

Minutes of the 15th Meeting of the Investors Council

May 27, 2021

**chaired by the
Prime Minister of Georgia Irakli Garibashvili**

Present at the meeting

Participating Members of the Investors Council:

- Irakli Garibashvili, Prime Minister, Chair of Investors Council
- Lasha Khutsishvili, Minister of Finance
- Natia Turnava, Minister of Economy and Sustainable Development
- Irakli Karseladze, Minister of Regional Development and Infrastructure
- Rati Bregadze, Minister of Justice of Georgia
- Levan Davitashvili, Minister of Environment Protection and Agriculture
- Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD
- Mark Clayton, Ambassador of the UK to Georgia
- Thea Gigiberia, Country representative, IFC
- Sarah Williamson, President, American Chamber of Commerce in Georgia
- Samson Pkhakadze, Chairman, Business Association of Georgia
- Zviad Chumburidze, Secretary General, EU-Georgia Business Council
- Nino Suknidze, Vice President, Georgian Chamber of Commerce and Industry
- Khatia Bukhrashvili, Secretary General, International Chamber of Commerce Georgia
- Sascha Ternes, Chairman of the Board, German Business Association
- Mustafa Tabakoglu, Executive Board Member, Georgian And Turkish Businessmen's Association
- Nino Kvetenadze, Acting Business Ombudsman of Georgia
- Giorgi Cherkezishvili, Head of Investors Council Secretariat

Invited Guests:

- Sebastian Molineus, World Bank Regional Director for the South Caucasus
- Mikheil Khidureli, Head of Enterprise Georgia
- Vazil Hudak, Adviser to the Prime Minister
- 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
- Giorgi Kacharava, Executive Director, EU-Georgia Business Council
- Ellen Wichmann, Head of the GGF Georgia, British Embassy in Georgia
- Givi Chanukvadze, GGF Economic Projects Manager, British Embassy in Georgia
- Loretta Martikian, Communications, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat
- George Lomidze, Business Analyst, Investors Council Secretariat
- Tamar Maisuradze, Communications and Office Manager, Investors Council Secretariat

Opening Remarks

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Welcomed the participants.
- Noted that the Council is once again meeting online and expressed hope that the next meeting will be in person.
- Introduced his new adviser on foreign investments, Mr. Vazil Hudak.
- Reminded the participants that the Investors Council was created during his first tenure as a Prime Minister and once again confirmed his full readiness to work closely with the Council.

Mark Clayton, Ambassador of the UK to Georgia:

- Underscored the importance of supporting and facilitating of the direct dialogue between investors and the Government.
- Praised the work done by the IC Secretariat outside of the official meetings.
- Welcomed appointment of Mr. Hudak as an adviser to the Prime Minister.
- Mentioned some findings of the recently completed project funded by the UK GGF on Assessment of the Impact of Covid-19 on the Georgian Economy and expressed hope that close cooperation of international donors with the Government of Georgia will continue to achieve further progress on the issues outlined.

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD:

- Welcomed the Prime Minister in his first IC meeting as a Chair of the Council.
- Expressed hope that this would be the last meeting in online format and provided the increasing pace of vaccine rollout in Georgia it will be possible to hold next meeting in person.

Progress on activities of the ICS and new initiatives for digitalization of public services

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Congratulated the Prime Minister and the new members of the cabinet on their appointment and wished them success. Also, congratulated Mr. Hudak on his appointment and expressed readiness for close cooperation with all the new members of the Council.
- Reported on successful completion of three technical assistance projects funded by the UK GGF: (1) Assessment of the Impact of COVID-19 on the Georgian Economy and Preparation of a Medium-term Strategy for Recovery, (2) Development of Alternative

Financing for MSMEs, and (3) Functional Analysis and Development of Roadmap for the existing State Support Programmes.

- Expressed appreciation for adoption of the Law on Investment Funds in July 2020 and announced the next steps related to raising of awareness in the business community through a cycle of conferences in which ICS - together with the National Bank, the Ministry of Economy and Sustainable Development and the Ministry of Finance - will actively participate.
- Mentioned the activities of the ICS working group on factoring which is finalizing the draft Law on Factoring with support of international partners (EBRD, IFC/World Bank), and establishment of the working group on securitization together with the Ministry of Economy and Sustainable Development.
- Reported on the progress on the Law on Entrepreneurs which is expected to be adopted by the Parliament this summer and mentioned active participation of ICS in drafting of the explanatory notes to the law, which are already published and are intended to serve as the first guide for lawyers and judges.
- Thanked the Government and the Ministry of Environmental Protection and Agriculture for cooperation on the issue of land ownership by foreigners and adoption of the procedures for the submission and approval of investment plans in May this year. Expressed readiness to continue dialogue and support to National Agency for Sustainable Land Management and Land Use Monitoring for creation of procedures for ensuring transparent and efficient process.
- Noted that the Law on Insolvency, that was drafted with participation of the IC, became fully effective in April 2021, which is a big step forward towards improvement of investment climate in Georgia.
- Informed the members about elaboration of new initiatives for digitalization by the ICS in close collaboration with relevant government agencies that were presented to the EBRD and the British Embassy. Announced that the first technical assistance project in this direction is going to start in the nearest future and is aimed to assist the Maritime Agency of Georgia in preparation of a feasibility study for the development of a Port Community System in Georgian ports.

