

Minutes of the Ninth Meeting of the Investors Council

**1st October 2018, 11:30 at the State Chancellery Chaired by the
Prime Minister of Georgia Mamuka Bakhtadze**

Present at the meeting

Participating Members of the Investors Council:

- Mamuka Bakhtadze, Prime Minister, Chair of Investors Council
- Maya Tskitishvili, Vice-Prime Minister, Minister of Regional Development and Infrastructure
- Giorgi Kobulia, Minister of Economy and Sustainable Development
- Ivane Matchavariani, Minister of Finance
- Levan Davitashvili, Minister of Agriculture
- Irakli Lekvinadze, Business Ombudsman of Georgia
- Michael Cowgill, President, American Chamber of Georgia
- George Chirakadze, Chairman, Business Association of Georgia
- Nino Chikovani, President, Georgian Chamber of Commerce and Industry
- Christopher Schlueter, Chairman, EU-Georgia Business Council
- Fady Asly, Chairman, International Chamber of Commerce Georgia
- Jan Van Bilsen, Regional Manager for Caucasus, IFC
- Bruno Balvanera, Director for Caucasus, Moldova and Belarus, EBRD
- Mariam Megvinetukhutsesi, Head of IC Secretariat

Invited Guests:

- Thea Tsulukiani, Minister of Justice
- Tamila Barkalaia, Deputy Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia
- Justin McKenzie Smith, Ambassador of the UK to Georgia
- Irakli Aslanishvili, Executive Director, Business Association of Georgia
- Giorgi Kacharava, Executive Director, EU-Georgia Business Council
- George Welton, Executive Director, American Chamber of Commerce
- Zurab Katchkatchishvili, Executive Director, International Chamber of Commerce
- Beka Injia, Legal Counsel, Georgian Chamber of Commerce and Industry
- Loretta Martikian, Communications, EBRD
- George Jugeli, Legal Expert, Investors Council Secretariat
- Zurab Dznelashvili, Business Ombudsman's office

Opening Remarks by the Prime Minister:

Mamuka Bakhtadze, Prime Minister in his opening remarks:

- Welcomed the attendees,
- Touched upon the important role the Investors Council has played to date,
- Expressed his desire that the Council, apart from the role it has played, become more engaged in increasing Georgia's visibility vis-à-vis Foreign Investors
- Provided the brief update on the economic performance,
- Announced that the Government are planning initiatives to make investing in Georgia even more attractive for foreign investors.
- Provided an update on the cabinet's views on making Georgia more attractive for FDI and invited the council members to engage with the Government on this topic, requesting the businesses to share their views and opinions with the Government.
- Covered briefly his trip to the US, and the plans for further strengthening economic relations with the US.
- Reviewed risks associated with the deterioration of economic situation in the region.
- Stressed the importance of education as one of country's priorities.

George Kobulia, Minister of Economy and Sustainable development

- Commented on the potential effects of deteriorated economic situation in Turkey, explaining that there are no major threats to Georgia's economic performance from Lira devaluation in the medium term

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Welcomed the Prime Minister as the Chair of the Council, and the other new members of the Cabinet and the Council,
- Talked about the Council's role, its functions and tasks, its engagement with various government and legislative bodies, and donors for support of the country's reforms, as well as about the Council being an open and transparent platform with information on the work of the Council, its meetings and working group engagements being open to the public.

Mamuka Bakhtadze, Prime Minister:

- Invited the members for introductory Q and A

George Chirakadze, Chairman, Business Association of Georgia

- Acknowledged the PM's views about the importance of education for the country as one of country's priorities. Stressed the need to develop human capital in order to make Georgia more attractive for businesses. Compared Georgia to some of its neighboring competitors, where supply of both professional staff and skilled labor is much more attractive. Thus underlining the need for human resource development.

Prime Minister

- Stated that the Government's aim is to improve the human capital index by 20% as an ultimate goal, which would allow the country to eliminate poverty. Spoke about the ways to achieve this in the short term by developing and scaling up vocational education and in the long term through

the reform of the entire education system. With the aim for the expenditure in the education sector from both public and private sectors to reach 10-11% of GDP.

