

# Minutes of the 16th Meeting of the Investors Council

November 25, 2021

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 Environment Protection and Agriculture
- Natia Turnava, Minister of Economy and Sustainable Development
- Lasha Khutsishvili, Minister of Finance
- 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
- Ivana Fernandes Duarte, Regional Manager of the Caucasus, IFC
- Giorgi Cherkezishvili, Head of Investors Council Secretariat

### Invited Guests:

- Sebastian Molineus, World Bank Regional Director for the South Caucasus (tbc)
- Vazil Hudak, Special Adviser of the PM of Georgia for Foreign Investments (Online)
- 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 Kvetenadze, Deputy Business Ombudsman of Georgia
- Magda Bolotashvili – Deputy Director of Georgian Chamber of Commerce and Industry
- Ellen Wichmann, First Secretary, British Embassy
- Loretta Martikian, Communications, EBRD
- Nicola Lipari, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat

## Opening Remarks

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Welcomed members of the Investors Council and the invited guests.
- Welcomed Ms. Ivana Fernandes Duarte, the new regional manager of IFC.
- Spoke about recovery of Georgian economy after pandemic-related downturn and the priorities of the Government to facilitate economic growth and FDI.
- Stressed the importance of investment in human capital, through education and healthcare.
- Reported strong economic growth achieved so far this year and projected to close 2021 with a double-digit increase of GDP.
- Declared the goal of making Georgia a true regional hub attractive for investors from around the globe.
- Briefly reviewed the topics of the 16<sup>th</sup> Investors Council meeting.

Mark Clayton, Ambassador of the UK to Georgia:

- Expressed hope that the worst impact of Covid-19 is behind us and that the government can use this opportunity to press ahead with its reform agenda and make concrete progress on securing EU and NATO membership and improving investment climate.
- Stressed the importance of investment in all forms of green energy.
- Flagged the UK support to ICS through the Good Governance Fund since 2015 and highlighted the recent progress in ownership of agricultural land by foreigners and company law reform.
- Expressed hope that the new technical assistance project aimed to support investor aftercare by Enterprise Georgia will be successful.

### **Progress on activities of the ICS and new initiatives for digitalization of public services**

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Thanked the Prime Minister and other members of the government for continuous support for the Investors Council and its initiatives.
- Reported on successful completion of work on the Law on Entrepreneurs that was adopted by the Parliament in August 2021 and come into force from January 1, 2022.
- Mentioned productive cooperation with the Ministry of Environmental Protection and Agriculture in adoption of the procedures for submission and approval of the investment plans for ownership of agricultural land by foreigners and establishment of a council in charge of reviewing and recommending these investment plans.
- Highlighted progress of the activities of the factoring working group that completed work on the draft Law on Factoring and added that the Terms of Reference were prepared for the new EBRD project for a feasibility study for development of registry of the factoring transactions.
- Mentioned the start of the technical assistance project by EBRD aimed to support Maritime Agency of Georgia in creation of a Port Community System that was one of ICS initiatives for increase of digitalization.
- Reported on the progress in preparation of two new technical assistance projects financed by EBRD: “Unified Tax and Customs Methodology Platform” and “Foreign investor

perception survey and improvement of aftercare capacity of Enterprise Georgia” that aim to support Revenue Service and Enterprise Georgia respectively.

- Informed the IC members about establishment of the working group on gender equality that will work closely with Gender Equality Council (GEC) of the Parliament and MOESD in the process of preparation of the first national concept note on Women’s Economic Empowerment.

### **Covid-19 pandemic and vaccination process**

Sarah Williamson, President, American Chamber of Commerce in Georgia:

- Expressed concern about the high infection rate and low vaccination rate.
- Praised the government’s efforts for promotion of vaccination especially the financial incentive for pensioners and suggested to consider introduction of a similar incentive for all citizens of Georgia in an amount of 100 lari.
- Added that the costs of such program may seem high but the benefits will eventually significantly outweigh the costs.
- Expressed support for so-called green Covid passports that are about to be introduced in Georgia and voiced the opinion of the tourism and hospitality businesses in favor of a mandatory vaccination of employees in this sector.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- In general agreed with Ms. Williamson and noted that the government has been doing everything possible to promote vaccination and persuade citizens to get vaccinated, still a lot people are reluctant to do so.
- Stated that by the end of the year, according to experts’ assessment, about 70 percent of Georgia’s population will have immunity from coronavirus, either as a result of vaccination or through recovering from Covid-19.
- Expressed hope that soon to be introduced green Covid passports will help vaccination campaign and limit spread of the virus and promised to also consider the monetary incentive idea suggested by Ms. Williamson.

