



Investors Council

Annual Report 2021

Investors Council Meetings

- January 29, 2021 – Chaired by the Prime Minister Giorgi Gakharia
- May 27, 2021 - Chaired by the Prime Minister Irakli Garibashvili
- November 25, 2021- Chaired by the Prime Minister Irakli Garibashvili

Investors Council Meeting #14, January 29, 2021



Discussed Topics

- COVID-19 pandemic and responses
- Work Plan 2021-2022

Highlights

- Exchanged information on the impact of the COVID-19 on the private sector and how the Government addressed the challenges, including vaccination plan, supporting business and specific sectors hard-hit by the crisis, plans for reopening economy, etc.
- Work Plan 2021-2022 approved

Investors Council Meeting #15 May 27, 2021



Discussed Topics

- Importance of the investment-friendly legal environment and the role of the judiciary system
- Covid-19 pandemic crisis management

Highlights

- Highlighted the importance of the well-functioning judiciary system for the investment climate, provided recommendations how to increase the competences and capacities of the judges with respect to the business disputes; discussed the idea of re-opening dialogue on the idea of development of commercial chambers, e-courts, etc.
- Exchanged information on the crisis management of the Covid-19 pandemic. Provided initiatives on involvement of the business in vaccination process, tax incentives, etc. Discussed the plan for re-opening economy and borders for international visitors.

Discussed Topics

- COVID-19 pandemic and vaccination process
- Renewable energy
- Access to finance and the introduction of the new financial instruments (Covered Bonds)
- Construction sector- systemic problems in getting permits, regulations and strategy
- Investments in the agriculture sector
- State-owned Enterprises
- Pharmaceutical Sector
- Civil Liability Insurance (TPL)

Highlights

- Information on the results of the re-opening economy, discussion on the challenges of the COVID -19 and the Government's efforts for the promotion and financial incentives for vaccination, etc.
- High potential of FDI attraction in renewable energy sector, the importance of the renewable energy auctions and reforms in modernization of electricity market trade.
- Information on the progress on draft law on covered bonds. it is ready and already submitted to the Government for approval; discussion in the Parliament expected in early Spring, 2022.
- The problems of the construction sector, especially getting the permits in municipalities. Working Group will be established at the end of February 2022.
- The progress in establishing a mechanism that allows foreigners to own agricultural land. The tender process for Imereti Agro Zone has been completed in January 2022 and the results will be published in March 2022.
- Proposed to establish a SOEs Reform Council
- The challenges of the pharmaceutical sector and agreed that representatives of the businesses would be involved in preparation the reform
- Offered assistance in preparation legislative acts for the introduction of the mandatory civil liability insurance (TPL)

Insolvency Reform

Objectives:

- Reform of current insolvency legal framework and practice
- Protection of secured and unsecured creditors
- Elimination of uncertainties because of deficiencies of the legal framework

Progress:

- New Insolvency act – Law on Rehabilitation and Collective Satisfaction of Creditors adopted by the Parliament in 2020 and became fully effective since April 2021
- MoJ adopted respective secondary legislation and normative acts
- ICS involved in training of the candidates to become insolvency practitioners
- ICS participated in PPD events under the platform supported by USAID EG program

Next steps:

- ICS will continue cooperation with BRIPA and USAID EG program to monitor and evaluate the progress of the implementation of the reform

Working Groups Activities

Company Law Reform

Objectives:

- Modernization of Georgian company law with the emphasis on its harmonization with EU Directive 2017/1132 of June 14, 2017, on Certain Aspects of Company Law

Progress:

- Law on Entrepreneurs adopted by the Parliament in August 2021 and became fully effective on January 1st 2022.
- ICS hosted several meetings with participation of all the key stakeholders where the challenges of the implementation of the law were discussed

Next steps:

- ICS will gather feedback from stakeholders for the further improvement of the law
- ICS is working on guideline to LoE (LoE Annotated) that will be presented in March 2022
- ICS will organize training for IC members and will continue working with practitioner lawyers and judges

Business Disputes and Judiciary

Objectives:

- Development a well-functioning judiciary system as a bases for improvement the investment climate of the country

Progress:

- 15th IC meeting's key discussion topic related to create investment friendly legal environment and the role of Judiciary System. IC members provided recommendations how to increase the competences and capacities of the judges with respect to the business disputes, discussed the idea of re-opening dialogue on the idea of development of commercial chambers, e-courts, etc.