Problems in judiciary system regarding business-related disputes

Samson Pkhakadze, President, Business Association of Georgia:

- Spoke about importance of properly functioning judiciary system for business and investment climate.
- Identified prolonged court cases and a need to increase competence and capacity of judges with respect to business disputes among problematic issues of judiciary.
- Informed the participants that BAG is currently working on precise identification of problems and possible solutions with experts and business community and once the roadmap document is ready will discuss it with the Council members.
- Noted that the next step would be to engage the Judiciary System in a constructive dialogue and attempt to find solutions.

Sarah Williamson, President, American Chamber of Commerce in Georgia:

- Agreed with Mr. Pkhakadze's points and underscored the importance of rule of law and enforcement of contracts for investors.
- Pointed out concerns of business community regarding recently established Labor Inspection and some cases of courts over-interpreting in favor of who they deemed to be on the weaker side and making rulings that go beyond what the law requires.
- Proposed the Government to work together with business associations to organize trainings for judges, raise awareness in business community and clarify legislation where necessary.

Sascha Ternes, Chairman of the Board, German Business Association:

- Elaborated on the points raised by the previous speakers and spoke about some extreme delays in courts, bringing up examples of cases where parties are waiting for several years for the first hearing.
- Also pointed out delays in enforcement of court decisions that have increased significantly over the past years.
- Suggested that the main reasons for listed problems are capacity constraints and competence issues.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Acknowledged all the issues raised regarding judiciary and also agreed that they are mostly caused by capacity constraint and lack of competence related to business disputes.
- Stated that judiciary is independent from the Government, however the Government is ready together with business associations to get engaged in communication with judiciary on all problematic issues important for investors and business climate in general.

Samson Pkhakadze, President, Business Association of Georgia:

- Briefed the participants about his recent meeting with the Chairman and the Deputy Chairman of the Supreme Court where the mentioned issues in courts were discussed in detail and that it was agreed on this meeting that legal experts from BAG will meet with judges to discuss general solutions to problems as well as particular cases.
- Offered all members of the Investors Council to join BAG in this process.

Vazil Hudak, Adviser to the Prime Minister:

- Noted that the issues with judiciary are not unique to Georgia and are in general characteristic to post-Soviet countries.
- Agreed with previous speakers that these issues should be addressed through proper education, training and capacity building and the Government should be actively involved in this process to assist private sector.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Asked Mr. Hudak to share with IC members the European experience in the capacity building in judiciary.
- Urged Mr. Pkhakadze to continue the constructive dialogue with judiciary that has been started and pledged full support of the Government within constitutional limits.

Mark Clayton, Ambassador of the UK to Georgia:

- Acknowledged some positive changes in judiciary that have been made over the recent years, such as electronic management system, however pointed out significant capacity constraints.
- Reminded the participants about the UK lead project for assistance in creation of commercial chambers in courts, that, after achieving certain results, was halted and was ultimately rejected by the previous Cabinet. Suggested the Prime Minister to reconsider the ideas proposed by the mentioned project.
- Touched upon the recent election of four judges, which came shortly after the political agreement between the ruling party and the opposition and added that this might be perceived as a negative signal.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Spoke about several waves of successful reforms in judiciary since 2012 however acknowledged that there is still a lot that needs to be done.
- Regarding the last point made by Ambassador Clayton once again noted that judiciary is independent from the Government, and he cannot directly intervene however added that he is personally very motivated to take into consideration all recommendations and try to consult with the parliament, with the ruling party, on how to tackle existing challenges.

Sascha Ternes, Chairman of the Board, German Business Association:

- Supported Ambassador Clayton's suggestion to bring the idea of commercial chambers back to the table.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Confirmed his readiness to consider this issue once again.

Sebastian Molineus, World Bank Regional Director for the South Caucasus

- Briefed IC members on World Bank initiatives regarding judiciary and increasing of FDI:
 - The World Bank is undertaking a substantial survey of the justice system in several countries including Georgia. Particular focus of the survey is on commercial courts system and it is expected to yield some ideas for policy reforms.
 - The World Bank has implemented a number of e-courts projects with some success in several countries, that helped to greatly improve case processing and transparency. The World Bank is ready to bring this experience to Georgia.
 - The World Bank undertook a detailed study on what it takes to attract efficiency-seeking FDI. Georgia did not demonstrate good results in the study overall. Strong areas for Georgia are low taxes and access to EU market. However weak areas include shortage of skilled workforce and logistics and these weak points need to be addressed.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Thanked the World Bank for their efforts in Georgia and expressed interest in the mentioned e-court system.

