



Annual Report 2018

Investors Council Secretariat of Georgia

The report summarizes the work performed by the Investors Council Secretariat during January - December 2018

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1. Introduction

The main objective of the report is to present an overview of the performance and achievements of the Investors Council Secretariat (ICS) during January 1 - December 31, 2018, in view of the duties as specified in:

- The Memorandum of Understanding signed between the Government of Georgia and EBRD on 12 April 2015;
- Terms of Reference related to the Head of the Secretariat of Investors Council position

During the period in question, the ICS's main objective was to consolidate constructive dialogue between the private sector and the government.

In addition, the core objective has been to provide feasible recommendations to the Government of Georgia on the topics suggested by the business sector, and approved by the IC in 2018.

ICS continues to adhere to its main principle of transparency, inclusiveness, protection of interest of the business community and continuous support to the important initiatives undertaken by the government to enhance a healthy business and investment climate.

The ICS is currently being funded by the British Good Governance Fund technical assistance funds through the EBRD, and by the Georgian Government, that covers the cost of the rent of the ICS offices.

2. The Secretariat

2.1 Objective of the Secretariat

The daily activity of the Investors Council (IC) is coordinated by the Secretariat of the Investors Council.

The Secretariat of the Investors Council:

- Based on the member's proposals, but also on the Government's priorities, develops the agenda of the meetings of the Investors Council (and submits for the approval to the Prime Minister);
- Coordinates everyday activity of the Investors Council: prepares the meetings, drafts proposals for discussion, conducts consultations with businesses;
- Provides to the Investors Council members summary views and suggestions on the subjects from the Investors Council agenda;
- Steers the implementation process of the Investors Council decisions, monitors and evaluates the results and assesses their impact and effectiveness on the business environment;

- Reports to the members of the Investors Council and to the Prime Minister on progress;
- Maintains close communication with the members of the Investors Council, state institutions and business community;
- Ensures the sustainability and continuity of the Investors Council;
- In collaboration with the press service of the Government, informs the public about the activities of the Investors Council.

2.2 Mandate

The Investors Council is established under the Prime Minister to act as a platform for dialogue between the representatives of the business community and the Government in order to further develop a favourable, non-discriminatory, transparent and constructive business environment.

The working languages of the Investors Council are English and Georgian.

3. Key Functions

The Investors Council is established as an inclusive platform for high-level dialogue between the government, IFIs and business community, with the purpose of:

- Promoting constructive dialogue and the consensus building on the necessary steps between the government and the private sector in order to address the most pressing issues for the development of the private sector, to improve the business and investment climate in the country.
- Identifying the main impediments to the business environment in different sectors of the economy and proposing intervention measures with efficiency and maximum impact for the business environment and investment climate.
- Discussing proposals for the relevant changes to the legislative or regulatory framework to address the above.
- Facilitating the exchange of experience and the best practices in the regulatory reform promotion process from other countries to contribute to the objectives of the Investors Council.

The Investors Council itself has no decision-making powers, yet on the basis of the debates and proposals of the Investors Council members, the Prime Minister will make informed decisions.

The Investors Council is not meant to replace the activity of any institution or any Ministry, but rather to provide a platform for dialogue, coordination, and prioritisation of policies pursued by the State in the business environment, and to analyse the effectiveness of their activity.



Picture 1. Investors Council is a platform connecting the private sector and the government.

4. Topics Dealt by ICS

During the reporting period, there were two IC meetings conducted, preceded by multiple working group meetings to address the following issues:

1. Insolvency Law
2. Law of Entrepreneurs
3. Cooperation with the National Tourism Administration
4. Pension reform
5. Judicial reform
6. Legislative changes to agricultural land ownership rights/Organic Law on Agricultural Land Ownership
7. Law on Investment Funds
8. New Retail Banking regulations
9. Circular migration with the EU

In 2018 two IC meetings were held, in March, chaired by Prime-Minister Giorgi Kvirikashvili, and in October, chaired by Prime-Minister Mamuka Bakhtadze.

4.1 Insolvency Law

Ministry of Justice of Georgia (MoJ) in cooperation with the Ministry of Finance (MoF) and the Ministry of Economy and Sustainable Development (MoESD) has been working on the insolvency reform with the assistance from GIZ.

The Insolvency Law Reform, based on its complexity and multidisciplinary nature, ideally should be co-led by the MoF and MoESD. To meet those needs the Ministries are represented in the working group created by German Development Agency GIZ. ICS is also invited as an institutional member. The group developed the first draft law on insolvency in the fall of 2017.

The draft law on insolvency aims at the improvement of the existing insolvency mechanism, and addresses concerns currently faced by both the secured and unsecured creditors. The Minister of Justice Ms. *Tea Tsulukiani* presented the draft at the meeting of the Investors Council in December 2017.

At that stage, however, alongside certain important but rather technical matters, two main issues remained unresolved and discussed between state agencies, particularly the MoF and MoJ:

- Fees for Services of the National Bureau of Enforcement (NBE)

In the initial draft, the NBE's role was limited to interim supervision of insolvency cases within 25 days after the commencement of a case. ICS believed that it was critical that the amount of the fee is reasonable so as not to discourage insolvency filings.

- The priority of Tax Liens

ICS position was that the priority of tax lien debt over secured creditors claims established earlier in time has to be eliminated.

In December 2018, the negotiations between the MoJ and MoF resulted in resolution of both critical issues in line with ICS recommendations: the interim supervision stage where NBE was involved was removed from the draft and tax claims would be treated as preferential unsecured claims.

The draft, to be modified accordingly, and to be moved forward i.e. go to the parliament for the legislative process.

Together with the main draft, MoJ and the members of the working group intend to make the relevant changes to other statutory acts and the explanatory notes to the legislative package.

According to the legislative initiatives' plan of MoJ, the insolvency reform legislative package should go to the parliament in the spring 2019.

4.2 Law of Entrepreneurs

The MoJ has initiated the drafting process of the new Law on Entrepreneurs (LoE) back in 2013 with the support of USAID and GIZ legal programs. The first draft was completed by the end of 2016. ICS Legal expert is one of the authors of the draft LoE. The draft is intended to provide for more detailed and coherent regulations for the business organizations to contribute to a more predictable legal and judicial practice. Another major objective of the draft was the harmonization of the Georgian company law with the relevant EU directives.



Picture 2. Prof. Dr. George Jugeli, ICS Legal expert has been leading all workgroups associated with legislative changes

To develop recommendations for this important piece of legislation, IC Secretariat created a Company Law Working Group and, after several months of intensive work, provided relevant ministries and other stakeholders with detailed comments. All stakeholders accepted the overwhelming majority of the recommendations, and the draft has been modified accordingly in the October-December 2017.

