The investment profile was developed by the Association of Young Economists of Georgia (AYEG) in cooperation with Local Democracy Agency Georgia (LDA Georgia) within the scope of the project “Fostering Regional and Local Development in Georgia. Phase II”, which is implemented by the United Nations Development Programme (UNDP) with financial support from the Ministry of Regional Development and Infrastructure of Georgia, the Swiss Agency for Development and Cooperation (SDC) and the Austrian Development Cooperation (ADC).

Ambrolauri Municipality is responsible for the content of this publication.
A WORD FROM THE MAYOR

Ambrolauri Municipality is the administrative center of Racha-Lechkhumi and Kvemo Svaneti region and all of its villages officially have the status of high mountainous settlements. Due to its convenient geographical location and unique natural features, the municipality has great economic and investment potential, particularly in the production of ecological products in the field of agriculture, and various tourism and entrepreneurial activities.

Ambrolauri Municipality’s modern communications and infrastructure, unique climatic conditions, pristine landscape and natural resources, unique flora and fauna, cultural-historical and ethnographic monuments, as well as its revered Khvanchkara wine, smoked ham and bio honey renders the municipality laden with attractive investment opportunities.

Significantly, having the status of a high mountainous settlement offers many benefits when starting a business in such a location.

Many interesting projects are already being implemented in line with strategic, economic and medium-term development documents developed by our specialists. We hope that this investment profile will serve as the foundation for solid, fruitful cooperation with investors and as a guarantee of economic growth for our municipality.

Zviad (David) Mkheidze
Mayor of Ambrolauri Municipality
TOP 8 REASONS TO INVEST IN AMBROLAURI

Why Ambrolauri Municipality?

1. Administrative center of Racha-Lechkhumi and Kvemo Svaneti region with a domestic airport

2. Healthy ecological environment and unique nature provide a solid foundation for the production of eco products

3. Bio diverse with abundant forests and rich resources of medicinal plants

4. Diverse mineral and water resources with high energy production and recreational potential

5. Status of high mountainous settlements and related business benefits

6. Unique vine varieties and historical traditions of wine production - (Khvanchkara microzone and international recognition of "Khvanchkara" wine)

7. Centuries-old tradition of agricultural products

8. Tourism development potential for various areas including Shaori Lake
A RICH AND COLORFUL HISTORY

1907 - Local wine "Khvanchkara" gains the first international recognition in Europe, in the Belgian city of Ostend where it is awarded the King Leopold Prize;

1966 - Ambrolauri granted city status

Early 21st century - medical and cosmetic products made from local fir cones gain worldwide recognition

Rachuli dance has become a unique type of Georgian national ballet dance

2014 – Stunning cave discovered in Nakeralu Pass

2016-2017 - Domestic airport (Ambrolauri) is built and opens

2019 - The village of Gogolati, famous for its centuries-old Oda houses, is granted national cultural heritage status

2019 - Ski slopes identified for winter ski tourism development

2019 - A sport stadium that meets international standards is built

Rachuli Lori – local tradition of producing smoked ham, which is consumed alone or added to Lobiani (bean pie).
GENERAL CHARACTERISTICS OF THE MUNICIPALITY

Population - **12 151**

Female - **51.4 %**
Male - **48.6 %**
Youth aged below 29 - **28.9 %**

Households - **4 643**
Total Labor Force (population aged 15-65) - **7 678 (63%)**

MAP OF MUNICIPALITY

Area - **114 200 HA**

GEORAPHY & CLIMATE

UNIQUE CLIMATE CONDUCIVE TO BIO PRODUCTS

- Located in the northern part of western Georgia, on the southern slopes of the Central Caucasus Mountains;
- High mountainous area;
- The climate transitions between temperate and humid subtropical;
- Moderately cold winters and relatively hot summers in the lowlands; The highland zone is
- The highland zone is characterized by humidity and snow; and
- The average annual temperature in January is 1.5-4 °C, while in July it is 18-24 °C.
LOCATION AND ACCESS TO MARKETS

- Ambrolauri Airport has been operating since 2017;
- Distances from the municipality center to David the Builder International Kutaisi Airport - 101 km.;
- Poti Sea Port - 170 km.;
- Nearest railway stations (passenger trains and freight): Tkibuli - 39 km.; and Kutaisi - 72 km.;
- Distance to main cities: Tbilisi - 280 km.; Kutaisi - 75.6 km.;

LOCATION ADVANTAGES

- Center of the region; and
- Well-connected to large markets with well-maintained infrastructure.
EDUCATION

Vocational education and professional development opportunities:

- Certified vocational college "Erkvani" trains electricians, IT specialists, and accountants

HEALTHCARE

Good healthcare infrastructure and services are provided across the municipality, including:

- Ambrolauri multi-speciality hospital
- 21 clinics

INFRASTRUCTURE

Good infrastructure and access to necessary utilities in Ambrolauri city

- Natural gas facilities are being built in villages
- Infrastructural conditions are continuously being improved, including:
  - Road infrastructure
  - City sewage system, drainage canals and protective walls
  - Shore protection and bridges
  - Drinking water supply in villages

ENVIRONMENTAL PROTECTION

Rich with water and forest resources

- About 65.2% of the land is covered by pristine including: forest which is preserved in its original form
- Improvement of the waste management system is a priority of local the government
MAIN SECTORS OF ECONOMY

- Agriculture (livestock, viticulture)
- Production/manufacturing (energy, processing)
- Crop harvesting and beekeeping are continuously developing
- Almost 60% of perennial land is used for vineyards, with the rest used for fruit and nut cultivation
- Production of unique, semi-sweet, world-class wine "Khvanchkara" which is one of Georgia’s most celebrated wines
- Production of meat and dairy products in an ecologically clean environment that gives them a unique taste
- Production of “Rachuli Lori” (smoked ham)
LAND ASSETS HAVE SIGNIFICANT POTENTIAL

Agricultural land resources can be used for farm development

- Development of high-yield walnut crops;
- Potential to arrange demonstration plots for growing and harvesting of annual fall crop varieties
- Good prospects in the production and manufacture of products from fir cones.

### Land Ownership Breakdown

<table>
<thead>
<tr>
<th>Type</th>
<th>Private Ownership</th>
<th>Public Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable land</td>
<td>4,868.0</td>
<td>3,727</td>
</tr>
<tr>
<td>Grassland</td>
<td></td>
<td>2,199.0</td>
</tr>
<tr>
<td>Pastoral land</td>
<td></td>
<td>10,949.0</td>
</tr>
<tr>
<td>Orchards / Vineyards</td>
<td>1,647.0</td>
<td></td>
</tr>
<tr>
<td>Agricultural land</td>
<td>4,879.0</td>
<td>11,067</td>
</tr>
</tbody>
</table>

Total Land Area 17,575 ha

- **91%** Non-agricultural
- **9%** Agricultural
FOSSIL FUELS & NATURAL RESOURCES

Rich in untapped fossil fuels and natural resources

Rich in hydro resources meaning high potential for small and medium hydro power plants

Abundant balneological water resources that can be used for medicinal purposes

<table>
<thead>
<tr>
<th>NATURAL RESOURCE</th>
<th>AMOUNT OF RESOURCES (thousand tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron</td>
<td>72 000</td>
</tr>
<tr>
<td>Manganese</td>
<td>2 180</td>
</tr>
<tr>
<td>Limestone</td>
<td>7 251</td>
</tr>
<tr>
<td>Magnetic rock (Basalt)</td>
<td>107</td>
</tr>
<tr>
<td>Stone-crushed stone</td>
<td>440.2</td>
</tr>
<tr>
<td>Stones for lime</td>
<td>400</td>
</tr>
<tr>
<td>Brick clay</td>
<td>560</td>
</tr>
<tr>
<td>Plaster</td>
<td>9 981.6</td>
</tr>
<tr>
<td>Arsenic</td>
<td>223</td>
</tr>
<tr>
<td>Antimony</td>
<td>6.6</td>
</tr>
<tr>
<td>Sand-gravel</td>
<td>Unspecified</td>
</tr>
<tr>
<td>Coal</td>
<td>Unspecified</td>
</tr>
<tr>
<td>Freshwater</td>
<td>Unspecified</td>
</tr>
</tbody>
</table>
MAJOR PROJECTS (ONGOING AND PLANNED)

- Development of infrastructure, tourism and educational opportunities; and
- Promoting a healthy lifestyle.

- Establishment of recreation zone in Ambrolauri;
- Complete rehabilitation of Chrebalo-Patara Oni-Nikortsminda 25 km road section;
- Construction of tourist points of interest;
- Construction of a tourism information center;
- Construction of Ambrolauri sport stadium and indoor gymnasium complex;
- Improvement of the area around Nikortsminda;
- Construction of a multi-trade vocational school;
- Continuous development of road infrastructure in Ambrolauri; and
- Construction of public schools in rural areas.
BUSINESS ENTITIES IN AMBROLAURI

Growing interest in the production of bee products;

Pig farms remain one of the main traditional areas of agriculture;

Fruit processing plant - “Geo Flower” Ltd.

Two wood processing factories;

Primary agricultural production (potatoes, beans, corn, etc.)

4 wine factories and 13 wineries;

“Rachuli Lori Ltd”, equipped with modern standards - production of the famous smoked Rachuli Lori (smoked ham);

Cooperative "Natural Products of Racha" - honey, bee milk, flower dust and beeswax.

