed company or disposition of a debtor's assets. Georgia sped up approvals for construction permits and simplified procedures for registering property. It made starting a business easier by eliminating the paid-in capital requirement. In addition, the country's private credit bureau added payment information from retailers, utilities, and trade creditors to the data it collects and distributes.

6. **Colombia**, the region's top reformer, has made great strides in easing trade. By extending port operating hours and adopting more selective customs inspections, it reduced the time for port and terminal handling activities by three days. The country strengthened investor protections by increasing disclosure requirements for related-party transactions. It introduced an electronic tax filing system, cutting the average time businesses must spend on tax compliance each year by 188 hours, or 41 percent. And it is progressively reducing the corporate income tax rate, from 35 to 34 percent in 2007 and 33 percent in 2008.

7. **Saudi Arabia**, the runner-up reformer in the region, eliminated the minimum capital requirement of 1,057 percent of income per capita and reduced the days needed for company start-up from 39 to 15. It launched a commercial credit bureau whose reports include the credit exposure of companies. It also sped up trade, reducing the number of documents required for importing and cutting the time needed for handling at ports and terminals by two days for both imports and exports.

8. **Kenya**, the region's other top 10 reformer, launched an ambitious licensing reform program. So far the program has eliminated 110 business licenses and simplified eight others. The changes have streamlined business start-up and cut both the time and cost of getting building permits. The program will eventually eliminate or simplify at least 900 more of the country's 1,300 licenses. Property registration is also faster now, thanks to the introduction of competition among land valuers. And the country's private credit bureau now collects a wider range of data.

9. In **China**, a new property law put private property rights on equal footing with state property rights. The law also expanded the range of assets that can be used as collateral to include inventory and accounts receivable. The new bankruptcy law gives secured creditors priority to the proceeds from their collateral. Construction also became easier, with electronic processing of building permits reducing delays by two weeks.

10. **Bulgaria** eased the tax burden on businesses and made it easier to pay taxes online. Bulgaria also introduced private bailiffs to improve efficiency in enforcing judgments. And it made building inspections less burdensome.

Number of reforms in Doing Business 2008

| Rank | Economy | Starting a Business | Dealing with Licenses | Employing Workers | Registering Property | Getting Credit | Protecting Investors | Paying Taxes | Trading Across Borders | Enforcing Contracts | Closing a Business | Total number of reforms |
|------|----------------|---------------------|-----------------------|-------------------|----------------------|----------------|----------------------|--------------|------------------------|---------------------|--------------------|-------------------------|
| | | | | | | | | | | | | |
| 1 | Egypt | ✓ | ✓ | | ✓ | ✓ | | | ✓ | | | 5 |
| 2 | Croatia | ✓ | | | ✓ | ✓ | | | | | ✓ | 4 |
| 3 | Ghana | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | | 5 |
| 4 | Macedonia, FYR | ✓ | ✓ | | | | | ✓ | | | | 3 |
| 5 | Colombia | | | | | | ✓ | ✓ | ✓ | | | 3 |
| 6 | Georgia | ✓ | ✓ | | ✓ | ✓ | ✓ | | | | ✓ | 6 |
| 7 | Saudi Arabia | ✓ | | | | ✓ | | | ✓ | | | 3 |
| 8 | Kenya | ✓ | ✓ | | ✓ | ✓ | | | | | | 4 |
| 9 | China | | ✓ | | | ✓ | | | | | ✓ | 3 |
| 10 | Bulgaria | | ✓ | | | | | ✓ | | ✓ | | 3 |
| | Armenia | | | | | ✓ | | | ✓ | | ✓ | 3 |
| | Azerbaijan | ✓ | | | | | | ✓ | | | | 2 |
| | Romania | ✗ | | | | ✓ | | ✓ | | | | 1 |
| | Russia | | ✗ | | | ✓ | | | | | | 0 |
| | Turkey | | | | | | | ✓ | ✓ | | | 2 |
| | Ukraine | | | | | | | | | | | 0 |

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Summary of Indicators - Georgia

| | | |
|------------------------------|---|------|
| Starting a Business | Procedures (number) | 5 |
| | Duration (days) | 11 |
| | Cost (% GNI per capita) | 9.5 |
| | Paid in Min. Capital (% of GNI per capita) | 0.0 |
| Dealing with Licenses | Procedures (number) | 12 |
| | Duration (days) | 113 |
| | Cost (% of income per capita) | 28.9 |
| Employing Workers | Difficulty of Hiring Index | 0 |
| | Rigidity of Hours Index | 20 |
| | Difficulty of Firing Index | 0 |
| | Rigidity of Employment Index | 7 |
| | Nonwage labor cost (% of salary) | 20 |
| | Firing costs (weeks of wages) | 4 |
| Registering Property | Procedures (number) | 5 |
| | Duration (days) | 5 |
| | Cost (% of property value) | 0.1 |
| Getting Credit | Legal Rights Index | 5 |
| | Credit Information Index | 4 |
| | Public registry coverage (% adults) | 0.0 |
| | Private bureau coverage (% adults) | 0.2 |
| Protecting Investors | Disclosure Index | 8 |
| | Director Liability Index | 6 |
| | Shareholder Suits Index | 4 |
| | Investor Protection Index | 6.0 |
| Paying Taxes | Payments (number) | 29 |
| | Time (hours) | 387 |
| | Profit tax (%) | 14.1 |
| | Labor tax and contributions (%) | 22.6 |
| | Other taxes (%) | 2.0 |
| | Total tax rate (% profit) | 38.6 |

| | | |
|-------------------------------|--|------|
| Trading Across Borders | Documents for export (number) | 8 |
| | Time for export (days) | 12 |
| | Cost to export (US\$ per container) | 1105 |
| | Documents for import (number) | 7 |
| | Time for import (days) | 14 |
| | Cost to import (US\$ per container) | 1105 |
| Enforcing Contracts | Procedures (number) | 36 |
| | Duration (days) | 285 |
| | Cost (% of claim) | 29.9 |
| Closing a Business | Cost (% of income per capita) | 4 |
| | Time (years) | 3.3 |
| | Recovery rate (cents on the dollar) | 22.8 |

Starting a Business in Georgia: Entry Regulation

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed the process—or may decide to run their business informally.

The data on starting a business are based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

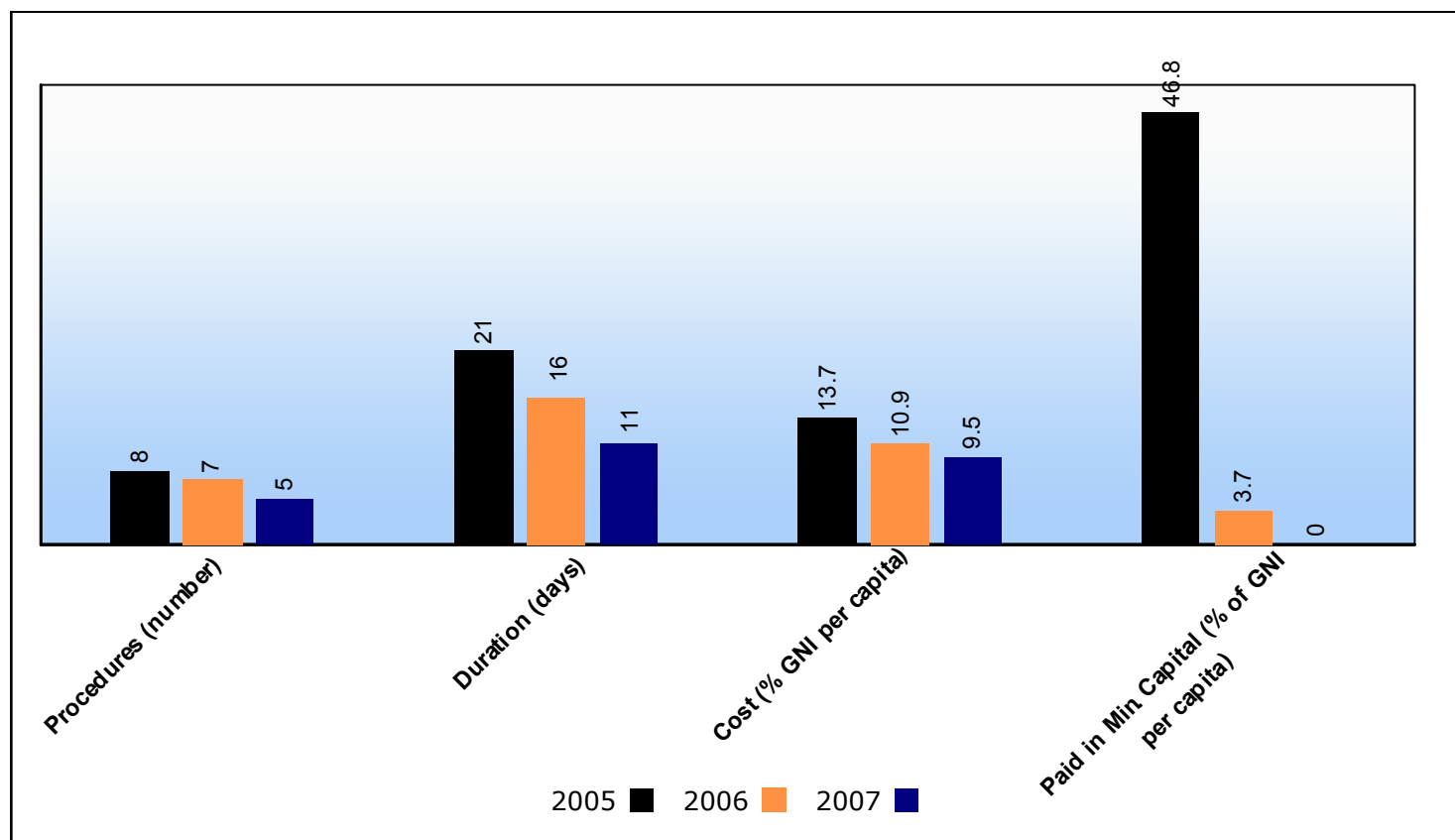
To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with start-up capital of 10 times income per capita, turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

Cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices; and fuel corruption.

1. Historical data: Starting a Business in Georgia

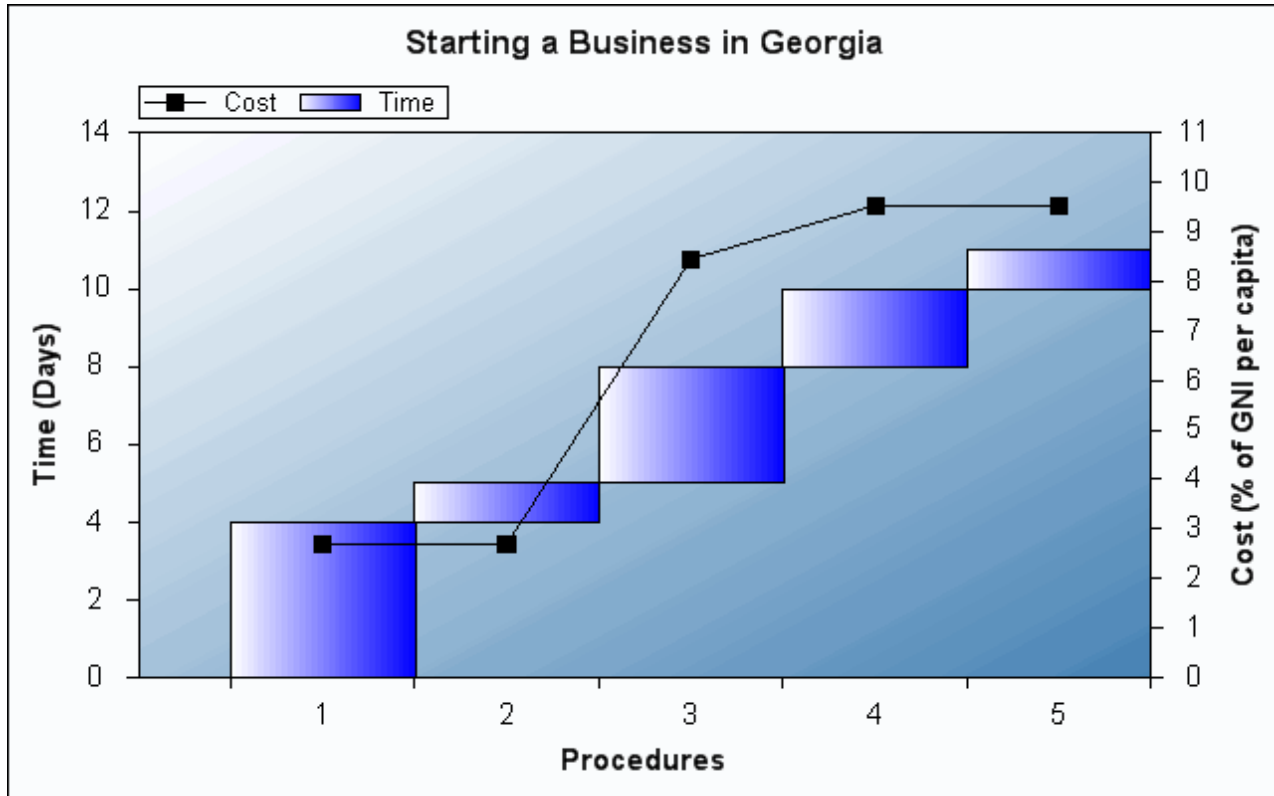
| Starting a Business data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|---------------------------------------|---------------------|---------------------|---------------------|
| Rank | | 39 | 10 |
| Procedures (number) | 8 | 7 | 5 |
| Duration (days) | 21 | 16 | 11 |
| Cost (% GNI per capita) | 13.7 | 10.9 | 9.5 |
| Paid in Min. Capital (% of GNI per ca | 46.8 | 3.7 | 0.0 |

2. The following graph illustrates the Starting a Business indicators in Georgia over the past 3 years:



3. Steps to Starting a Business in Georgia

It requires 5 procedures, takes 11 days, and costs 9.54% GNI per capita to start a business in Georgia.



List of Procedures:

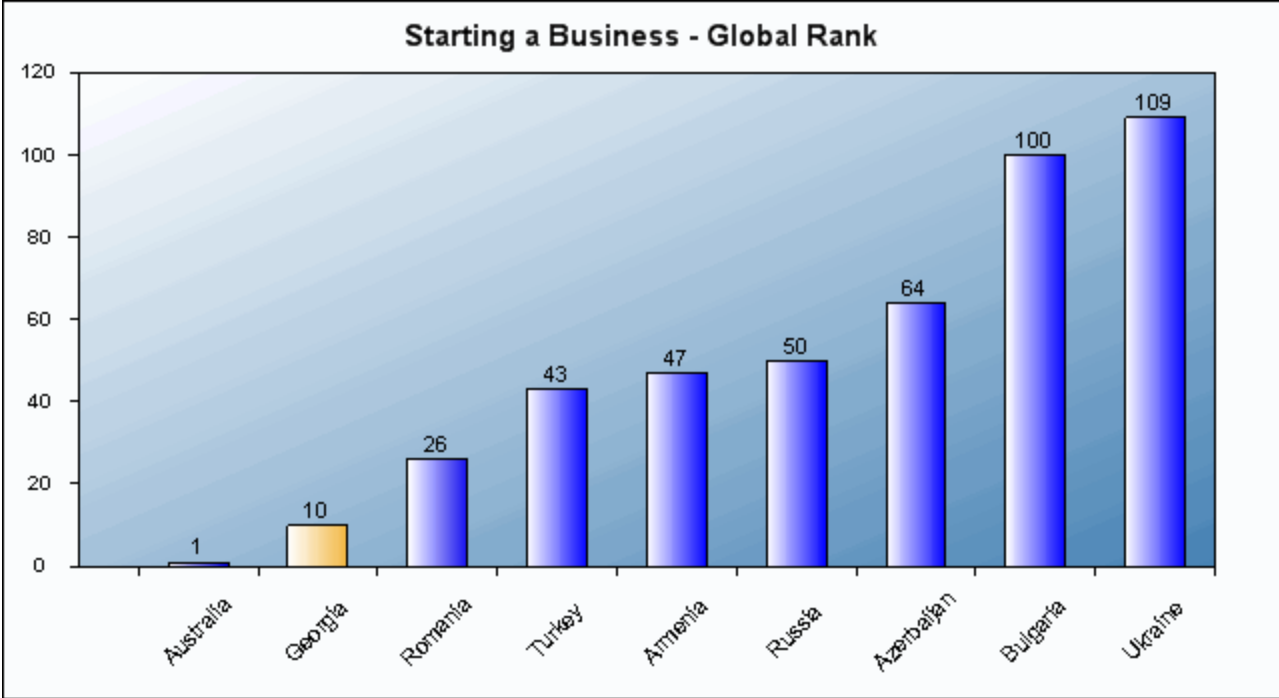
1. Legalize and notarize the founders' documents
2. Pay the registration fee
3. Register with Entrepreneurial Registry and tax agency
4. Make an official seal
5. Open a corporate account in the Bank

More details are available in the appendix.

