

Minutes of the 21st Meeting of the Investors Council

November 15, 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
- Rati Bregadze, Minister of Justice
- Irakli Karseladze, Minister of Regional Development and Infrastructure
- Alkis Vryenios Drakinos, Regional Director for Caucasus, EBRD ([Online](#))
- Clare Allbless, Deputy Head of Mission, Embassy of the UK to Georgia
- Thea Gigiberia, Country Officer, IFC
- Irakli Baidashvili, President, American Chamber of Commerce in Georgia
- Samson Pkhakadze, President, Business Association of Georgia
- Zviad Chumburidze, Secretary General, EUGBC
- Sascha Ternes, Chairman of the Board, German Business Association
- John Braeckveldt, Chairman of the Board, European Business Association
- Otar Danelia, Business Ombudsman of Georgia
- Giorgi Cherkezishvili, Head of Investors Council Secretariat

Invited Guests:

- Revaz Javelidze, Head of the Government Administration
- Levan Vepkhvadze, CEO, BAG
- George Welton, Executive Director, American Chamber of Commerce in Georgia
- Giorgi Kacharava, Executive Director, EUGBC
- Thomas Kimmeswenger, Executive Director, German Business Association
- Magda Bolotashvili, Deputy Director of Georgian Chamber of Commerce and Industry
- Irina Sak, Deputy Chairman, European Business Association
- Chris Reilly, British Embassy
- Levan Pangani, British Embassy
- Lina Jikia, AmCham
- Loretta Martikian, EBRD
- Nicola Lipari, EBRD
- Tamar Namicheishvili, World Bank
- George Jugeli, Legal Expert, Investors Council Secretariat
- Giorgi Edilashvili, Business Analyst, Investors Council Secretariat

Opening Remarks

Irakli Garibashvili, Prime Minister, Chair of Investors Council:

- Welcomed participants of the 21st IC meeting and provided information on recommendation of the European Commission to grant candidate status to Georgia.
- The potential positive effects of the candidate status on private sector development in Georgia were highlighted.

Clare Allbless, Deputy Head of Mission, Embassy of the UK to Georgia:

- Congratulated to the Government and people of Georgia on the recommendation of the European Commission.
- Outlined that the UK's support for Georgia's European integration has been articulated by British government ministers and senior officials during their visits to Tbilisi.
- Highlighted that the UK Government is proud to support the Investors Council (IC) mechanism. IC is a tool for fostering constructive dialogue and consensus between the government and the private sector.

Alkis Vryenios Drakinos, Regional Director for Caucasus, EBRD

- Pointed out that the 21st IC meeting is his first meeting in his current capacity.
- Congratulated the Georgian Government and people on the EU commission's recommendation to grant Georgia candidate status and outlined the importance of uniting efforts towards EU integration.
- Outlined that EBRD stands by Georgia and is ready and keen to continue supporting the countries sustainable, inclusive, economic growth through investments and reforms, in order to promote green, gender and digital transition.
- Highlighted Georgia's ambition to become hub of various sectors and express readiness to assist the country in promoting a growing importance in Caucasus in the middle corridor context, fostering new opportunities for investors and the members of the council.

EU Candidacy- how business community could support and get involved in the process

John Braeckveldt, Chairman of the Board, European Business Association

- Congratulated on the EU recommendation to grant candidate status to Georgia.
- Outlined EBA's vision that doing Business in Georgia will be the same as in Europe and emphasized that this is a huge step.
- Provided information on certain challenges outlined by EU businesses in Georgia.
- Provided information on the EU-Georgia Business Forum organized by the EBA. Also, informed members about the findings of the latest report gathered from more than 200 European businesses in Georgia: overall business performance improved compared to last year and remain

optimistic about the future. However, there are some points that could be improved: skills, productivity of the workforce, the lack of the standards and certification.

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

- Expressed congratulations on the EU commission's recommendation to grant Georgia candidate status and outlined the significant work undertaken to achieve it.
- Provided information on joint open letter from the IC member business associations, addressed to the president of the European commission, Dr. Ursula von der Leyen and initiated follow up letter after recent decision.
- Expressed readiness to be involved and support the implementation of the reform agenda for EU alignment.