Water bottling plant; and

8 hotels with modern standards and 64 guesthouses.
TOURISM POTENTIAL IN AMBROLAURI

OPPORTUNITIES TO DEVELOP THE FOLLOWING FORMS OF TOURISM:

- AGRO-TOURISM
- RELIGIOUS TOURISM
- ECO TOURISM
- EXTREME TOURISM
- ADVENTURE TOURISM

Maintain ski tourism and Horse riding, Hunting tourism, Amateur fishing.

VERSATILE TOURISM OPPORTUNITIES:

- Four tourist trails
- Shaori Lake (potential for development of tourist-recreational complex)
- Possibility to build bicycle paths and run horseback-riding tours
- Creation of protected areas (unique flora and fauna)
- Unique Caves
- Special and unique ornamental design of Oda houses, carvings, traditional pottery and wineries; and
- Abundance of historical and cultural monuments (103 monuments with high architectural value).
BUSINESS-ENABLING ENVIRONMENT

- State and local laws promote investment activities;
- Simple and efficient procedures for obtaining licenses and permits;
- Convenient conditions for property registration and management;
- Various business services available in one place under the “one-window” principle within the municipality; and
- Flexible conditions for employees.

LOW BUSINESS COSTS

- Easy-to-administer tax system and flexible dispute resolution procedures;
- Easy to start a business;
- Proximity to free industrial zones and low logistics costs; and
- Favorable real estate prices.
LOW AND EFFICIENT TAXATION CONDUCIVE TO BUSINESS

- Corporate Profit Tax of 0% or 15% encourages reinvestment
- Personal Income Tax – 20%
- VAT – 18%
- Property Tax – 1%
- Customs/Import Tax – 0%, 5%, or 12%
- Personal income Tax for Interest, Dividends, Royalties – 5%
- Pension Contribution - 6% (2% paid by Employer, 2% paid by Employee, 2% by Government)
- Double taxation avoidance treaties with 55 countries

<table>
<thead>
<tr>
<th>POTENTIAL EXPENDITURES</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELECTRICITY</td>
<td>0.2108306 GEL/kWh</td>
</tr>
<tr>
<td>WATER SUPPLY</td>
<td>4.31 Gel/Ton (facilities with sewage system)</td>
</tr>
<tr>
<td></td>
<td>3.37 Gel/Ton (facilities without sewage system)</td>
</tr>
<tr>
<td>NATURAL GAS</td>
<td>0.95 Gel/m³</td>
</tr>
<tr>
<td>WASTE MANAGEMENT (monthly fee)</td>
<td>0.015 - 0.8 GEL / m³</td>
</tr>
<tr>
<td>PROPERTY TAX ON LAND</td>
<td>Non-agricultural land – 0.24 Gel/m²</td>
</tr>
<tr>
<td>CONSTRUCTION PERMIT</td>
<td>1 m² – 1 Gel</td>
</tr>
</tbody>
</table>
ADVANTAGES OF DOING BUSINESS IN HIGH MOUNTAINOUS SETTLEMENTS

- All the settlements in Ambrolauri municipality have been granted the status of high mountainous settlements according to the Law of Georgia on the Development of High Mountainous Regions.

- Therefore, business entities registered in Ambrolauri Municipality have tax privileges stipulated by the Law.

- Business entities which, in accordance with the legislation of Georgia, have been granted the status of a high mountainous settlement enterprise have tax relief from Corporate Profit Tax, Personal Income Tax, and Property Tax.

<table>
<thead>
<tr>
<th>TAX CATEGORY</th>
<th>TAX RELIEF</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONAL INCOME TAX</td>
<td>Tax free incentives under 6 000 Gel</td>
</tr>
<tr>
<td>CORPORATE PROFIT TAX</td>
<td>Tax exemption for 10 years</td>
</tr>
<tr>
<td>PROPERTY TAX</td>
<td>Tax exemption</td>
</tr>
</tbody>
</table>
REAL ESTATE MARKET

Average price for agricultural land (1 ha) – 400-800 Gel
State rent is 10% per year of the appraisal
The rent set by the municipality is 5% of the valuation
Normative price of non-agricultural land - city area (1 m²):

MARKET PRICE
Central Zone - 50-60 GEL
Middle Zone - 30-50 GEL
Peripheral Zone - 20-40 GEL

Central Zone - 16.05 GEL
Middle Zone - 10.06 GEL
Peripheral Zone - 7.05 GEL

Normative price in the villages - 3.02 GEL (30% of the price set in the central zone);
The normative price of land in the areas between the settlements of the municipality is set at 25% of the price in the central zone (2.52 GEL);
Normative price within a 50-meter radius of domestic state roads is 5.03 GEL

