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In September 2009 President of Georgia Mikheil Saakashvili introduced the Economic Liberty Act Initiative aimed at constitutionally enshrining the key economic policies Georgia has successfully pursued since the Rose Revolution - based on the principles of prudent, small and responsible governance.

The **Economic Liberty Act Initiative** considers:

- a) changes to the Constitution to introduce the popular referendum requirement for the taxes increase and the constitutional requirement for the Organic (Constitutional) Law defining major macro-economic parameters, and
- b) the Economic Liberty Act (Constitutional Law) itself.

The changes to the Constitution stipulating that the introduction of new taxes (except the excise tax) or increase of the tax rates is possible only based on the affirmative vote in nationwide referendum **were already reflected** (15 December, 2010), effective from 2014.

These amendments to the Constitution also include the **requirement for a Organic (Constitutional) Law** to determine the fundamental principles of economic policy aiming at long-term stable economic growth, expressed, among others, in setting the legally binding upper limits for certain macroeconomic parameters.

Based on the requirements on the Constitution **the Parliament of Georgia adopted the Economic Liberty Act** which stipulates the long-term upper limits (though Government retains certain tactical short-term flexibility) for:

- **Budget expenditure** capped at 30% of GDP
- **Budget deficit** capped at 3% of GDP
- **Public debt** capped at 60% of GDP

The Economic Liberty Act will enter into force in 2014.

“The Economic Liberty Act seeks to limit the discretion of the executive branch of government and ensures that the government remains small and limited and taxes remain (other than through the sovereign will of the people) low and flat. Since 2004, as our economic advancement gained momentum, we have gained many admirers and supporters among the international investor community. However, given that our policies increasingly stand out, even our admirers sometimes could not help but be skeptical about the irreversibility of our reforms in the medium term. The Economic Liberty Act addresses these concerns, by constitutionally enshrining our key policies and thus making them immune to policy drift and reversal”, commented **Nika Gilauri**, Prime Minister of Georgia.

Georgia: Key Economic Data	2005	2006	2007	2008	2009	2010E	2011E
Nominal GDP (GEL mln)	11,620.9	13,789.9	16,993.8	19,074.9	17,986	20,791.3	22,866.9
Real GDP Growth (y-o-y; %)	9.6%	9.4%	12.3%	2.3%	-3.8%	6.4%	5.5%
GDP per Capita (US\$)	1,483.5	1,763.5	2,314.6	2,921.1	2,455.2	2,629.0	2,920.0
CPI (e-o-p; %)	6.2%	8.8%	11.0%	5.5%	3.0%	11.2%	-
Net FDI (US\$ mln)	542	1,185.9	1,674.9	1,494.0	658.4	553	600
Current Account Deficit as % of GDP	-11.1%	-15.1%	-19.8%	-22.8%	-11.2%	-9.6%	-10.9%
GEL/US\$ (e-o-p)	1.79	1.71	1.59	1.66	1.69	1.77	-
GEL/EUR (e-o-p)	2.12	2.26	2.33	2.34	2.42	2.35	-

Source: National Statistics Office of Georgia - GeoStat, Ministry of Economic Development, Ministry of Finance, National Bank of Georgia

Georgia has, as of the date hereof, the following sovereign credit ratings:

Standard & Poor's	Sovereign Credit Rating	'B+/ Positive /B+'
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'B+/ Positive /B/BB-'
Moody's	Foreign and Local Currency Issuer Rating	'Ba3/Stable'

Contacts:

Aleksandre Kacharava

Senior Adviser – Advisory Group on Economic Affairs
+995 32 228 23 68
akacharava@geo.gov.ge

Vakhtang Lejava

Chief Adviser to the Prime Minister
+995 32 2921 391
vlejava@geo.gov.ge