



Following President Saakashvili's speech at Parliament on October 6, the Georgian Government submitted the drafts of Constitutional Amendments and Constitutional Law on Liberty, Opportunity and Dignity (the Liberty Act) to the President of Georgia to initiate the legal process.

The Liberty Act seeks to constitutionally enshrine the key economic policies Georgia has successfully pursued since the Rose Revolution. Its highlights are as follows:

Fiscal Responsibility

- Budget expenditure capped at 30% of GDP (FY 2012)
- Budget deficit capped at 3% of GDP (FY 2012)
- Public debt capped at 60% of GDP (FY 2012)
- Extrabudgetary funds are limited
- Budget earmarks are limited

Freedom from Bureaucratic Discretion and Interference

- An increase in the overall number of licenses and permits is capped
- Establishment of new Independent National Regulatory Bodies (in addition to the currently existing regulators in the financial services, utilities and communications sectors) is banned
- Price controls of any kind (including on the interest rates) are banned
- The state ownership of banks and other financial intermediation institutions is banned
- Any restrictions on the full currency convertibility (which Georgia has enjoyed since the mid-1990s) are banned
- Any kind of control of capital movement are banned, including on the repatriation of profit and capital

Empowering Citizens by Ensuring Choice in Social Programs

- The Liberty Act advances the long-standing policy of delivering targeted social assistance by funding citizens through vouchers and cash benefits (healthcare coverage, education, poverty benefits, etc) rather than funding directly the institutions engaged in the provision of healthcare, education and other services. It provides for the freedom of choice of the beneficiaries to select the service providers

Returning the Power to Tax to the People

- No new taxes or increase in the tax rates may be imposed other than following an affirmative vote in a nationwide referendum

"The government is delighted to have worked with President Saakashvili on this ground-breaking initiative. The Liberty Act seeks to limit severely the discretion of the executive branch of government and ensure that the government remains small and limited and taxes (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 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	2004A	2005A	2006A	2007A	2008A
Nominal GDP (GEL mln)	9,824.3	11,620.9	13,789.9	16,993.8	19,069.6
Real GDP Growth (y-o-y; %)	5.9%	9.6%	9.4%	12.3%	2.1%
GDP per Capita (US\$)	1,187.6	1,483.5	1,763.5	2,314.6	2,920.3
CPI (e-o-p; %)	7.5%	6.2%	8.8%	11.0%	5.5%
Net FDI (US\$ mln)	483	542	1,076	2,014.8	1,564.0
Current Account Deficit as % of GDP	-6.6%	-10.7%	-14.9%	-18.9%	-22.3%
GEL/US\$ (e-o-p)	1.83	1.79	1.71	1.59	1.66
GEL/EUR (e-o-p)	2.49	2.12	2.26	2.33	2.34
Galt & Taggart Index (e-o-p)	194	320	790	1,041	197

Source: Department of Statistics, 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/ Stable/B'
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'B+/ Stable /B/BB-'

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