

Stimulating Policy for Attracting Foreign Direct Investment in Georgia

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Abstract : Current state of foreign direct investment (FDI) in Georgia is analyzed and evaluated in the paper, the existing legislative background for regulating investments and stimulating policies to attract investments are shown. It is noted that in developing countries encouragement of investment activity, support and implementation are of the most important tasks, implying a consistent investment policy, investor-friendly tax regime and the legal system, reducing administrative barriers and restrictions, fare competitive conditions and business development infrastructure. The work deals with the determining factor of FDIs and the main directions of stimulation, as well as prospective industries where new investments are needed. Contributing and hindering factors and stimulating measures are analyzed. As a result of the research, the direct and indirect factors attracting FDI have been identified. Facilitating factors to FDI inflow are as follows: simplicity of starting business, geopolitical location, low taxes, access to credit, ease of ownership registration, natural resources, low burden of regulations, low level of corruption and low crime rates. Hindering factors to FDI inflow are as follows: small market, lack of policy for attracting investments, low qualification of the workforce (despite the large number of unemployed people it is difficult to find workers with necessary special skills and qualifications), high interest rates, instability of national currency exchange rate, presence of conflict zones within the country and so forth.

Keywords : foreign direct investment, investor, investment attracting marketing policies, reinvestment

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