4. Benchmarking Starting a Business Regulations:

Georgia is ranked 10 overall for Starting a Business. Australia is the top ranked economy followed by Canada, New Zealand and United States.

Ranking of Georgia in Starting a Business - Compared to best practice and selected economies:



The following table shows Starting a Business data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Procedures (number) | Duration (days) | Cost (% GNI per capita) | Paid in Min. Capital (% of GNI per |
|--------------------------------|----------------------------|------------------------|--------------------------------|---|
| Australia* | 2 | 2 | | 0.0 |
| Denmark | | | 0.0 | |

| Selected Economy | | | | |
|-------------------------|---|----|-----|-----|
| Georgia | 5 | 11 | 9.5 | 0.0 |

| Comparator Economies | | | | |
|-----------------------------|----|----|------|-------|
| Armenia | 9 | 18 | 4.8 | 3.1 |
| Azerbaijan | 13 | 30 | 6.9 | 0.0 |
| Bulgaria | 9 | 32 | 8.4 | 56.3 |
| Romania | 6 | 14 | 4.7 | 1.5 |
| Russia | 8 | 29 | 3.7 | 3.2 |
| Turkey | 6 | 6 | 20.7 | 16.2 |
| Ukraine | 10 | 27 | 7.8 | 203.1 |

* The following economies are also best practice economies for :

Procedures (number): Canada, New Zealand

Paid in Min. Capital (% of GNI per capita): Canada, Ireland, Israel, Mauritius, New Zealand, Puerto Rico, Thailand, Trinidad and Tobago, United Kingdom, United States

Dealing with Licenses in Georgia: Building a Warehouse

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure—from government to comply with inspections and with licensing and safety regulations and from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation—the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many countries, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally—leading to hazardous construction. In other countries compliance is simple, straightforward and inexpensive—yielding better results.

The indicators on dealing with licenses record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

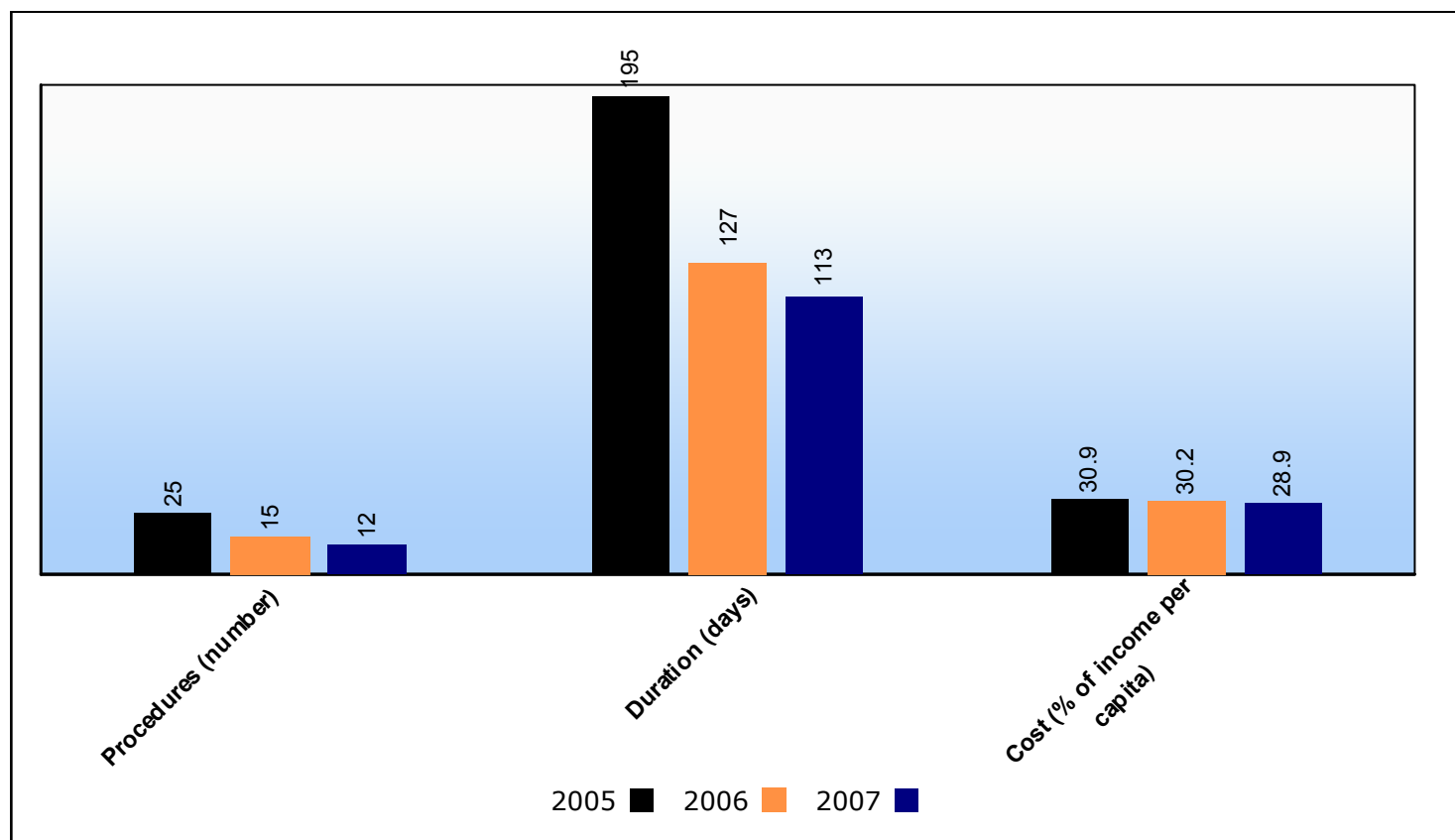
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Where the regulatory burden is large, entrepreneurs move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

1. Historical data: Dealing with Licenses in Georgia

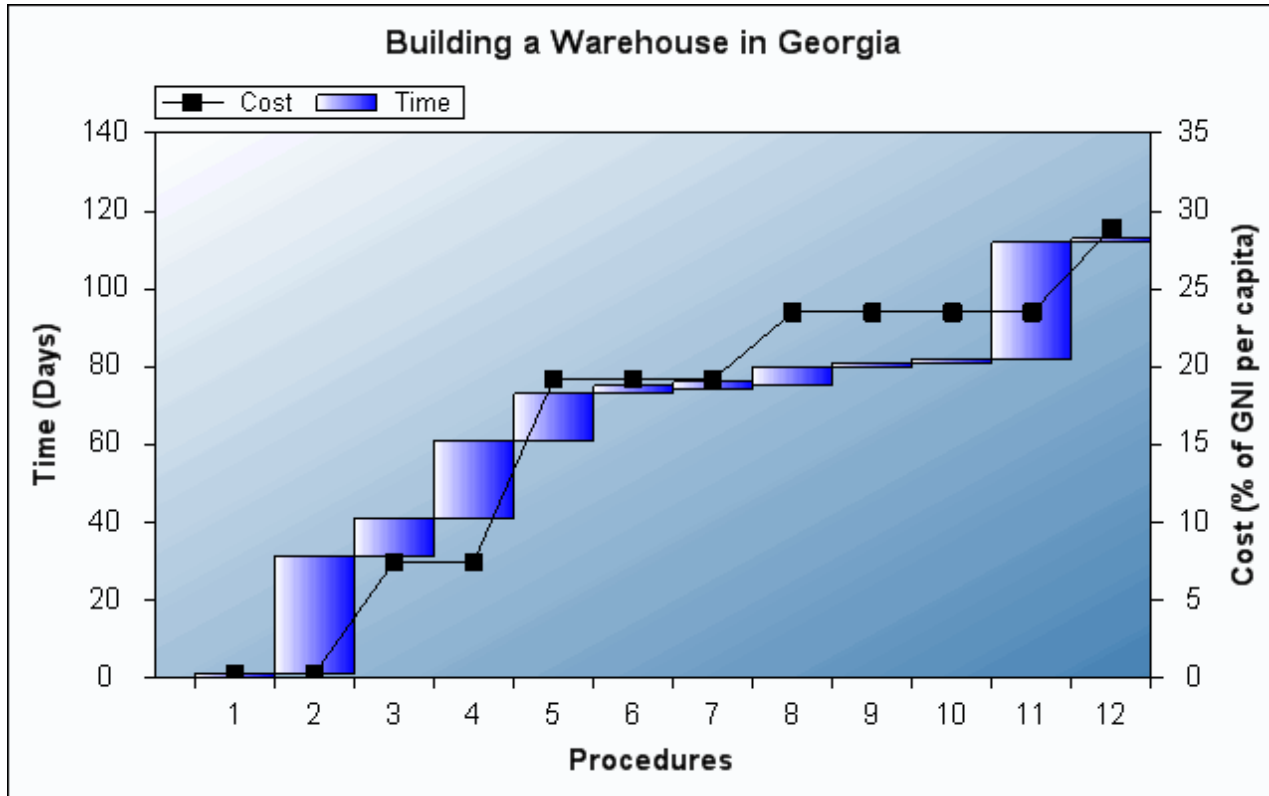
| Dealing with Licenses data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|-------------------------------|---------------------|---------------------|---------------------|
| Rank | | 27 | 11 |
| Procedures (number) | 25 | 15 | 12 |
| Duration (days) | 195 | 127 | 113 |
| Cost (% of income per capita) | 30.9 | 30.2 | 28.9 |

2. The following graph illustrates the Dealing with Licenses indicators in Georgia over the past 3 years:



3. Steps to Building a Warehouse in Georgia

It requires 12 procedures, takes 113 days, and costs 28.89% GNI per capita to build a warehouse in Georgia.



List of Procedures:

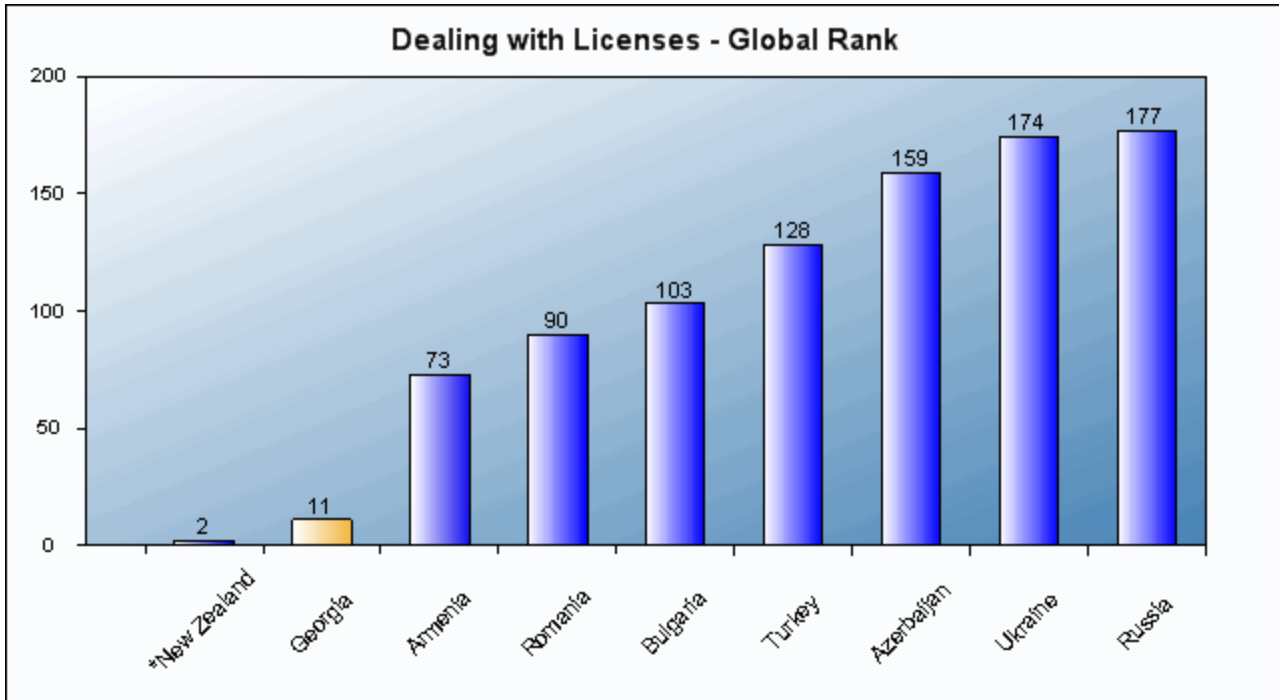
1. Request and obtain extract from the National Public Registry
2. Request and obtain Terms of Construction from Tbilisi Urban Planning Service
3. Request and obtain an engineering geology study from a certified geology and engineering company
4. Request and obtain approval of Architectural-Construction Design from Tbilisi Urban Planning Service
5. Request and obtain building permit from Tbilisi Urban Planning Service
6. Request and receive inspection to confirm water connection
7. Request and receive inspection to confirm electricity connection
8. Request and receive connection to telephone
9. Request and obtain layout survey and protocol from Archmshen Inspection (Architectural Inspection Agency)
10. Request and obtain protocol of completion of major building structure from Archmshen Inspection
11. Request and obtain exploitation of building- construction from Special Commission
12. Register the building with the National Public registry

More details are available in the appendix.

4. Benchmarking Dealing with Licenses Regulations:

Georgia is ranked 11 overall for Dealing with Licenses. St. Vincent and the Grenadines is the top ranked economy followed by New Zealand, Belize and Marshall Islands.

Ranking of Georgia in Dealing with Licenses - Compared to best practice and selected economies:



* The following economies are also best practice economies for Building a Warehouse: St. Vincent and the Grenadines

The following table shows Dealing with Licenses data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Procedures (number) | Duration (days) | Cost (% of income per capita) |
|--------------------------------|----------------------------|------------------------|--------------------------------------|
| Denmark | 6 | | |
| Korea | | 34 | |
| United Arab Emirates | | | 1.5 |

| Selected Economy | | | |
|-------------------------|-----------|------------|-------------|
| Georgia | 12 | 113 | 28.9 |

| Comparator Economies | | | |
|-----------------------------|-----------|------------|---------------|
| Armenia | 19 | 116 | 411.3 |
| Azerbaijan | 31 | 207 | 768.3 |
| Bulgaria | 22 | 131 | 499.9 |
| Romania | 17 | 243 | 124.3 |
| Russia | 54 | 704 | 3788.4 |
| Turkey | 25 | 188 | 369.9 |
| Ukraine | 29 | 429 | 668.5 |

Employing Workers in Georgia: Labor Regulations

Every economy has established a complex system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws. Doing Business examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a nonwage labor cost measure and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective).

