



# Investors Council

Annual Report 2023

## Highlights of 2023

**Aftercare development at Enterprise Georgia** -The project on increasing the effectiveness of aftercare services was finalized and implemented by Enterprise Georgia (Project was financed by EBRD).

**Digitalization**- Revenue Service of the Ministry of Finance of Georgia launched infohub.rs.ge, a digital tax and customs methodology platform; Implementation phase of the Port Community System was started; Project on Digitalization of the Construction Permit and Administration Process for Buildings of Special Importance was initiated.

**Securitization Law** -Adopted by the Parliament on December 15, 2023 (in force from 01.04.24)

**Company Law**- Re-registration deadline has been extended by the Parliament by one year. Individual proprietors and non-commercial legal entities were exempted.

**Public Procurement law** -The Parliament passed the draft law on Public Procurement into law on February 9, 2023 (in force from January 1<sup>st</sup>, 2025).

**Pension Reform**- Law on Voluntary Pension Schemes has been adopted by the Parliament in June 2023 and went into force from January 1, 2024.

**Social Scholarships**-The government of Georgia has changed the regulations (Decree N474 dated 6.12.2023), and social scholarship will not cancel families' social assistance payments.

**Joint Open Letter to the EU** -On November 17, 2023, the Business Associations, Members of the Investors Council addressed the President of the European Commission, Dr. Ursula von der Leyen and the President of the European Council, Mr. Charles Michel with a joint open letter, supporting Georgia's pursuit of obtaining EU candidate status.

# Investors Council Meeting #19

February 22, 2023 - Chaired by the Prime Minister Irakli Garibashvili

## Discussed Topics

- Green Economy Development Initiatives
- Opportunities and Challenges of the Mining Industry
- Internationalization of the Education System
- The Black Sea Platform – New Initiative for Cooperation
- The Middle Corridor - Development of the Transit Route

## Highlights

- Importance of electricity generation to ensure supply to the growing private Sector
- Policy reforms needed in the mining industry to improve management of natural resources and support economic development
- Challenges faced by foreign students who come to Georgia to receive a higher education
- Initiative for cooperation – “The Black Sea Platform”
- Existing challenges in handling cargo in Georgia, including transit regulations, coordination with neighboring countries, etc.

# Investors Council Meeting #20

July 14, 2023 - Chaired by the Prime Minister Irakli Garibashvili



## Discussed Topics

- OECD Country Risk Classification & Country's investment outlook
- Tax-related legislation & practice – challenges & opportunities/Reform of Dispute Resolution Council
- International Trade Facilitation
- Incentives for the development of renewable energy sector in Georgia
- Skills and knowledge development
- List of industries with a 48-hour working week

## Highlights

- Work on improvement of Georgia's ranking in OECD Country Risk Classification
- Authorized Economic Operator program development
- Incentives to support manufacturing of equipment for renewable energy generation
- Importance of market-oriented skills development
- Challenges related to new regulation on 48-hour working week

# Investors Council Meeting #21

November 15, 2023 - Chaired by the Prime Minister Irakli Garibashvili



## Discussed Topics

- EU Candidacy- how business community could support and get involved in the process
- Export from Georgia to the EU - Developments
- Access to Finance and New Financial Instruments – Factoring Reform
- Company Law – Re-registration issues
- Extended Producer Responsibility (EPR)
- Challenges of Organizational Social Scholarships

## Highlights

- Readiness of the Investors Council's member business associations to support Georgia's EU path
- Means and challenges of the private sector in promoting exports to the EU
- Benefits of Factoring reform and its development in Georgia
- Discussion on postponement of re-registration of businesses
- Streamlining of the EPR system for the businesses
- Organizational social scholarships for students who are receiving social assistance

## Covered Bonds & Securitization Laws

### Objectives:

- Access for commercial banks to diversified sources of financing and development of the mortgage bank bonds market in Georgia
- Development of the securitization instrument for fund raising and higher market liquidity

### Progress:

- The Law on Covered Bonds became effective on Dec. 16, 2022. NBG secondary legislation based on the law has been issued on March 15, 2023
- Under the lead of the MoESD, a discussion and drafting platforms were created – Securitization law editing group, larger working group
- The draft Securitization law was approved by the Parliament in the third reading (15.12.23). The law will enter into force on April 1<sup>st</sup>, 2024

### Next steps:

- Monitoring the practical implementation of the laws

## 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 Corporate Governance (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:

- Law on Voluntary Pension Schemes has been adopted by the Parliament on 28 June 2023. The law enters into force from 1<sup>st</sup> January 2024
- Changes to the Law on Funded Pensions approved in the final reading on 1 November 2023

### Next steps:

- ICS will monitor the implementation of the new legislation in cooperation with all stakeholders

