

Minutes of the Twelfth Meeting of the Investors Council

**April 22, 2020, 16:00, chaired by the
Deputy Prime Minister of Georgia Maya Tskitishvili**

Present at the meeting

Participating Members of the Investors Council:

- Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure
- Thea Tsulukiani, Deputy Prime Minister, Minister of Justice
- Ivane Matchavariani, Minister of Finance
- Natia Turnava, Minister of Economy and Sustainable Development
- Khatia Tsilosani, Deputy Minister of Environment Protection and Agriculture
- Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD
- Justin McKenzie Smith, Ambassador of the UK to Georgia
- Jan Van Bilsen, Regional Manager for Caucasus, IFC
- Michael Cowgill, President, American Chamber of Commerce in Georgia
- Samson Pkhakadze, Chairman, Business Association of Georgia
- Giorgi Pertaia, President, Georgian Chamber of Commerce and Industry
- Zviad Chumburidze, Secretary General, EU-Georgia Business Council
- Fady Asli, Chairman, International Chamber of Commerce Georgia
- Sascha Ternes, Chairman of the Board, German Business Association
- Osman Turan, President, Georgian And Turkish Businessmen's Association
- Mikheil Daushvili, Business Ombudsman of Georgia
- Giorgi Cherkezishvili, Head of Investors Council Secretariat

Invited Guests:

- Sebastian Molineus, World Bank Regional Director for the South Caucasus
- Mikheil Khidureli, Head of Enterprise Georgia
- Giorgi Kacharava, Executive Director, EU-Georgia Business Council
- Levan Vepkhvadze, Executive Director, Business Association of Georgia
- Sarah Williamson, First Vice-President, American Chamber of Commerce in Georgia
- George Welton, Executive Director, American Chamber of Commerce in Georgia
- Thomas Kimmeswenger, Executive Director, German Business Association
- Mustafa Tabakoglu, Executive Board Member, Georgian And Turkish Businessmen's Association
- Ellen Wichmann, Head of the GGF Georgia, British Embassy in Georgia
- Givi Chanukvadze, GGF Economic Projects Manager, British Embassy in Georgia
- Beka Liluashvili, Adviser to the Prime Minister
- Loretta Martikian, Communications, EBRD
- Hester Coutanche, EBRD
- Christine Hagedorn, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat
- George Lomidze, Business Analyst, Investors Council Secretariat

How can Georgia position itself considering the shifting FDI geographic preferences as a result of COVID-19

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- Welcomed the participants.
- Mentioned the plan of the government for opening-up of the economy as well as a package of benefits for business and social benefits for Georgian citizens that the government is going to present in detail on April 24, 2020.
- Spoke about the changes and challenges that the current crisis brings globally, and how this new reality may also be an opportunity for Georgia to attract new investors and offer foreign companies favorable conditions for moving their business to Georgia.

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD:

- Agreed with Ms. Maya Tskitishvili that investors will now pay more attention to health issues and crisis management capacity of the government. Georgia has really huge success in fighting against coronavirus.
- Emphasized the importance of the reforms that are ongoing, despite the current circumstances, to make Georgia more attractive going forward.
- Suggested to update the outreach materials for Georgia to include information on the capacity of the healthcare system and ability to effectively manage crises.
- Mentioned, that Georgia should start early promoting itself as an FDI destination in the post-corona period, emphasizing Georgia's emerging competitive advantage, offered Investors Council's help for the government in this regard.

Justin McKenzie Smith, Ambassador of the UK to Georgia:

- Emphasized the importance of holding Investors Council meeting at times of this crisis despite all the difficulties.
- Praised the government of Georgia, Georgian public health experts and Georgian society at large for the way the current crisis is being handled.
- Reiterated that the UK will stand together with its friends and partners worldwide, including Georgia, both in terms of urgent medical and socio-economic needs in the short term and systemic economic reforms in the medium to long term.

