

Minutes of the 13th Meeting of the Investors Council

June 22, 2020

**chaired by the
Prime Minister of Georgia Giorgi Gakharia**

Present at the meeting

Participating Members of the Investors Council:

- Giorgi Gakharia, Prime Minister, Chair of Investors Council
- Thea Tsulukiani, Deputy Prime Minister, Minister of Justice
- Ivane Matchavariani, Minister of Finance
- Natia Turnava, Minister of Economy and Sustainable Development
- Levan Davitashvili, Minister of Environment Protection and Agriculture
- Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD
- Justin McKenzie Smith, Ambassador of the UK to Georgia
- Jan Van Bilsen, Regional Manager for Caucasus, IFC
- Michael Cowgill, President, American Chamber of Commerce in Georgia
- Samson Pkhakadze, Chairman, Business Association of Georgia
- Giorgi Pertaia, President, Georgian Chamber of Commerce and Industry
- Giorgi Kacharava, Executive Director, EU-Georgia Business Council
- Fady Asli, Chairman, International Chamber of Commerce Georgia
- Sascha Ternes, Chairman of the Board, German Business Association
- Osman Turan, President, Georgian And Turkish Businessmen's Association
- Mikheil Daushvili, Business Ombudsman of Georgia
- Giorgi Cherkezishvili, Head of Investors Council Secretariat

Invited Guests:

- Mikheil Khidureli, Head of Enterprise Georgia
- Levan Vepkhvadze, Executive Director, Business Association of Georgia
- George Welton, Executive Director, American Chamber of Commerce in Georgia
- Thomas Kimmeswenger, Executive Director, German Business Association
- Mustafa Tabakoglu, Executive Board Member, Georgian And Turkish Businessmen's Association
- Evgenij Najdov, World Bank Senior Economist for the South Caucasus and Program Leader for Equitable Growth, Finance and Institutions
- Ellen Wichmann, Head of the GGF Georgia, British Embassy in Georgia
- Givi Chanukvadze, GGF Economic Projects Manager, British Embassy in Georgia
- Beka Liluashvili, Adviser to the Prime Minister
- Loretta Martikian, Communications, EBRD
- Hester Coutanche, EBRD
- Christine Hagedorn, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat
- George Lomidze, Business Analyst, Investors Council Secretariat

Opening Remarks

Giorgi Gakharia, Prime Minister, Chair of Investors Council:

- Welcomed the participants.
- Thanked Ambassador Justin McKenzie Smith for his contribution to the work of the Investors Council and for his role in deepening the relationship between the United Kingdom and Georgia. (*Ambassador Justin McKenzie Smith's term in Georgia is coming to an end soon.*)
- Stated that now as Georgia is trying to reopen the economy and manage the economic consequences of pandemic, the investment promotion strategy is one of the government's top priorities.

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- On behalf of all IC members expressed gratitude to Ambassador McKenzie Smith, highlighted his role in development of Investors Council and wished him success in his future work.

Justin McKenzie Smith, Ambassador of the UK to Georgia:

- Thanked all the partners for the cooperation in the Investors Council for almost five years.
- Stated that the Investors Council is a unique platform and can continue to be a great tool at these extraordinary times, a great mechanism to promote dialogue and consensus building between the government and private sector.
- Mentioned concrete results from the Investors Council on tax administration, pension reform, agricultural land reform, insolvency reform, the law on entrepreneurs, Tourism Administration support, and in other areas.
- Expressed hope that the IC can continue supporting the government's efforts to strengthen Georgia's business climate and investment environment, notably by implementing the insolvency framework and improving the judicial system, including establishment of commercial and tax chambers in the Georgian court system.

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Mentioned the decision of the previous IC meeting to provide recommendations to the government for its investment strategy and announced that the current meeting would be solely devoted to discussion of these recommendations.
- Stated that all members of IC provided their recommendation to the IC Secretariat, were consolidated, then jointly discussed and finally provided to the Government Administration.

Land Ownership and Regulations to Support FDI in Agricultural Sector

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

- Talked about the new draft of the Law on determination of the purpose and sustainable management of agricultural land and its provisions regulating FDI in agriculture.
- Emphasize the necessity of transparency, quickness and reasonable cost of procedures related to approval of foreign investment in agriculture, suggesting the government to consider lowering the fee and maximum duration of approval process.
- Noted that the AmCham and other members of the Council had a very productive engagement with the Ministry of Agriculture and personally the Minister Levan Davitashvili and expressed hope that this work will continue in the coming weeks to finalize some details and receive the law that will allow to attract positive investment in the sector.

Giorgi Gakharia, Prime Minister, Chair of Investors Council:

- In principle agreed with George Welton on the possibility of decreasing the fee and duration of approval procedures for foreign investors and noted that the Ministry of Agriculture will work on this issue.

Judiciary Reform and Capital Markets Development

George Jugeli, Legal Expert, Investors Council Secretariat:

- Pointed out that a well-functioning judicial system plays an important role in country's economic competitiveness and attractiveness for FDI and noted that the current challenges create an opportunity for the Government to revisit some reforms in judiciary, namely establishment of commercial chambers within the court system.
- Noted that this is one of the key reforms supported by the Investors Council and the wider donor and business community and it should provide comfort to investors, both local and international, in making investment commitments in the country.
- Talked about reforms related to capital markets and business namely the progress with adoption of the Law on Rehabilitation and Collective Satisfaction of Creditors, the Law on Investment Funds and Law on Entrepreneurs.
- Pointed out that the development of capital markets is an important part of the mandate of the Ministry of Economy and Sustainable Development and that it should be empowered as policymaker.
- Stressed the importance of development of non-banking financial services in Georgia, particularly leasing, and the benefit it can bring to the economy. Mentioned that the IC Secretariat is about to start working on strategy for development of leasing in Georgia with support of UK GGF.