During the reporting period, further progress has been temporarily delayed because of two reasons:

The National Bureau of Public Registry failed to complete draft amendments to the relevant laws and secondary legislation to accompany the draft LoE. Changes in the relevant ministry delayed the process further.

Nonetheless, ICS continued communication with all stakeholders to contribute to the acceleration of the reform and worked closely with the team of the GIZ new commercial law project starting in February 2019. Due to ICS and GIZ efforts, the final rounds of

consultations with the participation of all stakeholders have been scheduled for Spring-Summer 2019.

The legislative package on company law reform is expected go to the parliament in the fall 2019.

4.3 New Draft Law on Investment Funds

ICS started working with the MoESD, MoF, and NBG on drafting a new Law on Investment Funds. Need for a new law on investment funds, sharing the international best practice, while giving sufficient flexibility to the industry, considering the level of development of the Georgian economy and financial markets, is recognized by all participants. However, differences in perception of the proper level of specification in the new draft persist, especially between the regulator (National Bank of Georgia (NBG)) and representatives of the industry and other stakeholders:

- The Georgian Co-Investment Fund
- Georgian Stock Exchange JSC
- BLC Law Office
- PwC Legal Georgia
- E&Y Legal
- AmCham Georgia
- Heritage Securities JSC (Brokerage firm)
- Ardi JSC (Insurance company)
- TBC Bank JSC
- TBC Capital (Brokerage and Advisory company)
- Galt & Taggart JSC (Investment Bank)
- Thales Investments (Venture Capital & Private Equity)

Based on the positive experience of the IC in establishing working groups to review draft legislation and to provide feedback to the government as part of public-private consultations, the ICS was approached by the representatives of the financial sector with a request to establish a working group to provide comprehensive comments on the new law on investment funds.

The ICS established the group comprising the key players from the relevant sectors, with support from USAID - G4G project, and, organized 16 working meetings to review the draft in cooperation with the representatives of NBG. Detailed consolidated comments are provided to NBG.

We expect that a substantial part of the group's recommendations will be reflected in the revised version of the Draft law and secondary normative acts so that the relevant legal framework is as enabling as possible for this emerging and still underdeveloped industry. Further consultations are being planned particularly concerning taxation of investment funds.

4.4 Cooperation with the National Tourism Administration

Establishment of the Tourism Board with the assistance of the ICS was decided and formalised in 2017. The board was comprised of the representatives of companies working in tourism and hospitality sectors, as well as representatives of tourism associations and marketing agencies.

The board, upon the initiative of the council, held its first meeting on January 29, 2018. The first meeting was attended by the first Deputy Prime Minister, Minister of Economy and Sustainable Development, first advisor to the Minister and the Head of the GNTA along with the board members. The board reviewed the Tourism Budget 2018 and provided its recommendations to the government. Thereafter it was agreed to have regular meetings with the GNTA to ensure regular formalized public-private dialogue on tourism.

The aim of the board is to have an organised policy dialogue between the tourism sector representatives and the Administration and the Ministry. Also to provide timely annual input to the Administration for the following year's tourism budget. The engagement and the initiative of the Administration will be crucial for successful cooperation between the market players and the administration going forward. Main directors of the Board activities along inputs to the Marketing budget will relate to tourism infrastructure, capacity development and regulatory issues.

4.5 Pension Reform

Due to the significance of the Pension Reform initiated by the Government, the Council Secretariat created a working group and organized meetings among the key stakeholders to discuss the reform. The working group raised two key issues:

- Possibility for the private pension funds to participate in the voluntary part of the proposed pension scheme, within the proposed regulatory framework and guidelines.
- Adoption of pillar III legislation simultaneously with proposed pillar II legislation, to encourage savings, with provision of incentives for savers.

The legislation was approved in July 2018 without taking into consideration the requests from the industry. Unfortunately, the adoption of pillar III legislation simultaneously could not be achieved. However, the work on the pillar III legislation has been initiated by the MoESD and will be provided to the public for discussion in 2019, where the council intends to play a significant contributing role.

4.6 Judicial Reform

The state of the Judiciary remains the key challenge the country faces, reflecting negatively on the public image of Georgia. ICS has repeatedly stressed the importance of the reform of judiciary for further institutional development of the country.

Court overload was one of the biggest problems in the court system. In order to offer a swift and fair resolution for high value, complex business disputes, the MoJ's new initiative aimed at the introduction of a "fast track procedure" to address concerns of the business community was considered. Details of the concept were discussed within the newly created Interagency Council for Private Law Reform with the participation of the representatives of the Georgian business community and the relevant donor organizations. In this process, the Georgian government was advised by Dechert LLP Georgia.

Yet another initiative aimed at reducing the court's backlog, was a possible expansion of competences of court officers (magistrates) to decide on low-value cases (e.g. up to 5000 GEL).

Active use of the court-annexed mediation would also be expedient for reducing the workload of the judges. Toward this end, however, the optimal workload of the Georgian judges and court staff would have to be evaluated and the current court management practices should be analysed based on reliable empirical data in order to design a realistic roadmap for increasing the performance and efficiency of the courts and the degree of the users' satisfaction.

IC worked with the Ministry of Justice, the Supreme Court and other stakeholders in defining the scope of capacity building requirements.

As a partial solution to the problems the Judiciary faces, the Ministry of Justice (MoJ) proposed the creation of Commercial Chambers within the common courts' system in order to provide comfort to investors both, local and international, in making investment commitments in the country.

ICS started establishing a format to work on judicial reform to present it to the Prime Minister for approval and further functioning. ICS worked with MoJ to coordinate a number of donors' initiatives to assist the Georgian Government in establishing the commercial chambers.

ICS stressed the importance of the support required in order to establish such commercial chambers, as well as to make sure that the new institution enjoys a high reputation and trust from all stakeholders. The government expressed interest in supporting the implementation of the initiative.

There were concerns about the future relationship between the newly established chambers and the HCOJ (High Council of Justice), as ideally, the chambers should operate with a reasonable degree of independence and autonomy.

Dechert Consultants were engaged by MoJ to draft the concept for the establishment of Commercial and Tax Chambers. Building on this work, ICS worked with GGF and PWC/Dechert on the risk and cost/benefit analysis, drafting amendments to legal acts, and developing structural/organizational setup, technical setup, and financial plan for the commercial/tax chambers technical assistance project to the Ministry of Justice.