Natia Turnava, Minister of Economy and Sustainable Development:

- Agreed that Georgia should utilize new opportunities that are currently unfolding globally which will serve as a precondition for swift economic recovery.
- Stated that as part of its investment attraction strategy Ministry of Economy and Sustainable Development is working on sectoral analysis and identification of new priority sectors that will enhance post-pandemic recovery and increase Georgia's competitiveness.

Such sectors include business process outsourcing, IT, electronics and machinery production, pharmaceutical products and medical equipment, apparel, logistic services, etc.

- Mentioned that government is working on FDI and business re-allocation support measures, that include co-financing, work force training, sharing infrastructure costs, etc. Enterprise Georgia has already identified more than four hundred multinational companies that might be interested in moving part of their business to Georgia and plans to contact all these companies directly and through all available channels.

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- Regarding Georgia's strategy for attraction of FDI additionally mentioned two other important points from government reform agenda: further development of digital infrastructure and education.

Proposed tax cuts and benefits for legal entities and individuals

Giorgi Pertaia, President, Georgian Chamber of Commerce and Industry:

- Suggested the government to more actively publicize Georgia's achievements with the current battle against epidemic and its consequences in international media and through other available channels as such publicity will be very important for post-crisis FDI attraction.
- Based on the feedback from the members Georgian Chamber of Commerce and Industry, mostly small and medium companies, listed suggestions to the government on the anti-crisis economic relief measures: till the end of 2020 introduction of non-taxable minimum monthly salary of 2000 lari; allowing individuals to withdraw from the pension scheme; suspension of mandatory contributions to pension scheme; provision of preferences that the companies from so called "gold list" used to enjoy in the past to all importers; instead of paying VAT upon importation, allow importers to fully pay VAT later when they conduct transactions subject to VAT.

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- In response to the suggestions of Giorgi Pertaia of pension scheme stated that the pension reform is one of the fundamental reforms of the current government, and despite popular demand, setback in this direction will be considered by the government only as a measure of last resort.

Ivane Matchavariani, Minister of Finance:

- Underlined that at the current stage of the crisis the best measures to save the economy, although painful, are social distancing and lockdown for a limited period and this is what the government of Georgia is doing.
- Said that the detailed package of anti-crisis economic measures will be presented on April 24 and will address the government aid to individuals who lost their job, companies who retained employees, other vulnerable categories of society.
- Mention that no benefits are planned regarding VAT or imports, as the Ministry of Finance is expecting decrease of tax revenue; it is planned to balance this deficit through concessional loans from IFIs and reduction of certain expenditures.
- Stressed that pension reform is planned for a very long term to provide financial security to the elderly and is intended to withstand other possible crises in the future, not only the current one, and therefore the government has no plans to suspend payments to the pension fund or allow withdrawal from the scheme.

Suggestions to the government on economic anti-crisis measures

Zviad Chumburidze, Secretary General, EU-Georgia Business Council:

- Thanked the government and Georgian medical staff for their efforts in prevention of the spread of the novel coronavirus in Georgia.
- Mentioned the package of recommendations on assistance of Georgian business sector that was provided by EU-Georgia Business Council to the government of Georgia in March and added that on April 21 another package of recommendations was sent to the Prime Minister's Office regarding aid for specific business sectors.
- Underlined that all the abovementioned recommendations are based on the feedback from the members of EU-Georgia Business Council and represent the voice of the business sector and urged the government to involve the representatives of private sector in formulation of the economic policy and consider their opinion as much as possible.

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- Agreed with necessity of further communication with private sector and stated that the government is planning to hold number of meetings with different companies and business associations in order to consider their opinion and better design the policy.
- Asked business ombudsman Mr. Mikheil Daushvili to follow up on the suggestions of EU-Georgia Business Council.

Effective communication between the government and businesses

Michael Cowgill, President, American Chamber of Commerce in Georgia:

- Stated that there are certain issues in communication between the government and businesses, however praised the efforts of the business ombudsman for effective support.

- Named two particular areas where such communication requires improvement: work permits for construction companies and companies applying for exemptions from general restrictions related to the state of emergency.
- Suggested creation of a working group on economic recovery that would also involve the Investors Council.

