

MESTIA

INVEST SUCCESSFULLY IN THE MOUNTAINS



MESTIA MUNICIPALITY

Investment Profile



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).

Mestia Municipality is responsible for the content of this publication.



A WORD FROM THE MAYOR

The sustainable economic development of Mestia Municipality is our main priority, and one of the primary means of achieving this is the creation of an attractive investment environment. Our goal is to create an investor-friendly environment, which relies on Georgia maintaining its reputation as a politically stable and democratic country. Moreover, the Georgian government's business-oriented approach and strong commitment to supporting the private sector is also vital in this regard.

Mestia Municipality in the (Upper Svaneti) is nationally renowned for its unique nature, healthy ecological environment, and pristine air quality. These factors are all conducive to a green economy. Meanwhile, the municipality is also an important hydropower source for the country. Indeed, the largest hydropower plant in Transcaucasia, the Enguri HPP, is located on the Enguri River, while small and medium-sized hydropower plants are being built in stages in the municipality as well.

Mestia Municipality is distinguished by its geographical location, marked individualism, and its well-preserved natural ecosystem. It is located in the northwest of Georgia, on the southern slopes of the Caucasus Mountains, with the town of Mestia approximately 1,500 m above sea level. The municipality's area spans over 300,000 hectares. Overall, 30.9% of the municipality is agricultural land with 46% occupied by forests. The municipality is the highest mountainous area in Georgia, with around 200 glaciers. In addition, the domestic airport in Mestia increases the investment potential of the municipality.

Mestia Municipality, with its unique and beautiful nature, rich historical and cultural heritage, highly hospitable population and unique culture, has vast tourism potential. Notably, the village of Chajash within the Ushguli community was inscribed on the UNESCO World Heritage List in 1996.

Regulations aimed at improving the business climate, a corruption-free environment and a favorable tax policy for investment all play a key role in encouraging business and attracting investment in the municipality. The Law of Georgia on the Development of Mountainous Regions stipulates significant tax benefits for businesses operating in all settlements of the municipality.

Mestia Municipality is known as a modern and safe place, where everyone has equal access to healthcare, education, trade, entertainment, and sports infrastructure.

These advantages as well as the systematic outreach of the governing bodies of Mestia Municipality help to create the ideal conditions for investment which, in turn, will improve the business environment. Indeed, the level of progress being made is evidenced by the 17 small and medium-sized hydropower plants currently under construction in the region.

A handwritten signature in blue ink, appearing to read 'K. Zhorzholiani'.

Kapiton Zhorzholiani

The Mayor of Mestia Municipality

TOP 11 REASONS TO INVEST IN MESTIA

Why Mestia Municipality?

- 1 Environment, a healthy ecosystem, and majestic mountain peaks
- 2 An abundance of cultural heritage sites which harmoniously blend in to the natural landscape
- 3 Special historical traditions, rich folklore, and enchanting hymnography
- 4 Significant hydropower resources with investment potential
- 5 An abundance of mineral waters and the potential to establish balneological resorts
- 6 Unique environment for the production of natural and ecologically clean products, forming the basis for the development of agro-tourism
- 7 The village of Chajash in Ushguli is inscribed in the UNESCO World Heritage List
- 8 Relevant infrastructure is in place for mountain climbing and skiing
- 9 The existence of Mestia domestic airport increases access to markets
- 10 Tax benefits are offered to businesses in high mountainous settlements
- 11 Future potential in the development of recycling and zero waste production





A RICH AND COLORFUL HISTORY

- ✓ 13th century B.C - The legend of the Argonauts and the Golden Fleece
- ✓ Multi-layered settlements, including remnants of a late antiquity ceramic kiln, an iron metallurgical plant, and an antique glass plant have been excavated, dating back to the Late Bronze Age; Antique mints have been found
- ✓ 9th -12th centuries - Svan towers and houses built, leaving behind a beautiful manmade tapestry against a stunning natural mountainous backdrop
- ✓ 1961-1978 - The largest HPP in Transcaucasia is built
- ✓ 1996 - The historic village of Chajash is added to the UNESCO World Heritage List
- ✓ 2016 - Construction of Tetnuldi ski lodge. The longest skiing route in Transcaucasia (9.5 km) with the largest vertical drop (1.7 km). The combined length of its ski slopes is 30 km.
- ✓ General - The only area in Georgia where frescoes are depicted on the outer facades of churches; and Mestia Historical Ethnographic Museum holds unique and rich exhibits



GENERAL CHARACTERISTICS OF THE MUNICIPALITY

Tendency of native population of Mestia to return with new opportunities opening up