The British government was approached and agreed to provide the funding for the first stage of the project. PWC started working with the MoJ on the project and by summer PWC team completed work on the proposal on structure, governance, and management of the Commercial Chambers. The drafting of the primary legislation was completed in December 2018 and the consultants submitted the package of the first phase of the project to the Ministry of Justice.

EBRD and the US government agreed to consider assistance with the capacity building for the new judges, which will be the second phase of the project.

GIZ consultants consented to undertake a Regulatory Impact Assessment after Dechert/PWC's work is completed to make sure the project is in line with the current legislation as well as with Georgia's EU aspirations.

ICS discussed and agreed with Ms. Eka Beselia (Head of the Legal Committee of the Parliament of Georgia) the ways to cooperate and share information with the interagency dialogue platform, newly established in the Parliament of Georgia to support judicial reform.

ICS believes that it is very important to have adequate remuneration for the judges, to ensure integrity, competence, and independence of the profession. However, high pay would need to be combined with a high degree of accountability.

There is a need to maximize communication between the judiciary and the businesses, in order for the judiciary to clearly understand what concerns the society and the business community, in particular, have with the system.

Ministry of Justice planned to start discussions of the draft changes to the legislation on commercial chambers with the judiciary however; this has not materialized due to resistance from the judiciary to engage regarding the proposed changes.

Significant political will is required to further progress with the proposed initiative of the MoJ.

4.7 Legislative Changes to Agricultural Land Ownership Rights/Organic Law on Agricultural Land

The Investor Council members were concerned that the general ban on foreign ownership of agricultural land, as provided for in the new amendments to the Constitution of Georgia, would damage the vitally needed FDI and, even more importantly, technology transfer into the sector.

The ICS land law working group reviewed and commented the first draft prepared by the Committee for Agriculture of the Parliament. The comments were sent to the Parliament. The Committee, after initial consultations with various stakeholders, was expected to revise the text; the process, however, took significantly longer than initially planned.

ICS working group reviewed the revised texts of the draft organic law and the accompanying changes to other statutory acts and again provided detailed comments to the Committee. Main recommendations are:

- The revised draft of the Organic law and the new draft law on “Determination of designated purpose of the land and sustainable management of agricultural land” generally leave untouched the ownership title of the pre-existing foreign owners. However, it introduces an obligation of continuous agricultural use only for foreign owners. It is important to make sure that investors are confident that there is no “change of rules” after investment commitments have been made.
- The organic law needs at least to lay out the principles governing exceptions from the constitutional ban, which might further be detailed in secondary normative acts. These principles and rules should include specific criteria, which a potential investor would need to demonstrate in their investment plan in order to get an exception to buy land.

The IC secretariat continues to work with the Committee to make the new law as business-friendly as possible. ICS expects that the work and the cooperation with the parliament and the Ministry of Agriculture will intensify, among others, because the new constitution that mandates adoption of an organic law on land issues (Art. 19 III), entered into force on December 16, 2018. Discussions on the draft within the parliamentary committees and fractions will start in April 2019.

4.8 New Retail Banking Regulations

In fall 2018, the National Bank of Georgia introduced a new package of changes to the retail banking regulations to the end of strengthening prudent responsible lending practices.

The new set of regulations of retail lending were to come into effect on November 1, 2018. Georgian Banking Association approached the ICS with a request to facilitate a meeting with the IFIs to discuss the proposed set of regulations and their potential impact on the business and economic growth. The ICS organized a meeting with the representatives of the IFIs to attend and discuss the presentation in question; this was followed by a larger audience presentation organized by the Banking Association where representatives from various business associations, microfinance organizations, banks, and other stakeholders discussed the proposed changes as well as the potential economic slowdown which would be the result of those changes.

The ICS arranged discussed the issue with the NBG leadership, including the need for changing the timeline for the new regulations, which was too short for any bank to comply given the changes that would need to be made with the IT systems of the institutions. The ICS also discussed the proposed changes with the Ministry of Finance in order to make sure that the government heard the industry's concerns. Some of those concerns related to potential slowdown in economic growth forecasts, as well as to limiting access to finance for certain groups of population.

The ICS contributed to the postponement of the process by two months, as well as to making certain changes to the proposed regulatory draft. This enabled the banks to be more prepared for the changes, as well as aimed at minimizing negative effects on the processing and underwriting of new loans by banks.

4.9 Temporary Employment of Georgian Citizens in the EU

Irregular labour migration is one of the main challenges faced by Georgia in relation to violation of the rights of migrants involved, risks of trafficking and increase in the country's financial loss, also in relation to the threat of suspension of visa-free travel due to unfounded asylum claims. Therefore, regulation of the temporary labour migration and provision of support to ensure its efficiency is a priority.

In the period from 2013 to 2018, the GIZ and the International Organization for Migration (IOM) implemented projects for piloting inter-state cooperation models in the field of labour migration. The results of the projects confirm the availability of the cooperation opportunities with the EU Member States and the socio-economic benefits in this field. Georgia can successfully utilize this experience. Further, the above donor organizations express readiness to support the state line agencies through the organization of relevant consultations and training. Further, negotiations are ongoing with a number of European countries (Norway, Sweden, Finland, Lithuania, Spain, and Portugal) to identify opportunities for cooperation in the field of temporary labour migration. A number of

countries already expressed readiness for cooperation.

In addition, Georgia has taken responsibility for implementation of certain activities in development and support of temporary regular (circular) labour migration, which are defined in the documents of strategic importance to the country, including: Association Agreement between EU and Georgia (2013), Visa Liberalization Action Plan with the European Union and its long-term assignments (2013), as well as the EU-Georgia joint declaration “Mobility Partnership” (2009) etc. This obligation is further addressed in the Action Plan for implementation of the UN Sustainable Development Goals (SDGs).

Recommendations were prepared by the Investors Council working group on “Support for Temporary Regular Labour Migration to the EU Member States”, comprised of the representatives of the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia; Ministry of Foreign Affairs and the Ministry of Education, Science, Culture and Sport; the Secretariat of the State Commission on Migration Issues, the International Organization for Migration and representatives of Investor’s Council member business associations.

Following the recommendation of IC working group on “Temporary EU Employment” regarding establishment of organizational structure for the purposes of implementation of the state policy in the field, on December 14, 2018 respective Division was established at the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia (Division for Migration Issues at Department of Labour and Employment Policy).

Taking into account intensifying efforts of the Georgian side in terms of supporting Georgian citizens’ temporary legal employment in EU countries, in December 2018 French side ratified a bilateral agreement on circular migration which was signed in 2013. Following the recommendation of the working group, internal procedures have been launched to prepare the Georgian side's draft of the bilateral agreement on circular migration with other EU member states. Intensive work continued with the Israeli side on a bilateral agreement on temporary legal employment of Georgian citizens in Israel.

