

Minutes of the Forth Meeting of the Investors Council

24th January 14:00 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
- Dimitri Kumsishvili, First Vice Prime Minister, Minister of Finance
- Kakha Kaladze, Vice Prime Minister, Minister of Energy
- Levan Davitashvili, Minister of Agriculture
- Zurab Alavidze, Minister of Regional Development and Infrastructure
- Michael Cowgill, President, American Chamber of Commerce Georgia
- Samson Pkhakadze, Vice President, Business Association of Georgia
- Fady Asly, Chairman, International Chamber of Commerce Georgia
- Nino Chikovani, President, Georgian Chamber of Commerce and Industry
- Zviad Chumburidze, President, EU-Georgia Business Council
- Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD
- Jan Van Bilsen, Regional Manager for South Caucasus, IFC
- Yeshim Elhan-Kayalar, Country Director for Georgia, ADB
- Mariam Megvinetukhutsesi, Head of IC Secretariat

Invited Guests:

- Justin McKenzie Smith, Ambassador of UK in Georgia
- Tea Tsulukiani, Minister of Justice
- Nino Gvenetadze, Chief Justice
- George Tabuashvili, First Deputy Minister of Finance, Head of Revenue Service
- Nino Javakhadze, Deputy Minister of Economy and Sustainable Development
- Sarah Williamson, First Vice President, American Chamber of Commerce
- Irakli Aslanishvili, Executive Director, Business Association of Georgia
- George Welton, Executive Director, American Chamber of Commerce
- Zurab Katchkatchishvili, Executive Director, ICC Georgia
- Tamta Shermadini, Head of Advisory Services, PWC Georgia
- Natalia Beruashvili, Chief of Party, G4G Georgia
- Mariam Dolidze, Economist for Georgia, the World Bank
- Beka Injia, GCCI, Legal Council
- George Jugeli, Legal Expert, IC Secretariat
- Erekle Kokaia, Business Analyst, IC Secretariat

Opening Remarks by the Prime Minister, Chair of Investors Council:

Giorgi Kvirikashvili, Prime Minister in his opening remarks:

Thanked the USAID's G4G project for carrying out the research to evaluate the government audit process by the businesses,

And the GGF and PWC for their input in implementing the Estonian tax model

Justin McKenzie Smith Ambassador, British Embassy:

- Stressed the importance of a healthy business climate for Georgia's integration in EU and NATO
- Underlined the UK's continued commitment in promoting free trade and investments.

Progress on decisions of the previous IC meeting dated 20 May 2016

1. Tax Administration:

Presenter: Mariam Megvinetukhutsesi, Investors Council Secretariat

Main Points:

- Estonian Tax Model implementation technical assistance project was completed by the end of 2016. Funded by GGF, the project was implemented by PWC.
- ICS recommends to further develop communication between RS and businesses, both in the capital and the regions, about the new tax model
- USAID funded and American Chamber of Commerce (AmCham) implemented Project to identify businesses perceptions on Tax audit practices in Georgia.
- IC working group cooperated with the Georgia Revenue Service to prepare the TOR for the technical assistance project on implementation of EU VAT directive, as an ongoing co-operation with the revenue services.

Dimitri Kumsishvili, First Vice Prime Minister, Minister of Finance:

- The minister underlined the importance of communication between RS and the business sector.
- RS is preparing special guidelines to make its services more transparent and clear for the clients.

George Tabuashvili, Head of RS's position:

- RS has been continuously engaged in improving its services; the RS has prepared instructions and trainings for the taxpayers on the new Tax model;
- The RS welcomes assistance by G4G and the GGF for new projects to harmonize Georgian legislation with EU directives.

Decision:

The IC will continue to engage with the RS in addressing RS's needs, and in further promoting dialogue between the businesses and the RS.

2. Proposed Improvements of the Court Injunction Practice

Presenter: Mariam Megvinetukhutsesi, ICS

Main points:

- Court injunctions without prior written notice might damage the opposing party's business
- ICS suggest to limit injunction without notification to the cases, where immediate and irreparable damage may be cause to the applicant.

Commentary:

Nino Gvenetadze, Chief Justice:

- Reasonable time needed to do the right implementation. The representatives of the justice system will actively communicate with ICS and the Ministry of Justice over the issue and take into consideration their advices

Tea Tsulukiani, Minister of Justice:

- Underlined that the Court Injunction Practice is important to protect the suing party and does not share the views about its modification, but is open for farther discussions with ICS.