The nonwage labor cost covers all social security payments and payroll taxes associated with hiring an employee, expressed as a percentage of the worker's salary. The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

The indicators on employment regulations are based on a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing the two areas studied. To ensure accuracy, both the actual laws and the applicable collective bargaining agreements are used. Finally, all data are verified and completed by local law firms through a detailed survey of employment regulations.

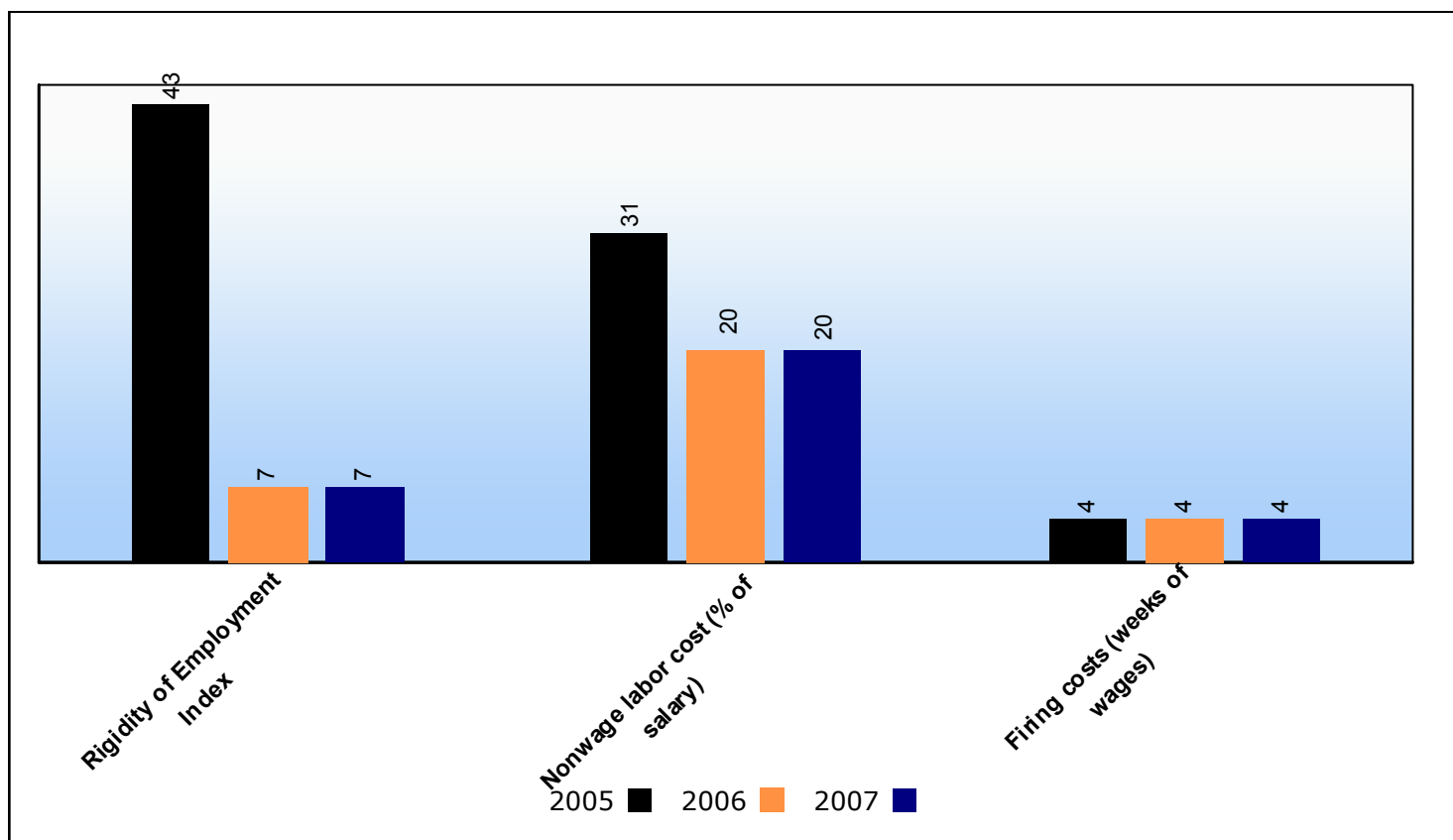
To make the data comparable across economies, a range of assumptions about the worker and the company are used. Assumptions about the worker include that he is a nonexecutive, full-time male employee who has worked in the same company for 20 years and is not a member of the labor union (unless membership is mandatory). The company is assumed to be a limited liability manufacturing corporation that operates in the country's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in countries where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

Most employment regulations are enacted in response to market failures. But that does not mean that today's regulations are optimal. Analysis across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike.

1. Historical data: Employing Workers in Georgia

| Employing Workers data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|----------------------------------|---------------------|---------------------|---------------------|
| Rank | | 4 | 4 |
| Rigidity of Employment Index | 43 | 7 | 7 |
| Nonwage labor cost (% of salary) | 31 | 20 | 20 |
| Firing costs (weeks of wages) | 4 | 4 | 4 |

2. The following graph illustrates the Employing Workers indicators in Georgia over the past 3 years:



3. Benchmarking Employing Workers Regulations:

Georgia is ranked 4 overall for Employing Workers. Marshall Islands is the top ranked economy followed by Brunei, Georgia and Tonga.

Ranking of Georgia in Employing Workers - Compared to best practice and selected economies:



* The following economies are also best practice economies for Employing Workers: Marshall Islands, Singapore

The following table shows Employing Workers data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Rigidity of Employment Index | Nonwage labor cost (% of salary) | Firing costs (weeks of wages) |
|--------------------------------|-------------------------------------|---|--------------------------------------|
| Bangladesh* | | 0 | |
| Denmark* | | | 0 |
| Hong Kong, China* | 0 | | |

| Selected Economy | | | |
|-------------------------|---|----|---|
| Georgia | 7 | 20 | 4 |

| Comparator Economies | | | |
|-----------------------------|----|----|----|
| Armenia | 31 | 19 | 13 |
| Azerbaijan | 38 | 22 | 22 |
| Bulgaria | 29 | 23 | 9 |
| Romania | 66 | 31 | 8 |
| Russia | 44 | 31 | 17 |
| Turkey | 42 | 22 | 95 |
| Ukraine | 45 | 38 | 13 |

* The following economies are also best practice economies for :

Rigidity of Employment Index: Singapore, United States

Nonwage labor cost (% of salary): Botswana, Ethiopia, Maldives

Firing costs (weeks of wages): New Zealand, United States

Registering Property in Georgia: Regulation of Property Transfer

Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has also proved to be good for entrepreneurs. Land and buildings account for between half and three-quarters of the wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates commerce. And with formal property titles, entrepreneurs can obtain mortgages on their home or land and start businesses.

Doing Business measures the ease of registering property based on a standard case of an entrepreneur who wants to purchase land and a building in the largest business city. It is assumed that the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most countries the data are based on responses from both. Based on the responses, three indicators are constructed:

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

A large share of the property in developing countries is not formally registered, limiting financing opportunities for businesses. Recognizing this constraint, some developing country governments have embarked on extensive property titling programs. Yet bringing assets into the formal sector is of little value unless they stay there.

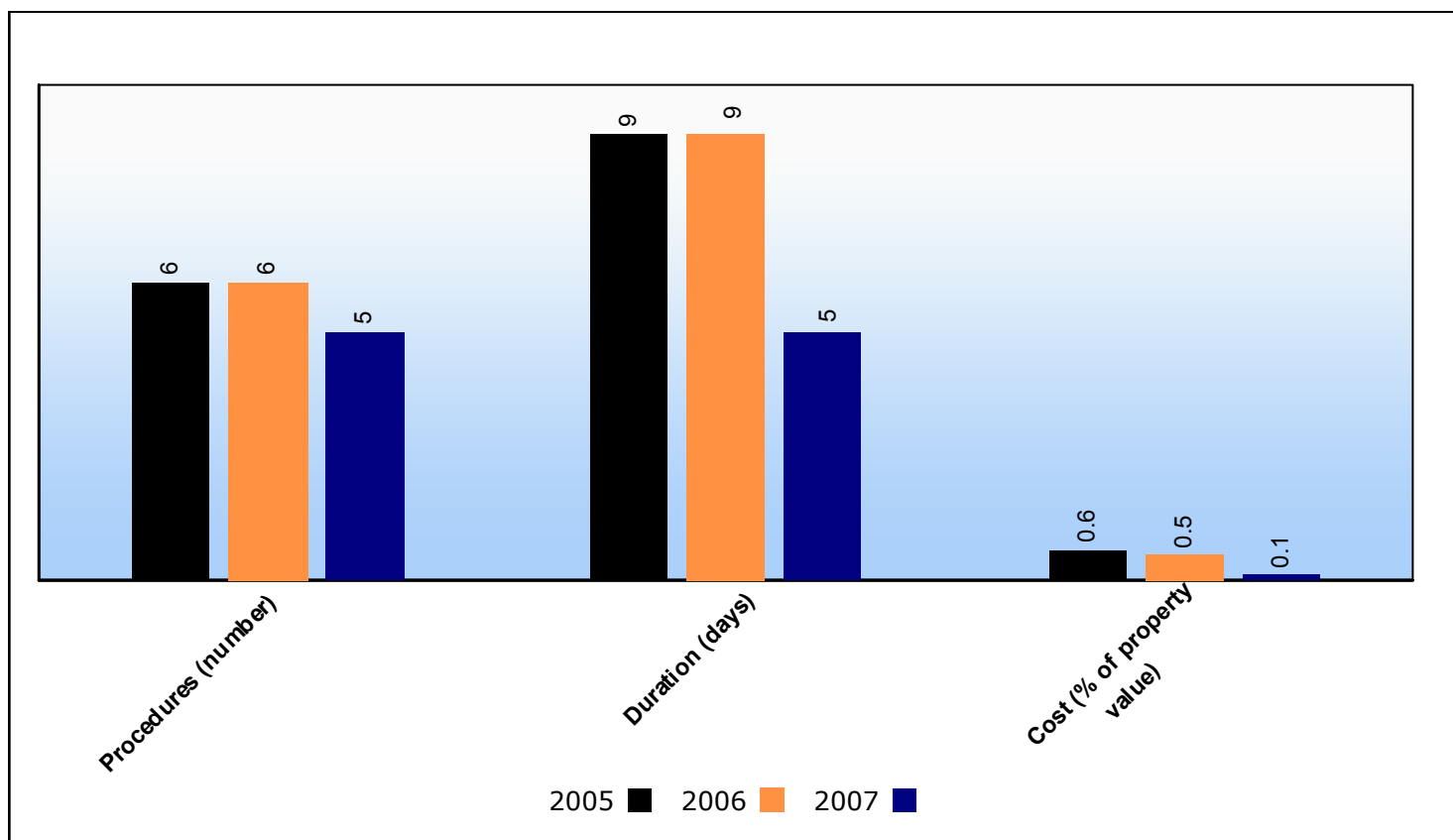
Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African country costs 12% of the value of the property and takes more than 100 days on average. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

Efficient property registration reduces transaction costs and helps keep formal titles from slipping into informal status. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

1. Historical data: Registering Property in Georgia

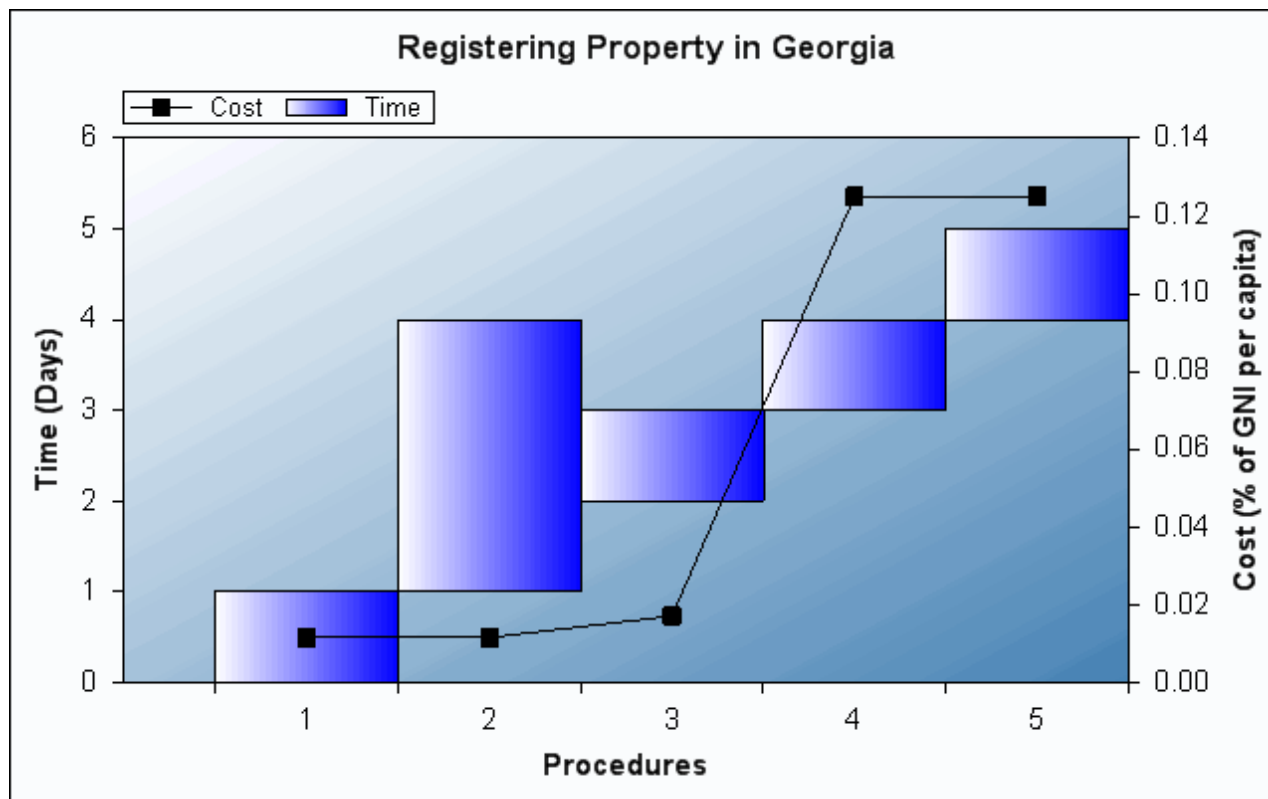
| Registering Property data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|----------------------------|---------------------|---------------------|---------------------|
| Rank | | 18 | 11 |
| Procedures (number) | 6 | 6 | 5 |
| Duration (days) | 9 | 9 | 5 |
| Cost (% of property value) | 0.6 | 0.5 | 0.1 |

2. The following graph illustrates the Registering Property indicators in Georgia over the past 3 years:



3. Steps to Registering Property in Georgia

It requires 5 procedures, takes 5 days, and costs 0.13% GNI per capita to register the property in Georgia.



