

Milestones of Investors Council January 2020 – October 2020

Investors Council Meetings:

Since January 2020 Investors Council has held 3 official meetings:

3 February, 2020 – chaired by Giorgi Gakharia, the Prime Minister of Georgia.
Please see the link to the minutes of the meeting.

22 April, 2020 - chaired by Maya Tskitishvili, the Vice Prime Minister, Minister of Regional Development and Infrastructure of Georgia.
Please see the link to the minutes of the meeting.

22 June, 2020 - chaired by Giorgi Gakharia, the Prime Minister of Georgia.
Please see the link to the minutes of the meeting.

COVID-19 Emergency Response

Survey - Impact on Business

Investors Council Secretariat from the very beginning of the Covid-19 pandemic initiated number of steps to assist the Government and the business community in dealing with the crisis and the unusual circumstances. Upon the request of the Government of Georgia, with the support of the ICS, PwC Georgia conducted the survey on impact of the COVID-19 on Georgian Economy and Business Environment in April 2020.

(Please see the link to the results of the survey).

The second survey has been circulated to the business community, for which the results will be available towards the end of November 2020.

The purpose of the surveys was to demonstrate effectively with statistical data the real impact of the COVID-19 on Georgian economy; furthermore to channel the results to the Ministry of Economy and Sustainable Development as well as PM's economic advisory team, so that the Government can take the correct measures to address the immediate challenges business community is facing.

FDI Strategy

Upon the decision during IC meeting on April 22, ICS conducted number of focus groups to propose recommendations on an Investment Strategy, highlighting the priority reforms and steps the Government should take in order to facilitate FDI into the country. The objective of the recommendation S was to suggest post-crisis economic measures to deal with the economic challenges posed by the COVID-19 pandemics. The results were discussed during the IC meeting on June 22.

ICS conducted several focus group meetings, with key experts with relevant industry knowledge covering the following priority industry sectors:

- Manufacturing and Services
- Agribusiness
- Tourism Industry
- Construction
- Energy
- Capital Markets

Law on Investment Funds

In June 2020 the Parliament of Georgia adopted the new legislation on Investment Funds.

In cooperation with the Ministry of Economy and Sustainable Development (MoESD), Ministry of Finance (MoF) as well as National Bank of Georgia (NBG) and with the support from USAID Economic Development Project (G4G), Ministry of Justice (MoJ), the Investors Council Secretariat in 2018 established a working group comprised of representatives of several investment companies, commercial banks, Georgian stock exchange, law firms. The purpose of the working group was to develop modern legal framework for investment funds in Georgia in order to enhance further the business climate in the country.

One of the crucial aspects of the new legal framework is the modification of the taxation system to facilitate the development of financial intermediaries, such as investment funds. In addition, the new law will help to streamline the procedures of setting up investment funds and asset management companies.

The new law on investment funds is in line with the international best practice and with the EU directives hence supporting further Georgia's EU approximation and compliance with best international standards. EU approximation will not only strengthen the protection of investors but also increase the trust and interest of foreign investors towards Georgia.

The reform will help to improve further the investment climate in Georgia by streamlining the activities of investment funds that play an important role in providing an alternative source of funding to the private sector. An emergence of new institutional investors will give new momentum to the development of the capital markets in the country. Given the difficult circumstances connected with the COVID-19, investment funds are becoming an important tool to help revive and support the development of the local businesses.

Insolvency Reform

On September 18, 2020, the Parliament of Georgia adopted the new Law on Rehabilitation and Collective Satisfaction of Creditors.

Starting from 2016 ICS has been involved in supporting a comprehensive reform on insolvency legislation that was initiated and driven by the MoJ with the support of various donor organizations, amongst which, were GIZ and USAID. The drafting committee of the new legislation comprised of the ICS and the representatives of MoJ, MoESD, MoF, as well as local and international insolvency experts. The group developed a new insolvency law draft - draft law on Rehabilitation and Collective Satisfaction of Creditors.

There previous legislation had numerous drawbacks that impeded greatly the development of the private sector. There was a consensus among all stakeholders that the existing legal framework on insolvency was rather focused on swift liquidation of debtors in financial difficulties, essentially neglecting other restructuring possibilities. Consequently, the interests of the stakeholders of financially distressed firms – shareholders, employees, secured and unsecured creditors – were side-lined to a significant degree and possibilities of rehabilitation were not readily available.

To address the above drawbacks, the new law introduces more reliable mechanisms for protecting the interests of both the secured and unsecured creditors, establishes incentives for the debtor and the creditors to resort to the rehabilitation route, streamlines the functions of the courts in insolvency cases, defines and delineates more clearly rights and obligations of the parties involved in insolvency. The law also introduces an important novelty: out of court rehabilitation procedure – Company voluntary arrangement. The very existence of an orderly and effective insolvency system establishes incentives for negotiations between debtors and their creditors, which may lead to out-of-court agreements.

ICS expects that the new law will create incentives for the companies to use the restructuring possibilities at the early stages of financial challenges to avoid bankruptcy liquidation.

This reform will play a major role in strengthening a country's economic and financial system.