

Minutes of the 17th Meeting of the Investors Council

June 7, 2022

Chaired by the Prime Minister of Georgia Irakli Garibashvili

Present at the meeting

Participating Members of the Investors Council:

- Irakli Garibashvili, Prime Minister, Chair of the Investors Council
- Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development
- Lasha Khutsishvili, Minister of Finance
- Otar Shamugia, Minister of Environment Protection and Agriculture
- Irakli Karseladze, Minister of Regional Development and Infrastructure
- Rati Bregadze, Minister of Justice
- Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD
- Mark Clayton, Ambassador of the UK to Georgia
- Sarah Williamson, President, American Chamber of Commerce in Georgia
- Samson Pkhakadze, President, Business Association of Georgia
- Zviad Chumburidze, Secretary General, EUGBC
- Giorgi Pertaia, President, GCCI
- Sascha Ternes, Chairman of the Board, German Business Association
- Ozan Gur, Executive Board Member, Georgian and Turkish Businessmen's Association
- Ivana Fernandes Duarte, Regional Manager of the Caucasus, IFC
- Otar Danelia, Business Ombudsman of Georgia
- Giorgi Cherkezishvili, Head of Investors Council Secretariat

Invited Guests:

- Vazil Hudak, Special Adviser of the PM of Georgia for Foreign Investments (Online)
- Revaz Javelidze, Head of the Government Administration
- Mikheil Khidureli, Head of Enterprise Georgia
- Levan Vepkhvadze, Executive Director, Business Association of Georgia
- George Welton, Executive Director, American Chamber of Commerce in Georgia
- Thomas Kimmeswenger, Executive Director, German Business Association
- Giorgi Kacharava, Executive Director, EU-Georgia Business Council
- Nino Suknidze – Deputy Director of Georgian Chamber of Commerce and Industry
- Nick Tabatadze, Commercial and Economic Officer, British Embassy
- George Jugeli, Legal Expert, Investors Council Secretariat
- Giorgi Edilashvili, Business Analyst, Investors Council Secretariat

Opening Remarks

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Welcomed members of the Investors Council and the invited guests.
- Underlined the importance to update members on the recent developments in Georgia, including information on the economic growth.
- Provided information on the process of application for the EU Membership

Mark Clayton, Ambassador of the UK to Georgia:

- Outlined impact of conflict in Ukraine which has a high economic component.
- Highlighted the importance of energy security and the positive agenda about accelerating the transition to a green economy.
- Stressed the importance of the recent developments on Georgia's application to join the European Union.

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD

- Stresses the importance of regular meetings and high-level discussions.
- Outlined the active work carried out in the IC working groups on various subjects and thanked business associations, members, and consultants for the work.

Progress on activities of the ICS

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Thanked the Prime Minister and other members of the government for continuous support for the IC and its initiatives.
- Outlined that the IC updated the Work Plan for the next 2 years.
- ICS continued work on the Law on Entrepreneurs, which was adopted by the Parliament in August 2021 and entered into force on the 1st of January 2022. ICS supported the creation of the legislative guide to the law that was published in March 2022.
- Thanked the Government for approving the Covered Bonds law in February and bringing it to Parliament.
- Stressed the undertaken work on GMP standards. ICS and members worked closely with the Government Administration, Ministry of internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia, and other agencies and considerable support mechanisms have been put in place.

- Reported on the creation of the IC working group on the Construction Sector In February, 2022. The working group has identified several challenges in the sector and has begun to work with stakeholder authorities to address these challenges.
- Stressed the importance of the internationalization of the educational system in Georgia and mentioned the necessary reforms in the sector.
- Highlighted on-going technical assistance projects.

Engagement on EU Membership

Catarina Bjorlin Hansen, EBRD Regional Director for Caucasus

- Outlined the importance of Georgia's application for the EU Membership. Express the willingness to help the government in the process.

Sarah Williamson, President, American Chamber of Commerce in Georgia

- Moved to the EU Membership topic and expressed full support and commitment to participate in the process.

Vazil Hudak, Special Adviser of the PM of Georgia for Foreign Investments

- Outlined that Investors Council can be very active and very useful, during the process of negotiations with the European Commission. The business community can play a really important role in EU Accession.

Sascha Ternes, Chairman of the Board, German Business Association

- Asked about the current status of the EU membership application.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

Provided detailed information on application status

Responding to supply chain challenges

Catarina Bjorlin Hansen, EBRD Regional Director for Caucasus

- Highlighted that during the pandemic we saw quite a few Georgian companies stepping up to compensate for the disrupted supply chains, by enhancing their locally produced business.
- Outlined the enhanced interest in the middle corridor for logistics purposes which is now the most focused on logistics corridor in the world.
- Stressed the importance to address any questions, any requests, any challenges, for supply chain development, as quickly, as ever possible.

Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development

- Highlighted priority to develop the middle corridor and the potential as been shown in this particular, very difficult situation, as never before. Emphasized the big demand for services that should be supplied with proper quality.
- Appreciated for the support in this direction and outlined that MoESD has a good cooperation on this topic with various donors including EBRD.
- Outlined good regional communication with partner countries to continue coordination through TRACECA.
- Highlighted that the whole policy is towards increasing the competitiveness in transport and logistics through various public and private projects.

Sarah Williamson, President, American Chamber of Commerce in Georgia

- Commented on the issue related to the company operating in BPO sector.

Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development

- Highlighted work of Enterprise Georgia, which includes activities of investment agency. Enterprise Georgia takes care of investors' needs and investment decisions.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- It was noted that any matters related to business issues could be brought to the attention of a new Business Ombudsman to address them.

Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development

- Outlined that BPO sector is very promising for Georgia and very important, and many companies have quite large operations in Georgia in BPO sector. Also, indicated that a systematic approach is required to properly deal with investors in this area.

New approaches for the support of renewable electricity generation sources

Samson Pkhakadze, President, Business Association of Georgia

- Highlighted the importance of energy generation development. The existing scheme doesn't provide the necessary value for investors. New mechanisms are necessary to increase investments in the industry.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Provided updated information on recent negotiations with IMF on the new scheme in the energy sector.

Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development

- Energy security is an important part of the economic security and it's a very important for the competitiveness of the Georgian economy
- Appreciated that Business Community is supporting this idea of renewable energy generation
- Outlined importance of new support mechanism to further develop energy sector.

Ex-post RIA of Labor Legislation

Samson Pkhakadze, President, Business Association of Georgia

- New labor legislation was adopted in 2019. Since that time in practical terms, we see that some of the standards create an unproportionate burden on market participants and cause inefficiency in the organization.
- Proposed post-regulatory assessment study, Ex-post RIA of the labor regulation

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Initiated to start a working process to identify any issues in current labor legislation

Necessary information and list of sanctioned companies and individuals

Zviad Chumburidze, Secretary General, EUGBC

- Raised the importance of assigning one of the State Institutions responsible for the communication with the Business community in order to timely provide all necessary updates on sanctioned companies and individuals.

Lasha Khutsishvili, Minister of Finance

- Provided updated information on economic sanctions on Russia and Belarus and necessary activities undertaken by the Georgian Government.

Imposing a Tax Lien

Giorgi Petaia, President, GCCI

- Described the issue with Tax lien and expressed readiness to work with the Ministry of Finance to amend existing regulations.

Nino Suknidze, Deputy Director of Georgian Chamber of Commerce and Industry

- Provided information on current regulations on Tax lien and outlined possible solutions to the current issues.

Lasha Khutsishvili, Minister of Finance

Outlined that the proposed solution can have some technical difficulties. However, expressed the commitment to solve existing issues and continue dialogue with IC working group.