List of Procedures:

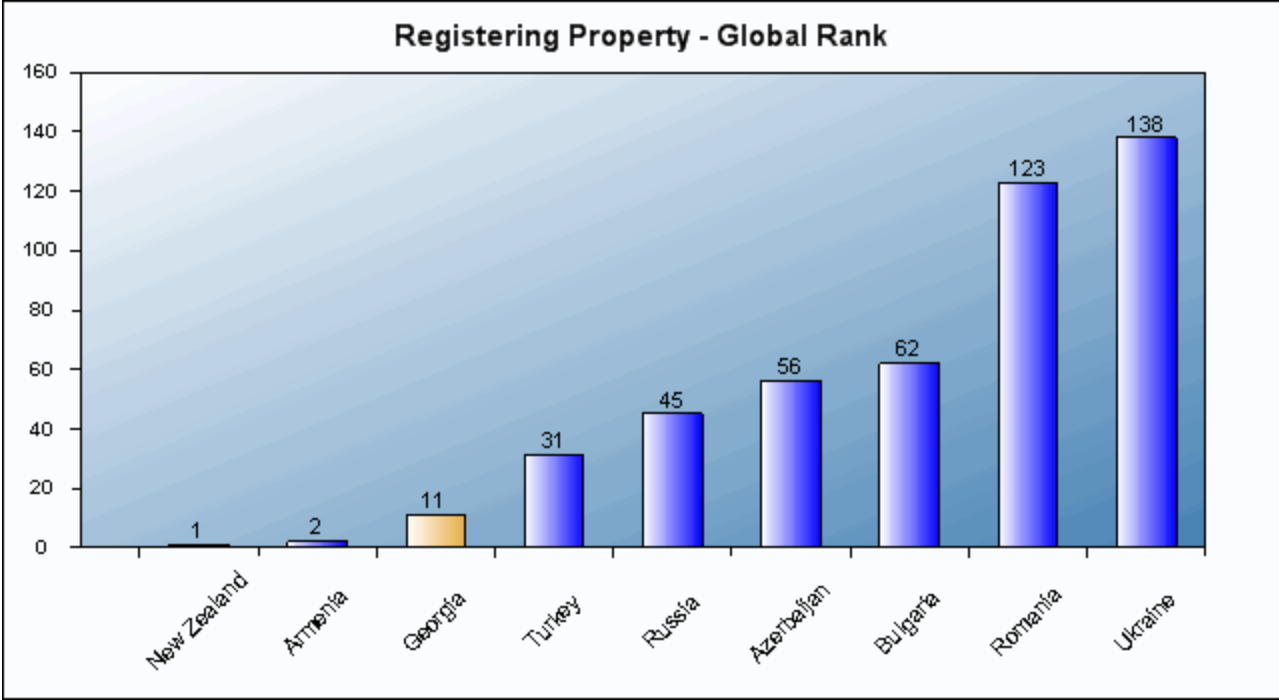
1. Obtain a non-encumbrance certificate, an extract, and a cadastral sketch of the parcel, confirming current status of the property, for
2. Obtain Entrepreneurial Registry Excerpt from District Tax Office
3. Notarize copies of the company Charter and Entrepreneurial Registry Excerpt
4. Payment of the registration fee at a commercial bank
5. Register the purchaser's title with the district Public Registry

More details are available in the appendix.

4. Benchmarking Registering Property Regulations:

Georgia is ranked 11 overall for Registering Property. New Zealand is the top ranked economy followed by Armenia, Saudi Arabia and Lithuania.

Ranking of Georgia in Registering Property - Compared to best practice and selected economies:



The following table shows Registering Property data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Procedures (number) | Duration (days) | Cost (% of property value) |
|--------------------------------|----------------------------|------------------------|-----------------------------------|
| New Zealand* | | 2 | |
| Norway* | 1 | | |
| Saudi Arabia* | | | 0.0 |

| Selected Economy | | | |
|-------------------------|----------|----------|------------|
| Georgia | 5 | 5 | 0.1 |

| Comparator Economies | | | |
|-----------------------------|-----------|------------|------------|
| Armenia | 3 | 4 | 0.4 |
| Azerbaijan | 7 | 61 | 0.2 |
| Bulgaria | 9 | 19 | 2.3 |
| Romania | 8 | 150 | 2.8 |
| Russia | 6 | 52 | 0.3 |
| Turkey | 6 | 6 | 3.1 |
| Ukraine | 10 | 93 | 3.3 |

* The following economies are also best practice economies for :

Procedures (number): **Sweden**

Duration (days): **Sweden, Thailand**

Cost (% of property value): **Bhutan**

Getting Credit in Georgia: Legal Rights and Credit Information

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function—one on credit registries and the other on legal rights of borrowers and lenders.

Credit registries—institutions that collect and distribute credit information on borrowers—can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms covered by a private credit bureau as a percentage of the adult population.
- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.

The data are from surveys of public registries and the largest private credit bureau in the country.

Effective regulation of secured lending—through collateral and bankruptcy laws—can also ease credit constraints. By giving a lender the right to seize and sell a borrower’s secured assets upon default, collateral limits the lender’s potential losses and acts as a screening device for borrowers. The strength of legal rights index measures 10 aspects of the rights of borrowers and creditors in collateral and bankruptcy laws, including whether:

- General rather than specific description of assets and debt is permitted in collateral agreements (expanding the scope of assets and debt covered).
- Any legal or natural person may grant or take security in assets.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority both within bankruptcy and outside it.
- Parties may agree on out-of-court enforcement of collateral by contract.
- Creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

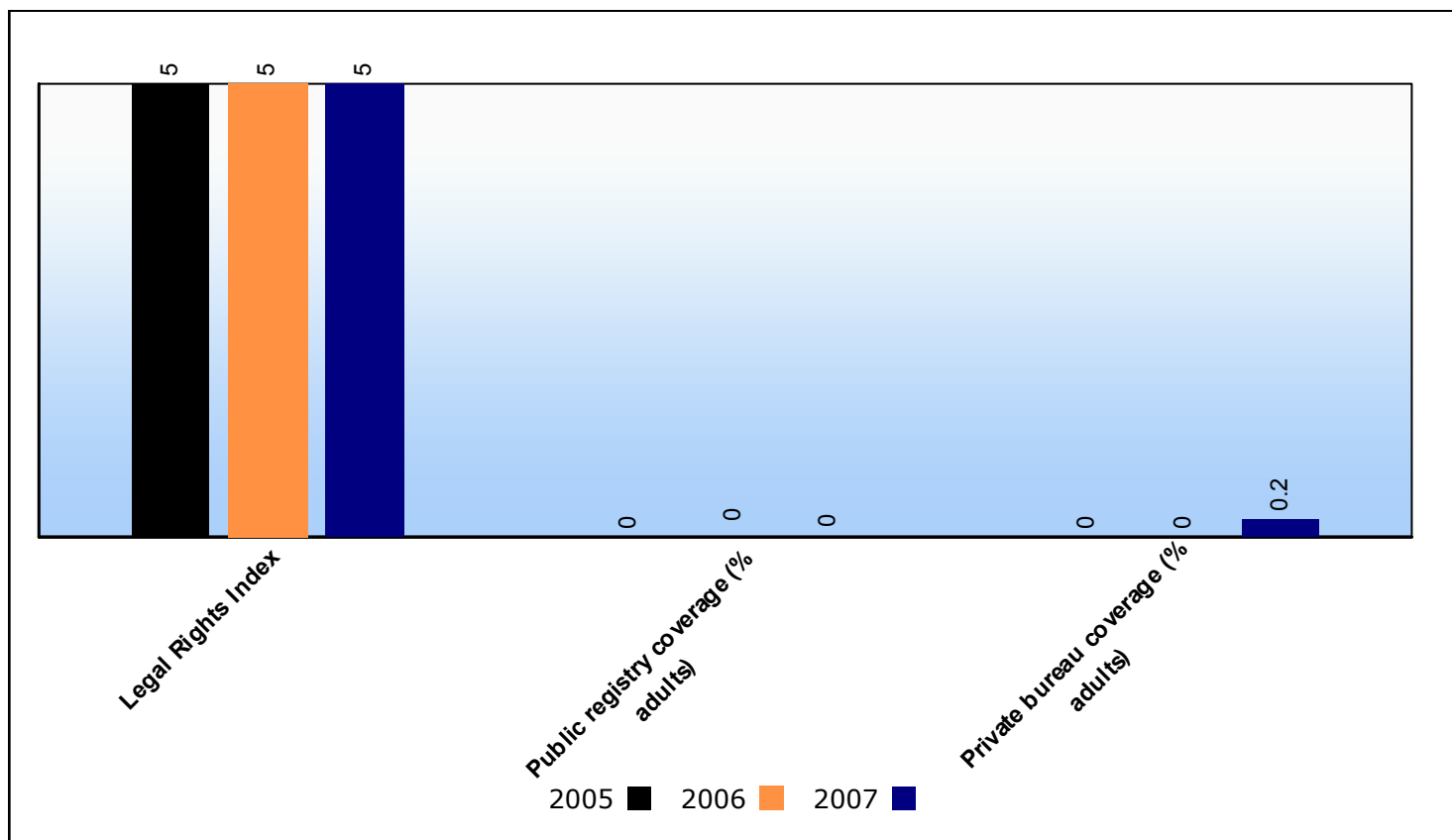
The index ranges from 0 (weak legal rights) to 10 (strong legal rights). The data were obtained by examining collateral and bankruptcy laws and legal summaries and verified through a survey of financial lawyers.

Where good-quality credit information is available and legal rights are stronger, more credit is extended. Benefits flow beyond those gaining access to credit. With better-functioning credit markets, unemployment is lower, and women and low-income people benefit the most.

1. Historical data: Getting Credit in Georgia

| Getting Credit data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|-------------------------------------|---------------------|---------------------|---------------------|
| Rank | | 62 | 48 |
| Legal Rights Index | 5 | 5 | 5 |
| Public registry coverage (% adults) | 0.0 | 0.0 | 0.0 |
| Private bureau coverage (% adults) | 0.0 | 0.0 | 0.2 |

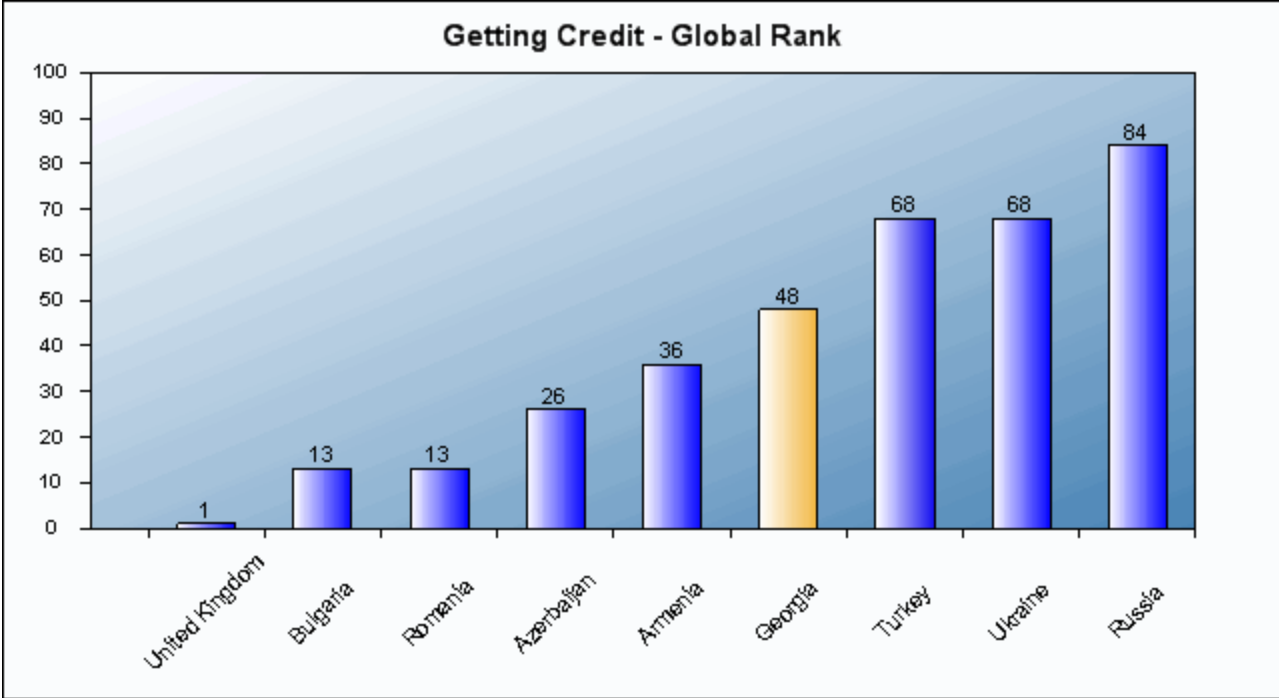
2. The following graph illustrates the Getting Credit indicators in Georgia over the past 3 years:



3. Benchmarking Getting Credit Regulations:

Georgia is ranked 48 overall for Getting Credit. United Kingdom is the top ranked economy followed by Hong Kong, China, Germany and Australia.

Ranking of Georgia in Getting Credit - Compared to best practice and selected economies:



The following table shows Getting Credit data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Legal Rights Index | Public registry coverage (%) | Private bureau coverage (%) |
|--------------------------------|---------------------------|-------------------------------------|------------------------------------|
| Argentina* | | | 100.0 |
| Hong Kong, China* | 10 | | |
| Portugal | | 67.1 | |

| Selected Economy | | | |
|-------------------------|---|-----|-----|
| Georgia | 5 | 0.0 | 0.2 |

| Comparator Economies | | | |
|-----------------------------|---|------|------|
| Armenia | 5 | 2.8 | 13.5 |
| Azerbaijan | 7 | 1.4 | 0.0 |
| Bulgaria | 6 | 25.4 | 3.0 |
| Romania | 7 | 4.1 | 10.9 |
| Russia | 3 | 0.0 | 4.4 |
| Turkey | 3 | 10.3 | 2.7 |
| Ukraine | 8 | 0.0 | 0.0 |

* The following economies are also best practice economies for :

Legal Rights Index: United Kingdom

Private bureau coverage (% adults): Australia, Canada, Iceland, Ireland, New Zealand, Nicaragua, Norway, Sweden, United States

Protecting Investors in Georgia: Corporate Governance

Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, Doing Business measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is unfair to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.

The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.