## 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:

- The Parliament passed the draft law on public procurement into law on February 9, 2023
- Non-discrimination & equal treatment principles are embedded in the law (Art. 2);
- The law also provides for the reservation of procurement procedures aiming at *“the social and professional integration of persons with disabilities or members of other vulnerable groups (including persons of the underrepresented gender).”*

### Next steps:

- The law will enter into force on January 1<sup>st</sup>, 2025
- ICS and IC members will be cooperating with the Procurement Agency and USAID EGP to ensure broad acceptance of the new legal framework



# Working Groups Activities

## Revisiting Labor Legislation

### Objectives:

- Ensure participation of the business sector in labor related reforms

### Progress:

- IC members repeatedly expressed their concerns regarding possible overregulation of certain labor related issues in the Georgian labor legislation
- IC members met with the representatives of the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs and Labor Inspection to discuss challenges businesses face in terms of labor legislation

### Next steps:

- ICS will continue discussion with IC members and state agencies on most pressing labor-related issues for businesses

## 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:

- Discussion around the proposed draft changes prepared by the IC Company Law Working Group involved the NAPR, Parliament and stakeholders from private sector
- Re-registration deadline has been extended by the Parliament by one year. Individual proprietors and non-commercial legal entities were exempted

### Next steps:

- ICS continues working with the Parliament to organize PPD events & discussions to produce texts of the legal changes acceptable for all stakeholders before the start of the legislative process
- ICS also works with USAID EGP and UN Global Compact Network Georgia to prepare communication documents for MPs re. the prospective legislative changes
- In view of need of the further harmonization of the Georgian company law with the EU standards (Cross-border M&As, Digitalization, Shareholders rights) ICS is looking forward actively participate in developing new legislative initiatives to bring the georgian legislation in line with the *EU acquis*

## Factoring Legislation

### Objectives:

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

### Progress:

- In cooperation with the MoESD (author of the draft law) ICS facilitated a new round of consultations with the industry representatives to assist the ministry to finalize the drafting process
- ICS facilitated organization of consultations with USAID Financial Innovation Program, MoJ and NAPR to discuss possible cooperation on development of an online platform for registration of factoring transactions
- EBRD funded Feasibility study for the development of an electronic registry for factoring transactions was finalized (by KPMG) in April 2023 and the deliverables were submitted to the relevant agencies

### Next steps:

- ICS will continue working with MoESD, MoJ, NAPR and donor organizations to support the development of the registration platform and finalization of the drafting of the new law on factoring

# Working Groups Activities

## Gender Equality

### Objectives:

- 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 member and other private organizations
- Identifying new opportunities and initiatives for WEE in the economy and labor sector

### Progress:

- Workshop series with private sector business organizations on equal and inclusive work culture
- IC, together with the ISET, started Gender impact assessment (GIA) on the Law of Georgia on Entrepreneurs
- Institutionalization of the certification of Women owned businesses in Georgia – the legal amendments have been drafted by the working group
- Conference for B2B gender talks on gender equality and women's economic empowerment in private sector
- Gender mainstreaming checklist have been developed and incorporated into IC work

### Next steps:

- Awareness raising on gender responsive procurement for private sector organizations – series of events
- Presentation of key findings of GIA to the wider stakeholders group
- Organizing a study visit for GCCI on the certification of Women owned businesses
- Organizing a workshop for private sector organizations regarding the institutionalization of certification of Women owned businesses
- Communication strategy/campaign on equal and inclusive workplace for private sector organizations

# Working Groups Activities

## 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:

#### GET Working Group

- Expansion with new members
- Working meeting to elaborate commercially viable green opportunities
- Working meeting and discussions on ‘Decarbonizing the Georgian Economy’
- Working meeting and discussions on ‘SME’s access to sustainable finance’ opportunities
- Working meeting and discussions on ‘The role of impact finance in driving the green transition’ in partnership with Finance in Motion
- In-depth review of Georgia’s Climate Law white paper

#### Initiatives and Carried Out Activities

- ‘Developing Green Finance Instruments for State SME Support Programs in Georgia’ – *consultant selection stage*
- ‘Carbon Border Adjustment Mechanism Opportunities and Challenges’ – *concept note stage*
- Digitalization of Environmental Permitting procedures – *concept note stage*
- EG Portfolio Analysis – *accomplished*
- Business Advisory Providers’ needs assessment – *ongoing*