Energy, Transport and Infrastructure

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD:

- Talked about the recommendations on the investment strategy regarding infrastructure and energy such as adoption of tax incentive scheme, development of a logistics center around Kutaisi airport, review of dormant PPA agreements, electricity grid upgrade and development of renewable energy sources
- Particularly emphasized that EBRD considers that the renewable energy has the greatest potential for FDI attraction in the short and medium term for Georgia.

Manufacturing

Giorgi Kacharava, Executive Director, EU-Georgia Business Council:

- Talked about recommendations on manufacturing pointing out three export-oriented sectors that should be prioritized at the initial stage: light manufacturing, pharmaceuticals, and FMCG. Swift development of these sectors also should serve significant import-substituting role, which proved to be vital in the current pandemic crisis.
- Noted that the government should try to attract at least one big multinational company to each sector that will serve as a success story. Various benefits should be offered to such investors including provision of land for free, construction of necessary public infrastructure, fixed electricity price for an extended term, etc.
- Mentioned that the current date of mandatory GMP standardization (January 1, 2022) is unrealistic, because till now there is no step-by-step plan for compliance with GMP standards, jointly developed by the Government and Business Sector. Suggested to the government to start development and approval of GMP roadmap in close communication with business Sector and adjust the deadline for GMP mandatory standardization accordingly. Also suggested to consider respective legislative changes in order to apply the same GMP requirements for imported medicines as there are for local pharmaceutical products.

Samson Pkhakadze, Chairman, Business Association of Georgia:

- Mentioned number of legislative changes that are being discussed by the Parliament regarding minimum wage, maximum number of working hours per week, compensation of overtime work, thanked the Prime Minister for cooperation on these issues and urged the government to consider taking more pro-business decisions on the issues that have not been resolved yet.
- Praised the government for their efforts in stabilization of Lari exchange rate and expressed hope stability of Lari will be maintained.
- Talked about BAG's initiative in cooperation with ADB and other IFIs to run a competition among Georgian companies to identify innovative and interesting ideas for investment and then assist winners in attraction of FDI.

Education

Michael Cowgill, President, American Chamber of Commerce in Georgia:

- Talked about quite successful experience of online instruction in Georgian universities and stressed the importance of flexibility for the universities to choose between in person lectures and online classes. Even though Georgia can now market itself as “a safe place to study” majority of countries Georgia is receiving foreign students from are still significantly affected by the pandemic and it is very important to have this opportunity to serve those students in online format.
- Mentioned the importance international accreditation and dual programs for Georgian universities and as well as high standard for local accreditation and authorization at the same time more efficient and less bureaucratic.
- Suggested that it would be expedient to establish some sort of investment commission directly under the Prime Minister, that would make principal decisions on important investment projects, coordinate work of relevant ministries to minimizing bureaucracy, and follow up the implementation. Specified that some threshold can be set for the amount of investment and all projects above that threshold should fall under the responsibility of this commission.

Remarks from the Government Members

Thea Tsulukiani, Deputy Prime Minister, Minister of Justice:

- Talked about successful reforms of Judiciary since 2012, also mentioned package of laws regarding arbitration adopted in 2015 and urged representatives of private sector to utilize arbitration more rather than appeal for establishment of commercial chambers in courts.
- Mentioned the law on mediation as another tool that businesses should use more for solving legal disputes.
- Mentioned drafting of the bankruptcy law as a success and praised the role of the Investors Council in this process.
- Admitted that even though Ministry of Justice was supporting the idea of commercial chambers and the law was drafted in 2018, the position of the ministry has changed and this reform is no longer on the agenda.
- Stressed that the Judiciary in Georgia is completely independent and neither the Ministry of Justice nor anyone else from the government has any leverage on the Judiciary.

Giorgi Gakharia, Prime Minister, Chair of Investors Council:

- Ensured the participants that there is no ground for concerns regarding the Labour Code, Judiciary, land legislation, etc. as the government is committed to promote investment and

is committed to use Investors Council as a major platform to communicate with investors on any important or problematic issue.

- Asked participants to help the government promote Georgia's success in fight against the pandemic that should serve as the most important competitive advantage of the country for FDI attraction.

Natia Turnava, Minister of Economy and Sustainable Development:

- Confirmed that energy sector remains the priority for the government as energy security and independence are vital for FDI attraction, especially high-tech and digital industries. Assured the participants that the ministry has complete information and is closely following all energy projects and remains fully committed to all its projects for development of the grid and other infrastructure all over the country.
- Mentioned successful reforms of the energy sector of the past two years, adoption of the relevant energy laws by the Parliament, establishment of energy exchange.
- Mentioned success with drafting the new Law on Investment Funds that was prepared with active involvement of the Investors Council and has already passed two hearings at the Parliament.
- Noted that the Ministry has number of laws in pipeline related to capital markets (such as security holdings, securitization, covered bonds, etc.) and the Ministry once again plans to use Investors Council as a platform for dialog with private sector for drafting this laws.
- Talked about renewed FDI attraction strategy that focuses on efficiency seeking FDI and on company targeted approach. Some adjustments have been made to reflect the changes caused by pandemic, list of priorities have been expended, although the core priorities have not changes.

Mikheil Khidureli, Head of Enterprise Georgia

- Talked about particular efforts the Enterprise Georgia has made recently: 120 prominent foreign companies have been directly contacted, work with location scouts has been started and in September Georgia will host the first location scouting tour, some of the companies the negotiations have started with include Nestle, Nokia and Bosch.