



Investors Council

Annual Report 2022

Highlights of 2022

The **Law on Covered Bonds** was adopted by the Parliament and entered into force on December 16, 2022.

In June 2022, the Government of Georgia approved **the draft law on public procurement** and submitted it to the Parliament.

Declaration of the Investors Council on Gender Equality and Women Empowerment signed on 17.11.2022, formalized the Investors Council's and its member organizations' commitment to contribute to the gender equality and women's economic empowerment in the private sector in Georgia.

The new Law on Entrepreneurs became effective on January 1, 2022.

The ICS published the “Annotations to the Georgian Law on Entrepreneurs”.

Law on Entrepreneurs earned the highest quality assessment from the IDFI.

In March 2022, the ICS prepared an in-house **research on the impact of the Russian war on Ukraine and its economic implication on Georgia's economy.**

In November 2022, the MOH adopted a **change to the Decree of the Minister of 12/02/2021 Nr.01-15/n** and simplified the procedures and required template forms for recording working time of employees.

To support Georgia's aspiration to the EU Membership, on June 9, 2022, **the Business Associations, members of the Investors Council addressed the President of the European Commission, Dr. Ursula von der Leyen** through the joint open letter.

Digitalization: Unified Tax and Customs Platform; Port Community System in the Georgian ports; Application and Integration of Artificial Intelligence in Customs Formalities.

Investors Council Meetings

- June 7, 2022—Chaired by the Prime Minister Irakli Garibashvili
- October 19, 2022 -Chaired by the Prime Minister Irakli Garibashvili

Discussed Topics

- Engagement on EU Membership
- Other issues:
 - Responding to supply chain challenges
 - New approaches for the support of renewable electricity generation sources
 - Ex-post RIA of Labor Legislation
 - Necessary information and list of sanctioned companies and individuals
 - Imposing a Tax Lien

Highlights

- IC's commitment to continuing active support for Georgia's alignment with the EU
- Post-regulatory assessment study, Ex-post RIA of the labor regulation
- 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
- The issue with Tax lien and readiness to work with the Ministry of Finance to amend existing regulations

Discussed Topics

- Framework Investment Laws in Georgia
- Update FDI Strategy - technical assistance to “Enterprise Georgia”
- Further Development of the Insurance Sector in Georgia
- Pension Reform
- Issues of Labor Legislation
- Land Ownership by Foreigners
- Internationalization of the Education System

Highlights

- Modernization of existing Framework Investment laws
- Necessity of updating Enterprise Georgia’s investment promotion strategy
- Importance of development of the insurance market to make the sector attractive for both foreign and domestic investors
- Amendments related to the activities of the Pension Agency, including enforcement responsibilities and risk assessment policy
- Changes in labour legislation to avoid improper burden on the private sector
- Attracting additional FDI to Georgian agriculture sector
- International students in Georgia and the effects on the Georgian economy

Covered Bonds' Legislation

Objectives:

- Access for commercial banks to diversified sources of financing and development of the mortgage bank bonds market in Georgia

Progress:

- Concept of the new law and an initial draft was presented by NBG. ICS representatives participated in an online presentation of the draft organized by NBG and MoESD.
- ICS circulated the draft among the IC members and collected their feedback that was forwarded to NBG.
- IFIs and local commercial banks were involved in reviewing and discussing the document.
- On March 2, 2022, the Government of Georgia approved the draft law on Covered Bonds. The draft has been submitted to the Parliament. All relevant committees of the Parliament (Sectoral Economy, Legal, Human Rights) gave their approval to the law.
- The Law on Covered Bonds has been adopted by the Parliament and entered into force on Dec. 16, 2022.

Next steps:

- Monitoring the practical implementation of the Law

Working Groups Activities

Factoring Legislation

Objectives:

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

Progress:

- The draft Law on Factoring has been prepared.
- ICS supported EBRD in developing a feasibility study for development of Electronic Registry for Factoring Transactions and its integration in the existing system of registries maintained by the National Agency of Public Registry (NAPR).
- KPMG has been engaged by EBRD in the process to conduct feasibility study for development of the registry. The Study includes current state & risk analysis, overview of demand and supply sides, existing platforms, legal and regulatory framework as well as detailed technical requirements and cost estimates (including software and hardware costs) for the development and implementation of the registry.
- KPMG delivered an Inception Report covering the current state & risk analysis, overview of demand and supply sides, existing platforms, legal and regulatory framework and presented its workplan for the conduction of the study.