Decision:

The ICS will work closely with all stakeholder including the MoJ and the Supreme Court of Georgia in order to find a mutually acceptable resolution, taking into consideration the international best practice and will participate in developing draft changes to the legislation.

3. Reform of Judiciary

Presenter: Giorgi Jugeli, Legal Expert, ICS

Main points:

- The IC welcomes the “3rd wave” of legislative package of judicial reforms, but further steps needed to address the problems including random assignment of cases, the e-justice, the offloading
- In order to offer a swift and fair resolution for complex business disputes the MoJ's new initiative is aimed at the introduction of a "fast track procedure" for complex business disputes to address concerns of the business community.
- Active and early use of the court-annexed mediation will also be expedient for reducing the workload of the judges.
- Possible expansion of competences of court officers (magistrates) to decide on low value cases can help reduce the court backlog
- Remaining issue is case assignment to strengthen impartiality and independence of judiciary.

- ICS will work on finding the sources to fund the projects to uplift court backlogs. EBRD has expressed its desire to help with the court capacity building.

Additional issues discussed by the parties:

Fady Asly, Chairman, International Chamber of Commerce Georgia:

- Presented three individual cases demonstrating problems the businesses face in Georgia:
 - A court ban on disposal of assets foreclosed by the client bank.
 - Immigration service not granting entry clearance to an individual traveling to Georgia from CGGI.
 - A problem of one of the ICC member companies which had assets frozen for over a year and a half by the RS.
 - Quoted an email from a European ambassador, in witness of problems of judiciary.
 - Proposed to establish a department for investor 'aftercare'.
 - Expressed his full support to the government.

Giorgi Kvirikashvili, Prime Minister, Chair of Investors Council:

- Responded that the immigration service case is not generic to the system, and countries have their own security reasons in granting clearance.
- Acknowledged the need for development of continued support to investors.
- Noted, that he had already been informed of the discussed cases, and furthermore had taken action to address these.

Dimitri Kumsishvili, First Vice Prime Minister, Minister of Finance:

- Offered to involve Mr. Asly in discussions on the asset freeze case in question.

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

- Expressed her gratitude to the Prime Minister and Bruno Balvanera for the support to Investors Council, calling it one of the things she is most proud of.

Michael Cowgill, President, American Chamber of Commerce Georgia:

- Expressed the concerns of AmCham members about their inexperience with the Estonian Tax model and potential penalties for mistakes or delays.
- Delighted with passing a proportionality principle for the injunctions,
- Expressed concerned that despite its importance, injunction can unnecessarily hurt the business.

Samson Pkhakadze, Vice President, Business Association of Georgia:

- Explained the need to change injunction rules.

Beka Injia, GCCI, Legal Council

- Proposed assistance in capacity building for judges: specifically proposed to provide professional training in Arbitration by UNCITRAL arbiters.

Tea Tsulukiani, Minister of Justice:

- Welcomed the GCCCI's initiative.

Decision:

the IC to co-ordinate with the Ministry of Justice, the Supreme Court and the GCCCI in defining the scope of capacity building requirements and in putting together the program of training for Judges.

Proposed new initiative by the PM:

The PM addressed the IC to create a working group with participation of the businesses and the IFIs to review the use of the budget of tourism department and to make sure the advertising funds are allocated more efficiently.

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

- Tourism is a key driver for the development of the Country and the EBRD is ready to open a window for training youth in hospitality industry.

Presentation by the government on Jumpstarting the Economic growth:

Nino Javakhadze, Deputy Minister of Economy and Sustainable Development:

- Working on the Pension Reform: mainly on the pension law and the IT infrastructure to control the financial inflows and outflows
- Government supported programs for agriculture and other industries turned out to be successful and created jobs; the ministry is planning to increase its assistance on the programs

Zurab Alavidze, Minister of Regional Development and Infrastructure

- Covered the government's ambitious plan to improve the country's infrastructure. The ministry is working on creating a website with a timetable for each project. Citizens will be able to observe the progress themselves.

It was agreed that next meeting would take place by the end of March or in the beginning of April. The exact date will be finalized with the Prime Minister's administration.

Following topics were proposed and accepted for discussion at the next IC meeting:

1. Pension Reform
2. Law of Entrepreneurs
3. Insolvency Law
4. Government's "Larization" program with the participation of the Central Bank.

On this final issue the IC will create a working group with the NGB and Ministry of Finance in order to timely address the issues that the Businesses might face while these important changes occur.

Giorgi Kvirikashvili

Chair of Investors Council

Mariam Megvinetukhutsesi

Head of IC Secretariat