The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

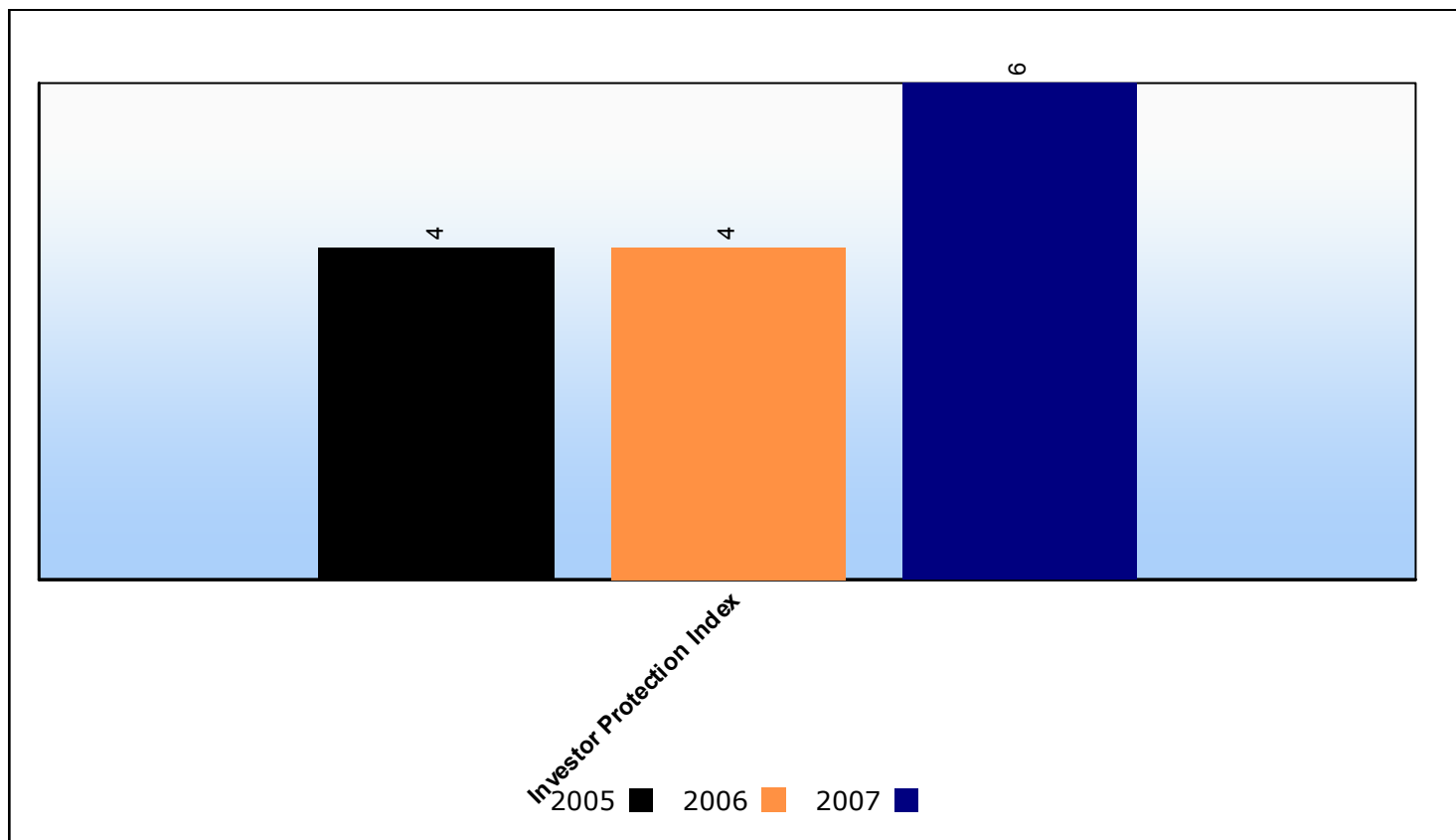
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed, and fewer profitable investment projects are undertaken. Where self-dealing is curbed, equity investment is higher, ownership concentration lower and trust in the business sector deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

1. Historical data: Protecting Investors in Georgia

| Protecting Investors data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|---------------------------|---------------------|---------------------|---------------------|
| Rank | | 120 | 33 |
| Investor Protection Index | 4.0 | 4.0 | 6.0 |

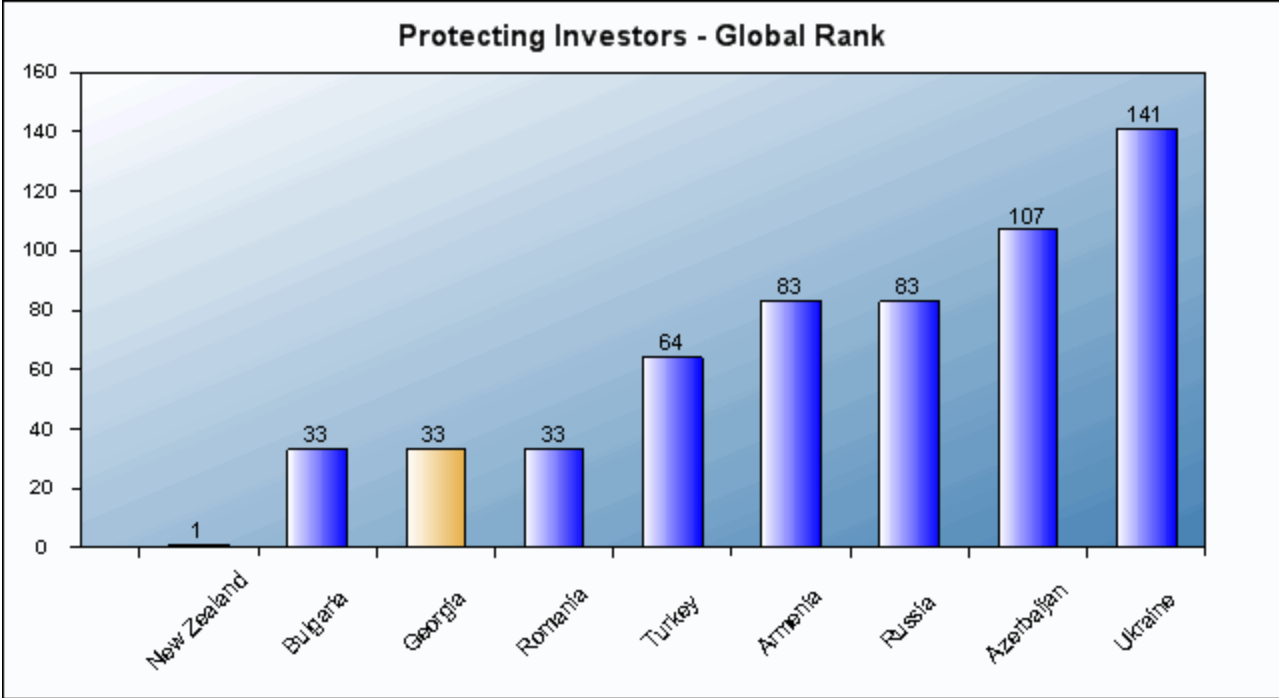
2. The following graph illustrates the Protecting Investors indicators in Georgia over the past 3 years:



3. Benchmarking Protecting Investors Regulations:

Georgia is ranked 33 overall for Protecting Investors. New Zealand is the top ranked economy followed by Singapore, Hong Kong, China and Malaysia.

Ranking of Georgia in Protecting Investors - Compared to best practice and selected economies:



The following table shows Protecting Investors data for Georgia compared to best practice and comparator economies:

| <i>Best Practice Economies</i> | Investor Protection Index |
|---------------------------------------|----------------------------------|
| New Zealand | 9.7 |

| <i>Selected Economy</i> | |
|--------------------------------|-----|
| Georgia | 6.0 |

| <i>Comparator Economies</i> | |
|------------------------------------|-----|
| Armenia | 5.0 |
| Azerbaijan | 4.3 |
| Bulgaria | 6.0 |
| Romania | 6.0 |
| Russia | 5.0 |
| Turkey | 5.3 |
| Ukraine | 3.7 |

Paying Taxes: Tax Payable and Compliance in Georgia

Taxes are essential. Without them there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect taxes.

The Doing Business tax survey records the effective tax that a company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asked accountants in 178 economies to review TaxpayerCo's financial statements and a standard list of transactions the company completed during the year. Respondents were asked how much tax the business must pay and what the process is for doing so.

The business starts from the same financial position in each country. All the taxes and contributions paid during the second year of operation are recorded. Taxes and contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

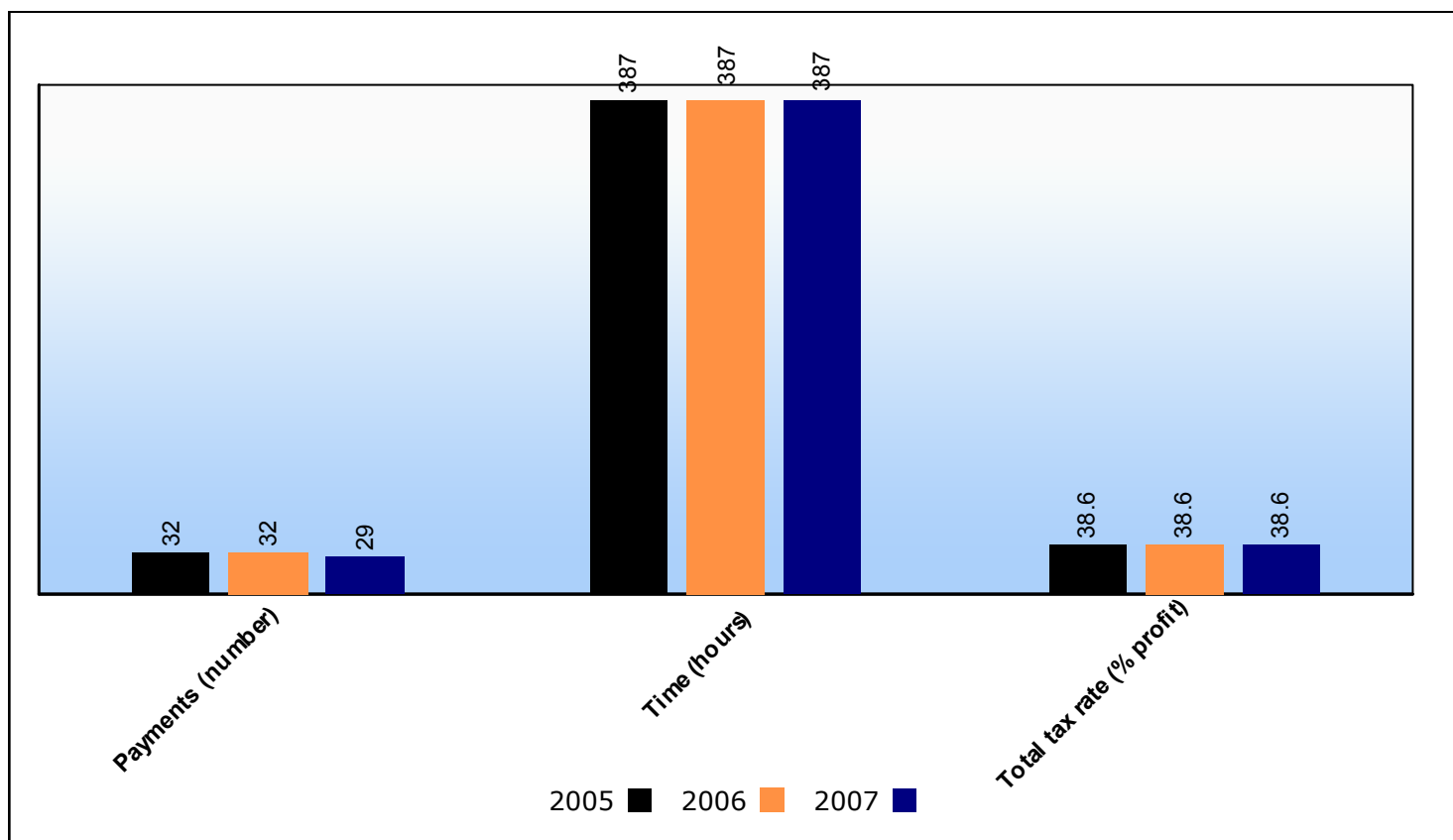
- Number of tax payments, which takes into account the method of payment or withholding, the frequency of payment or withholding and the number of agencies involved for the standard case.
- Time, which measures the hours per year necessary to prepare, file and pay the corporate income tax, value added or sales tax and labor taxes.
- Total tax rate, which measures the amount of taxes payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes. Rich countries tend to have lower tax rates and less complex tax systems. And rich countries get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses—and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.

1. Historical data: Paying Taxes in Georgia

| Paying Taxes data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|---------------------------|---------------------|---------------------|---------------------|
| Rank | | 103 | 102 |
| Time (hours) | 387 | 387 | 387 |
| Total tax rate (% profit) | 38.6 | 38.6 | 38.6 |
| Payments (number) | 32 | 32 | 29 |

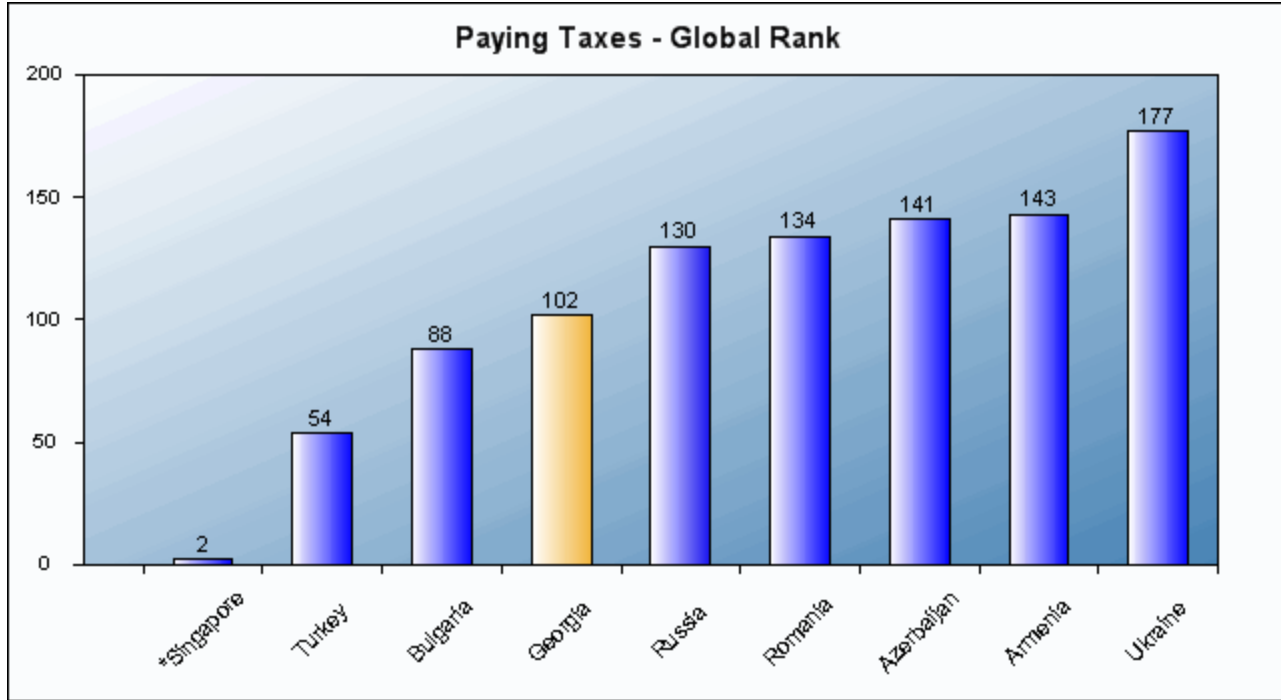
2. The following graph illustrates the Paying Taxes indicators in Georgia over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

Georgia is ranked 102 overall for Paying Taxes. Maldives is the top ranked economy followed by Singapore, Hong Kong, China and United Arab Emirates.

Ranking of Georgia in Paying Taxes - Compared to best practice and selected economies:



* The following economies are also best practice economies for Paying Taxes: Maldives

The following table shows Paying Taxes data for Georgia compared to best practice and comparator economies:

| <i>Best Practice Economies</i> | Payments (number) | Time (hours) | Total tax rate (% profit) |
|--------------------------------|-------------------|--------------|---------------------------|
| Sweden* | 2 | | |
| United Arab Emirates* | | 12 | |
| Vanuatu | | | 8.4 |

| <i>Selected Economy</i> | | | |
|-------------------------|----|-----|------|
| Georgia | 29 | 387 | 38.6 |

| <i>Comparator Economies</i> | | | |
|-----------------------------|----|------|------|
| Armenia | 50 | 1120 | 36.6 |
| Azerbaijan | 38 | 952 | 40.9 |
| Bulgaria | 17 | 616 | 36.7 |
| Romania | 96 | 202 | 46.9 |
| Russia | 22 | 448 | 51.4 |
| Turkey | 15 | 223 | 45.1 |
| Ukraine | 99 | 2085 | 57.3 |

* The following economies are also best practice economies for :

Payments (number): **Maldives**

Time (hours): **Maldives**

Trading Across Borders: Importing and Exporting from Georgia

The benefits of trade are well documented—as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with faster ships and bigger planes, the world is shrinking. Global and regional agreements have brought down trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles to exporting or importing goods. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every official procedure—and the associated documents, time and cost—for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, with 100 or more employees, and is located in the periurban area of the country's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the country. The traded goods are ordinary, legally manufactured products, and they travel in a dry-cargo, 20-foot FCL (full container load) container.