### **Renewable energy - promising sector for FDI attraction**

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD:

- Pointed out that the renewable energy sector is one of the most promising areas, both for foreign direct investments and domestic investments in Georgia.
- Underlined three important goals of electricity market reform: energy security, affordable and increased consumer choice, and reliable business environment for attracting investment.

- Talked about EBRD's efforts in energy sector reforms including upcoming technical report to the government to develop the regulatory environment for renewable energy auctions that are aimed for increasing competition and introduction of market based schemes for renewable energy project.
- Expressed hope that such renewable energy tenders can be launched early next year and confirmed readiness for close cooperation with the authorities and international and local stakeholders to develop this very important market opportunity and to attract FDI into the country.

Natia Turnava, Minister of Economy and Sustainable Development:

- Spoke about the government's plans for development of the renewable energy sector and pointed out a change in financial support mechanism for the new projects, namely provision of feed-in premium to investors instead of power purchase agreements (PPA), adding that this approach already proved to be successful.
- Mentioned that there are more than 90 projects under development that have not requested support from the government and have already secured or are seeking funding from private investors or commercial banks.
- Confirmed that the project of tender mechanism for renewables has full support from the government and we will probably have the first case in 50-megawatt solar power plant in Gardabani, implemented by Georgian Energy Development Fund.

### **Access to finance and introduction of new financial instruments – covered bonds legislation**

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD:

- Informed the IC members that the draft Law on Covered Bonds has been prepared by EBRD with participation of the National Bank and is ready for legislative procedures.
- Stated that once the law is, it will deliver many benefits, both to the issuers of the covered bonds and investors, and it will support the financial stability in the country, the wider economy and the overall government policy.

Natia Turnava, Minister of Economy and Sustainable Development:

- Thanked EBRD for their efforts on covered bonds legislation and pledged that after a review of the draft law the MoESD will present it to the government by the end of 2021.

### **Construction sector - systemic problems in getting permits, regulations and strategy**

Thomas Kimmeswenger, Executive Director, German Business Association

- Talked about systemic problems developers and investors, members of German Business Association, are facing in the process of obtaining construction permits on municipality level where simple procedures are extremely prolonged, applicants are being redirected from agency to agency and the whole process in some cases may take up to a year, that in some cases ultimately leads to investors leaving the country.
- Proposed to introduce a one stop shop system for obtaining all such permits.

Sarah Williamson, President, American Chamber of Commerce in Georgia:

- Confirmed that members of AmCham face similar problems on municipality level regarding construction related permits as well as with other services.
- Noted that it is hardly a problem of corruption but mostly lack of competence, unwillingness to assume responsibility and lack of communication.
- Agreed that one stop shop system, with well defined procedures and swift system of responding would be a good solution.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Agreed that it is indeed a very concerning and promised to work on this issue with representatives of the local government and come up with a solution soon.

## Investments in Agriculture Sector

George Welton, Executive Director, American Chamber of Commerce in Georgia:

- Acknowledged the efforts of the Investors Council and the government in making amendments to the legislation and creating a practical mechanism that allows foreigners to own agricultural land in case of attractive investment projects in agriculture.
- Inquired whether any such projects have already been considered and the permission for land sale been granted, as there are number of potential investors interested in purchase of agricultural land and demonstration of specific successful cases would positively influence their decision.

Levan Davitashvili, Vice Prime Minister, Minister of Environment Protection and Agriculture

- Informed the members that the Council of the Land Agency that is entrusted with recommending investment projects for the sale of agricultural land plots has started working and although there are no formal applications yet, several projects are already in the pipeline and the Ministry is in close contact with these potential investors.

- Mentioned Imereti agro-zone, agricultural production site, which is proposed to investors and has already drawn a lot of interest from European and Middle Eastern companies who want to invest in Georgian greenhouse cluster project.