Rati Bregadze, Minister of Justice:

- Stated that the role of the Ministry of Justice is to create appropriate legal environment for investors.
- Asked business associations to provide detailed information on the challenges their members are facing and pledged to look for solutions and, if necessary, prepare legal drafts and initiate them.

Discussion on issues related to Covid-19 pandemic crisis management

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

- Asked the Prime Minister and Government members to share new information on Government's plans regarding the of management of COVID-19 related crisis.

Natia Turnava, Minister of Economy and Sustainable Development:

- Shared with participants information on the economic recovery trends:
 - Economic growth of 4 percent was recorded in March 2021 and the economic activity exceeded not only the level of March 2020 but also pre-pandemic one of March 2019. Based on the initial data and economic forecasts expectations for the coming months are very optimistic.

- Since February the Government started gradually lifting restrictions and from June 1 the economy will be effectively open and fully functional, only certain very limited restrictions will remain.
- From June 1, the land border will be re-opened for foreign citizens, regular railway movement with Azerbaijan and Armenia will be relaunched. To enter Georgia, foreign visitors will have to present the proof of being fully vaccinated or a negative PCR certificate.
- Georgia is ready to safely host foreign visitors and it is expected that this will increase foreign exchange inflows and will lead to appreciation of lari.

Zviad Chumburidze, Secretary General, EU-Georgia Business Council:

- Expressed appreciation for appointment of Mr. Hudak and the cooperation with him that has already started.
- Stressed the importance of effective coordination of efforts and activities of the public and private sectors, to achieve positive results in economic recovery.
- Informed the Prime Minister on EUGBC plan to provide a package of initiatives to the Government, that includes some ideas on involvement of business associations in vaccination process, establishment of interagency coordination council for communication with business sector, development of favorable regulations for businesses, positive steps towards new tax regulations and initiatives, one year tax incentives for small and medium sized enterprises, and GMP standardization issue.
- Expressed readiness and motivation of EUGBC to be more actively engaged and involved in the process of communication regarding Namakhvani HPP project.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Expressed appreciation for EUGBC initiatives and confirmed readiness to consider all suggestions.
- Agreed that on Namakhvani project more active communication with the public is necessary in order to explain all the long-term benefits of the project and to counter massive disinformation campaign that is apparently coordinated from abroad.

Vazil Hudak, Adviser to the Prime Minister:

- Endorsed Mr. Chumburidze's ideas on tax incentives for to small and medium enterprises aimed at post-covid recovery.
- Informed the IC members about the work at the Prime Minister's Office and MoESD on development of digitalized Covid Pass, aligned with the EU norms and standards, that will allow Georgian citizens to freely travel abroad.

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

- Asked the Government to share information on medium-term priorities in response to crisis and plans for reopening the economy.

Lasha Khutsishvili, Minister of Finance:

- Provided IC members some information recent development in economy:
 - Both export and import in April exhibited significant growth.
 - Remittances have increased by 144 percent.
 - Based on data of the Revenue Service, practically in all sectors, the turnovers are increasing.
 - In April number of officially registered employees who received salary is 12 percent higher than in the same period last year. In absolute figures this is an increase by about 100,000 employees.
- Noted that it is still too early to celebrate victory over the crisis and at least several more months are necessary to have a more definitive view but at this point the recovery perspective looks quite promising.

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD:

- Once again praised the ongoing vaccination campaign and offered a suggestion for further improvement of the program.
- Drew attention of the participants to the issue of access to vaccination for foreign citizens who live in Georgia without official residence registration. Stressed the importance of vaccination of this group of people and suggested elaborate some mechanism to include them in state vaccination program.

Natia Turnava, Minister of Economy and Sustainable Development:

- Agreed about the importance of vaccinations of foreign citizens who reside and work in Georgia and promised to communicate this issue with the Ministry of Health.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Shared information about expected delivery of COVID-19 vaccine from several sources, including direct supply from Pfizer, Sinopharm, Sinovac, as well as various vaccines from COVAX platform and Georgia's partner country. Noted that the expected amount of vaccines should fully satisfy the existing demand and ensure speedy vaccination of the population.
- Stated that the Government has no plans for any more lockdowns and that the healthcare system and the Government in general are prepared to manage possible future epidemic waves without significantly disrupting the economic activity.

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Thanked participants for a fruitful discussion and noted that Investors Council Secretariat will continue working on the topics raised in coordination with different government agencies and member business associations.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Once again expressed hope to meet next time in person.
- Praised some of the suggestions voiced in the meeting and called on the IC members to start working on implementation of these ideas.