Next steps:

- Based on the results of the study the legislative package will be finalized and submitted to the Government and Parliament in 2023

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.
- Securitization principles has been agreed, and the draft was shared within the working group in August 2022.
- The draft approved by GoG and submitted to the Parliament on October 10, 2022.

Next steps:

- It is expected that the law will be adopted in the 2nd quarter of 2023

Working Groups Activities

Crowdfunding

Objectives:

- Development of non-banking financing instruments
- Creation of the legislative framework for the development of crowdfunding platforms

Progress:

- Draft Law has been prepared by international experts in close cooperation with the GITA and MoESD

Next steps:

- ICS will facilitate inter-policy dialogue and will cooperate with the MoESD, GITA, NBG and other stakeholders

Leasing Market Development

Objectives:

- Identify the obstacles of leasing sector development
- 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 held 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

Working Groups Activities

Revisiting Labor Legislation

Objectives:

- Ensure participation of the business sector in labor related reforms

Progress:

- ICS members repeatedly expressed their concerns regarding possible overregulation of certain labor related issues in the Georgian labor legislation.
- ICS researched the issues raised by IC members and prepared an overview including recommendations for addressing the challenges.
- In November 2022, the MOH adopted a change to the relevant decree (Decree of the Minister of 12/02/2021 Nr.01-15/n) and simplified the procedures and required template forms for recording working time of employees.

Next steps:

- ICS is looking forward to continuing discussion with IC members and state agencies on most pressing labor-related issues for businesses.
- ICS agreed to work closely with the CIPE respective project to coordinate on the issue.

Public Procurement Reform

Objectives:

- Development/Improvement of the public procurement system in Georgia and bring the country's legislation in line with the relevant EU Requirements (EU Directives 2014/24/EU, 89/665/EEC, and 2009/81/EC) and Substantial NATO-Georgia Package (SNGP)

Progress:

- In June 2022, the GoG approved the draft law on public procurement and submitted it to the Parliament.

Next steps:

- The law will enter into force on January 1st, 2025
- The Public Procurement Agency is engaged in public awareness-raising efforts to inform and educate all stakeholders on the proposed draft law
- ICS and IC members will be cooperating with the Procurement Agency and USAID EGP to contribute a high level of acceptance of the new legal environment among all stakeholders

Pension Reform & Capital Market Strategy

Objectives:

- Development of the III Pillar of the Pension Reform that aims establishment of fully private pension scheme
- Improving the CG of the Pension Agency
- Support development of local capital market and variety of reliable financial instruments
- Support the MoESD and GoG to prepare the Capital Market Development Strategy and (2023-28) and the action plan (2023-24).

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.
- New amendments to the Law submitted to the Government.
- Draft Law on Voluntary Pension Schemes & Changes to the Law on Funded Pensions are submitted to the Parliament.
- Committee discussions regarding the draft laws are underway.

Next steps:

- ICS will continue cooperation with the MoESD and Pension Agency ensuring inclusive participation of IC members in the discussions on the draft law.

Company Law Reform

Objectives:

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

Progress:

- LoE earned the highest quality assessment from the Institute for Development of Freedom of Information (IDFI), for ensuring high-quality public-private dialogue.
- After the new Law on Entrepreneurs (LoE) became effective on January 1st 2022, ICS started monitoring the implementation of the new legal framework.
- ICS published the “Annotations to the Georgian Law on Entrepreneurs” with the support of the European Bank for Reconstruction and Development (EBRD) and the UK Government’s Good Governance Fund (GGF). Approx. 200 copies of the book has been distributed among courts, universities, Investors Council members, and other stakeholders free of charge.
- During several months IC company law editing group collected comments and recommendations from stakeholders; Meeting with Georgian Banks Association on LoE.
- During weekly meetings of the IC company law editing group the members discussed provided comments and recommendations and developed recommendations for prospective changes to LoE.
- In coordination with the Parliament ICS drafting group started preparing draft changes to LoE.

Next steps:

- ICS will cooperate with the parliament and relevant ministries to address the deficiencies of the new law and advocate for legislative changes if necessary.