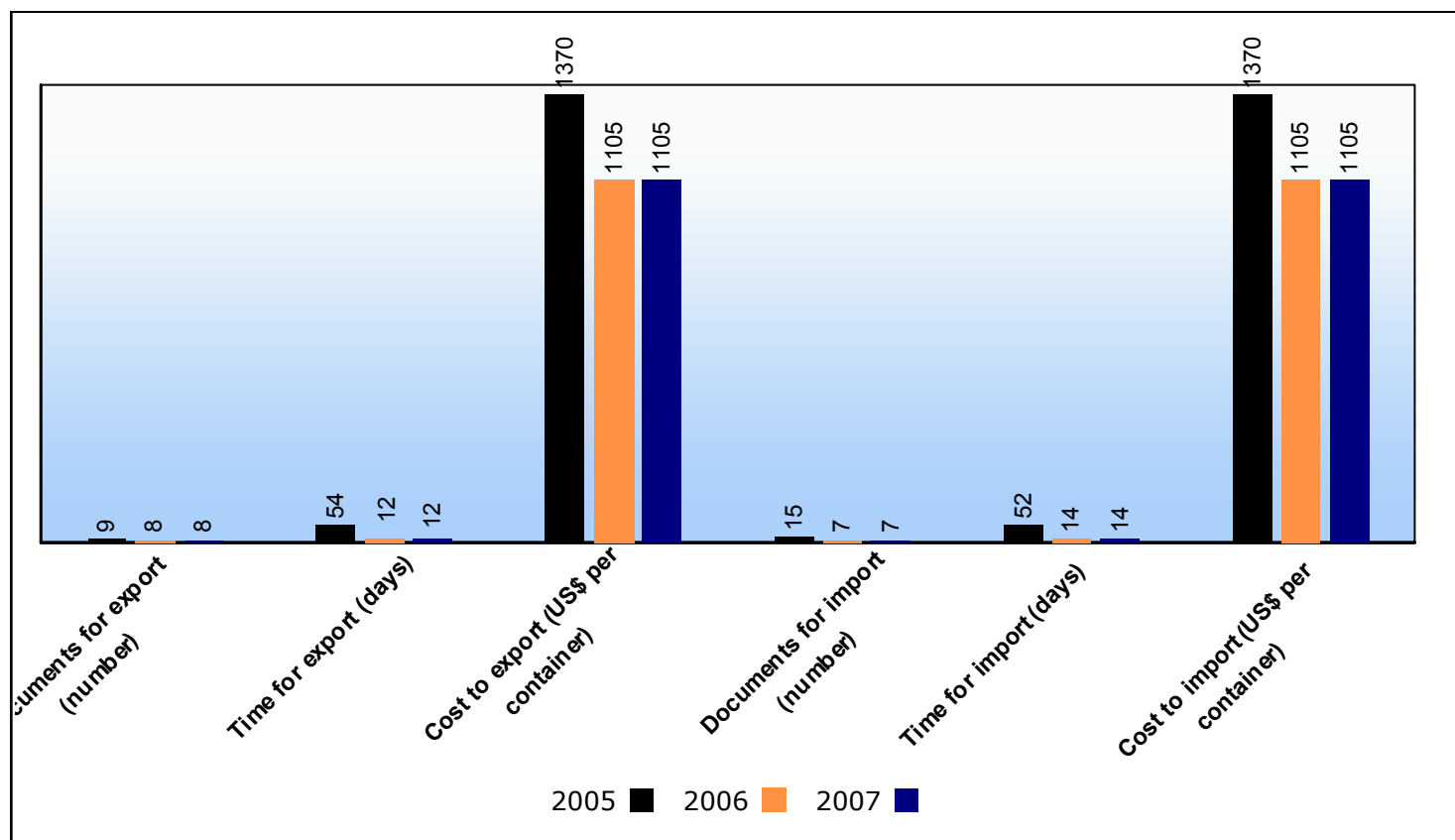
Documents recorded include port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties. Time is recorded in calendar days, from start to finish of each procedure. Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes.

Countries that have efficient customs, good transport networks and fewer document requirements—making compliance with export and import procedures faster and cheaper—are more competitive globally. That leads to more exports—and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. That defeats the very purpose in having border control of trade—to levy taxes and ensure high quality of goods.

1. Historical data: Trading Across Borders in Georgia

| Trading Across Borders data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|-------------------------------------|---------------------|---------------------|---------------------|
| Rank | | 59 | 64 |
| Documents for export (number) | 9 | 8 | 8 |
| Time for export (days) | 54 | 12 | 12 |
| Cost to export (US\$ per container) | 1370 | 1105 | 1105 |
| Documents for import (number) | 15 | 7 | 7 |
| Time for import (days) | 52 | 14 | 14 |
| Cost to import (US\$ per container) | 1370 | 1105 | 1105 |

2. The following graph illustrates the Trading Across Borders indicators in Georgia over the past 3 years:



3. Benchmarking Trading Across Borders Regulations:

Georgia is ranked 64 overall for Trading Across Borders. Singapore is the top ranked economy followed by Denmark, Hong Kong, China and Norway.

Ranking of Georgia in Trading Across Borders - Compared to best practice and selected economies:



The following table shows Trading Across Borders data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Documents for export (number) | Time for export (days) | Cost to export (US\$ per) | Documents for import (number) | Time for import (days) | Cost to import (US\$ per) |
|--------------------------------|--------------------------------------|-------------------------------|----------------------------------|--------------------------------------|-------------------------------|----------------------------------|
| Canada* | 3 | | | | | |
| China | | | 390 | | | |
| Denmark* | | 5 | | 3 | | |
| Singapore | | | | | 3 | 367 |

| Selected Economy | | | | | | |
|-------------------------|---|----|------|---|----|------|
| Georgia | 8 | 12 | 1105 | 7 | 14 | 1105 |

| Comparator Economies | | | | | | |
|-----------------------------|---|----|------|----|----|------|
| Armenia | 7 | 30 | 1165 | 8 | 24 | 1335 |
| Azerbaijan | 9 | 56 | 2715 | 14 | 56 | 2945 |
| Bulgaria | 5 | 23 | 1329 | 7 | 21 | 1377 |
| Romania | 5 | 12 | 1075 | 6 | 13 | 1075 |
| Russia | 8 | 36 | 2050 | 13 | 36 | 2050 |
| Turkey | 7 | 14 | 865 | 8 | 15 | 1013 |
| Ukraine | 6 | 31 | 1045 | 10 | 39 | 1065 |

* The following economies are also best practice economies for :

Documents for export (number): **Estonia, Micronesia, Panama**

Time for export (days): **Estonia, Singapore**

Documents for import (number): **Sweden**

Enforcing Contracts: Court Efficiency in Georgia

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

The dispute, between two businesses (the Seller and the Buyer) located in the country's most populous city, concerns a contract for the sale of goods. The Seller agrees to deliver the goods, worth 200% of the country's income per capita, to the Buyer.

After receiving and inspecting the goods, the Buyer concludes that their quality is inadequate. The Buyer sends the goods back without paying for them. The Seller disagrees and argues that their quality is adequate. The Seller seeks full payment from the Buyer, arguing that the goods cannot be sold to a third party because they were custom-made for the Buyer. The Seller sues the Buyer before the court in the most populous city to recover the amount due under the sales agreement (200% of the country's income per capita).

Three indicators of the efficiency of commercial contract enforcement are developed:

- Number of procedures, which includes all those that demand interaction between the parties or between them and the judge or court officer.
- Time, which counts the number of days from the moment the plaintiff files the lawsuit in court until the moment of payment. This measure includes both the days on which actions take place and the waiting periods between actions.
- Cost, which measures the official cost of going through court procedures, expressed as a percentage of the claim (assumed to be equivalent to 200% of income per capita). The cost includes court costs, enforcement costs and attorney fees where the use of attorneys is mandatory or common.

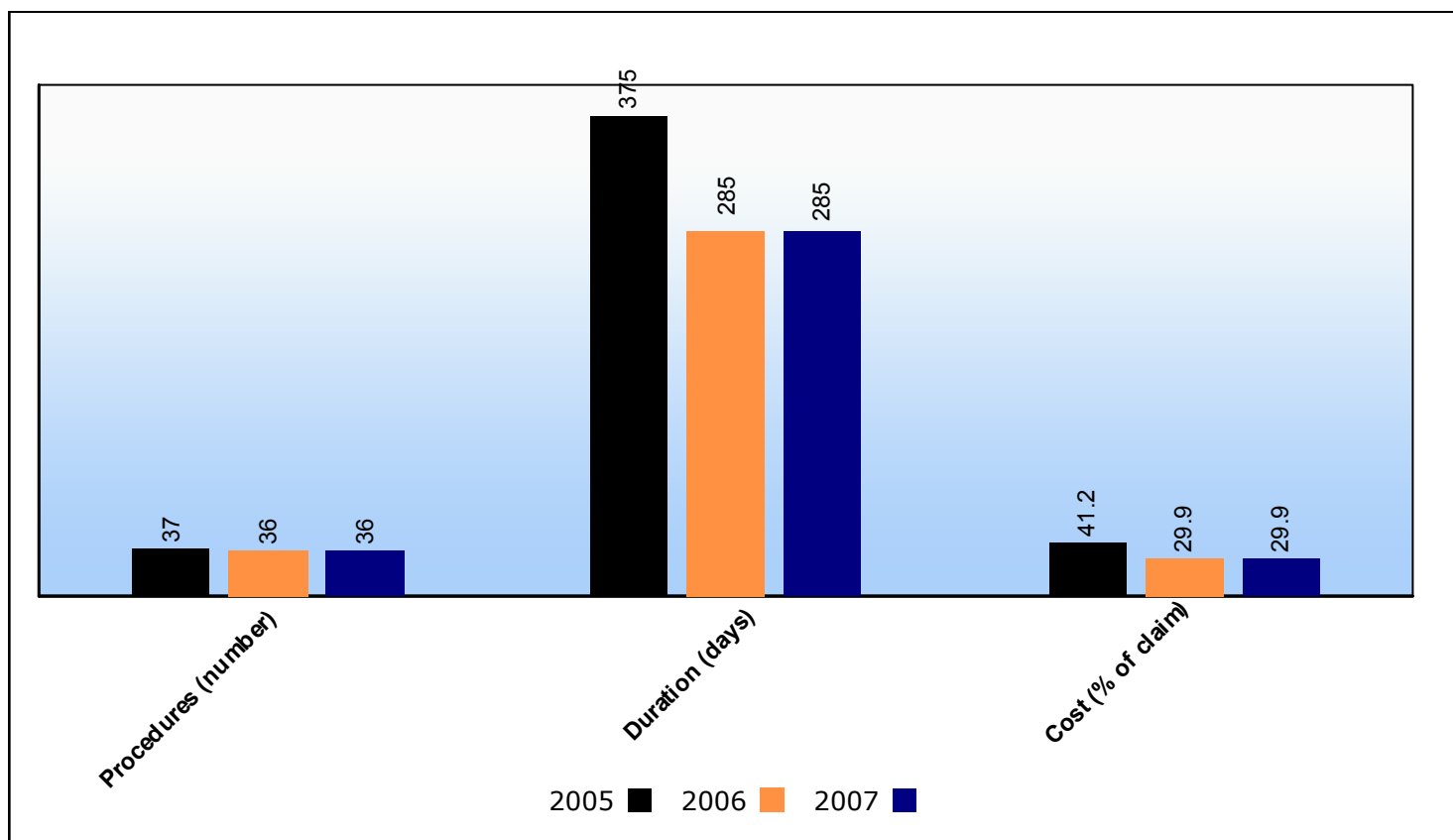
Businesses that have little or no access to efficient courts must rely on other mechanisms, both formal and informal—such as trade associations, social networks, credit bureaus or private information channels—to decide whom to do business with and under what conditions. Or they might adopt a conservative approach to business, dealing only with a small group of people linked through kinship, ethnic origin or previous dealings and structuring transactions to forestall disputes. In either case economic and social value may be lost.

The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution backfires. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. The result: less wealth is created.

1. Historical data: Enforcing Contracts in Georgia

| Enforcing Contracts data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|--------------------------|---------------------|---------------------|---------------------|
| Rank | | 42 | 42 |
| Procedures (number) | 37 | 36 | 36 |
| Duration (days) | 375 | 285 | 285 |
| Cost (% of claim) | 41.2 | 29.9 | 29.9 |

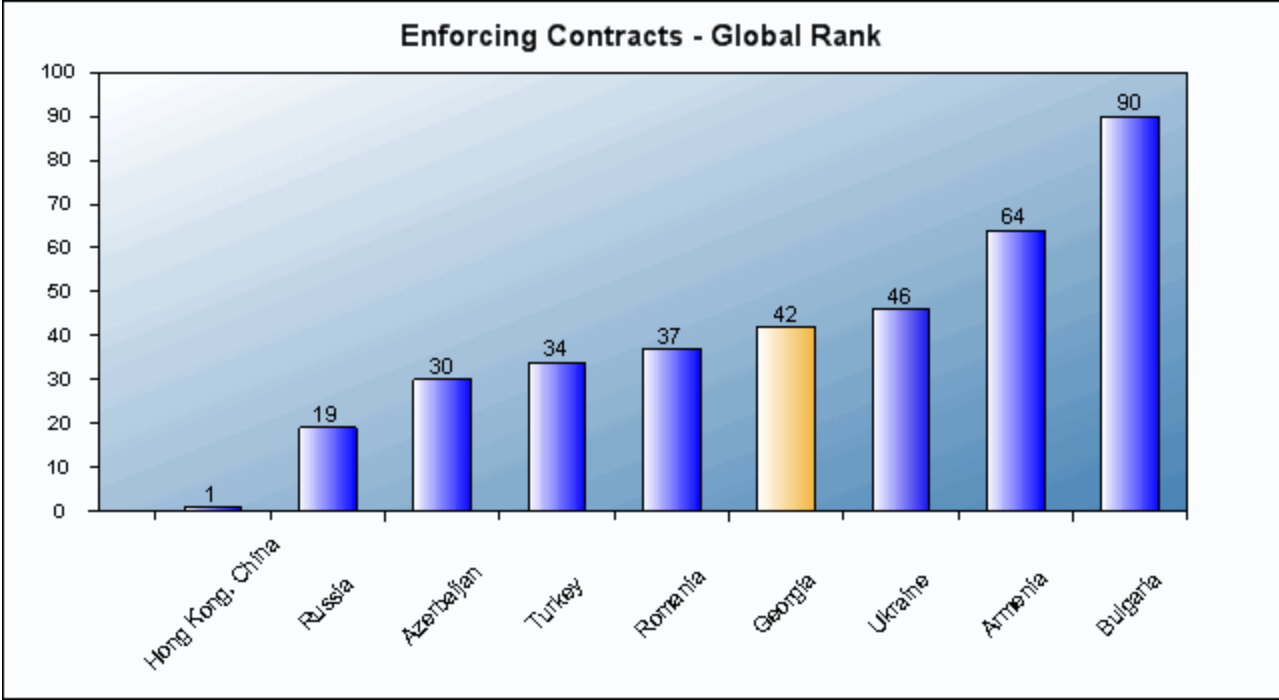
2. The following graph illustrates the Enforcing Contracts indicators in Georgia over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

Georgia is ranked 42 overall for Enforcing Contracts. Hong Kong, China is the top ranked economy followed by Luxembourg, Latvia and Singapore.