4.10 Changes in the procedures and composition of the Investors Council

In 2018, Asian Development Bank left the council, and another IFI/donor is to be selected as a new member. Based on the fact that there are only a few IFIs present with resident representations in Georgia, it was agreed that the IC would consider accepting other donors as rotating members to the council. The UK Embassy in Georgia will be the first such rotational member of the IC, reflecting the role of the UK Government in supporting the IC and its activities.

At the same time, since its inception, the ICS has been receiving requests from a number of business associations to accept them as members. Prompted by the principles of transparency and inclusivity, the Council Secretariat prepared changes in the regulations of the council, to reflect the selection process of two rotating business association members.

The rotation will envisage a 24-month membership term for rotating business associations. Current documents establishing the council envisage adding two rotating business association members. The ICS is now formalizing this feature. The proposal on the selection of the business associations has been to delegate the selection to the founding business associations and the member IFIs/donors, and the final decision to require the Prime Minister's endorsement.

Apart from the above, due to changes in the government structure, including mergers of some of the ministries, the composition of the council will be updated to reflect such changes.

5. Communications and Publicity

5.1 Website

The IC Website (www.ics.ge) has been managed by the Secretariat since its launch in December 2015. The website provides essential information about the Investment Council such as IC meetings (agenda, minutes of the meetings, PPT presentations, technical notes, etc.), press releases after every IC Meeting, IC & Secretariat's activities such as important meetings with stakeholders and focus-group meetings, publications in the media, etc.

5.2 Media Appearance

Media and the general population interested in the business environment in Georgia keep track of Investors Council's meetings. There are several articles and videos uploaded online describing major events concerning the IC. Few of the media reports include Maestro TV, TV Pirveli, Rustavi 2, First Channel (Georgian Public Broadcaster), bm.ge, tabula.ge, commerciant.ge, m2b.ge, etc. The head of the Secretariat, Mariam Megvinetukhutsesi also gave several interviews regarding IC meetings and the ongoing issues to the local TV channel Maestro TV and TV Pirveli's show about business news.



Picture 3. Head of Secretariat giving a live interview on Maestro TV about 9th IC meeting

ANNEX 1. Agenda and minutes of the 8th Investors Council meeting

8th Meeting of the Investors Council March 21, 2018 State Chancellery

Agenda

Opening remarks by the Prime Minister Giorgi Kvirikashvili

EU investment support to Georgia under the new EU External Investment Plan and EU support to structural economic reforms

- Presenter: Katarina Mathernova, Deputy Director General for Neighbourhood East, EC

Progress on decisions of the last meeting of IC dated 11th December 2017

1. Judicial Reform

Opening remarks by Minister Tea Tsulukiani

- Presenter: Mariam Megvinetukhutsesi, Investors Council Secretariat

2. Pension Reform:

- Presenter: Mariam Megvinetukhutsesi, Investors Council Secretariat

3. Organic Law on Agricultural Land:

- Presenter: George Jugeli, Investors Council Secretariat

4. Tourism Board Cooperation with the MoESD and GNTA

- Presenter: Mariam Megvinetukhutsesi, Investors Council Secretariat

Miscellaneous

Temporary EU Employment for Georgian Citizens

- Presenter: Zviad Chumburidze, President, EU-Georgia Business Council of Georgia

Approval of the next IC meeting date and preliminary agenda

Minutes of the Eighth Meeting of the Investors Council

**21st March 2018, 16:00 at the State Chancellery Chaired by the
Prime Minister of Georgia Giorgi Kvirikashvili**

Present at the meeting

Participating Members of the Investors Council:

- Giorgi Kvirikashvili, Prime Minister, Chair of Investors Council
- Dimitry Kumsishvili, First Vice Prime Minister, Minister of Economy and Sustainable Development
- Mamuka Bakhtadze, Minister of Finance
- Levan Davitashvili, Minister of Environment and Agriculture
- Zurab Alavidze, Minister of Regional Development and Infrastructure

- Irakli Lekvinadze, Business Ombudsman of Georgia
- Michael Cowgill, President, American Chamber of Georgia
- Irakli Aslanishvili, Executive Director, Business Association of Georgia
- Nino Chikovani, President, Georgian Chamber of Commerce and Industry
- Zviad Chumburidze, President, EU-Georgia Business Council
- Fady Asly, Chairman, International Chamber of Commerce Georgia
- Jan Van Bilsen, Regional Manager for Caucasus, IFC
- Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD
- Mariam Megvinetukhutsesi, Head of IC Secretariat

Invited Guests:

- Katarina Mathernova, Deputy Director General for DG NEAR, EC
- Olaf Zymelka, Director for Eastern Europe, Caucasus and Central Asia, KfW
- Tea Tsulukiani, Minister of Justice
- Giorgi Mikautadze, Secretary of the High Council of Justice
- Janos Herman, Ambassador of the EU to Georgia
- Justin McKenzie Smith, Ambassador of the UK to Georgia
- Mathieu Bousquet, Head of Unit for Georgia and Moldova, DG NEAR, EC
- Vincent Rey, Head of Cooperation, EU Delegation to Georgia
- Ozan Sevimli, Senior Operations Officer & Country Program Coordinator, World Bank
- George Chogovadze, Head of Georgian National Tourism Administration
- Jean-Frederic Paulsen, Senior Advisor to the Minister, MoESD
- David Lee, Chief Executive Officer, European Business Association
- Giorgi Kacharava, Projects Director, EU-Georgia Business Council
- George Welton, Executive Director, American Chamber of Commerce
- Zurab Katchkatchishvili, Executive Director, International Chamber of Commerce
- Beka Injia, GCCI, Legal Counsel, Georgian Chamber of Commerce and Industry
- Loretta Martikian, Communications, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat
- Erekle Kokaia, Business Analyst, Investors Council Secretariat
- Zurab Dznelashvili, Deputy Business Ombudsman of Georgia
- Givi Chanukvadze, Projects Manager, GGF
- Nini Tsintsadze, Communications, EBRD
- Ekaterine Mikabadze, Deputy Minister, Ministry of Economy and Sustainable Development

Opening Remarks by the Prime Minister:

Giorgi Kvirikashvili, Prime Minister in his opening remarks:

- Welcomed the members and the guests, and introduced the European Commission's Deputy Director-General for DG NEAR, Katarina Mathernova.