GOVERNMENT SERVICES FOR BUSINESSES

City Hall is always prepared to provide information and give consultations, with the following services or bodies available to investors:

- On-site services to start and develop a business
- Public Service Development Agency
- Regional Information Consulting Centers of the Ministry of Environmental Protection and Agriculture (provides information and support to participate in the relevant projects/programs)
- National Agency of Public Registry
- LEPL - Social Service Agency
- LEPL - National Food Agency
- Tourism Information Center
STATE SUPPORT AND SUCCESSFUL INVESTMENTS
COOPERATIVE APPROACH TO ATTRACT, MAINTAIN, AND INCREASE INVESTMENTS

Production of Rachuli Lori (smoked ham) (Rachuli Lori Ltd) - During 2016-2017, the enterprise was equipped with modern standards with the support of the corresponding state program.

Production of dried fruit (Geo Flower Ltd) - Founded in 2011, expanded in 2014-2016. Exports products to Germany.

Production of honey and honey products (Cooperative “Natural Product of Racha”) - was established in 2014 with the support of an international organization. Exports products to Germany.

Royal Khvanchkara Ltd - producing Khvanchkara branded wine since 2001. Exports product to Ukraine, Canada, China, Germany and the Netherlands.

THE STATE SUPPORTS INVESTMENTS AND ECONOMIC GROWTH, AS EVIDENCED BY THE FOLLOWING:

“Itsis Tskali Ltd” was established with the support of Produce in Georgia ($800 000)

“Its Marani Ltd” - established with a state grant (project budget 1 500 000 GEL, state grant 600 000 GEL)

“Shatro Valley Ltd” - construction started in 2017 (project budget 1 550 000 GEL, state grant 600 000 GEL).

“Zedashe Ltd” - the project was implemented within the course of a state-supported agro-project ($ 550 000).

Cooperative “Wellishior” - supported within the project "Plant the Future" (30 000 GEL)

Cooperative "Jvarisa" - operational since 2014 with the support of international organizations and the state.
ADVANTAGES OF THE INVESTMENT CLIMATE IN GEORGIA

Gateway from Europe to Asia and vice versa

Free trade agreements covering 2.3 billion customers

Association Agreement and Deep and Comprehensive Free Trade Area (DCFTA) with the EU

7th easiest country to do business in (1st among European countries) according to World Bank’s Ease of Doing Business Report 2020

6th safest country in the world according to Numbeo’s Crime Index 2019

Relatively low labor and operational costs for businesses

Simple, low and efficient taxation with tax reliefs and business-supportive incentives

Property tax – 1% or below

Georgia has signed bilateral investment treaties (BITs) with 33 countries and has been a member of the ICSID Convention since 1992
The State Agency “Enterprise Georgia”
Covers the Following Areas:
✓ Industrial component;
✓ Hotel industry;
✓ Micro and small business support;
✓ Film in Georgia;
✓ Credit guarantee mechanism;
✓ Balneological resorts industry; and
✓ Tourism services industry.

Rural Development Agency

Rural Development Agency
✓ Preferential agrocredit and agroinsurance;
✓ State program co-finances harvesting machinery;
✓ Co-financing of processing and storage enterprises;
✓ Supports organization of nursery gardens and planting of berry, nut, and other trees; and
✓ Promotes other agricultural activities.

GEORGIA'S INNOVATION & TECHNOLOGY AGENCY

Georgia’s Innovation and Technology Agency
✓ Promotes commercialization of knowledge and innovation to stimulate the country’s rapid economic growth;
✓ Techparks and innovation centers;
✓ FabLabs - high-tech workshops equipped with tools offering customers digital fabrication; and
✓ Business incubators, IT trainings, boot camps, Startup Georgia, and other successful projects.
BUILDING OF FORMER JSC “URAVI”

LOCATION

Village of Uravi (Ambrolauri municipality); Close to main road and Lekhuni River;
Nearest settled area – 0.5-1.5 km
Good access to road infrastructure and utilities (water and electricity) are available; and

OWNERSHIP

Central Government

POTENTIAL

Previously used during arsenic extraction, accommodated various laboratories and administrative functions.
FOR MORE INFORMATION:
Investment Climate & Opportunities in Georgia (2019)
http://www.enterprisegeorgia.gov.ge

OTHER USEFUL LINKS:
Invest in Georgia
www.investingeorgia.org

Ministry of Economy and Sustainable Development
www.economy.ge

Ministry of Finance of Georgia
www.mof.ge

Ministry of Environmental Protection and Agriculture of Georgia
www.mepa.gov.ge

Ministry of Regional Development and Infrastructure of Georgia
www.mrdi.gov.ge

JSC Partnership Fund
www.fund.ge

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