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- Noted that certain delays in response from the authorities are caused by extremely high number of applications. Also, due to rising number of new cases of infection in previous weeks the process of issuance of permits was intentionally slowed down and once the country passes the pick of epidemic the opening-up will be significantly sped up.
- Mentioned that this crisis demonstrated that the reforms that the government is conducting in connection to the labor code and health and workplace safety issues are indeed very important and the capacity that was created by these reforms will be successfully utilized during the current crisis.

Lifting of the lockdown and restarting of the economy

Samson Pkhakadze, Chairman, Business Association of Georgia:

- Stated that it would be very helpful for business if the government sets a certain date for opening-up of the economy: it will provide more certainty, will boost the sentiment and will help companies prepare to resume their operation.
- Noted that, based on the feedback business associations receive from their members, if the lockdown goes past a certain date the majority of companies will either not be able to re-open or will lose most of their pre-crisis capacity; many of them name mid-May as such a deadline.
- Expressed hope that apart from date for opening-up the government will provide a clear plan for this process.
- Stressed the necessity of supply of critical safety and sanitary equipment for the businesses to resume operation.

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- Draw the participants' attention to the fact that despite the state of emergency Georgia, in comparison to many other countries, manages to maintain a relatively mild form of lockdown, allowing a lot of businesses to operate.
- Explained that the government plans to start lifting the lockdown and will conduct the process in several stages and depending on the epidemiological situation the process may be sped up or slowed down.

Discussion

Fady Asli, Chairman, International Chamber of Commerce Georgia:

- Expressed appreciation for the efforts of the government of Georgia and Georgian healthcare specialists in their combat against the epidemic.
- However, expressed certain criticism for the strategy of the government, questioning the expedience of such measures as prohibition on driving cars, extension of the state of emergency and curfew until May 22.
- Noted that the economic losses as a result of extended lockdown may outweigh the lives lost to the novel coronavirus as the number of deaths due to economic hardships may be significantly higher.
- Expressed respect for healthcare experts but urged the government to look at a bigger picture and consider long term consequences of the lockdown.

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- Noted that it seems that there are indeed problems in communications between the government and the private sector as the approach of the government is being misinterpreted.
- Stressed that the success of any country in coping with the spread of the virus will determine the success of its economic recovery.

Jan Van Bilsen, Regional Manager for Caucasus, IFC:

- Highly praised the steps that have been taken by the government of Georgia, noted that Georgia compared to many other countries globally has reacted to the crisis very quickly and efficiently, maintaining cooperation with IFIs and securing their support.
- Noted that IFC continues its program in Georgia that focuses FDI attraction, investment policy and promotion and currently is considering how this ongoing program can be adjusted for the present needs and post-crisis recovery.

Sascha Ternes, Chairman of the Board, German Business Association:

- Inquired about the process of granting permission for construction companies to resume working, as how the inspectors are going to assess the compliance with the requirements on the site before the operations actually start.
- Inquired about the plans of the government regarding opening of the country's boarder for foreigners.

Maya Tskitishvili, Deputy Prime Minister, Minister of Regional Development and Infrastructure:

- Regarding the opening of borders noted that the first priority for Georgia within next 2-3 months is to open-up economy and only then they will consider the issue of opening of the country. This decision, she said, will depend on the epidemic situation in other countries and their strategy for opening of borders as it cannot be a unilateral decision.

Natia Turnava, Minister of Economy and Sustainable Development:

- Regarding the technical details of inspection of companies responded that for construction companies, as well as for companies from other sectors of economy, it will not be a one-time inspection. Several visits will be made by the inspectors: first before the permission will be granted, then immediately after the start of operation and then later inspections will be conducted to make sure that the standards are maintained.

Giorgi Cherkezishvili, Head of Investors Council Secretariat

- Thanked the Deputy Prime Minister and all the members of the Investment Council for participation in the meeting and expressed hope that within Investor Council working groups the members can further elaborate on the issues that were discussed especially on FDI attraction and improvement of communication.