Katarina Mathernova, Deputy Director General for DG NEAR, EC:

- Expressed her long-lasting strong support towards Georgia.
- Spoke about the new EU programs on energy efficiency, economic and business developments.
- Presented EU Support to Georgia to Foster Investment, covering funding sustainable development, technical assistance and policy reforms.
- Introduced a new comprehensive program launched by EU that includes supporting the modernization of financial infrastructure, developing clusters, value chains, and incubators, as well as improving commercial courts system and insolvency procedures.

Giorgi Kvirikashvili, Prime Minister:

- Confirmed Georgian Government's commitment to European values.

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Thanked the invited guests including Katarina Mathernova, Mr. Olaf Zymekla, and Ambassadors Janos Herman and Justin McKenzie Smith for their support to the country and introduced the agenda of the meeting.

Giorgi Kvirikashvili, Prime Minister:

- Expressed his gratitude towards the ambassadors and the KFW for their assistance to Georgia.

[Progress on decisions of the previous IC meeting dated 6th September 2017](#)

1. Judicial Reform:

Update by Tea Tsulukiani, Minister of Justice

- Inception phase of the GGF funded project on establishment of the Commercial and Tax Chambers in Georgian courts, which included meeting with all the stakeholders to have them participate in the drafting process of the commercial court concept from the beginning, with the Dechert has been finalized.
- Multiple legislative draft amendments are underway, including changes to the Law on Common Courts of Georgia on commercial and tax chambers;
- It is expected the drafting process of the amendments to be finalized by the end of spring 2018.
- It was agreed that GIZ would do the Regulatory Impact Assessment (RIA) of the amendments.
- The plan is for the draft to be presented to the parliament in September to be reviewed in the fall session.
- Minister expressed her concerns about the training and remuneration for the new and current judges.

Comments:

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Underlined the importance of the Commercial and Tax Chambers for the improvement of the business environment of the country.
- Stated that ICS has been involved with MoJ in coordinating the donors' initiative to assist the government with the project. The meeting between the donors and the representative of the MoJ was held at EBRD premises with the aim to share the views over the topic.
- The main issues that the IC members consider critical for the success of the chambers relate to: selection process and appointment of judges, as well as the jurisdiction of the Commercial and Tax chambers.

Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD

- Underlined EBRD's full support for the proposed Judicial Reform, calling it the most important reform on the country's agenda.
- Confirmed EBRD's support for training new judges and expressed readiness to start drafting the terms of reference for the training Technical Assistance project, in order for the EBRD to include the project in the following year's budget.

Michael Cowgill, President, American Chamber of Commerce:

- Expressed his satisfaction with the speed of the reform and offered the IC working group, particularly the resources available at the business association, to be used by the MoJ, other stakeholders, as well as the project team.

Decision:

ICS will continue coordinating efforts of various donor organizations to support the Commercial and Tax Chambers project. ICS working group will continue close engagement with the project team and the MoJ in order to ensure that the public/private dialogue is effective and ongoing.

2. Pension Reform

Presenter: Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

Main Points:

- Due to Pension reform's significance, ICS organized a high-level meeting between the key stakeholders and the First Deputy Prime Minister Mr. Kumsishvili and the Minister of Finance Mr. Bakhtadze.
- Two issues were raised during the meeting: a) Possibility for the private pension funds to participate in the voluntary part of the proposed pension scheme, within the proposed regulatory framework and guidelines. b) Adoption of pillar III legislation simultaneously with proposed pillar II legislation, to encourage savings, with provision of incentives for savers.
- Another high-level meeting will be organized to finalize the agreement on the above issues, including any amendments/additions to the text of the proposed draft legislation.

Dimitry Kumsishvili, First Vice Prime Minister, Minister of Economy and Sustainable Development

- Spoke about the benefits of such public-private dialogue (PPD) meetings and the importance of the private sectors' feedback for the Government's consideration.

Giorgi Kvirikashvili, Prime Minister:

- As a real supporter of pillar III pension system underlined the critical importance of the pillar II but also agreed to work on serious incentives for Pillar III.

Decision:

ICS will arrange a follow-up meeting to discuss the changes to the existing draft legislation within a short period.

3. Organic Law on Agricultural Land

Presenter: George Jugeli, Legal Expert, Investors Council Secretariat
Main Points:

- ICS has created a working group that reviewed Draft Organic Law on Agricultural Land and provided the Parliamentary Committee for Agriculture with detailed comments and recommendations to the draft.
- It is crucial that the law has no retroactive effect.
- The draft should specify the body responsible for the decision-making on exceptions.
- Exceptions' criteria should be transparent and clearly stated in the organic law.
- Some of the exception principles should involve employment, investment amount, technical knowledge and "extraordinary social benefits".
- ICS working group is ready to cooperate with all the stakeholders for further improvement of the draft.

Giorgi Kvirikashvili, Prime Minister:

- Reiterated that the law will not have a retroactive impact.
- Suggested to organize high-level PPD working meetings within the framework of the Investors Council in order to work on the organic law.
- Stressed the importance of finding a solution for the development of Agriculture and other sectors related to it.

Decision:

The ICS will organize meetings to discuss the draft legislation in question.

4. Tourism Board Establishment and cooperation with MoESD and the GNTA

Presenter: Mariam Megvinetukhutsesi, Head of Investors Council Secretariat
Main Points:

- Tourism Board has been established with the main goal to review the draft of country's annual tourism budget, before its submission to the government and to share its recommendations with the GNTA and the Ministry of Economy and Sustainable Development.
- The Board consists of the leading specialists in the tourism and hospitality industry, as well as marketing specialists.
- The board will have quarterly meetings. The first meeting was attended by the first Deputy Prime Minister, Minister of Economy and Sustainable Development Mr. Kumsishvili; Senior Advisor to the Minister Jean Frederic Paulsen and the Head of GNTA Giorgi Chogovadze.
- As per the decision of the members, the Tourism Board provided the GNTA with the recommendations on the Marketing Budget 2018.
- British Government and GGF approved assistance project for the GNTA will commence shortly.

Dimitry Kumsishvili, First Vice Prime Minister, Minister of Economy and Sustainable Development

- Stressed the importance of the involvement of the private sector's experience and expertise for achieving efficient results.

Decision:

Tourism Board will hold its next meeting in April to follow up on the previous meetings deliverables.

Miscellaneous

Temporary EU Employment for Georgian Citizens

Zviad Chumburidze, President, EU-Georgia Business Council of Georgia:

- Suggested to intensify efforts from the EU member states, the Georgian government and the donors to promote Georgian citizens' temporary legal employment in the EU.
- Mentioned the main stakeholders who should be involved in these works.
- Explained the positive results this initiative can yield, including the decrease of illegal activities from Georgian citizens and the decrease of the likelihood of "Suspension Mechanism".
- Proposed the topic as an agenda for the next IC meeting and suggested to invite representatives from the relevant ministries and state institutions.