### State-owned enterprises – reform and potential for FDI inflow to the country

Zviad Chumburidze, Secretary General, EUGBC

- Raised the issue of state-owned enterprises (SOEs), mentioned their importance for Georgian economy and also pointed out their deplorable financial results, the total loss of more than 1 billion lari in 2020, and the urgent need for reforms and privatization.
- Approved establishment of the State-Owned Enterprises Reform Council by the government and offered to consider assistance from the Investors Council in this reform.
- Offered to provide additional initiatives under the name of “Prime Minister’s package for investors” within the framework of the Investors Council which would be additional motivation for medium sized and big investors.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Agreed with Mr. Chumburidze that measures need to be taken regarding the SOEs, assured the IC members that preparation of the reform has already been started.
- Welcomed the idea of direct communication with investors and provision of certain guarantees for them directly from the Prime Minister as it can increase trust and reduce perception of risks for foreign investors.
- Noted that he had an idea of having Invest in Georgia as an independent agency directly under Prime Minister’s supervision during his first tenure as the head of the government and that this idea is worth revisiting.

Lasha Khutsishvili, Minister of Finance

- Explained that the goal of the SOE reform is to make all of these companies financially profitable either through privatization or restructuring and making them sustainable and able of borrowing from the market without government guarantees.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Added that in December he is sending members of the government headed by Levan Davitashvili on a tour to European countries and in January a presentation will be made on a package of attractive offers to investors in all sectors of economy.

## Pharmaceutical industry – changes in legislation

Samson Pkhakadze, President, Business Association of Georgia:

- Raised the issue of the announced government plans to regulate prices of medicines and touched upon some findings of the National Competition Agency report on pharmaceutical market.
- Urged the government to apply RIA before making any changes to the legislation.
- Also suggested to commission an independent study of the pharmaceutical market that would investigate problems further and help the government make right decisions.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Stated that the government is open for a constructive dialogue with representatives of businesses regarding the regulations in pharmaceutical market and is determined to move forward quickly on these regulations guided by the public interest in the first place.

## Civil Liability Insurance of Motor Vehicle Holders Registered in Georgia (TPL)

Samson Pkhakadze, President, Business Association of Georgia:

- Proposed the idea of introduction of mandatory civil liability insurance that will allow businesses to better manage risks and spare state budget of certain expenditures in universal healthcare program.
- Offered the government assistance in drafting the model and relevant legislative acts based on the best international practice.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Welcomed the proposal and asked to share more detailed recommendations with the government.
- Added that some changes are needed in universal healthcare program that was introduced in 2012 as within the current model there are a lot of loopholes that allow healthcare service providers to impose excessive services on patients thus inflating costs, consequently increasing burden on the state budget and eventually depriving other more vulnerable citizens of state support.

## Open discussion

Vazil Hudak, Adviser to the Prime Minister:

- Joined the meeting via video call.
- Expressed hope that the next three years before the next parliamentary elections will be used to work on structural issues and reforms and significant progress can be achieved.
- Noted that as early as in January-February mentioned investor package can be prepared and a few issues discussed today can be addressed.

Samson Pkhakadze, President, Business Association of Georgia:

- Reiterated the importance of Covid-19 vaccination for the country in general and businesses in particular.
- Stressed that a mark of 50 percent of adult population vaccinated is kind of a psychological barrier that we need to reach and that the governments should use all means at its disposal to further promote and stimulate the process of vaccination.

Sebastian Molineus, World Bank Regional Director for the South Caucasus

- Endorsed previous speakers on ideas regarding Covid-19 pandemic and vaccination and pointed out particularly low rate of vaccination among senior citizens of Georgia, the group bearing by far the highest risk of complications and mortality from the disease, and urged the government to focus even more on vaccination of this particular category of people.
- Noted that his team, following previous communication with the government, has already started working on some ideas for mentioned public works program for unemployed based on best international practice, and is ready to share and discuss it with the government.

Ivana Fernandes Duarte, Regional Manager of the Caucasus, IFC

- Stated that the IFC and the World Bank support the SOE reform and are working with the government and are ready to further support strengthening certain SOEs and help bring in investors to privatize others.
- Extended full support to the new covered bonds legislation and expressed readiness to support issuers in practical terms.
- Noted that IFC fully agrees with the views of EBRD on development of renewable energy in Georgia presented by Ms. Hansen and is working in this direction as well.

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Thanked participants for a fruitful discussion and noted that for the next Investors Council meeting the Secretariat will update the work plan in compliance with all initiatives presented by the Council members and the government.



