



# FOREIGN DIRECT INVESTMENT SUPPORT MECHANISM

## FDI GRANT IN GEORGIA

The Government of Georgia has launched a new state program to support foreign investment projects with the cashback of up to 1 million GEL (~300 thsd. USD). The program aims at promoting the growth of Foreign Direct Investments in the country as well as influx of knowledge and technology and the creation of new jobs in Georgia. The program is implemented by the agency Enterprise Georgia.

FDI Grant program is designed for companies registered in Georgia, which represent subsidiaries of legal entities that have operations outside Georgia and invest foreign capital in the country. In particular, companies must meet the following criteria in order to participate in the program:

- A company is registered in accordance with the legislation of Georgia and is subsidiary of the legal entity (parent company) registered outside the Georgia, in which the parent company owns 50 % or more of the voting shares and controls the subsidiary company;
- At least 50% of the Investment obligation of the company must be secured by the foreign investment;
- The company invests in the eligible sectors of economy defined by the program;
- The parent company has at least two years of experience in the eligible sectors of economy that must be confirmed by the appropriate documents;
- Subsidiary company in Georgia and parent company outside the Georgia must operate within the same eligible sectors of economy.

### **Eligible Sectors of Economy:**

- Production of electrical and electronic engineering products;
- Manufacturing of aircraft parts and components;
- Manufacturing of vehicles and equipment, as well as their parts;
- Export of business services/ business process outsourcing (BPO);
- Developing Warehouses and logistic centers;
- Aircraft repair and maintenance (MRO).

Within the framework of the program, FDI grant is issued to reimburse expenses incurred by the company for the training of the workforce as well as arranging infrastructure and/or communications.



### Workforce training costs may include:

- Salaries of trainers (both local and foreign trainers);
- Cost of training services;
- Expenses related to the trainers' travel and accommodation in case of foreign trainers;
- Expenses related to staff's travel and accommodation in case of trainings conducting abroad;
- Rent cost in case of renting training space;
- Purchase/rent of equipment necessary for training purposes (helmets, special clothing, etc.).

### Infrastructure and/or communications costs may include:

- Cost of construction (including land preparation works) and/or repair of the building necessary for the implementation of the investment project;
- Costs related to the arrangement of communications, if necessary (road construction / repair; construction of power transmission lines and electrical installation and installation of relevant electrical equipment; arrangement of sewerage systems, water and gas supply to the facility; provision of Internet access).

The amount of Grant depends on the Investment obligation and is determined as follows: A company participating in the program will have obligation to invest at least 10 million GEL (~3 mln USD) and create minimum 100-150 jobs. An exception is for the companies operating in the field of business process outsourcing (BPO), the minimum amount of investment equals 5 million GEL (~1.5 mln USD), with a creation of at least 200 new jobs. Upon fulfillment of the investment obligation, Companies will get cashback of up to 1 million GEL (~300 thsd. USD)

## INVESTMENT OBLIGATION AND FDI GRANT AMOUNT

Economic Sector	Investment Obligation (Investment and Number of Employees)	Maximum amount of Grant
Production of electrical and electronic engineering products; Manufacturing of aircraft parts and components; Manufacturing of vehicles and equipment, as well as their parts	10 million GEL (~3 mln USD) and 150 new jobs	1 million GEL (~300 thsd. USD)
Export of business services/ business process outsourcing (BPO)	5 million GEL (~1.5 mln USD) and 200 new jobs	750 000 GEL (~230 thsd. USD)
Developing Warehouses and logistic centers	10 million GEL (~3 mln USD) and 100 new jobs	1 million GEL (~300 thsd. USD)
Aircraft repair and maintenance (MRO)	10 million GEL (~3 mln USD) and 100 new jobs	1 million GEL (~300 thsd. USD)



Companies interested in applying to the program have to send an application to Enterprise Georgia along with a business plan of the investment Project. A relevant agreement is concluded between the agency and the investor, by which the investor undertakes the investment obligation and starts the implementation of the project, the maximum term of which is 39 months.

Fulfillment processes of Investment obligation for all the eligible economic sectors except the business process outsourcing should be scheduled as follows:

- At least 25% of Investment - within the 18 months after the signing of the contract;
- Remaining Investment - within the 39 months after the signing of the contract;
- Total number of new jobs - within the 39 months after the signing of the contract.

Fulfillment processes of Investment obligation for Business Process Outsourcing sector should be scheduled as follows:

- Launching an operation /functioning within the 24 months after signing of the contract;
- At least 60 % of Investment - within the 24 months after the signing of the contract;
- Remaining Investment - within the 39 months after the signing of the contract;
- At least 60 % of new jobs - within the 24 months after the signing of the contract.
- Total number of new jobs - within the 39 months after the signing of the contract.

Grant is awarded only if the company has fulfilled its investment obligation defined by the contract and incurred expenses in accordance with the grant purposes, which must be confirmed by the relevant Audit reports.