Ranking of Georgia in Enforcing Contracts - Compared to best practice and selected economies:



The following table shows Enforcing Contracts data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Procedures (number) | Duration (days) | Cost (% of claim) |
|--------------------------------|----------------------------|------------------------|--------------------------|
| Bhutan | | | 0.1 |
| Ireland | 20 | | |
| Singapore | | 120 | |

| Selected Economy | | | |
|-------------------------|----|-----|------|
| Georgia | 36 | 285 | 29.9 |

| Comparator Economies | | | |
|-----------------------------|----|-----|------|
| Armenia | 50 | 285 | 19.0 |
| Azerbaijan | 39 | 267 | 18.5 |
| Bulgaria | 40 | 564 | 22.2 |
| Romania | 32 | 537 | 19.9 |
| Russia | 37 | 281 | 13.4 |
| Turkey | 36 | 420 | 18.8 |
| Ukraine | 30 | 354 | 41.5 |

Closing Business in Georgia: Bankruptcy

The economic crises of the 1990s in emerging markets—from East Asia to Latin America, from Russia to Mexico—raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

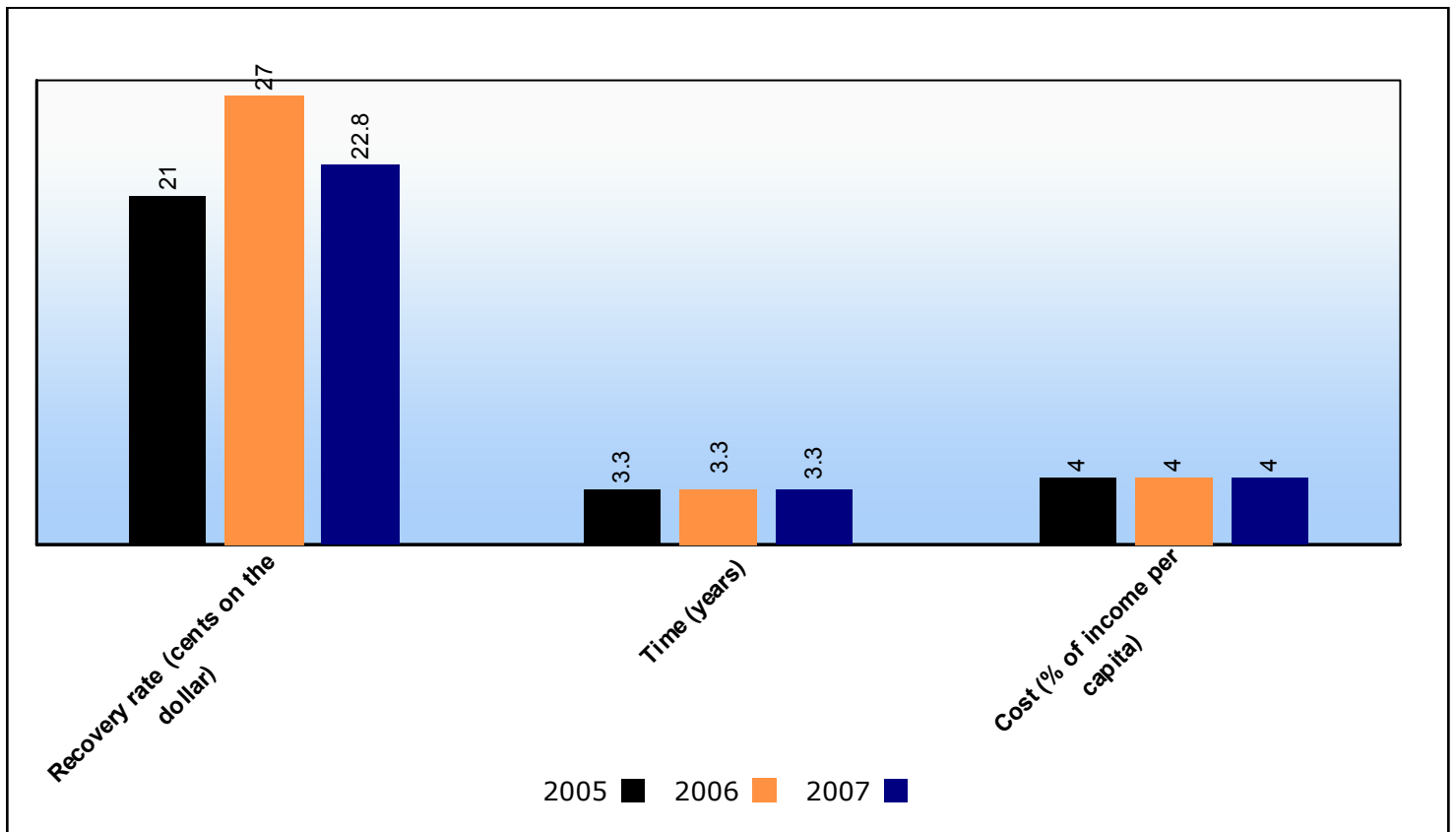
Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate—how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy is used, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

1. Historical data: Closing Business in Georgia

| Closing a Business data | Doing Business 2006 | Doing Business 2007 | Doing Business 2008 |
|-------------------------------------|---------------------|---------------------|---------------------|
| Rank | | 87 | 105 |
| Cost (% of income per capita) | 4 | 4 | 4 |
| Time (years) | 3.3 | 3.3 | 3.3 |
| Recovery rate (cents on the dollar) | 21 | 27 | 22.8 |

2. The following graph illustrates the Closing Business indicators in Georgia over the past 3 years:



3. Benchmarking Closing Business Regulations:

Georgia is ranked 105 overall for Closing a Business. Japan is the top ranked economy followed by Singapore, Norway and Canada.

Ranking of Georgia in Closing Business - Compared to best practice and selected economies:



The following table shows Closing Business data for Georgia compared to best practice and comparator economies:

| Best Practice Economies | Recovery rate (cents on the | Time (years) | Cost (% of income per capita) |
|--------------------------------|------------------------------------|---------------------|--------------------------------------|
| Colombia | | | 1 |
| Ireland* | | 0.4 | |
| Japan | 92.6 | | |

| Selected Economy | | | |
|-------------------------|-------------|------------|----------|
| Georgia | 22.8 | 3.3 | 4 |

| Comparator Economies | | | |
|-----------------------------|------|-----|----|
| Armenia | 42.0 | 1.9 | 4 |
| Azerbaijan | 31.5 | 2.7 | 8 |
| Bulgaria | 32.4 | 3.3 | 9 |
| Romania | 28.9 | 3.3 | 9 |
| Russia | 29.0 | 3.8 | 9 |
| Turkey | 20.3 | 3.3 | 15 |
| Ukraine | 9.1 | 2.9 | 42 |

* The following economies are also best practice economies for :

Time (years): **Cape Verde**

Starting a Business in Georgia

This table summarizes the procedures and costs associated with setting up a business in Georgia.

STANDARDIZED COMPANY

Legal Form: Limited Liability Company

Minimum Capital Requirement: None

City: Tbilisi

Registration Requirements:

| No: | Procedure | Time to complete | Cost to complete |
|-----|--|--|---|
| 1 | Notarize the founders' documents, signature samples, and the incorporation documents | 4 days, depending on complexity of drafting and availability of notary | about GEL 70, for notarizing charter + GEL 2.4 per signature for notarizing other documents |
| 2 | Pay the registration fee | 1 day | see below |
| 3 | Register the company with the Entrepreneurial Register and obtain an identification number and Certificate of State and Tax Registration | 3 days | GEL 160 |
| 4 | Make an official seal | 2 days | GEL 30 |
| 5 | Open a corporate account in the bank | 1 day | no charge |

Procedure 1 Notarize the founders' documents, signature samples, and the incorporation documents

- Time to complete:** 4 days, depending on complexity of drafting and availability of notary
- Cost to complete:** about GEL 70, for notarizing charter + GEL 2.4 per signature for notarizing other documents
- Comment:** The following documents will need to be prepared and notarized if the founder is a natural person:
- Minutes of the founders' meeting;
 - Charter (2 copies);
 - Signature sample of the director to be presented to the regional tax inspectorate and the bank where the company intends to open its corporate account;
 - Power of Attorney (unless the founder undertakes the registration personally);
 - Although not specifically required by law, submission of a deed of leasing office space or a similar instrument, is as a general rule requested by the registering tax inspection and it may be required to be notarially certified.
- The costs for notarization of the charter are based on the amount of the charter capital. Costs for notarization of all other documents will be contingent upon the number of authenticated signatures. The notary fee payable for authentication of a signature amounts to 2.40 GEL (VAT inclusive).

Procedure 2 Pay the registration fee

- Time to complete:** 1 day
- Cost to complete:** see below
- Comment:**

Procedure 3 Register the company with the Entrepreneurial Register and obtain an identification number and Certificate of State and Tax Registration

- Time to complete:** 3 days
- Cost to complete:** GEL 160
- Comment:** The following documents need to be filed: application signed by the founders; 2 copies of charters; minutes of the foundation meeting; director's sample of signature; document confirming the legal address of the company; documents confirming payment of 50% of the equity capital; document confirming payment of the registration fee.
- The Tax Department at the Finance Ministry of Georgia publishes the data of Entrepreneurial Register in the official gazette. The tax agency is obligated to register the LLC within 3 working days after the date of filing. On June 24, 2005 the Georgian Law on Changes and Amendments to the Georgian Law on Entrepreneurs was adopted. According to Article 2 of the denoted law, provisions regarding the registration of enterprise were effective from September 1, 2005. According to Article 4.4 of this version of the relevant law, the unified Entrepreneurial Register was kept by the Tax Department at the Ministry of Finance of Georgia.
- On 29 June 2006 Order No. 717 of the Finance Minister of Georgia on Approval of Instruction on State Registration Procedure of Enterprises (including Individual Enterprises), Non-Entrepreneurial (Non-Commercial) Legal Persons, Branches (Representations) as well as on Procedure of Tax Registration of Tax Payers (effective from July 1, 2006) was adopted. Pursuant to the denoted Order, the state as well as tax registration of enterprises is carried out by the Tax Inspections at the Tax Department of the Ministry of Finance of Georgia as follows: - Tbilisi Tax Inspection; - Batumi Tax Inspection; - Rustavi Tax Inspection; - Kutaisi Tax

Inspection; - Poti Tax Inspection; - Gori Tax Inspection; - Telavi Tax Inspection; - Akhaltsikhe Tax Inspection; - Abkhazia Tax Inspection. The Tax Department at the Finance Ministry of Georgia maintains an electronic version of the unified Entrepreneurial Register.

Procedure 4 Make an official seal

Time to complete: 2 days

Cost to complete: GEL 30

Comment: In accordance with the amendments to the Law on Entrepreneurs (effective June 1, 2001), company stamps are no longer required, and state institutions have been explicitly prohibited from requiring a company to present a stamp for any purpose. Indeed, the requirement to make an official company seal has been expressly abolished by amendments made to the Law on Entrepreneurs effective as of June 1, 2001. However, newly incorporated companies in Georgia still make their company seal due to the established practice, whereby banks as well as tax authorities require company seals.

Procedure 5 Open a corporate account in the bank

Time to complete: 1 day

Cost to complete: no charge

Comment: For such purposes the (i) tax administration resolution on registration of the company; (ii) charter of the company; (iii) state and tax registration certificate; (iv) director's signature sample and (v) copies of identification documentation of each person authorized to represent the company must be presented to the bank. The bank immediately transforms the temporary account (opened prior to registration) into a permanent account.

Dealing with Licenses in Georgia

The table below summarizes the procedures, time, and costs to build a warehouse in Georgia.

BUILDING A WAREHOUSE

Date as of: January 2, 2007

Estimated Warehouse Value:

City: Tbilisi

Registration Requirements:

| No: | Procedure | Time to complete | Cost to complete |
|-----|---|------------------|------------------|
| 1 | Request and obtain extract from the National Public Registry | 1 day | GEL 7 |
| 2 | Request and obtain Terms of Construction from Tbilisi Urban Planning Service | 30 days | no charge |
| 3 | Request and obtain an engineering geology study from a certified geology and engineering company | 10 days | GEL 200 |
| 4 | Request and obtain approval of Architectural-Construction Design from Tbilisi Urban Planning Service | 20 days | no charge |
| 5 | Request and obtain building permit from Tbilisi Urban Planning Service | 10 days | GEL 325 |
| 6 | Request and receive inspection to confirm water connection | 2 days | no charge |
| 7 | Request and receive inspection to confirm electricity connection | 2 days | no charge |
| 8 | Request and receive connection to telephone | 5 days | GEL 120 |
| 9 | Request and obtain layout survey and protocol from Archmshen Inspection (Architectural Inspection Agency) | 1 day | no charge |
| 10 | Request and obtain protocol of completion of major building structure from Archmshen Inspection | 1 day | no charge |
| 11 | Request and obtain exploitation of building- construction from Special Commission | 30 days | no charge |
| 12 | Register the building with the National Public registry | 1 day | GEL 150 |

| | | |
|--------------------------|----------|---|
| Procedure | 1 | Request and obtain extract from the National Public Registry |
| Time to complete: | | 1 day |
| Cost to complete: | | GEL 7 |
| Comment: | | <p>This document proves the registered ownership right and provides the right to build on the land plot. It is valid for 10 days.</p> <p>Reform: Previous requirement that the NAPR extract be presented three times during the permitting process is abolished. The extract will be presented only once in the beginning of permitting process. Changes according to GOG Regulation No. 140, March 27, 2007.</p> |
| Procedure | 2 | Request and obtain Terms of Construction from Tbilisi Urban Planning Service |
| Time to complete: | | 30 days |
| Cost to complete: | | no charge |
| Comment: | | <p>The application must be filled out to obtain the Terms of Construction. Statutory time limit is 30 days.</p> <p>Reform: "Tbilisi Tskali" (water utility) and Telasi (electricity provider) under changes to GOG Regulation No. 140, March 27, 2007 has become 'administrative bodies' and Tbilisi Urban Planning Service obtains technical conditions from them according as a one stop shop.</p> |
| Procedure | 3 | Request and obtain an engineering geology study from a certified geology and engineering company |
| Time to complete: | | 10 days |
| Cost to complete: | | GEL 200 |
| Comment: | | |
| Procedure | 4 | Request and obtain approval of Architectural-Construction Design from Tbilisi Urban Planning Service |
| Time to complete: | | 20 days |
| Cost to complete: | | no charge |
| Comment: | | This procedure was introduced by the GOG Regulation No. 140, Aug. 11, 2005. |
| Procedure | 5 | Request and obtain building permit from Tbilisi Urban Planning Service |
| Time to complete: | | 10 days |
| Cost to complete: | | GEL 325 |
| Comment: | | <p>The cost is measured in accordance with the project value. For projects in general category it shall cost GEL 0.5 per square meter and only the ground floor space is counted. Thus the breakdown is $1300.6/2*0.5\%= 325.15$ Resolution of Tbilisi local self government (assembly) # 5-3, 08.05.2002, paragraph #6.</p> |
| Procedure | 6 | Request and receive inspection to confirm water connection |

Time to complete: 2 days

Cost to complete: no charge

Comment: The company having obtained the conditions from water authority starts building the water and sewage pipes to the main water pipeline. Once there is a phase of connecting to the main pipeline the inspector from "Tbilisi Tskali" comes to confirm the connection and sign the protocol. It takes 2 days from time it is requested to time they actually come and connect.