# Working Groups Activities

## Green Economy Transition (continued)

### Next steps:

- **Stakeholder Analysis**, in order to have updated information about new players
- Further advancement of already elaborated **initiatives**
- Ensure the successful implementation of the '**Developing Green Finance Instruments for State SME Support Programs in Georgia**' project
- Assessment of the **CBAM's** impact on Georgian economy
- Develop methodologies and action plans to help Georgian SMEs make the most of the advantages offered by **Carbon Trading**
- Finalization of the process of **digitalization of Environmental Permitting** Procedures for MEPA
- Needs Assessment of **Business Advisory Service Providers** – enhance BASPs role in GET
- Awareness raising on Green Economy Transition related issues among the IC members and series of discussions on GET related 'hot topics'
- ICS experts will participate in AoG's SDG Council's working groups with the aim of facilitating smooth dialogue with the private sector

## Transport and Logistics

### **Objectives:**

- Support transport and logistics sector development in Georgia

### **Progress:**

- On 14<sup>th</sup> of September, discussion on Georgia's National Transport and Logistics Strategy 2023-2030
- Launch of the implementation phase of the Port Community System for Georgia (Support of EBRD, EU, UK Government's Good Governance Fund (GGF))
- On-going work to launch feasibility Study for the Introduction of Contrailer (Ro-La) Services in Georgia

### **Next steps:**

- Cooperation with MoESD on implementation of the National Transport and Logistics Strategy
- Implementation of Second phase of Port Community System
- Feasibility study on Contrailer (Ro-La) Services

## Customs Service development

### **Objectives:**

- Development of the Customs services to utilize Georgia's transit potential

### **Progress:**

- During the 19<sup>th</sup> IC meeting members raised topics on the issues related to customs services in Georgia
- On 1<sup>st</sup> of March, the Investors Council's members met with the Revenue Service
- ICS collected information from members on existing issues and shared with the Revenue Service
- On 18<sup>th</sup> of May, the Investors Council's members held working meeting with Revenue Service and resolved most of the topics identified by the members
- On-going project on AI in preparation of export documents

### **Next steps:**

- Customs Service development will remain on the ICS agenda



# Working Groups Activities

## OECD Country Risk Ranking

### Objectives:

Improvement of Georgia's ranking in OECD Country Risk Ranking

### Progress:

- In July 2023 working meeting with the Ministry of Finance and MoESD
- Working meetings with representatives from foreign export trade agencies (Belgium, Canada, France, Italy and the UK)

### Next steps:

- Continue cooperation with the MoF, MoESD and foreign export development agencies to improve Georgia's ranking in OECD Country Risk Ranking

## Framework Investment Law

### **Objectives:**

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

### **Progress:**

- 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 hired local and international consultants to elaborate new Framework Investment law.
- First draft law is already prepared. On-going internal discussion within MoESD

### **Next steps:**

- MoESD and IFC will present initial concept of the new law to IC for feedback.

## Support Investment Promotion and Aftercare

### **Objectives:**

Support FDI promotion to Georgia and increase effectiveness of aftercare services

### **Progress:**

- In 2023, the project on increasing the effectiveness of aftercare services was finalized and implemented by Enterprise Georgia (Project was financed by EBRD)
- On-going working process on longer term investment promotion strategy for Enterprise Georgia. Project is financed by IFC
- On September 15<sup>th</sup>, ICS organized a working meeting with the consultants hired for strategy development

### **Next steps:**

- ICS will continue cooperation with the consultant company and Enterprise Georgia to elaborate Investment Promotion Strategy

## Construction Sector

### Objectives:

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

### Progress:

- ICS initiated project on digitalization of the Construction Permit and Administration Process for Buildings of Special Importance (project is financed by EBRD)
- The consultant has already presented concept and is on final stage of the new platform development

### Next steps:

- Support implementation of the digitalization project of the Construction Permit and Administration Process for Buildings of Special Importance (project will be completed in February 2024 )
- Continue discussion with the state authorities to increase effectiveness of the construction regulatory authorities

# Working Groups Activities

## Education sector

### **Objectives:**

- Internationalization of the educational system in Georgia

### **Progress:**

- Presentation of the initial findings to the stakeholders (Universities, Ministry of Education, Gov. Administration and Ministry of Foreign Affairs, etc.)
- ICS engaged International organizations to assist state authorities to receive technical assistance and international expertise
- UNDP contracted local and international consultants to prepare detailed research and recommendations. The research is on-going

### **Next steps:**

- The research will be finalized in February 2024
- Policy Recommendations will be presented to the Government

## Tourism Sector

### **Objectives:**

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

### **Progress:**

- Discussion on the tourism industry between IC members and GNTA (February 20, 2023)
- Involvement in the discussions on new Tourism Law of Georgia

### **Next steps:**

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

## Social Scholarships

### Objectives:

Improvement of the rules governing Social scholarship for students

*Social scholarship provision was counted towards the family 'income' and could lead to students losing their whole family's social assistance payments*