Working Groups Activities

Gender Equality

Objectives:

- Identify entry points for the IC to contribute to the gender equality and women's economic empowerment policymaking in Georgia
- Policy and legal Analysis and mainstreaming gender in policy documents outside IC
- Mainstreaming gender and women's economic empowerment (WEE) in the internal processes within IC
- Capacity building and awareness rising of IC members and other private organizations
- Identifying new opportunities and initiatives for WEE in the economy and labour sector

Progress:

- GEWG supported GEC during drafting process of the first national conceptual framework on women's economic empowerment.
- The Gender Expert conducted meeting series with all the stakeholders working on Gender Equality and Women's Economic Empowerment in Georgia to avoid duplication of efforts and conversely, fill perceived gaps.
- GE supported the GEC of the Parliament of Georgia by researching gender responsive public procurement practices and introduced the working group the idea of certification of women owned businesses, that is being actively discussed.
- The working group members met UN Women representative to discuss Women Empowerment Principles and will meet up again to discuss the instruments regulating and inspecting the pay gap and the parental leave issues in Georgia.
- Signature of the Declaration of the Investors Council on Gender Equality and Women Empowerment - The declaration's signature formalized the Investors Council's and its member organizations' commitment to contribute to the gender equality and women's economic empowerment in the private sector in Georgia.

Next steps:

- Supporting institutionalization of women's owned business certification process in Georgia
- Gender impact assessment (GIA) on the law of Georgia on Entrepreneurs

Green Economy Transition

Objectives:

- Support the Green Economy Transition (GET) in Georgia to ensure development of resilient and low-carbon economy, through raising the GET profile within public-private sector policy dialogue and promoting its benefits among the representatives of the Georgian Private Sector and members of the IC.

Progress:

- Green Economy Transition working group established within IC. The first meeting of the multistakeholder GET Working Group of the Investors Council took place in November, 2022.
- The GET Expert conducted series of individual consultations with over 30 primary stakeholders to plan ICS's future activities accordingly, thus avoiding overlapping and duplication of actions.
- The GET working group developed a series of initiatives aimed at helping businesses seize the opportunities and growth potential that environmental sustainability offers. As a result, the concepts for three separate projects were developed.
- ICS has successfully elaborated Terms of Reference (ToR) for a potential project related to 'Improvement of Georgian SMEs' access to Sustainable Finance'
- ICS became a part of the Interagency Council for SDGs under the Administration of the Government of Georgia. ICS experts will participate in SDG Council's working groups with the aim of facilitating smooth dialogue with the private sector.
- Questionnaire for assessment of SME needs.

Working Groups Activities

Green Economy Transition (Cont.)

Next steps:

- ICS will continue working to support green economy transition in Georgia and ensure the development of resilient and low-carbon economy.
- ICS will continue the process of Stakeholder Analysis, in order to have updated information about new players and to ensure that all new initiatives and projects are considered while planning the future activities.
- Elaboration of concepts for developing guidelines for private companies to define meaning of a carbon-neutral business
- Identification of measures for embedding sustainable finance considerations into the existing State support mechanisms
- Identification of economic sectors with significant immediate potential for commercially viable low-carbon pathways
- ICS will ensure that planned survey aimed at identifying SMEs' needs in GET-related issues is conducted, and the results inform all future decisions made by the secretariat.
- Awareness raising on Green Economy Transition related issues among the IC members and series of discussions on GET related 'hot topics'
- Conduct comprehensive analysis of country's obligations under the NDCs.

Construction Sector

Objectives:

- Identify reforms needed in the regulatory and procedural framework in the construction sector

Progress:

- IC members held several working meetings to prioritize reform agenda: Effectiveness of construction sector regulatory authorities; Digitalization; Increase awareness, etc.
- ICS held working meeting with the stakeholder state authorities to initiate prioritized reforms (MoESD, Tbilisi City Hall, etc.).
- ICS is actively involved in policy discussions related to construction sector (including certification procedures for experts in construction sector, etc.).
- ICS to initiate project on digitalization of the Construction Permit and Administration Process for Buildings of Special Importance.

Next steps:

- Support implementation of the digitalization project of the Construction Permit and Administration Process for Buildings of Special Importance (project complete by end of 2023)
- Continue discussions with the state authorities to increase effectiveness of the construction regulatory authorities

Support Investment Promotion and Aftercare

Objectives:

Support FDI promotion to Georgia and increase effectiveness of aftercare services

Progress:

- Discussion on FDI strategy among IC members and Enterprise Georgia.
- Participation of ICS in the implementation of new business support tools within the framework of Enterprise Georgia.
- Participation in EBRD's technical assistance to Enterprise Georgia: Research on pharmaceutical sector, Increase aftercare capacity.
- Ongoing working process on longer term investment promotion strategy for Enterprise Georgia (EG). Project is financed by the IFC. The strategy will define agency's activities over next 5 years. Selection of international consultant for strategy elaboration is ongoing.
- Development of aftercare services at EG. Project financed by the EBRD.