Procedure 7 Request and receive inspection to confirm electricity connection

Time to complete: 2 days

Cost to complete: no charge

Comment: The company having obtained the conditions from electricity authorities starts laying the cables in line with internal scheme. Once there is a phase of connecting to the main cable lines the inspector from "Telasi" comes to confirm the connection and sign the protocol. It takes 2 days from time it is requested to connection.

Procedure 8 Request and receive connection to telephone

Time to complete: 5 days

Cost to complete: GEL 120

Comment: The companies are privatized and, on average, the price for subscription is GEL 120.

Procedure 9 Request and obtain layout survey and protocol from Archmshen Inspection (Architectural Inspection Agency)

Time to complete: 1 day

Cost to complete: no charge

Comment: This procedure is part of the architectural-planning contract.

Procedure 10 Request and obtain protocol of completion of major building structure from Archmshen Inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: At the end of construction, the company must request for this permit and submit all the inspection certificates obtained in the previous procedures.

Procedure 11 Request and obtain exploitation of building- construction from Special Commission

Time to complete: 30 days

Cost to complete: no charge

Comment: Procedure of issuing the building exploitation certificate has been streamlined according to change to GOG Regulation #140 as of June 20, 2006, Article 201. According to it the statutory time limit is 30 days. The construction permit holder

must present the protocols of completion of each construction stage as specified in the terms of construction. Protocols are signed by permit holder, contractor and the Architectural Construction Supervision Service (ACSS) representative. Presence and signature of the ACSS is not mandatory. Protocols of completion are considered valid if they are signed by the permit holder and contractor and the copies are submitted to permit issuing agency.

| | | |
|------------------|-----------|--|
| Procedure | 12 | Register the building with the National Public registry |
|------------------|-----------|--|

| | |
|--------------------------|-------|
| Time to complete: | 1 day |
|--------------------------|-------|

| | |
|--------------------------|---------|
| Cost to complete: | GEL 150 |
|--------------------------|---------|

| | |
|-----------------|--|
| Comment: | The company must submit the document obtained in the previous procedure as well as the exploitation permit. Time is faster due to the Georgian Law on Registration of Rights on Immovable Property Dec. 28, 2005. |
|-----------------|--|

Employing Workers in Georgia

Employing workers indices are based on responses to survey questions. The table below shows these responses in Georgia.

| Employing Workers Indicators (2007) | Answer | Score |
|---|---------------|--------------|
| Rigidity of Employment Index | | 6.7 |
| Difficulty of Hiring Index | | 0.0 |
| Are fixed-term contracts prohibited for permanent tasks? | No | 0 |
| What is the maximum duration of fixed-term contracts (including renewals)? (in months) | No limit | 0.0 |
| What is the ratio of mandated minimum wage to the average value added per worker? | 0.00 | 0.00 |
| Rigidity of Hours Index | | 20.0 |
| Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production? | Yes | 0 |
| What is the maximum number of working days per week? | 7 | 0 |
| Are there restrictions on night work? | No | 0 |
| Are there restrictions on "weekly holiday" work? | No | 0 |
| What is the paid annual vacation (in working days) for an employee with 20 years of service? | 24 | 1 |
| Difficulty of Firing Index | | 0.0 |
| Is the termination of workers due to redundancy legally authorized? | Yes | 0 |
| Must the employer notify a third party before terminating one redundant worker? | No | 0 |
| Does the employer need the approval of a third party to terminate one redundant worker? | No | 0 |
| Must the employer notify a third party before terminating a group of 25 redundant workers? | No | 0 |
| Does the employer need the approval of a third party to terminate a group of 25 redundant workers? | No | 0 |
| Can an employer make redundant a worker only if the worker could not have been reassigned or retrained? | No | 0 |
| Are there priority rules applying to redundancies? | No | 0 |
| Are there priority rules applying to re-employment? | No | 0 |
| Firing costs (weeks of wages) | | 4.3 |
| What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary) | | 0.0 |

| | |
|--|-----|
| What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary) | 4.3 |
|--|-----|

| | |
|--|-----|
| What is the legally mandated penalty for redundancy dismissal? (weeks of salary) | 0.0 |
|--|-----|

| | |
|---|-------------|
| Nonwage labor cost (% of salary) | 20.0 |
|---|-------------|

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in Georgia

This topic examines the steps, time, and cost involved in registering property in Georgia.

STANDARDIZED PROPERTY

Property Value: 78,000.00

City: Tbilisi

Registration Requirements:

| No: | Procedure | Time to complete | Cost to complete |
|-----|--|---|---|
| 1 * | Obtain a non-encumbrance certificate, an extract, and a cadastral sketch of the parcel, confirming current status of the property, from the National Agency of Public Registry | 1 day (simultaneous with procedures 2 and 3) | GEL 7 (Extract) + GEL 1 (Cadastral sketch) + GEL 7 (Non-Encumbrance) + GEL 1 (Bank Fees) |
| 2 * | Obtain Entrepreneurial Registry Excerpt from District Tax Office where seller and buyer are registered | 2-3 days (simultaneous with procedures 1 and 3) | N/A |
| 3 * | Notarize copies of the company Charter and Entrepreneurial Registry Excerpt. | 1 day (simultaneous with procedures 1 and 2) | GEL 7.68 |
| 4 | Payment of the Registration fee at a commercial bank | 1 day | GEL 23 (for excerpt and cadastral sketch) + GEL 45 (Registration fee, 14 days) + GEL 51 (Registration fee, 9 days) + GEL 72 (Registration fee, 7 days) or GEL 108 (3 days) or GEL 150 (1 day) |
| 5 | Register the purchaser's title with the district Public Registry of property's locations and registration | 1, 3 or 5 business days (according to fees paid in Procedure 5) | Already paid in Procedure 5 |

* Takes place simultaneously with another procedure.

Procedure 1 Obtain a non-encumbrance certificate, an extract, and a cadastral sketch of the parcel, confirming current status of the property, from the National Agency of Public Registry

Time to complete: 1 day (simultaneous with procedures 2 and 3)

Cost to complete: GEL 7 (Extract) + GEL 1 (Cadastral sketch) + GEL 7 (Non-Encumbrance) + GEL 1 (Bank Fees)

Comment: The seller obtains the excerpt and the cadastral sketch from the respective division of National Agency of Public Registry, responsible for the geographical area of property's location. A new GEL 1 fee (Bank fees) is also charged. The excerpt remains valid within 1 month following the date of issuance. The seller also obtains the non-encumbrance certificate, which evidences absence of any liens over the property. Previously the certificate was obtained from the Chamber of Notaries. However, this function has been transferred to the National Agency of Public Registry. The certificate remains valid within 10 days following the date of issuance, according to a new law on Entrepreneurship that has been implemented in March 2007.

Procedure 2 Obtain Entrepreneurial Registry Excerpt from District Tax Office where seller and buyer are registered

Time to complete: 2-3 days (simultaneous with procedures 1 and 3)

Cost to complete: N/A

Comment: Both parties obtain the Entrepreneurial Registry Excerpt, confirming current status of the company, and identity of the registered director who will be executing the sales and purchase agreement on behalf of the seller/purchaser. The maximum time established for this procedure is 3 days.

Procedure 3 Notarize copies of the company Charter and Entrepreneurial Registry Excerpt.

Time to complete: 1 day (simultaneous with procedures 1 and 2)

Cost to complete: GEL 7.68

Comment: Both parties must produce notarized copies of the company charter. The purchaser will need two copies (for notarization and registration purposes), while the seller will only require one (for notarization). The purchaser will also need to produce a notarized copy of the Entrepreneurial Registry Excerpt for Public Registry registration purposes. The notary fee is chargeable at the rate of GEL 0.24 per certified page. The above figure of GEL 7.68 is provided on the basis of an assumption of a 10 page Charter in both cases, and a 2 page Entrepreneurial Registry Excerpt.

Procedure 4 Payment of the Registration fee at a commercial bank

Time to complete: 1 day

Cost to complete: GEL 23 (for excerpt and cadastral sketch) + GEL 45 (Registration fee, 14 days) + GEL 51 (Registration fee, 9 days) + GEL 72 (Registration fee, 7 days) or GEL 108 (3 days) or GEL 150 (1 day)

Comment: The registration fee is transferred to the specifically designated account of the Public Registry and a receipt is presented upon filing of all other documentation. Theoretically, it should be possible to transfer the amount from any commercial bank, although, practically, it may be problematic. It is therefore advisable to make the payment through the specific commercial bank, indicated by the Public Registry. The 2% Immovable Property Transfer Tax has been abolished with the introduction of the new Land Code of Georgia. It has been replaced by the "Income Tax" for

physical persons, and the “Profit Tax” for legal entities. These are capital gains taxes. According to changes in tax code (Law of Georgia-changes and additions in TAX CODE inforced 2006, 8 December), for persons, the income tax is 12% of the difference between the sell and purchase price in case the time period between the purchase and sales of the property is less than 2 years; for enterprises, the profit tax is 20% of the income gained from the sale of the property.

Procedure 5 Register the purchaser’s title with the district Public Registry of property’s locations and registration

Time to complete: 1, 3 or 5 business days (according to fees paid in Procedure 5)

Cost to complete: Already paid in Procedure 5

Comment: The purchaser must apply for registration no later than 15 days following the execution date. The sale purchase agreement is not required to be notarized, as of the amended Civil Code of March 2007, clause 183.
The Public Registry may take up to 5 business days following the date of filing to conduct registration and issue an Ownership Certificate. The option for an expedited procedure has been introduced in January of 2005, after the law “On Fees Established for Services Carried out by the National Agency of Public Register” was passed by the Parliament.

The registration fees are different for agricultural land:
Within 5 business days- GEL 7 (normal/mandatory registration)
Within 3 business days - GEL 21
Within 1 business day – GEL 35

Property transfers were subject to a 20% VAT until July 2005. Then, it was cut to 18%. The transfer of land without buildings is not subject to VAT.

The documentation shall include:
(i) Application, signed by the director of the purchaser;
(ii) Notarized copies of purchaser’s Charter and of a valid Entrepreneurial Registry Excerpt;
(iii) Sale and Purchase Agreement;
(iv) Receipt confirming payment of the IPTT;
(v) Receipt confirming payment of Public Registry registration fee.

Getting Credit in Georgia

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Georgia.

| Getting Credit Indicators (2007) | | | Indicator |
|---|------------------------------|-------------------------------|-----------|
| Private bureau coverage (% adults) | Private credit bureau | Public credit registry | 4 |
| Are data on both firms and individuals distributed? | Yes | No | 1 |
| Are both positive and negative data distributed? | No | No | 0 |
| Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions? | Yes | No | 1 |
| Are more than 2 years of historical credit information distributed? | Yes | No | 1 |
| Is data on all loans below 1% of income per capita distributed? | Yes | No | 1 |
| Is it guaranteed by law that borrowers can inspect their data in the largest credit registry? | No | No | 0 |
| Coverage | 0.2 | 0.0 | |
| Number of individuals | 7,800 | 0 | |
| Number of firms | 36,923 | 0 | |
| Legal Rights Index | | | 5 |
| Does the law allow all natural and legal persons to be party to collateral agreements? | | | Yes |
| Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral? | | | No |
| Does the law allow for general descriptions of debt, so that all types of obligations can be secured? | | | Yes |
| Does a unified registry exist for all security rights in movable property? | | | No |
| Do secured creditors have absolute priority to their collateral outside bankruptcy procedures? | | | No |
| Do secured creditors have absolute priority to their collateral in bankruptcy procedures? | | | Yes |
| During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement? | | | Yes |
| During reorganization, is management's control of the company's assets suspended? | | | Yes |
| Does the law authorize parties to agree on out of court enforcement? | | | Yes |
| May parties have recourse to out of court enforcement without restrictions? | | | No |

Protecting Investors in Georgia

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Georgia.

| Protecting Investors Data (2007) | Indicator |
|---|------------------|
| Disclosure Index | 2 |
| What corporate body provides legally sufficient approval for the transaction? (0-3; see notes) | 2 |
| Immediate disclosure to the public and/or shareholders (0-2; see notes) | 2 |
| Disclosures in published periodic filings (0-2; see notes) | 2 |
| Disclosures by Mr. James to board of directors (0-2; see notes) | 2 |
| Requirement that an external body review the transaction before it takes place (0=no, 1=yes) | 0 |
| Director Liability Index | 2 |
| Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes) | 2 |
| Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes) | 1 |
| Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes) | 0 |
| Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes) | 1 |
| Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes) | 1 |
| Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes) | 0 |
| Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes) | 1 |
| Shareholder Suits Index | 3 |
| Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes) | 3 |
| Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes) | 0 |
| Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes) | 0 |
| Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes) | 0 |
| Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes) | 1 |
| Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes) | 0 |

Notes:**Extent of Disclosure Index**

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in Georgia

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Bhutan, as well as measures of administrative burden in paying taxes.

| Tax or mandatory contribution | Payments (number) | Notes on Payments | Time (hours) | Statutory tax rate | Tax base | Total tax rate (% profit) | Notes on TTR |
|-------------------------------|-------------------|-------------------|--------------|--------------------|-----------------------------|---------------------------|-------------------------|
| Value added tax (VAT) | 12 | | 180 | 18.0% | value added | | not included |
| Property tax (land) | 0 | paid jointly | | 0.24 per sq. meter | land area | 0.17 | |
| Tax on interest | 0 | withheld | | 10.0% | interest income | 0.26 | included in other taxes |
| Property tax | 1 | | | 1.0% | all fixed assets minus land | 1.82 | |
| Corporate income tax | 4 | | 140 | 20.0% | taxable profits | 14.10 | |
| Social security contributions | 12 | | 67 | 20.0% | gross salaries | 22.56 | |
| Totals | 29 | | 387 | | | 38.6 | |

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in Georgia

These tables list the procedures necessary to import and exports a standardized cargo of goods in Belize. The documents required to export and import the goods are also shown.

| Nature of Export Procedures (2007) | Duration (days) | US\$ Cost |
|---|-----------------|-----------|
| Documents preparation | 5 | 55 |
| Inland transportation and handling | 3 | 725 |
| Customs clearance and technical control | 2 | 75 |
| Ports and terminal handling | 2 | 250 |
| Totals | 12 | 1105 |

| Nature of Import Procedures (2007) | Duration (days) | US\$ Cost |
|---|-----------------|-----------|
| Documents preparation | 8 | 55 |
| Customs clearance and technical control | 2 | 75 |
| Ports and terminal handling | 2 | 250 |
| Inland transportation and handling | 2 | 725 |
| Totals | 14 | 1105 |

Export

Bill of lading

Certificate of origin

Commercial invoice

Customs export declaration

Export license

Packing list

Technical standard/health certificate

Terminal handling receipts

Import

Bill of lading

Certificate of origin

Commercial invoice

Customs import declaration

Import license

Packing list

Terminal handling receipts

Enforcing Contracts in Georgia

This topic looks at the efficiency of contract enforcement in Georgia.

| Nature of Procedure (2007) | Indicator |
|-------------------------------|--------------|
| Procedures (number) | 36.00 |
| Duration (days) | 285.00 |
| Filing and service | 35.0 |
| Trial and judgment | 100.0 |
| Enforcement of judgment | 150.0 |
| Cost (% of claim)* | 29.90 |
| Attorney cost (% of claim) | 18.0 |
| Court cost (% of claim) | 5.0 |
| Enforcement Cost (% of claim) | 6.9 |

Court information: Tbilisi Civil Court ("Qalaq tbilisis samoqalaqo saqmeta kolegia")

* Claim assumed to be equivalent to 200% of income per capita.