Next steps:

- IC will continue to draw the attention of the state actors and other stakeholders to the need of the reforms
- ICS will arrange a training course for the judges on LoE

Regulatory Impact Assessment

Objectives:

- Development of RIA platform

Progress:

- Since 2020, it is obligatory to create RIA documents for the legislative draft prepared by the Government
- Cooperation with USAID EG program in order to ensure the quality of RIA documents prepared by the different government agencies

Next steps:

- ICS will coordinate working with IC members, other business associations and USAID EG team to develop a concept for per review platform

Working Groups Activities

Ownership of Agricultural Land by Foreigners

Objectives:

- Avoiding creation of additional bureaucratic barriers for foreign investors willing to invest in the agricultural sector

Progress:

- Adopted the new regulations and normative acts on “Submission and Approval of Investment Plans” in August 2021
- Established special council under the Land Management Agency in order to evaluate proposals from investors where CEO of BAG represents the IC.

Next steps:

- ICS will continue monitoring the process and will continue working with stakeholders to refine the relevant legal framework based on the first results.

Investment Funds

Objectives:

- Creation of a modern legal framework for Investment Funds considering EU Directives

Progress:

- Parliament adopted the law in July 2020.
- NBG already adopted several secondary normative acts under the new law.
- ICS participated in raising public awareness campaign lead by USAD ED program and NBG

Next steps:

- ICS will continue working with NBG and USAID ED program

Securitization Law

Objectives:

- Development of the securitization instrument for fund raising and higher market liquidity

Progress:

- Under the lead of the MoESD discussions, the platform created – editing group, larger drafting group
- Kick-off meetings held

Next steps:

- Working group will continue working from February 2022
- Securitization principles will be agreed, and the drafting group will start working on the text

Factoring Legislation

Objectives:

- To create enabling legal framework for factoring companies
- Ensure digitalization process of registration

Progress:

- Draft Law has been finalized within factoring working group with participation of EBRD experts, NBG, MoESD, MoF, MoJ and industry representatives
- Prepared ToR for registration of factoring agreements

Next steps:

- Feasibility Study for digitalization of the registration agreements will be completed in summer 2022
- The legislative package will be submitted to the Government and Parliament in the late summer 2022

Leasing Market Development

Objectives:

- Identify the obstacles of development leasing sector
- Support MSMEs and Startups in accessing alternative financial sources
- Provide expertise and support to the Government in the elaboration of the leasing strategy

Progress:

- GGF financed the feasibility study on “Development of Alternative Financing for MSMEs”. The study was completed and presented to stakeholders in April 2021
- ICS and Leasing Companies Association hold several discussions with the representatives of MoESD, EG, MoF in order to identify further development of the strategy

Next steps:

- IC will continue working with Leasing Association, MoESD, NBG and MoF

Pharmaceutical Industry

Objectives:

- Facilitation of a smooth transition of the Georgian pharmaceutical companies to mandatory GMP standardization

Progress:

- MoESD and Enterprise Georgia included pharmaceutical industry in the list of the priority sectors for FDI
- Enterprise Georgia made favorable changes to the conditions for financing of pharmaceutical companies
- Georgian pharmaceutical companies received exemption from VAT on purchases of equipment
- Requirement of GMP standard extended until summer 2022 and for exporters until the end of 2024

Next steps:

- IC will participate in working group activities for wider reform and will support EG to finalize feasibility study for sector development.

Construction Sector

Objectives:

- Maintaining the efficiency of the procedures and ensuring transparency of the issue of construction permits

Progress:

- The importance of the development of the strategy and the challenges of getting permits, especially in local municipalities, highlighted during the #16th IC meeting.

Next steps:

- ICS intends to consolidate the efforts of the IC members and create a working group in order to identify specific shortcomings of regulations and inefficiencies of procedures and provide policy recommendations to the relevant authorities

Reforms in Energy sector

Objectives:

- Identification of the key institutional problems in the development of the energy sector
- Suggesting solutions and providing recommendations on relevant legislative changes
- Defining specific measures and mitigation policies with respect to the climate change in the energy sector

Progress:

- ICS arranged number of working group discussions on current reform with representatives of MoESD, GNERC, ESCO and Energy Exchange
- During #16 IC meeting the subject was prioritized and highlighted the importance of FDI attraction in renewable energy sector and launching mechanisms of energy auctions

Next steps:

- Optimize the size and composition of the working group and include all stakeholders so that the working group would serve as effective dialogue platform between the investors and the government authorities
- ICS will start working with different experts working on climate issues related to the energy sector and will integrate their insights in the activities of the energy working group

Public Procurement Reform

Objectives:

- Development/Improvement of the public procurement system in Georgia

Progress:

- Drafting of the new law on Public Procurement has started under the lead of the MoESD
- Acknowledging the importance of digitalizing the procedures and developing e-services, e.g. acceptance of the e-signatures, e-contracts, bank guarantees, data base of the contractors, etc.