POPULATION **9 500**



Female - **49.9%**

Male - **50.1%**

Youth - **35%**



Households - **2 941**

Total Labor Force

(Population aged 15-65) - **5 892**

MAP OF MUNICIPALITY



GEOGRAPHY & CLIMATE

- ✓ Located on the southern slopes of the Caucasus Mountains, with the town of Mestia at 1,500 m above sea level;
- ✓ Moderate humidity;
- ✓ Comprises 5 climatic zones, ranging from a low of an altitude of 500-900 m above sea level to a high of 3,000-5,000 m above sea level; and
- ✓ The average annual temperature is $+5.7^{\circ}\text{C}$; the average temperature of the coldest month (January) is -6.5°C ; the average temperature of the hottest month (July) is $+16.5^{\circ}\text{C}$; and
- ✓ Cold season lasts for about 6 months and summer months are characterized by relatively cool conditions. The snow in winter reaches 2-2.5 m.

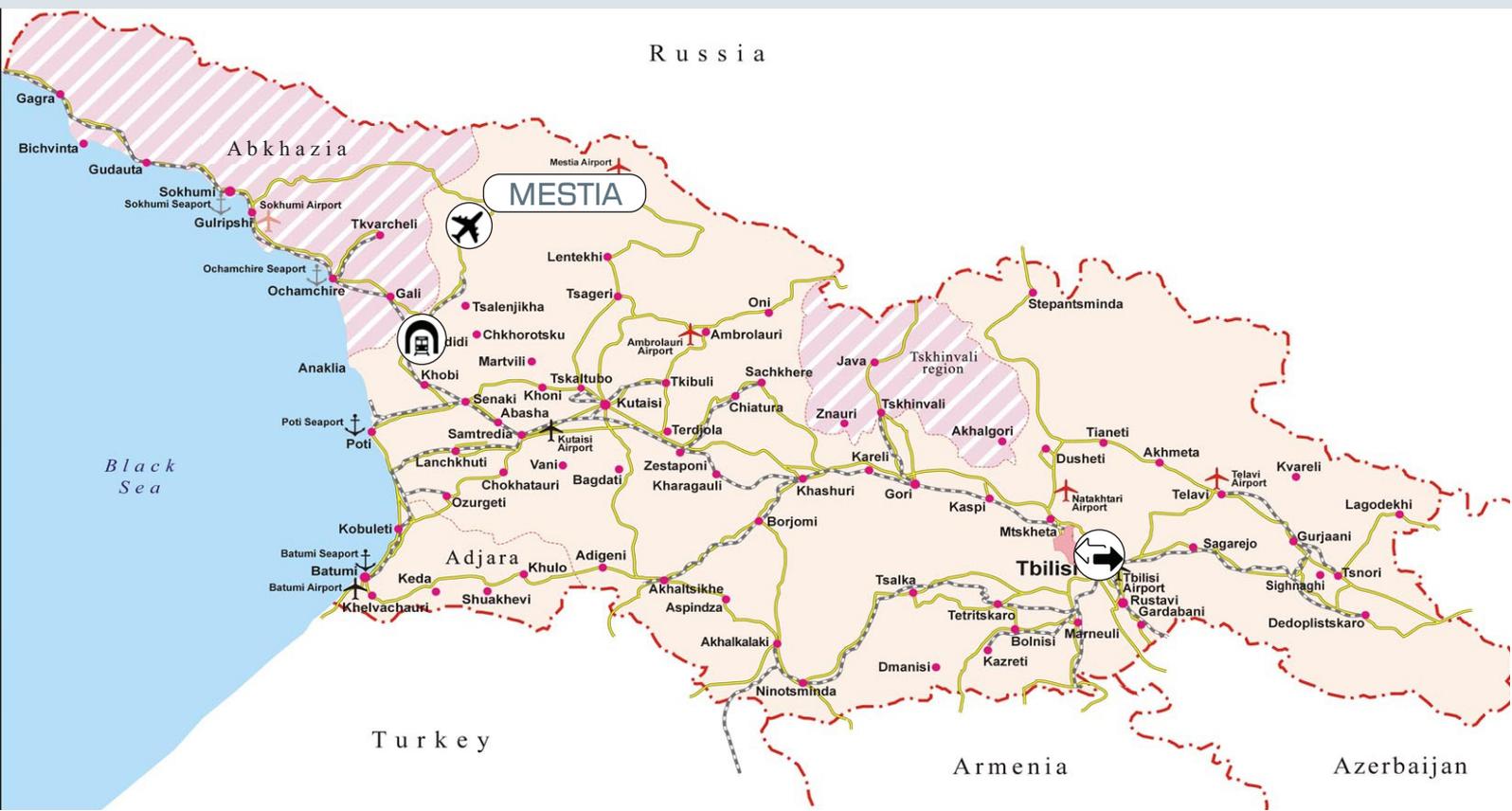
LOCATION & ACCESS TO MARKETS

-  **HIGHWAY**
Zugdidi-Jvari-Mestia-Lasdili
-  **Capital - 477 km.**
-  **RAILWAY STATION - Zugdidi 138 km.**
(passenger trains and freight):
-  **Domestic King Tamar Airport in Mestia**
-  **Distances to main cities:**
Zugdidi-138 km, Kutaisi-221km, Batumi-266km.
-  **Poti Sea Port - 226 km.**

ADVANTAGES OF THE LOCATION

Most of the settlements of the municipality are connected to the municipal center (Mestia town) by a well-maintained road.

There are two ski resorts in the municipality, located only 8 km and 15 km, respectively, from the center of Mestia.





EDUCATION

Vocational education and modern material and technical educational infrastructure are in place: Renovated library and book collection; Focus on preserving traditions (e.g. icon painting school);

- ✓ Vocational college integrated into the international education system, with the following features:
- ✓ Continuous training in on-demand specialties (guiding, hotel management, cooking, hospitality business, information technology, accountancy, electrician, etc.);
- ✓ The college is equipped with modern training workshops and laboratories; and
- ✓ Suitable environment for students with special educational needs.



HEALTHCARE

Medical services are available with the quality and variety of services constantly increasing.

Access from different geographical locations to medical services is ensured by the following facilities:

- ✓ Mestia Hospital;
- ✓ Emergency Management and Coordination Center;
- ✓ 14 medical clinics.



INFRASTRUCTURE

The main road going through the municipality is in good condition.

The road infrastructure in the villages and rural settlements is constantly being improved.

- ✓ Central system of drinking water and sewerage fully operational in Mestia, Etseri and Ushguli communities;
- ✓ Villages are fully supplied with electricity;
- ✓ 4 hydropower plants with a total capacity of 68.53 MW have been completed and put into operation; and
- ✓ Construction of 6 hydropower plants of 31 MW capacity and 5 hydropower plants (297 MW capacity) is underway.





LAND ASSETS AND POTENTIAL FOR USE

45% of the municipality area is occupied by forest, and the following are present in this area:

Potential for collecting and recycling non-timber forest products; and

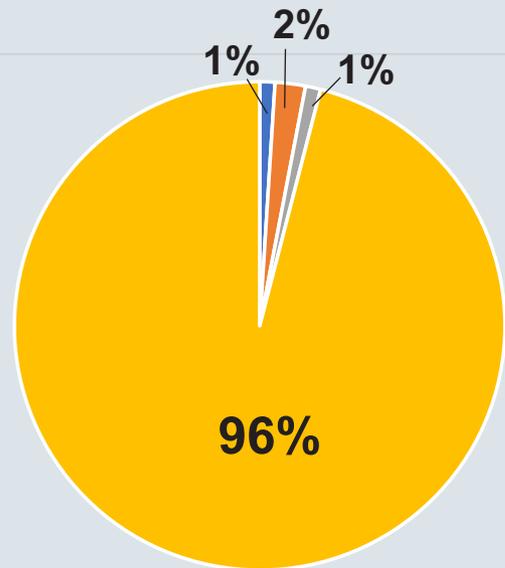
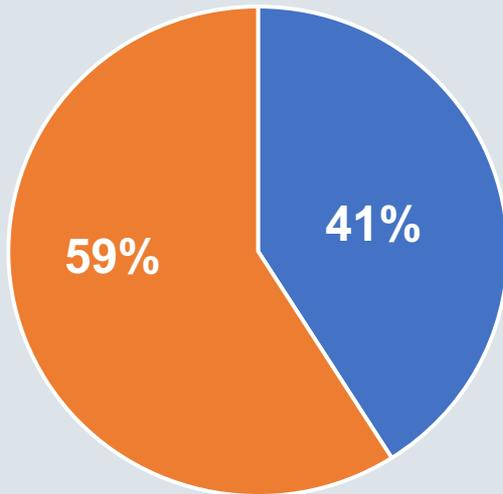
Resources for growing and processing healing plants.

Unique opportunity to produce organic certified products;

The municipality is rich in pastoral land that has made livestock one of the leading agricultural sectors;

Potatoes and bean crops are commonly grown; and

Development potential has been boosted by the establishment of refrigeration and storage farms.



