

Minutes of the 20th Meeting of the Investors Council

July 14, 2023

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 the Investors Council
- Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development
- Lasha Khutsishvili, Minister of Finance
- Otar Shamugia, Minister of Environment Protection and Agriculture
- Irakli Karseladze, Minister of Regional Development and Infrastructure
- Mark Clayton, Ambassador of the UK to Georgia
- Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD
- Irakli Baidashvili, President, American Chamber of Commerce in Georgia
- Samson Pkhakadze, President, Business Association of Georgia
- Sascha Ternes, Chairman of the Board, German Business Association
- Irina Sak, Acting President, EBA
- Thea Gigiberia, Country Officer, IFC
- Giorgi Kacharava, Executive Director, EU-Georgia Business Council
- Giorgi Cherkezishvili, Head of Investors Council Secretariat

Invited Guests:

- Revaz Javelidze, Head of the Government Administration
- Nino Kvetenadze, Deputy Business Ombudsman of Georgia
- George Welton, Executive Director, American Chamber of Commerce in Georgia
- Levan Vepkhvadze, CEO, BAG
- Thomas Kimmeswenger, Executive Director, German Business Association
- Lina Jikia, AmCham
- Nino Ushikishvili, Secretary General, European Business Association
- Loretta Martikian, EBRD
- Nicola Lipari, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat
- Giorgi Edilashvili, Business Analyst, Investors Council Secretariat
- Levan Pangani, British Embassy in Georgia
- Nino Chikvanaia, British Embassy in Georgia

Opening Remarks

Irakli Garibashvili, Prime Minister, Chair of the Investors Council:

- Welcomed the participants of the 20th IC meeting and opened discussion on the topics defined in the agenda.

Mark Clayton, Ambassador of the UK to Georgia:

- Outlined that Georgia's economic performance continues to impress.
- Highlighted the importance and efficiency of the IC meetings. Noted that, following the 19th IC meeting, the Ministry of Finance immediately participated in discussions on the issues related to customs services raised during the meeting.
- Outlined that current economic growth is in part feature of some structural changes which have happened in trade and business after Russia's invasion of Ukraine. Also, provided information on visit related to sanctions implementation in Georgia.
- Informed IC members about the upcoming high-level visit by the UK officials to Georgia.

Catarina Bjorlin Hansen, Regional Director for Caucasus, EBRD:

- Mentioned that 20th IC meeting is the last IC meeting at her capacity.
- Outlined the importance of IC meetings as a platform that supports the improvement of business climate in Georgia. The role of IC was highlighted in past years, including the COVID pandemic, during which it played a crucial role.
- Provided information on EBRD's investment in Georgia over the last years.

Progress on activities of the ICS

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Outlined the progress of the law of securitization. ICS continues working with the stakeholder authorities and expects that the law will be adopted in the nearest future.
- Highlighted significant progress in relation to the factoring initiative. The feasibility study on establishing the factoring transactions' registry within the system of the public registry has been completed in May 2023. The final draft of the legislation is expected to be finalized soon.
- IC working/editing group of the law on Entrepreneurs, is finalizing the draft proposal for the changes to the law. The document will be submitted to relevant ministries, the parliament and NBS for further discussions. Notably, a gender impact assessment of the law on entrepreneurs will also be conducted.

- Outlined that Women's Economic Empowerment stays priority in the IC agenda. The IC, within the scope of its Gender Equality Working Group elaborated a concept of institutionalization of certification of women-owned businesses, which considers the international best practices and fits into the national legal framework.
- Highlighted work undertaken on the higher education sector in Georgia since the 19th IC meeting. ICS held intensive discussions with the stakeholders - private sector and government officials and initiated conduction of a detailed study that will be funded by UNDP.
- Highlighted fruitful meetings and discussions with the Revenue Service of Georgia regarding customs services' issues. After the 19th IC meeting, ICS initiated several meetings between Revenues Service representatives and the private sector, which resulted in addressing issues identified by the companies.
- Provided information on the two projects that are finalized: informational and methodological hub - so called infohub.rs.ge and Artificial Intelligence solutions in Customs Formalities.
- Highlighted project related to the development of the Port Community System in Georgia. The platform will electronically connect various port management systems and enable secure and fast exchange of information between seaport stakeholders.
- Provided information on work undertaken in the frames of Green Economy Transition working group. Ongoing projects include evaluation of Enterprise Georgia's portfolio, consultations on the Green Paper for Climate Law in Georgia, digitalization related to environmental permitting procedures.
- Progress has also been achieved in terms of strengthening the aftercare capacity of Enterprise Georgia. With the technical assistance of EBRD, the project was finalized and presented to the IC members in June 2023.
- Provided status update on two projects initiated during the IC meetings: Enterprise Georgia's Investment Promotion Strategy and Elaboration of new Framework investment law in Georgia.
- Provided information on the ongoing digitalization project related to construction permits issuance by the Ministry of Economy and Sustainable Development of Georgia (MoESD).

OECD Country Risk Classification & Country's investment outlook

Irakli Baidashvili, President, American Chamber of Commerce in Georgia:

- Thanked Catarina Bjorlin Hansen for the significant work she has done for the Investors Council of Georgia.
- Provided information on OECD Country Risk Classification, which established a methodology for accessing country credit risk and classifying countries in relation to minimum premium fees (classification ranges from 0 to 7).
- Currently, Georgia is in the 6th category. Improving the position can decrease the risk premium rate, and the cost of financing the projects.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Highlighted the importance of enhancing Georgia's ranking in OECD Country Risk Classification and asked the Minister of Finance for comment.