Michael Cowgill, President, American Chamber of Georgia

- Stressed importance of engagement of the private sector in the dialogue with the relevant government authorities on education.

Prime Minister

- Responded that the new minister of Education will organize a meeting with the businesses to develop relationship with them during the course of this month.

Fady Asly, Chairman, International Chamber of Commerce Georgia

- Welcomed the Government's desire to make Georgia more attractive for FDI. Commented on problems for certain groups of investors, especially small and medium size investors, to obtain residence permits in Georgia. Underlined the importance of having transparent rules for investors to obtain residence permits in Georgia, and proposed having a one-stop shop for screening foreign investors, as well as for the investor after care.

Progress on decisions of the previous IC meeting dated 6th September 2017

1. Judicial Reform:

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Explained why the initiative of the Ministry of Justice on the establishment of commercial chambers is so important for the country
- Covered the most critical aspects of the proposed reform for establishment of chambers to be decided and discussed with public: jurisdiction of the chambers, committee membership for selection of judges, management and oversight of the chambers.
- Thanked ambassador Justin McKenzie Smith for his personal involvement and support of the project
- Asked minister Thea Tsulukiani to give an update on the status of the reform

Update by Thea Tsulukiani, Minister of Justice

- Thanked the UK ambassador, for his personal involvement in supporting the reform through the UK GGF technical assistance project.
- Updated the audience that drafting process of the amendments was finalized end of spring 2018 and discussions within the MOJ and the High Council of Justice are expected to end by the end of October
- Pledged to have full scale public discussion process with all interested parties including the business associations before presenting the draft to the Parliament
- Expressed her hope to see the law adopted by the end of this year

Comments:

Mamuka Bakhtadze, Prime Minister:

- Added that introducing English language within the court system would be a very important priority

Justin McKenzie Smith, Ambassador of the UK to Georgia:

- Expressed his continued support towards Investors Council and priorities identified by the Council
- Stated that UK's support has to be led by the Government's priorities, in order for the projects to succeed.

George Chirakadze, Chairman, Business Association of Georgia:

- Underlined that the establishment of commercial chambers is very important for business
- Expressed the readiness of BAG to start the process of discussions immediately upon availability of the draft legislation.

Michael Cowgill, President, American Chamber of Georgia:

- Added that overall further reform of Judiciary is also necessary, particularly in the governance, the issues of disciplinary and accountability of judges.

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

- Underlined EBRD's full support for the proposed Judicial Reform Project.
- Confirmed EBRD's readiness for training of the new judge's technical assistance program.

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Stated that once draft becomes public ICS hopes to play a significant role in organizing public private dialog with all stakeholders.
- Reiterated how important it is to have a structured and organized policy dialog on this particular issue and to have public discussions of the draft because of its sensitivity and because of so much criticism that justice system has been taking up.

Decision:

ICS will continue coordinating efforts of various donor organizations to support the Commercial and Tax Chambers project. ICS working group will continue close engagement with the project team in order to ensure that the public/private dialogue is effective and ongoing.

2. Organic Law on Agricultural Land

Presenter: Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

Main Points:

- Stated that it is alarming for agricultural sector and for general investors that exist and will want to consider investing in Georgia to have retroactivity clause in the draft of the new law.
- Requested to add transparency of the criteria for exceptions, to avoid confusion, favoritism, contemplations about vested interests, corruption etc.
- Expressed readiness to request the British Government to provide funds to bring high level experts to look at the final draft before it's been provided to the Parliament for approval

Comments:

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

- Stated that it was important to complete working on the issue of agricultural land as quickly as and as responsibly as possible.

Christopher Schlueter, Chairman, EU-Georgia Business Council:

- Added the endorsement of EUGBC to the urgency of this issue

Levan Davitashvili, Minister of Agriculture:

- Expressed full support of MOA of the proposal about the removal of the retroactive effect of this law
- Stated that there is an understanding with parliamentary committee about the removal of the retroactivity clause
- Agreed on necessity to have transparent pre-agreed criteria for exceptions.