Giorgi Kvirikashvili, Prime Minister:

- Thanked Mr. Chumburidze for proposing the topic and agreed to put it on the agenda for the next meeting.

Decision:

ICS will establish a working group led by the EU-Georgia Business Association to provide input

for the next IC meeting.

Vocational Education

Nino Chikovani, President, Georgian Chamber of Commerce and Industry:

- Proposed Vocational Education as one of the topics for the next IC meeting.
- Shared GCCCI's works on this issue and suggested to take into consideration the best international practice including Germany, which has a leading vocational education system.
- Suggested ICS to establish a working group that will include interested parties and donor organizations to discuss the final draft of the concept as well as provide recommendations on the new draft law.

Giorgi Kvirikashvili, Prime Minister:

- Agreed that due to its importance the topic should be on the agenda.

Katarina Mathernova, Deputy Director General for DG NEAR, EC:

- Noted that EC has around 50 million euros in grants available for vocational education.

Olaf Zymelka, Director for Eastern Europe, Caucasus and Central Asia, KFW:

- Expressed a willingness to share German experience on vocational (dual) education with the Georgian colleagues.

Giorgi Kvirikashvili, Prime Minister, Chair of Investors Council:

- Thanked Mr. Zymelka for his suggestion and thanked KFW for its work in Georgia.

Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD:

- Appreciated a high-level involvement of the government representatives in these discussions with the working groups to tackle important issues of the agenda.

It was agreed that the next meeting would take place in June 2018

Agenda of the next meeting among other issues will include:

1. Land Law
2. Temporary Employment of Georgian Citizens in the EU.
3. Vocational Education.
4. Student visas for foreign students in Georgia.

Giorgi Kvirikashvili

Mariam Megvinetukhutsesi

Chair of investors Council

Head of IC Secretariat

**ANNEX 2. Letter to the Minister of Labour, Health and Social Affairs of Georgia,
Davit Sergeenko on circular migration to EU (English translation)**

July 30, 2018

To the Minister of Labour, Health and Social Affairs of Georgia
Davit Sergeenko

Copy: To the Prime Minister of Georgia
Mamuka Bakhtadze

Copy: To the Minister of Finance of Georgia
Ivane Matchavariani

Copy: To the Minister of Foreign Affairs of Georgia
Davit Zalkaliani

Copy: To the members of the Investors Council

Dear Minister,

As you are well aware, irregular labour migration is one of the main challenges faced by Georgia in relation to violation of the rights of migrants involved, risks of trafficking and increase in the country's financial loss, also in relation to the threat of suspension of visa-free travel due to unfounded asylum claims

According to the decision made at the meeting of the Investors Council on 21st of March of 2018, a working group was created, consisting of the representatives of the Ministry of Labour, Health and Social Affairs of Georgia; Ministry of Foreign Affairs and the Ministry of Education; the Secretariat of the State Commission on Migration Issues, the International Organization for Migration and representatives of Investor's Council Member Business Associations, the working group assembled to work on the issue Circular migration of Georgian Citizens to the EU.

The working group developed a number of recommendations which are attached for your kind consideration.

Appendix: 2 pgs.

Sincerely,

Mariam Megvinetukhutsesi

Head of Investors Council Secretariat

Recommendations prepared by Investors Council working group

Current status and opportunities

Irregular labour migration is one of the main challenges faced by Georgia in relation to violation of the rights of migrants involved, risks of trafficking and increase in the country's financial loss, also in relation to the threat of suspension of visa-free travel due to unfounded asylum claims. Therefore, regulation of the temporary labour migration and provision of support to ensure its efficiency has to be a priority.

Although the Law on Labour Migration has been adopted in Georgia in 2015 and the regulation of labour migration falls under the competence of the Ministry of Labour, Health and Social Affairs of Georgia, to date no mechanism, organizational structure or human resources have been made available for the actual implementation of this function.

In the period 2013-2018 the international organizations (GIZ, IOM) implemented/and continue to implement projects for piloting inter-state cooperation models in the field of labour migration. The results of the projects confirm the availability of the cooperation opportunities with the EU Member States and of the socio-economic benefits in this field. Georgia can successfully utilize this experience. Further, the above donor organizations express readiness to support the state line agencies through the organization of relevant consultations and training. Further, negotiations are ongoing with a number of European countries (Norway, Sweden, Finland, Lithuania, Spain, and Portugal) to identify opportunities for cooperation in the field of temporary labour migration. Certain countries already expressed readiness for cooperation.

In addition, Georgia has taken responsibility for implementation of certain activities in development and support of temporary regular (circular) labour migration, which are defined in the documents of strategic importance to the country, including: Association Agreement between EU and Georgia (2013), Visa Liberalization Action Plan with the European Union and its long-term assignments (2013), as well as the EU-Georgia joint declaration "Mobility Partnership" (2009) etc. This obligation is further addressed in the Action Plan for implementation of the UN Sustainable Development Goals (SDGs).

Recommendations have been prepared by the Investors council working group on "Support for Temporary Regular Labour Migration to the EU Member States", consisting

of the representatives of the Ministry of Labour, Health and Social Affairs of Georgia; Ministry of Foreign Affairs and the Ministry of Education; the Secretariat of the State Commission on Migration Issues, the International Organization for Migration and representatives of Investor's Council Member Business Associations.

Recommendations:

Organizational structure needs to be set up, which will implement the state policy in the field of temporary labour migration. In particular, it is recommended to establish labour migration division (consisting of 5 persons), within the Labour Policy Department of the Ministry of Labour, Health and Social Affairs of Georgia. The following will be the main competencies and responsibilities of the department:

- Improvement of policy and legislation in the field of labour migration;
- Identification of inter-state cooperation opportunities and preparation of the drafts of bilateral agreements on temporary (circular) labour migration;
- Information provision, consultations, and registration of individuals interested in finding employment abroad and management of relevant database;
- Preliminary selection of labour force in response to the demands of foreign employers;
- Preparation of proposals on regulations of labour immigration in Georgia, registration of employed immigrants and development/improvement of the database;
- Acceptance of reports on activities of employment agencies abroad and individual persons, who assist with finding employment, their systematization, and analysis;
- Return of labour migrants to their countries of origin and development of mechanisms to utilize their European knowledge and experience;
- Gathering information on risks that accompany labour migration, analysis, and proposals for their mitigation.