Next steps:

- ICS will work closely with MoF, Procurement Agency, MoESD to identify the needs in the process of adoption of the new legislation and ensuring full digitalization of the system

Assistance to GNTA

Objectives:

- Assisting and advising the Georgian National Tourism Agency
- Supporting the tourism recovery process

Progress:

- Tourism sector started recovering in 2021, however number of the international visitors remains low compared to pre-pandemic period
- Implementation of the tourism policy, safety rules and development of the new resorts and destinations, will support recovering the process

Next steps:

- ICS will optimize the tourism working group and will start discussion on GNTA's plans for recovery of the tourism sector
- ICS will work closely with the MoESD, GNTA and EG for new initiatives in the tourism sector

Support Enterprise Georgia

Objectives:

- Support Enterprise Georgia in developing and implementing the FDI strategy and identify new sectors for investment

Progress:

- To improve the investors' aftercare system, a technical assistance project was initiated that envisages conduction of a gap analysis and delivery of capacity building workshops for EG staff. EBRD will launch the procurement process for consultancy service until the end of February 2022.

Next steps:

- IC will continue providing recommendations around the specific promotion programs and steer EG's activities.

Pension Reform

Objectives:

- Development of the III Pillar of the Pension Reform that aims establishment of fully private pension scheme
- Support development of local capital market and variety of reliable financial instruments

Progress:

- Reform has been started as the Pillar I and II are in place. However, there is a need of technical assistance in IT infrastructure development, digitalization of the processes, capacity building and awareness raising activities

Next steps:

- ICS will cooperate with the MoESD and Pension Agency offering IC platform for public-private dialogue

Digitalization

Objectives:

- Encouragement of the government agencies to increase the scope and quality of the government's digital services especially in financial, transport and logistics sectors

Progress:

- ICS identified 12 potential project, out of which the first project has been started under the leadership and financial support of EBRD. Maritime Agency of Georgia is preparing a feasibility study for the development of the port community system in the Georgian ports. The project will be completed in May 2022.
- ICS, in close cooperation of the MoF and RS initiated development of Unified Tax and Customs Platform, that is a part of the Tax Dispute Reform. The procurement process by EBRD is ongoing.

Next steps:

- ICS will continue working with different government agencies and IC members to promote development of e-services as a part of the country's investment attraction strategy

Gender Equality

Objectives:

- Provide gender-expertise and conduct gender impact assessments of the IC policy initiatives

Progress:

- IC established a working group in November 2021 to contribute to Women Economic Empowerment (WEE) agenda and coordinate working with the Parliamentary Gender Equality Council

Next steps:

- IC working group will continue working on preparation of a national concept note on WEE

Other Initiatives

- **Assessment of the Impact of COVID-19 on the Georgian Economy**
 - With the financial support of GGF and EBRD's leadership, TA project on "assessment of the impact of COVID-19 on the Georgian Economy and prepare a medium-term strategy for recovery" completed in May 2021 and presented to the authorities. It covered challenges of the FDI attraction after post COVID period and set recommendations for the improvement of investment climate in Georgia.
- **Functional Analysis and Development of Roadmap for State Support Programmes**
 - GGF financed project completed in April 2021, conducted full assessment of the state support programs and prepared the new methodology and roadmap for improving the efficiency of the state support programs lead by GE, GITA, RDA for MSMEs
- **EBRD website for guidelines of SMEs**
 - ICS worked closely with EBRD's legal transition and governance teams and external experts in developing website for supporting SMEs. The website will guide SMEs to develop business strategies, management issues, supply chains, digitalization, etc. <https://businessguide.ebrd.ge/>

IC Communication channels

- Newsletters are publishing on a quarterly base
- New logo has been created
- New website has been launched www.investorscouncil.ge
- LinkedIn and YouTube accounts are used to increase the publicity of the IC and ICS activities [#InvestorsCouncil](#)





Thank you !