### Progress:

- During 21<sup>st</sup> IC members discussed the issue and asked to change the law
- The government of Georgia has changed the regulations (Decree N474 dated 6.12.2023), and social scholarship will not cancel families' social assistance payments

## Mining Sector

### **Objectives:**

Support Phase 2 reforms in the mining sector to meet current challenges

### **Progress:**

- Challenges related to Mining Sector were discussed during 19<sup>th</sup> IC meeting
- MoESD hired consultants to proceed with second phase reforms in the industry

### **Next steps:**

- IC will continue to cooperate with Mining Agency and MoESD to provide recommendations on necessary reforms
- ICS will continuously provide status update on Phase 2 reform to IC members



## 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:

- Revenue Service of the Ministry of Finance of Georgia launched **infohub.rs.ge**, a digital tax and customs methodology platform in February 2023
- The implementation phase of the **Port Community System** was launched in October 2023
- In February 2023, the project **Digitalization of the Construction Permit and Administration Process for Buildings of Special Importance** was launched

- On 17<sup>th</sup> of November 2023, the Business Associations, Members of the Investors Council addressed the President of the European Commission, Dr. Ursula von der Leyen and the President of the European Council, Mr. Charles Michel with a joint open letter and supported Georgia's pursuit of obtaining EU candidate status

## Joint Open Letter:



Joint open letter from the Business Associations, members of the Georgian Investors Council

To: The President of the European Commission, Dr. Ursula von der Leyen  
The President of the European Council, Mr. Charles Michel

RE: Georgia's EU candidate status  
Date: 17.11.2023

We are writing to you, on behalf of the Georgian Investors Council, which brings together the leading business associations in the country, the International Financial Institutions, and the economically oriented components of the Georgian Government.

On November 8, 2023 the EU Commission recommended granting EU candidate status to Georgia. The European Council will take the decision on granting the status in December 2023.

This is a milestone achievement for Georgia. We are hugely grateful to the Commission for making this recommendation. It reflects the reform efforts that have been undertaken over many years. But we also recognize, it reflects the continued faith of the EU in the people of Georgia, as well as the unity of the EU in the face of Russian aggression. We are extremely grateful to the people of the EU for their continued support and perseverance.

Georgia's European aspirations have been unequivocal, not only over the 30 years since the restoration of its independence, but for centuries. The Georgian population has repeatedly demonstrated their strong desire to become part of the European family, a desire driven by shared European values, a shared history, and common aspirations for the future.

For Georgia, EU candidate status will mark the continuation of a strong collaboration with the European Union. Much work lies ahead and we stand ready to embrace any changes still needed to ensure full EU membership. Georgia has been a front-runner in the implementation of the Association Agreement since it was signed in 2014. These reforms have not only brought us closer to the EU, but also driven the development of the country. As we approach the 10-year anniversary of that achievement, it is our sincere hope that EU candidate status will be the next step.

The Investors Council of Georgia, as well as the thousands of businesses and international institutions it represents, expresses its full readiness to support Georgia to fulfill the requirements of full EU-membership. We are certain that to accomplish this process, Georgia will once again demonstrate a strong commitment to its path towards the European Union.

Yours faithfully,  
The Business Associations, members of the Georgian Investors Council

## Response letter from the EU:



Head of Division  
EURCA 5 - Georgia, Moldova, Armenia, Azerbaijan, Belarus

DIRECTORATE Russia, Eastern Partnership, Central Asia  
Regional Cooperation & OSCE

Brussels, 9 January 2024  
EURCA 5 (2024) DG/8002906 - 154808

Business Associations, members of the  
Georgian Investors Council  
Petre Melikishvili St. N10, 7<sup>th</sup> floor  
0179, Tbilisi - Georgia

[tanam@ics.ge](mailto:tanam@ics.ge)

Dear members of the Business Associations,

Thank you for your joint open letter of 17 November 2023.

In a historic decision of the European Council, EU leaders granted Georgia the candidate status last December. The General Affairs Council took good note of the genuine European aspirations of the overwhelming majority of Georgian people and acknowledged in particular the overall progress on public administration reform, public procurement and economic reforms.

Georgia's European future is now within reach and Georgia can count on EU's support on this path. It is crucial that Georgia takes now the steps to implement the reform agenda as set out in the Commission recommendation of 8 November 2023. These reforms need to be implemented inclusively, meaningfully and irreversibly. Enhanced implementation of the EU-Georgia Association Agreement, including the Deep and Comprehensive Free Trade Area, should serve as a basis for deepening the sectoral cooperation with the EU.

The EU will closely monitor and assess Georgia's progress while providing all the necessary support. Georgia's advancement on its European path will greatly benefit both Georgia and the EU.

Yours sincerely,



Dorota Dlouchy-Suliga

