

## Investor Council Georgia Work Plan 2020-2021

### I. Financial Markets Regulations

- Draft Law on Investment Funds
- Draft Securitization Law
- Draft Law on Covered Bonds
- Leasing Strategy

ICS Working Group in cooperation with representatives of the industry as well as the National Bank of Georgia (NBG) and Ministry of Economy and Sustainable Development (MoESD) developed recommendation for the reform of the Investments Funds' legislation and commented on the draft law on Investment Funds, which has been provided to NBG and other state actors.

One of the most important aspects of the relevant legal framework is the taxation of investment funds and its investors. The choice of tax rules for investment funds requires balancing multiple objectives: not to obstruct the development of financial intermediaries, such as investment funds; to devise tax rules that are comparable to those that apply to other investments, and to adopt tax rules that can be administered and enforced. ICS and IC Investment Funds Legislation Working Group will be cooperating with MoESD, MoF – ministry entrusted with the preparation of the draft on Taxation of Investment Funds – and NBG to assure that the law and further normative acts are as supportive as possible for this emerging industry.

ICS also intends to work closely with non-banking financial intermediaries such as leasing companies to analyze the relevant legislation and practices and develop recommendations to support further development of the leasing industry, in particular, this might include regulations on taxation matters.

One of the challenges of the ongoing pension reform is to support the development of the private voluntary pension schemes - so-called pillar 3 - alongside the obligatory pension insurance system introduced by the Law on Funded Pensions. ICS is committed to working closely with the MoESD and other stakeholders to support this process including participation in drafting and review of the relevant legislation. (*\*Issue was added upon suggestion provided by Ms. Natia Turnava, Minister of Economy and Sustainable Development of Georgia at the Investors Council meeting on February 3, 2020*)

Counterparty: MoF, NBG, MoESD

### II. Insolvency Law Reform

- Draft Law on Rehabilitation and collective Satisfaction of Creditors

The draft Insolvency Law (Draft Law on Rehabilitation and Collective Satisfaction of Creditors) aims at the improvement of the existing insolvency mechanism, and addresses concerns currently faced by both the secured and unsecured creditors. The current Law on Insolvency Proceedings has many flaws e.g. competences of the trustee and the managers of the debtor are not clearly defined, the obligation of the bankruptcy trustee to collect assets of the debtor for distribution to creditors is not clearly articulated, the law does not provide for a possibility to convert bankruptcy into rehabilitation.

ICS will continue working with the state actors and other stakeholders to speed up the adoption of the draft. The draft is expected to go to the Parliament in Spring 2020.

Counterparty: Ministry of Justice (MoJ) MoESD

### **III. Company Law Reform**

- Draft Law on Entrepreneurs

The draft envisages fundamental changes to the existing company legislation to increase the predictability of the legal framework for practitioners and judges alike.

Furthermore, the draft transposes EU company law directives covered by the EU-Georgia Association Agreement into Georgian Law.

ICS will continue working with the state actors and other stakeholders to speed up the adoption of the draft together with other relevant legislation changes. ICS will also participate in finalizing the extended explanatory notes (guide) to the draft law on Entrepreneurs, which is intended to serve as the first guide for practitioners and judges.

The draft is expected to go to the parliament in Spring 2020.

Counterparty: MoJ, MoESD

### **IV. Ownership of Agricultural Land**

On June 25, 2019, the Parliament adopted in final hearing two relevant laws: (i) Organic Law on Agricultural Land; and (ii) Law on Determination of Designated Purpose of Land and Sustainable Management of the Agricultural Land.

However, for the new legal regime to become operative, the government of Georgia must approve several regulations, most importantly, the “regulation on submission approval of investment plans”. The draft governmental decree must be submitted by the Ministry for Agriculture and Environment in agreement with MoESD and approved by the Government till April 30, 2020.

ICS will work closely with all stakeholders, particularly with the state actors in charge, in developing practicable submission and approval procedures.

Counterparty: Administration of the Government

### **V. EU Harmonization - Labor Legislation and Workplace Safety Regulations**

The EU-Georgia Association Agreement entered into force in July 2016 and strives for political association and economic integration between the EU and Georgia.

Under the agreement, Georgia is obliged to gradually approximate its legislation to EU legislation within the stipulated timeframes.