Next steps:

- IC will continue to provide recommendations to increase effectiveness of FDI promotion and aftercare activities

Internationalization and investment promotion in Education system

Objectives:

- Internationalization of the educational system in Georgia

Progress:

- ICS has prepared a market research on economic impact and regulatory gap analysis of internationalization of education system in Georgia. Identified issues include Admission process, Visa regulations, etc.
- Presentation of the research to the stakeholders (Universities, Ministry of Education, Gov. Administration and Ministry of Foreign Affairs, etc.).
- ICS organized a meeting with Georgia's leading universities to discuss its findings and ensure their participation in the process.
- ICS engaged International organizations to assist state authorities to receive technical assistance and international expertise.

Next steps:

- Make local scientific institutions and their products better known to private sector representatives.
- Working meeting with the stakeholder to identify expected deliverables from anticipated research that should be prepared by international experts.
- Cooperate with the Government of Georgia to address existing regulatory challenges for internationalization of the educational system.

Working Groups Activities

Support Tourism industry development

Objectives:

- Support to the development of Georgia's Tourism industry
- Involvement of private sector in planned activities of Georgian National Tourism Administration (GNTA)

Progress:

- Discussion on the tourism industry between IC members and GNTA.
- ICS involvement in the discussion of planned activities of the GNTA (inc. ITB Berlin 2023,etc.).

Next steps:

- Continue cooperation with the GNTA to discuss new incentives for the tourism industry development.

Framework Investment Law

Objectives:

Improve existing Framework Investment Laws in Georgia according to the best international practice

Progress:

- ICS has conducted in-house research to identify international best practices and recommendations from international organizations specialized in the field of investments.
- IC members raised the issue of improving existing investment framework legislation at the 18th IC meeting (19.10.22).
- ICS discussed the initiative with the stakeholder state authorities (Gov Administration, MoESD) and prepared TOR for the necessary work.
- IFC is financing the project and will hire international consultants to elaborate new Framework Investment law.

Next steps:

- Creation of the IC Working Group
- Gap analysis of the existing Framework Investment Laws
- Prepare recommendations for the amendment
- MoESD and IFC will present initial concept of the new law to IC for feedback

Energy Sector

Objectives:

- Support renewable energy reform and FDI attraction in energy sector in Georgia

Progress:

- Challenges related to new investment projects were discussed during several IC meetings.
- ICS participated in working meeting with the MoESD to support reforms in energy sector
- ICS provided recommendations on Investment projects support mechanism (CFD mechanism) 78 companies participated in auction

Next steps:

- IC will continue to provide policy recommendations to MoESD to attract investors and support energy generation in Georgia

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 more than 15 potential projects, out of which under the leadership of EBRD, the following projects have been completed/started:
 - Revenue Service/the Ministry of Finance received support for the development of the Unified Tax and Customs Platform. The project is ongoing.
 - Maritime Agency of Georgia completed a feasibility study for the development of the Port Community System in the Georgian ports in April 2022. The second phase of the project will be launched that covers development of the physical infrastructure and respective legislative changes.
 - In September, 2022, the implementation of the „Application and Integration of Artificial Intelligence in Customs Formalities” has been started, which will identify and implement appropriate software solutions to further automate Georgia's customs declarations processes.

Other Initiatives

- **Impact analysis of Russia's War on Ukraine**

- In March 2022, the ICS prepared an in-house research on the impact of the Russian war on Ukraine and its economic implication on Georgia's economy. Key Economic indicators including FDI, trade, remittances and tourism have been analyzed and presented to the IC members.

- **IC's Support to Georgia's Aspiration to EU Membership**

- Within the scope of supporting Georgia's aspiration to the EU Membership, on 9th of June, 2022, the Business Associations, members of the Georgian Investors Council addressed the President of the European Commission, Dr. Ursula von der Leyen through the joint open letter.

Important Events

- **Meeting with the EBRD President, Ms. Odile Renaud-Basso**

- On 14th of September, part of the Investors Council's members met the President of the European Bank for Reconstruction and Development (EBRD), Ms. Odile Renaud-Basso and officials from the EBRD, in the scope of their visit to Georgia.

- **Two non-permanent members of the Investors Council**

- The Investors Council announced a call for applications for two non-permanent (rotating) members in November, 2022. After a competitive selection process, two rotating members were selected to join the Investors Council: the European Business Association (EBA) and the German Business Association (DWV). Their rotation period represents eight consecutive IC meetings.