Lasha Khutsishvili, Minister of Finance:

- Provided information that the Ministry of Finance (MoF) has already had first communication with OECD and that MoF will continue to work on the topic to secure feasible results.

Tax-related legislation & practice – remaining challenges & opportunities

Reform of Dispute Resolution Council

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

- Outlined that Dispute Resolution Council (DRC) inside the Ministry of Finance, has been very widely used and very much appreciated entity for a very long time.
- Emphasized the importance of further improving the council's decision-making quality.
- Provided information on the mechanism and identified suggestions for structural changes of the dispute resolution council.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Highlighted that the dispute resolution council has a high reputation and credibility.
- Asked to provide detailed information on challenges and practical cases that are raising concerns.

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

- Promised to continue working on the topic within the special committee of the American Chamber of Commerce in Georgia.
- The committee can identify special cases discussed by the dispute resolution council and prepare comprehensive information on them.

Lasha Khutsishvili, Minister of Finance:

- Highlighted that the DRC is at the moment the most reputable agency, which actually can review the tax and customs cases professionally.
- Any disputes that started with the MoF, in terms of the tax and customs, less than 4% is going to the court, so more than 96% of the dispute cases are finished within MoF level.
- Highlighted that DRC includes members from both the MoF, the Business Association of Georgia (BAG) and Business Ombudsman of Georgia.
- Expressed readiness to work to further improve the decision-making process with DRC.

Samson Pkhakadze, President, Business Association of Georgia:

- Highlighted the active involvement of BAG in the DRC and offered to utilize BAG's capacity in the process.

Levan Vepkhvadze, CEO, BAG:

- Highlighted that the BAG is actively participating in the decision-making process of the DRC.
- Suggestions were made for procedural changes during decision making to enhance the quality of decisions.

Lasha Khutsishvili, Minister of Finance:

- Outlined that DRC is moving in that direction to better analyze the cases in more detail.
- Highlighted that the DRC is not there to substitute the court system but has a role to generate fast track decisions.

International Trade Facilitation

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

- Expressed gratitude to the Revenue Service team for holding a number of working meetings since the previous IC meeting, and for practically resolving most of the technical issues discussed during the meeting.
- Outlined that together with the MOF, under the USAID Economic Governance Program, EUGBC is supporting Authorized Economic Operator program development. This status gives a lot of opportunities for our entrepreneurs, it's based on partnership between customs and private sector, and it's a very important instrument for international trade facilitation.
- Asked the Government to stress the importance of starting consultations with the EU at the highest level whenever possible.

Lasha Khutsishvili, Minister of Finance:

- Highlighted that a huge amount of work was done to introduce the status of Authorized Economic Operators in Georgia.
- Next step is to start negotiations with the various countries to recognize the status issued in Georgia.

Irina Sak, Acting President, EBA:

- Highlighted the importance of enhancing international trade to increase the economic growth in the country.
- Provided information on the need to strengthen communication with potential investor companies to support them to enhance business in Georgia. Suggested involvement of business associations in the communication process with target companies.

Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development:

- Commented that Investment promotion process is mostly led by the “Invest in Georgia” team, and the government is happy to invite all business associations, European Business Association to unite efforts and to bring more companies to Georgia.

Incentives for the development of renewable energy sector in Georgia

Samson Pkhakadze, President, Business Association of Georgia:

- Highlighted that BAG has three different topics to discuss during the 20th IC meeting.
- Outlined that the government is proactively promoting the development of the renewable energy sector in Georgia. Currently, the sector is very attractive for investors.
- At this stage, in Georgia, there is no production of products needed for the construction of power generation facilities. However, special incentives in this direction can stimulate investments in production facilities.
- Suggested that special support mechanisms may be put in place for enterprises that use a local component during the construction of electricity generation facilities in Georgia.

Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development:

- Stated that the government welcomes local production, which is actually the priority number one for MOESD with investments. Provided information on current projects that are dedicated to producing certain goods in the energy sector.
- Suggested to elaborate the idea and find different sources to introduce special mechanisms to boost production of materials used in energy generation.

Skills and knowledge development

Samson Pkhakadze, President, Business Association of Georgia:

- Provided information that in recent surveys dedicated to obstacles in doing business in Georgia, private companies mostly mention lack of labor force as a key obstacle.
- Highlighted the necessity for public-private partnership. Said that businesses should be involved in shaping future qualifications. Currently, there is a mismatch between the vocational education received and the demand on the job market.
- Suggested that international companies involved in vocational education can be invited to prepare the required programs to meet market demand.

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

- Outlined that when association talks about the lack of labor force, skills and knowledge, it doesn't mean that there is a lack of academic forces. There is a lack of interest in the vocational training direction.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Welcomed the discussion about vocational education and informed IC members that the Government is planning reform in vocational education. Provided information on the planned activities to enhance the demand and quality of vocational education in Georgia.

Levan Davitashvili, Vice Prime Minister, Minister of Economy and Sustainable Development:

- Welcomed private sector's interest to participate in the reform of vocational education in Georgia. Provided suggestions for cooperation and finding ways to work together on this matter.

List of industries with a 48-hour working week

Samson Pkhakadze, President, Business Association of Georgia:

- Pointed out that the list of businesses eligible for the 48-hour week no longer applies and companies are expressing their concerns on this matter.

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Provided information on previous discussions on this topic. Promised to initiate additional discussion with the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia.

Closing remarks

Giorgi Cherkezishvili, Head of Investors Council Secretariat:

- Thanked the IC members for the meeting and provided information on the planned next meeting.