 Non-agricultural land **59%**

 Agricultural land **41%**

 Pastoral land **96%**

 Arable land **1%**

 Grass land **2%**

 Settlements **1%**



FOSSIL FUELS AND NATURAL RESOURCES

Mineral and natural resources create potential for the development of the balneological sector;

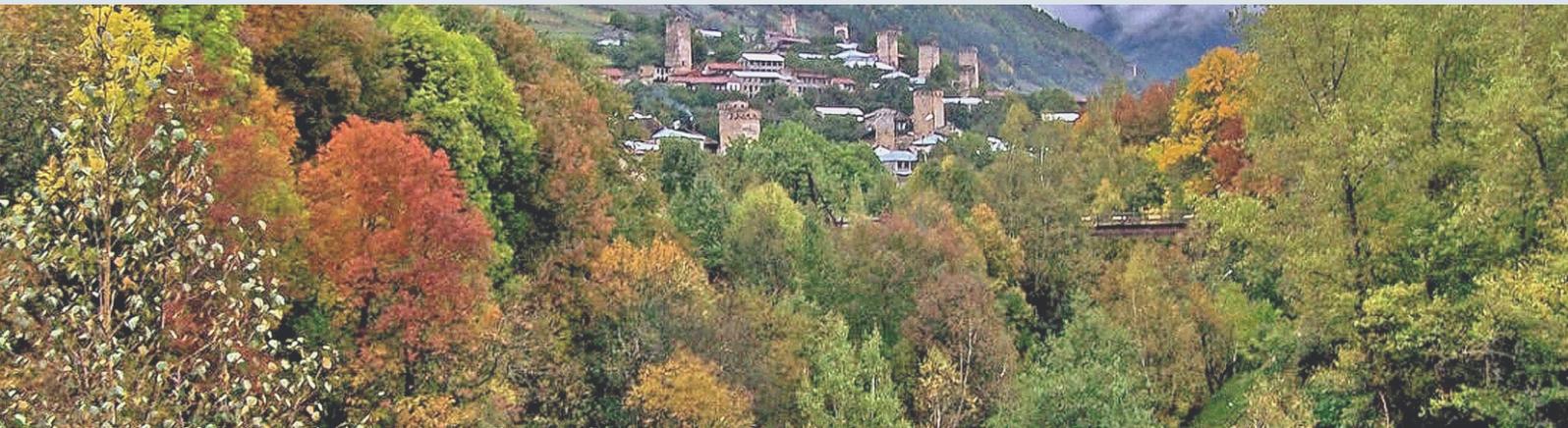
The municipality is rich with hydro resources, with significant investment potential in the construction of hydropower plants; and

The municipality boasts both mineral and natural resources.

CATEGORY

ESTIMATED AMOUNT OF RESOURCES

Marble	.....	2,992 m ³
Diabase	.....	100,800 m ³
Limestone	.....	12,100 m ³
Sand-gravel	.....	525,600 m ³
Underground Water	.....	18,425 m ³





TOURISM POTENTIAL

Year-round tourist season with a wide variety of opportunities;

Untapped potential for agro-tourism development; and

Panoramic views and unique nature, including:

Lakes, waterfalls and glaciers; and

Up to 25 hiking trails.



MOUNTAIN TOURISM

"Hatsvali" and "Tetnildi" mountain ski resorts are already operational; and

The longest ski run and vertical drop track in the Caucasus.



ETHNOGRAPHIC TOURISM

Unique abundance and diversity of cultural heritage monuments; and

Temples, Svan towers, Svan house complexes, open-air museum (Ushguli), house-museums, etc.



BALNEOLOGICAL-RECREATIONAL TOURISM

Unique environment for the development of tourism-recreational parks;

The municipal government promotes the creation of new resort zones; and

Mineral water resources create opportunities for the development of balneological tourism.



MAJOR PROJECTS (ONGOING AND PLANNED)

- ✓ The sustainable use of energy resources is promoted in the municipality
- Construction of small and large HPPs (some underway and some planned).
Estimated capacity - 1 070 MW. Average annual output - 3 077 MW.
(Estimated amount of investment - 1,905 million GEL).
- ✓ A priority is to develop Tetnaldi and Hatsvali resorts, establishing new ski slopes and ski lifts.



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); and
- ✓ Double taxation avoidance treaties with 55 countries

POTENTIAL EXPENDITURES	AMOUNT
ELECTRICITY	0,210830 GEL/kWh
WATER SUPPLY	3,37 GEL/Ton
SEWAGE	0,93 GEL/m ³
WASTE MANAGEMENT	2 GEL
CONSTRUCTION PERMIT	1m ² - 2 GEL



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; and
- ✓ Various business services can be obtained in the same place, under the “one-window” principle.