Expected Results

In case of institutionalization of circular migration by the state, among others, the following positive outcomes will be expected:

- ✓ Sustainable visa-free travel with EU and minimization of the probability of implementation of “suspension mechanism”;
- ✓ Replacing irregular migration with regular migration, reducing economic losses and social risks, protecting the rights of labour migrants;
- ✓ Increasing income of labour emigrants (in case of regular labour migration their salaries should not be below market) and increase in remittances (which, in itself helps decrease poverty in the country);
- ✓ Import of gained knowledge and experience, new production and organizational skills in the country upon return of temporary migrants.

ANNEX 3. Agenda and minutes of the 9th Investors Council meeting

**9th Meeting of the Investors Council
October 1, 2018
State Chancellery**

Agenda

Opening remarks by the Prime Minister Mamuka Bakhtadze

Progress on decisions of the last meeting of IC dated March 21. 2018

5. Judicial Reform, Commercial Chambers

- Presenter: Minister Tea Tsulukiani

6. Organic Law on Agricultural Land

- Presenter: Mariam Megvinetukhutsesi, Investors Council Secretariat

7. Temporary EU Employment for Georgian Citizens

- Presenter: George Kacharava, EUGBC

8. Insolvency Reform

- Presenter: George Jugeli, Investors Council Secretariat

Miscellaneous:

Establishment of the Financial Services Working Group

Proposed new issues:

New Law on Investment Funds

Changes in the procedures and the composition of the council.

Status of the Residency permits and proposed changes to the legislation.

Approval of the next IC meeting date and preliminary agenda

Minutes of the Ninth Meeting of the Investors Council

**1st October 2018, 11:30 at the State Chancellery Chaired by the
Prime Minister of Georgia Mamuka Bakhtadze**

Present at the meeting

Participating Members of the Investors Council:

- Mamuka Bakhtadze, Prime Minister, Chair of Investors Council
- Maya Tskitishvili, Vice-Prime Minister, Minister of Regional Development and Infrastructure
- Giorgi Kobulia, Minister of Economy and Sustainable Development
- Ivane Matchavariani, Minister of Finance
- Levan Davitashvili, Minister of Agriculture
- Irakli Lekvinadze, Business Ombudsman of Georgia
- Michael Cowgill, President, American Chamber of Georgia
- George Chirakadze, Chairman, Business Association of Georgia
- Nino Chikovani, President, Georgian Chamber of Commerce and Industry
- Christopher Schlueter, Chairman, EU-Georgia Business Council
- Fady Asly, Chairman, International Chamber of Commerce Georgia
- Jan Van Bilsen, Regional Manager for Caucasus, IFC
- Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD
- Mariam Megvinetukhutsesi, Head of IC Secretariat

Invited Guests:

- Thea Tsulukiani, Minister of Justice
- Tamila Barkalaia, Deputy Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia
- Justin McKenzie Smith, Ambassador of the UK to Georgia
- Irakli Aslanishvili, Executive Director, Business Association of Georgia
- Giorgi Kacharava, Executive Director, EU-Georgia Business Council
- George Welton, Executive Director, American Chamber of Commerce
- Zurab Katchkatchishvili, Executive Director, International Chamber of Commerce
- Beka Injia, Legal Counsel, Georgian Chamber of Commerce and Industry

- Loretta Martikian, Communications, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat
- Zurab Dznelashvili, Business Ombudsman's office

Opening Remarks by the Prime Minister:

Mamuka Bakhtadze, Prime Minister in his opening remarks:

- Welcomed the attendees,
- Touched upon the important role the Investors Council has played to date,
- Expressed his desire that the Council, apart from the role it has played, become more engaged in increasing Georgia's visibility vis-à-vis Foreign Investors
- Provided the brief update on the economic performance,
- Announced that the Government are planning initiatives to make investing in Georgia even more attractive for foreign investors.
- Provided an update on the cabinet's views on making Georgia more attractive for FDI and invited the council members to engage with the Government on this topic, requesting the businesses to share their views and opinions with the Government.
- Covered briefly his trip to the US, and the plans for further strengthening economic relations with the US.
- Reviewed risks associated with the deterioration of the economic situation in the region.
- Stressed the importance of education as one of the country's priorities.

George Kobulia, Minister of Economy and Sustainable development

- Commented on the potential effects of the deteriorated economic situation in Turkey, explaining that there are no major threats to Georgia's economic performance from Lira devaluation in the medium term

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Welcomed the Prime Minister as the Chair of the Council, and the other new members of the Cabinet and the Council,
- Talked about the Council's role, its functions and tasks, its engagement with various government and legislative bodies, and donors for support of the country's reforms, as well as about the Council being an open and transparent platform with information on the work of the Council, its meetings and working group engagements being open to the public.

Mamuka Bakhtadze, Prime Minister:

- Invited the members for introductory Q and A

George Chirakadze, Chairman, Business Association of Georgia

- Acknowledged the PM's views about the importance of education for the country as one of the country's priorities. Stressed the need to develop human capital in order to make Georgia more attractive for businesses. Compared Georgia to some of its neighboring

competitors, where the supply of both professional staff and skilled labour is much more attractive. Thus underlining the need for human resource development.

Prime Minister

- Stated that the Government's aim is to improve the human capital index by 20% as an ultimate goal, which would allow the country to eliminate poverty. Spoke about the ways to achieve this in the short term by developing and scaling up vocational education and in the long term through the reform of the entire education system. With the aim of the expenditure in the education sector from both the public and private sectors to reach 10-11% of GDP.

Michael Cowgill, President, American Chamber of Georgia

- Stressed importance of engagement of the private sector in the dialogue with the relevant government authorities on education.

Prime Minister

- Responded that the new minister of Education will organize a meeting with the businesses to develop a relationship with them during the course of this month.

Fady Asly, Chairman, International Chamber of Commerce Georgia

- Welcomed the Government's desire to make Georgia more attractive for FDI. Commented on problems for certain groups of investors, especially small and medium-sized investors, to obtain residence permits in Georgia. Underlined the importance of having transparent rules for investors to obtain residence permits in Georgia, and proposed having a one-stop shop for screening foreign investors, as well as for the investor aftercare.

