

Georgia

Meeting of the Investors Council

Agenda, 20 May 2016

Participating Members of the Investors Council:

- Giorgi Kvirikashvili, Prime Minister, Chair of Investors Council
- Dimitry Kumsishvili, Vice-Prime Minister, Minister of Economy and Sustainable Development
- Kakha Kaladze, Vice-Prime Minister, Minister of Energy
- Nodar Khaduri, Minister of Finance
- Otar Danelia, Minister of Agriculture
- Nodar Javakhishvili, Minister of Regional Development and Infrastructure
- George Gakharia, Business Ombudsman
- Sarah Williamson, President, American Chamber of Georgia
- George Chirakadze, Chairman, 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
- Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD
- Jan Van Bilsen, Regional Manager for South Caucasus, IFC
- Yeshim Elan, Country Director for Georgia, ADB
- Mariam Megvinetukhutsesi, Head of IC Secretariat

Invited Guests:

- Tea Tsulukiani, Minister of Justice
- Gela Dumbadze, State Minister for Diaspora Issues
- George Tabuashvili, First Deputy Minister of Finance
- Lasha Khutsishvili, Deputy Minister of Finance
- Giorgi Pertaia, Head of Georgian National Investment Agency
- Mercy Tembon, Regional Director for South Caucasus, World Bank
- Eric Livny, ISET Director, Chairman of Economic Commission of ICC
- Loretta Martikian, Advisor, EBRD
- George Welton, Executive Director, American Chamber of Commerce
- Irakli Aslanishvili, Executive Director, Business Association of Georgia
- Giorgi Chelidze, COP, USAID Project Promoting Rule of Law in Georgia (PROLoG)
- George Jugheli, Legal Expert, Investors Council Secretariat
- Givi Giorgadze, business Analyst, Investors Council Secretariat

Progress on decisions of the last meeting of IC dated 17 February 2016

1. Tax Administration:

The Investor Council Working Group on Tax has been consulting intensively with the Revenue Service to develop a plan of action for public private engagement on tax reform.

- We were very happy that the government decided to delay implementation of the **Estonian Model** to 1st January 2017 – but now need to make sure that the development of the Estonian model implementation takes place in a timely and consultative fashion.

Question for the MoF: How is Estonian Model implementation proceeding and how can we engage with it?

- American Chamber of Commerce, working with USAID, will be conducting dialogue with businesses on the operation of the existing Government tax audit. This will connect with work on the implementation of the Estonian Model and broader reform of the tax system.
- At the request of the RS, the IC working group cooperated with the Georgia Revenue Service to prepare the TOR for the technical assistance project: RIA of implementation of “rules of place of supply of services” of EU VAT directive.

The IC secretariat approached the British GGF fund to obtain financing for the project. The preliminary timeline for the Technical Assistance Project Commencement is June 2016.

- Presenter: Sarah Williamson, American Chamber of Commerce

2. One stop front office for foreign and local investors

IC working group has been established with an aim to support the Ministry of Economy and Sustainable Development in developing a concept paper for a “one stop front office” for business related state owned services. The group has held two working meetings already and has defined further steps and actions in close cooperation with respective representatives of the Ministry.

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

3. Legislative changes to address the Court injunction practices

The finalized draft prepared by the AmCham under the IC framework has been provided to the Ministry of Economy and Sustainable Development, a number of working sessions have been held, and once finalized the proposed changes will be presented to the parliament for consideration.

- Presenter: Mariam Megvinetukhutsesi, Investors Council Secretariat

Discussion topics

1. Reform of Judiciary:

IC working group was established to work on the steps required for further reform of the Judiciary System and elaborated list of five priority measures, presented hereby to the Investors Council Members for discussion at the IC meeting.

This priority measures refer to current legislation as well as to the "third wave" legislative package of judicial reforms. The paper outlines issues important for businesses with respect to qualification and business aptitude of Georgian judges deciding on commercial cases. It also addresses independence and efficacy of the Georgian judiciary. Towards this end, the list includes issues relating to appointment process of judges and chairs of the courts, assignment of court cases, and the caseload of Georgian courts.

ICS also drafted the TOR for the technical assistance project for determining the optimal volume of workload of judges and court staff. The ICS will seek donor financing to fund the technical assistance work, the project will help understand current constraints of the courts if any, and to further assist them in offloading.

- Presenter: Sarah Williamson, American Chamber of Commerce

2. Proposed Changes to the Law of Entrepreneurs

Ministry of Justice of Georgia has been working on the comprehensive new Law of Entrepreneurs (LoE) adoption of which is not envisaged during this calendar year.

- As per the request from Business community the IC established the working group which developed the draft immediate changes to the LoE to improve current legislation. It is also hoped that the concepts of IC's current proposed changes shall be reflected in the new Law of Entrepreneurs once it is drafted and approved.

The IC working group proposed changes cover the following issues:

- strengthen rights of the minority shareholders to call special meetings of shareholders,
 - refine provisions of the LoE regarding definition of the distributable profit,
 - provide clarification on conflict of interest rules, and preemptive rights of LLC-shareholders, and
 - Propose exemption for corporations (LLCs, JSCs) from impractical mandatory requirements of unanimous voting of the present LoE.
- Presenter: George Chirakadze, Business Association of Georgia \

3. Insolvency Reform

Ministry of Justice of Georgia has been working on the insolvency reform with the assistance from GIZ. As it has been stated during the IC meeting held on 17 February 2016, the Insolvency Reform, based on its complexity and multi-disciplinary nature ideally should be co-led by the Ministry of Justice and the Ministry of Economy and Sustainable Development. Early consultations and information sharing at least on the concept paper level would be largely welcome by businesses who are going to be impacted by the new law.

4. Approval of the next IC Meeting date and Preliminary Agenda

- **Pension Reform** as one of the main economic reforms on the Country's agenda.

5. Presentation by State Minister for Diaspora Issues Gela Dumbadze on two new Diaspora Investment project initiatives.

6. Miscellaneous