Towards this end, Annex XXX covers employment, social policy, and workplace safety. Under the relevant regulations of the Association Agreement Georgia will have to transpose up to 40 EU Directives into the national legislation. During 2019 legislative changes addressed the prohibition of any forms of discrimination, and gender equality. Transposition of further 11 EU directives is envisaged during 2020. The harmonization will entail significant changes to the Organic Law on Employment.

ICS will direct its efforts in cooperation with its members particularly those representing the largest business organization in the country towards assuring that due consideration is given to the need for maintaining and where possible strengthening the business and investment-friendly legal environment during all relevant harmonization efforts.

Counterparty: MoH

## **VI. Development of Regulatory Impact Assessment (RIA) platform**

From January 2020, according to the latest changes to the Organic Law “On Normative Acts”, preparation of regulatory impact assessment (RIA) documents are obligatory for the legislative acts provided by the relevant Governmental resolution. Furthermore, upon a decision of the Government, RIA is obligatory for the legislative drafts prepared by the Government. RIA methodology has been approved by the Governmental resolution No. 35 of January 17, 2020.

In cooperation with IC members, other business organizations and USAID Economic Governance Program ICS considers supporting the creation of a peer review platform for qualitative and quantitative evaluation of the RIA documents developed by the Government and concerning the investment and business environment in Georgia.

Counterparty: MoESD, USAID Economic Governance Program

## **VII. Assistance to Georgian National Tourism Administration**

In 2018 ICS established a Tourism Working Group comprising key players in the tourism and hospitality business in Georgia, provided recommendations to the Government of Georgia and the Tourism Administration.

ICS established tourism board consisting of key players in the sector, in order to facilitate a format for the effective dialogue between the Tourism Administration and the private sector on budgeting and planning issues, as well as to provide input on tourism Budget every year.

The recommendations on the tourism budget will be presented to the IC members and the GNTA (Georgian National Tourism Agency) on annual bases.

ICS will continue support effective coordination and communication of the GNTA with the relevant institutions/stakeholders, donors and private sector.

Timeline: quarterly meetings of the Tourism Board as high level policy dialogue between the GNTA and the tourism Sector.

Counterparty: Georgian National Tourism Administration

## **VIII. Energy Sector Reform**

Energy security of the country is one of the key issues where the Investors Council is keen to engage more actively. Electricity market development is particularly crucial in this regard. At the same time electricity generation is one of the most attractive sectors for investors.

A working group has been formed at the Investors Council to identify challenges to development of electricity generation and export from Georgia focusing on renewable sources of energy (hydro, wind, solar). Representatives of companies and investors involved in the sector, Investors Council members, IFIs and development partners are part of this working group.

There is a lot of interest right now within the IC to identify 'quick wins' and 'short-term solutions' - and to recommend these to the Government. IC aims to have a private sector oriented overview of the issues (what investors and companies want to see happen) within the context of a macro-finance picture.

Counterparty: MoESD, GEDF

## **IX. Empowering “Invest in Georgia”**

MoESD’s agency “Enterprise Georgia” has presented a new investment strategy in December 2019, which was developed in close cooperation with IFC.

ICS will support to empower investment direction of “Enterprise Georgia” and the development of investment promotion plan. ICS will work closely with MoESD, “Enterprise Georgia”, IC Members and other stakeholders to revitalize the Brand “Invest in Georgia” and provide recommendations on the implementation of the promotion plan and support increase of FDI to the country.

Counterparty: MoESD, Enterprise Georgia

## **X. Construction Sector**

Construction is one the largest sectors of Georgia's economy. The sector has been exhibiting steady growth over past several years. Over the same period construction regulations have been tightening in line with general trend of harmonization with EU regulations. While this is undoubtedly a positive development, it is important to maintain efficiency of the procedures of issuing of construction permits and to ensure adequate quality control during construction. Complaints have been voiced by the representatives of the sectors regarding prolonged and nontransparent process of the permit issuance. Improvements in this direction will have a significant positive effect on development of the sector and on investor sentiment. The safety issues, both workplace safety and the safety of completed buildings and structures, are also very important.

As proposed by some IC members the ICS plans to form a working group on construction that will include competent representatives of the industry and relevant government authorities to work on policy recommendations for improvement of regulations in construction sector.

Counterparty: MoESD, Ministry of Infrastructure, Municipalities