Progress on decisions of the previous IC meeting dated 6th September 2017

5. Judicial Reform:

Mariam Megvintukhutsesi, Head of Investors Council Secretariat:

- Explained why the initiative of the Ministry of Justice on the establishment of commercial chambers is so important for the country
- Covered the most critical aspects of the proposed reform for the establishment of chambers to be decided and discussed with the public: jurisdiction of the chambers, committee membership for selection of judges, management and oversight of the chambers.
- Thanked ambassador Justin McKenzie Smith for his personal involvement and support of the project
- Asked minister Thea Tsulukiani to give an update on the status of the reform

Update by Thea Tsulukiani, Minister of Justice

- Thanked the UK ambassador, for his personal involvement in supporting the reform through the UK GGF technical assistance project.
- Updated the audience that the drafting process of the amendments was finalized in late spring 2018 and discussions within the MOJ and the High Council of Justice are expected to end by the end of October
- Pledged to have full-scale public discussion process with all interested parties including the business associations before presenting the draft to the Parliament
- Expressed her hope to see the law adopted by the end of this year

Comments:

Mamuka Bakhtadze, Prime Minister:

- Added that introducing the English language within the court system would be a very important priority

Justin McKenzie Smith, Ambassador of the UK to Georgia:

- Expressed his continued support towards Investors Council and priorities identified by the Council
- Stated that the UK's support has to be led by the Government's priorities, in order for the projects to succeed.

George Chirakadze, Chairman, Business Association of Georgia:

- Underlined that the establishment of commercial chambers is very important for business
- Expressed the readiness of BAG to start the process of discussions immediately upon the availability of the draft legislation.

Michael Cowgill, President, American Chamber of Georgia:

- Added that overall further reform of Judiciary is also necessary, particularly in the governance, the issues of disciplinary and accountability of judges.

Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD

- Underlined EBRD's full support for the proposed Judicial Reform Project.
- Confirmed EBRD's readiness for the training of the new judge's technical assistance program.

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Stated that once the draft becomes public ICS hopes to play a significant role in organizing public-private dialog with all stakeholders.

- Reiterated how important it is to have a structured and organized policy dialog on this particular issue and to have public discussions of the draft because of its sensitivity and because of so much criticism that justice system has been taking up.

Decision:

ICS will continue coordinating efforts of various donor organizations to support the Commercial and Tax Chambers project. ICS working group will continue close engagement with the project team in order to ensure that the public/private dialogue is effective and ongoing.

6. Organic Law on Agricultural Land

Presenter: Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

Main Points:

- Stated that it is alarming for the agricultural sector and for general investors that exist and will want to consider investing in Georgia to have retroactivity clause in the draft of the new law.
- Requested to add transparency of the criteria for exceptions, to avoid confusion, favoritism, contemplations about vested interests, corruption, etc.
- Expressed readiness to request the British Government to provide funds to bring high-level experts to look at the final draft before it's been provided to the Parliament for approval

Comments:

Sarah Williamson, Vice-President, American Chamber of Georgia:

- Stated that it was important to complete working on the issue of agricultural land as quickly as and as responsibly as possible.

Christopher Schlueter, Chairman, EU-Georgia Business Council:

- Added the endorsement of EUGBC to the urgency of this issue

Levan Davitashvili, Minister of Agriculture:

- Expressed full support of MOA of the proposal about the removal of the retroactive effect of this law
- Stated that there is an understanding with the parliamentary committee about the removal of the retroactivity clause
- Agreed on the necessity to have transparent pre-agreed criteria for exceptions.

Decision:

ICS continue discussions with the MOA and the Parliamentary Committee.

7. Temporary EU Employment for Georgian Citizens

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Advised that this issue was tabled by EUGBC and asked Christopher to give an update

Presenter: Christopher Schlueter, Chairman, EU-Georgia Business Council

Main Points:

- The decision made at previous Investors Council meeting on the temporary EU employment a working group was formed
- In July the working group developed simple recommendations which were to establish respective division within the labour policy department of the Ministry of Labour, Health and Social Affairs of Georgia
- Emphasized recent progress of cooperation with Poland in the field of temporary legal employment, nearly 30 Georgian citizens have been employed in Poland via IOM
- Circular migration agreement has a good probability of being signed by the end of this year when established it will become the first agreement in force between Georgia and an EU member state
- Further conversations are ongoing with the number of European countries: Norway, Sweden, Finland, Lithuania, Spain, Portugal and Hungary

Mamuka Bakhtadze, Prime Minister:

- Thanked Mr. Schlueter and offered full support to further promote the initiative

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Requested the Ministry of Finance to consider allocating an adequate budget to the establishment of the unit

Decision:

The Ministry of Finance will look into this important issue, allocating budget for the establishment of the unit

8. Insolvency Reform

Presenter: George Jugeli, Legal Expert, Investors Council Secretariat:

Main Points:

- This is yet another very important initiative led by Ministry of Justice, Ministry of Finance and Ministry of Economy, which has already resulted in a comprehensive new draft, it's now called "draft law on rehabilitation and collective satisfaction of creditors" and effort was supported by GIZ in cooperation with USAID-G4G

- The draft aims at the improvement of the existing insolvency practice among others by creating a modernized system in which the creditors are collectively satisfied and addresses concerns currently faced by both the secured and unsecured creditors
- The draft also provides for the distribution of assets in a more reasonable manner, addresses a very important issue of tax obligations, the draft also specifies the role of National Enforcement Bureau in insolvency proceedings to give more opportunities to the private sector
- Another significant novelty of the draft is the introduction of a completely new procedure for financially distressed corporate debtors, it calls company voluntary arrangement (CVA) and it is mainly modeled on the UK example, which gives a great deal of flexibility to debtors to renegotiate existing obligations with creditors with minimal court oversight
- Considering all this we believe that the draft will be a significant step forward for Georgian insolvency practice providing more flexibility and certainty to all practitioners including debtors, creditors, insolvency practitioners and courts

Mamuka Bakhtadze, Prime Minister:

- Thanked everybody who was working on this important legislation and stated that there is a need for similar new legislation for individuals as well

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Expressed hope to have this law as part of the law in action

Proposed new Issues:

- **Establishment of a financial services sector working group**

Prime Minister accepted the proposal regarding establishment of such a working group within the Council, which will have representatives from the Government, the National Bank, the businesses and the financial sector

- **Engagement in the Education Sector**

The IC will organize a working group to start discussions with the ministry of education on possible co-operation between the businesses and the government to support this most critical reform in the country.

Changes in the procedures and the composition of the Council

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Announced the new member of ICS the Embassy of UK in Georgia to be formalized before the next IC meeting, also
- Added that ICS will be adding two business association rotational members for the sake of Inclusivity and further transparency of the Council.

It was agreed that the next meeting would take place in December 2018

Agenda of the next meeting among other issues will include:

5. New Law on Investment Funds
6. Changes in the procedures and the composition of the Council.
7. Status of granting the residency permits and proposed changes to the legislation
8. New custom tax legislation draft
9. Engagement with the Ministry of Education

Mamuka Bakhtadze

Chair of investors Council

Mariam Megvinetukhutsesi

Head of IC Secretariat