Decision:

ICS continue discussions with the MOA and the Parliamentary Committee.

3. Temporary EU Employment for Georgian Citizens

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Advised that this issue was tabled by EUGBC and asked Christopher to give an update

Presenter: Christopher Schlueter, Chairman, EU-Georgia Business Council

Main Points:

- The decision made at previous Investors Council meeting on the temporary EU employment a working group was formed
- In July the working group developed simple recommendations which was to establish respective division within the labor policy department of the ministry of Labor, Health and Social Affairs of Georgia
- Emphasized recent progress of cooperation with Poland in the field of temporary legal employment, nearly 30 Georgian citizens have been employed in Poland via IOM
- Circular migration agreement has good probability of being signed by the end of this year, when established it will become the first agreement in force between Georgia and an EU member state
- Further conversations are ongoing with the number of European countries: Norway, Sweden, Finland, Lithuania, Spain, Portugal and Hungary

Mamuka Bakhtadze, Prime Minister:

- Thanked Mr. Schlueter and offered full support to further promote the initiative

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Requested the Ministry of Finance to consider allocating an adequate budget to establishment of the unit

Decision:

The Ministry of Finance will look into this important issue, allocating budget for establishment of the unit

4. Insolvency Reform

Presenter: George Jugeli, Legal Expert, Investors Council Secretariat:

Main Points:

- This is yet another very important initiative led by Ministry of Justice, Ministry of Finance and Ministry of Economy, which has already resulted in a comprehensive new draft, it's now called "draft law on rehabilitation and collective satisfaction of creditors" and effort was supported by GIZ in cooperation with USAID-G4G
- Draft aims at the improvement of the existing insolvency practice among others by creating modernized system in which the creditors are collectively satisfied and addresses concerns currently faced by both the secured and unsecured creditors
- Draft also provides for distribution of assets in more reasonable manner, addresses a very important issue of tax obligations, draft also specifies the role of National Enforcement Bureau in insolvency proceedings to give more opportunities to private sector
- Another significant novelty of the draft is introduction of a completely new procedure for financially distressed corporate debtors, it calls company voluntary arrangement (CVA) and it is mainly modeled on the UK example, which gives a great deal of flexibility to debtors to renegotiate existing obligations with creditors with minimal court oversight
- Considering all this we believe that the draft will be significant step forward for Georgian insolvency practice providing more flexibility and certainty to all practitioners including debtors, creditors, insolvency practitioners and courts

Mamuka Bakhtadze, Prime Minister:

- Thanked everybody who was working on this important legislation and stated that there is need for similar new legislation for individuals as well

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Expressed hope to have this law as part of the law in action

Proposed new Issues:

- **Establishment of a financial services sector working group**

Prime Minister accepted the proposal regarding establishment of such a working group within the Council, which will have representatives from the Government, the National Bank, the businesses and the financial sector

- **Engagement in the Education Sector**

The IC will organize a working group to start discussions with the ministry of education on possible co-operation between the businesses and the government to support this most critical reform in the country.

Changes in the procedures and the composition of the Council

Mariam Megvinetukhutsesi, Head of Investors Council Secretariat:

- Announced the new member of ICS the Embassy of UK in Georgia to be formalized before the next IC meeting, also
- Added that ICS will be adding two business association rotational members for the sake of Inclusivity and further transparency of the Council.

It was agreed that next meeting will take place in mid-December 2018

Agenda of the next meeting among other issues will include:

1. New Law on Investment Funds
2. Changes in the procedures and the composition of the Council.
3. Status of granting the residency permits and proposed changes to the legislation
4. New custom tax legislation draft
5. Engagement with the Ministry of Education

Mamuka Bakhtadze

Chair of Investors Council

Mariam Megvinetukhutsesi

Head of IC Secretariat