LOW BUSINESS COSTS

- ✓ Easy-to-administer tax system and flexible dispute-resolution procedures;
- ✓ Easy to start a business; and
- ✓ Favorable real estate prices.





ADVANTAGES OF DOING BUSINESS IN HIGH MOUNTAINOUS SETTLEMENTS

- All the settlements in Mestia municipality has been granted the status of high mountainous settlement according to the Law of Georgia on the Development of High Mountainous Regions;
- Therefore, business entities registered in Mestia Municipality have tax privileges defined by the law.

TAX CATEGORY	TAX RELIEF
PERSONAL INCOME TAX	Tax free incentives under 6000 Gel
CORPORATE PROFIT TAX	Tax exemption for 10 years
PROPERTY TAX	Tax exemption



BUSINESS ENTITIES IN MESTIA

There has been an increase in the number of business entities operating and investments made in the municipality;

Hotel and cafe/bar infrastructure is being developed in rural areas and has future growth potential;

Waste-free wood production is being developed.

OVERALL, 387 ACTIVE BUSINESS ENTITIES, INCLUDING:

43 premium or medium-class hotels and up to 600 guesthouses;

24 restaurants and 45 cafe-bars;

Small and medium-sized industrial enterprises;

Timber-processing enterprises (124 sawmills);

Grocery stores, local markets, souvenir shops; and

Banks, microfinance institutions etc.





GOVERNMENT SERVICES FOR BUSINESSES

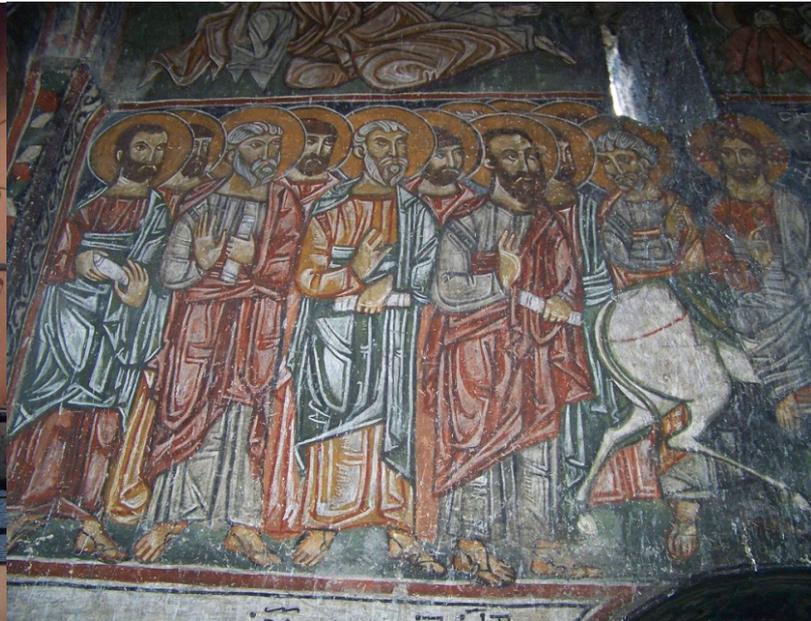
Services to help start and operate a business are available on-site:

Public Service Hall

Various civil and public services in the same place under one-window principle; and Business and property registration, enforcement and archival services, online services, etc.

Regional Information Consulting Centers of the Ministry of Environmental Protection and Agriculture

Information about state- and donor-organizations-supported programs; and Agricultural consulting.



STATE SUPPORTED OPPORTUNITIES

Government Supports Agriculture, Service and Hospitality Industries



ENTERPRISE GEORGIA

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.



JSC Partnership Fund (PF)

- ✓ Aims to attract and encourage private investors;
- ✓ Supports commercially viable investment projects; and
- ✓ Energy, agriculture, manufacturing, and tourism sectors are top priorities as these sectors are largely untapped and have great potential for further development.



STATE SUPPORT AND SUCCESSFUL INVESTMENTS

- ✓ Interest in the construction of small and medium-sized hydropower plants is growing: Construction of up to 17 HPPs is planned and agreed upon with investors.
- ✓ Hospitality industry is growing: In recent years, 3 premium hotels and around 300 budget hotels have been built in Mestia municipality.
- ✓ Government-supported dairy farming program was implemented and is on-going.



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

INFORMATION SOURCE

Contact - Mestia Municipality

www.mestia.gov.ge

Mestia

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ADVANTAGES OF 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