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

- Congratulated the IC members on current EU commission's recommendation.
- Outlined the importance of dialogue with the private sector. There were certain commitments according to the association agreement and the business is aware of them. Additionally, during the pre-accession process, there may be additional liabilities that require joint work to address.

Export from Georgia to the EU - Developments

Zviad Chumburidze, Secretary General, EUGBC

- The recent EU commission recommendation has made Georgia a leading political and economic flagship country in the region, also for the countries in the mid-corridor.
- Outlined that the positive effects of EU Georgia Association Agreement and DCFTA, will not be immediate and in the short term. In recent years, the Government of Georgia has developed a number of support mechanisms for Georgian producers in terms of export promotion, including authorized economic operator program, on which EUGBC closely works with the MOF. Nevertheless, the export data shows that despite the increasing the exports to the EU in absolute terms, achievement and result of DCFTA is not at full capacity.
- Initiated detailed analysis on the means and challenges of the private sector in promoting exports to EU. This may include financing working capital of export, export guarantee schemes, co-financing by the donors and government, establishment of Georgian products' warehouses in the EU countries, etc.
- Provided information on black sea platform annual conference.

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

- Outlined that the MoESD pays a lot of attention to export promotion.
- Provided information on state support mechanisms for export promotion from Georgia.
- Emphasized the possibility of considering additional mechanisms and expressed readiness for dialogue on new mechanisms for export support.

Access to Finance and New Financial Instruments – Factoring Reform

Alkis Vryenios Drakinos, Regional Director for Caucasus, EBRD

- Outlined that Georgia in recent years, has been actively undertaking series of reforms and policy initiatives and enhancing the country's investment climate. In 2017, as part of these efforts, the EBRD jointly with the Investors Council, MoESD and NBG, Ministry of Justice and MOF, initiated a process to develop factoring legislation and advance factoring financial products.
- One of the key objectives was to address challenges related to the access of finance for small and medium enterprises. Provided information on successful development of factoring services in other countries.
- Highlighted that factoring is a great way to diversify the access to finance, enable companies to manage their liquidity, enhance their profitability and reduce the risk of default.
- Provided information on the current status of factoring reform in Georgia and the work done with the support of the EBRD. Expressed hope that the legislative package would become effective as soon as possible.

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

- Thanked participants and EBRD for their support in developing the factoring framework.
- Outlined that the MoESD coordinated this process together with other relevant stakeholders and provided updated information on current status of drafting the law.
- Outlined the planned process for developing the factoring framework, which will create a competitive environment for factoring companies to enter.

Company Law – Re-Registration issues

Sascha Ternes, Chairman of the Board, German Business Association

- Outlined the importance of keeping simplicity in the business sector, and keeping good spirit of having business doing as easy as possible.
- Highlighted that the new law on Entrepreneurs requires to re-write and re-approve all charters and all registration documents for all registered legal entities.
- The deadline for re-approval is by the end of 2023, and most of these organizations have not yet fulfilled it due to different reasons.

Lasha Khutsishvili, Minister of Finance

- Outlined that MOJ is in charge of the new law on Entrepreneurs.
- Proposed that the solution could be to postpone the re-registration process. Expressed readiness to further discuss solutions that can put less requirements on the business.

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

- Provided information that the new law on Entrepreneurs requires some additional information to be provided by companies. However, since the law supersedes the bylaws, it is not necessary to update the charter and re-register the organization.

Rati Bregadze, Minister of Justice

- Outlined that a significant part of the organizations still has not re-registered companies and provided information on the work to postpone the requirement.

Irakli Garibashvili, Prime Minister, Chair of the Investors Council

- Promised to work on postponing the re-registration process.

Samson Pkhakadze, President, Business Association of Georgia

- Congratulated on the recent recommendation made by the EU commission.
- Provided information on the work that was done with stakeholders to create recommendations for amending several regulations in the Law on Entrepreneurs. Also, agreed with Sascha Ternes on the re-registration of businesses.
- Provided information on issues related to existing laws on entrepreneurs that were collected from the private sector:
 - The clarification of terms related to company's capital.
 - The reconsideration of the requirement to denote capital exclusively in the national currency.
 - The clarification of procedures concerning the dissolution of companies.
 - The resolution of issues pertaining to the convening of shareholder meetings in joint-stock companies including representation authority of the management and supervisory boards, etc.
 - Clarifications regarding default and mandatory nature of some provisions.

Extended Producer Responsibility (EPR)

Samson Pkhakadze, President, Business Association of Georgia

- Highlighted that over the past 4-5 years, Georgian government significantly advanced environmental protection efforts, and number of legislative measures had been introduced.
- The idea of these changes was to introduce new standards, the new environmental standards and new obligations for private businesses and public companies.
- The key aspect of this reform is the overall of the waste management, highlighted by the implementation of the Extended Producer Responsibility system.
- Outlined that BAG have partnered with the government, especially with the Ministry of Environmental Protection and Agriculture of Georgia to create a platform of exchanging ideas and opinions about this law.

- Currently, the system is up and running, but after some time there is a need to make some changes, to make it more robust, more effective for the businesses. Mainly streamline some procedures related to the public companies too.
- Provided information on the issue related to value added tax (VAT) and outlined that couple of meetings were organized with stakeholders including Ministries and Revenue Service.

Otar Shamugia, Minister of Environment Protection and Agriculture

- Congratulated on the EU commission's historical recommendation to grant Georgia candidate status, which is very important for further EU integration.
- As for the Extended Producer Responsibility, it is up and running today and progressing very well. 3 organizations were established, covering 4 groups of commodities: tires, lubricant oils, electronic devices and car batteries (accumulators).
- Provided information on the undertaken work stakeholders including National Agency of State Property, Procurement Agency, etc. Outlined that the ministry provides all the support to producers to ensure that waste is managed properly.
- Outlined that particular focus was made on operations of the state organizations. Provided information on the solutions defined by intensive cooperation between the MEPA, MoESD and National Agency of State Property.
- Informed regarding VAT and outlined that MEPA already held working meeting with the Revenue Service and solution will be defined soon. Also, provided information on next steps and product groups that will be affected by the reform.

Challenges of Organizational Social Scholarships

Irakli Baidashvili, President, American Chamber of Commerce in Georgia

- Joined speakers in congratulations on EU Commission's recommendation on Georgia.
- Provided information about AmCham's scholarship program that started this year, with the help of member organizations. The program finances 4 years of study and targets students who are receiving social assistance.
- During this process AmCham identified some challenges. The organization intends to pay their tuition fees, as well as other fees such as accommodation and daily necessities. However, if the applicants receive this money, they and their family may lose their targeted social assistance status.
- Provided information on the work already undertaken to solve the issues and asked for the PM's support in the process.

Irakli Garibashvili, Prime Minister, Chair of the Investors Council

- Highlighted the importance of the initiative and thanked for supporting the students. Promised to work on the issue and on possible solution.

Progress on activities of the ICS

Giorgi Cherkezishvili, Head of Investors Council Secretariat

- Outlined activities since the previous IC meeting:
 - With support of ICS, MOF and MoESD with their international consultants started working process to promote Georgia's position in OECD Country risk classification.
 - The Gender Impact Assessment on Law on Entrepreneur has started with the support of the UK government's Good Government Fund and the British Embassy.
 - Institutionalization of certification of women-owned businesses stays high in the agenda. ICS worked with GCCI and UN Women and elaborated draft legal amendments that aims to fill the gap in the legislative framework and define what is "women owned business" and the respective certification process.
 - Research on Internationalization of the higher education sector in Georgia is on-going. With support of UNDP, international and local experts are working on this topic.
 - New FDI Strategy for Enterprise Georgia was initiated during the IC meeting and started this year in August 2023 with the support of IFC. The strategy will be ready in the beginning of next year (February).
 - There are new initiatives from the green economy transition working group, especially on the digitalization of environmental permitting procedures that are coming into force and ICS actively works with the MEPA. Also initiatives are related to Climate Law, which is in the parliament and IC members are actively involved in this process.
 - With the support of EBRD, and EU4Climate Fintec program, the project of improving SMEs' access to Sustainable Finance and green finance will start by the end of the year.
 - Second phase of the Port Community System, which is supported by the EBRD, European Union and UK Government's Good Governance Fund has started. In 2 years, this project will be completed.
- Thanked for the fruitful meeting and provided information on the new Work Plan that will be prepared by ICS.