

April 21, 2020



**EU-Georgia Business Council's
recommendations
to the Government of Georgia
for the development of specific business sectors**

Outbreak of “COVID 19”, associated with long-term challenges both in economics and healthcare, will inevitably change the world's political and economic rules.

According to the leading states’ statements, Euro-Atlantic-Chinese crisis might emerge, where the political approaches of the US and the EU will play an important role.

From our viewpoint, the economic crisis which actually threatens to each state, will last for 2-3 years and create new challenges and opportunities. Consequently, one of the outcomes of the “COVID 19”, is that the world's leading states have already begun preparations to take out own plants from China. So-called productions’ migration process will be difficult and time consuming.

Taking into account our country’s economic challenges, the years 2020-21 will be the most difficult period for business development and the Georgian Government and Georgian companies have to make significant efforts for the involvement in new economic processes.

We offer to the Government 3 directions that will be important for involvement in this process; as well as, intensification of bilateral economic cooperation and presenting new investment packages to:

- **EU member states**

- **US**
- **China**
- **Countries in the region (including Central Asian countries)**

For the Government's effective actions first of all, we deem it necessary to establish a "Business Development Council", composed only with limited members:

- Prime Minister;
- Minister of Infrastructure;
- Minister of Economy;
- Minister of Finance;
- Minister of Agriculture;
- Minister of Foreign Affairs;
- Minister of Health;
- Head of the National Bank;
- Business Ombudsman;
- Representatives of three non-governmental organizations, in cooperation with the government team, will provide a sort of monitoring mission to the council.

For the purposes of full monitoring and coordination, by the decision of the Prime Minister, "COVID 19" Fund should be subordinated to the "Business Development Council", which shall accumulate all financial assistances from international financial organizations, as well as from the European Union, other donors and local businesses.

It is also important for the Government to consider the possibility to divert to "COVID 19" Fund targeted grants aimed for Business Development and Support obtained from donors.

As for the process of spending of this fund, it should be absolutely transparent to the Business society. From our viewpoint, the "Business Development Council" should take full responsibility for the management of fund's expenditures.

The above-mentioned Council's action plan should be designed according to the time and challenges. Our offer to the Government is to focus at the initial stage on attracting foreign companies, as well as encouraging and supporting local investors in three following three sectors:

- **Pharmaceutical;**
- **Textile and apparel;**
- **Greenhouses.**

It should be emphasized that, according to the Government’s consideration, new direction might be added to the above-mentioned sectors.

We believe that it is of utmost importance within two months to arrange in all three sectors, the following:

- **Full inventory of enterprises/farms in Georgia;**
- **Precise data on labor resources and production capacities should be prepared in close communication with the heads of enterprises;**
- **Discussion within round table or online format (at least three discussions-hearings) with representatives of all three sectors in a separate format, involving sectorial associations.**
- **Following these discussions, preparing specific investment projects in the following directions:**
 - ✓ **Expansion and re-equipment of existing companies;**
 - ✓ **Establishment of new joint ventures with foreign partners;**
 - ✓ **Establishment of foreign subsidiaries in our country;**
 - ✓ **Particular emphasis should be placed on free industrial zones in Georgia, through which we can increase the interest of foreign partners;**
 - ✓ **Vocational training according to sectors.**

Naturally, the following advantages of starting activities in Georgia should be indicated during elaboration of investment projects:

- ✓ **Preferential trade regimes;**
- ✓ **Relatively cheap labor;**
- ✓ **Leading positions of the country in various international rankings;**
- ✓ **Country’s perspectives for becoming logistics hub**
- ✓ **Other mechanisms of state support (see below, p. 6)**

Pharmaceutical sector

The current situation has made it clear that the pharmaceutical sector has the biggest challenge in the world, including in those countries that have been dominant and have played a significant role in pharmaceutical production. Accordingly, “Business Development Council” should consider the importance of sector development and prepare a support package in the near future, which will

enable pharmaceutical production to secure a small but important segment in this global process.

Within the framework of the above-mentioned inventory of the pharmaceutical sector, it is necessary to make a full list of the existing technologies, the possibilities of pharmaceutical production.

Respectively, as mentioned above, it is vital to arrange the meeting of “Business Development Council” with pharmaceutical sector representatives, Georgian Pharmacists Association, and considering their opinion should be elaborated action plan including offer to those foreign companies, which have essential share in this sector.

It should also be noted the necessity with the joint efforts of the Government and the Private sector for development and implementation in the nearest future a step-by-step plan for compliance with the GMP standards. *Mandatory standardization as of 2022 and the absence of a roadmap to meet the standard will prevent of GEL 70 million planned Georgian investment in new, international standard pharmaceutical companies;*

Textile and apparel

In order to promote the rapid development of the textile and apparel industries, the most important issue is readiness of carrying out of large-scale orders, both in terms of joining the efforts of existing enterprises, as well as prompt creation of additional capacities.

Many emigrants have returned to Georgia in recent months, in addition, many people have lost their jobs. Consequently, some labor resources have emerged, so in case of vocational training, it will be possible to employ this people in textile factories. Vocational training in this area can be provided with the support of state, private sector and donors.

In this sector, as mentioned above, it is necessary to create a comprehensive database.

Full inventory of the existing enterprises and study of the opportunities will allow us to know exactly the prospects for the development of the textile and

apparel sector. The sector is desirable to meet the orders of foreign companies, as well as orders of the state.

Greenhouses Development

Special attention should be paid to the development of greenhouses through European (for example, Dutch) knowledge and technologies. *In this regard, it is important to have proper and timely communication with the various donors for the purposes of request of enlargement of support/projects.*

It is necessary to hire a group of Dutch experts in the field of greenhouse farming to develop for training and development an action plan for local entrepreneurs, which should be supported by appropriate grants and programs. It should also be taken into account that due to Georgia's climatic conditions the project will be successful according to all preconditions.

Business Development Council's Action Plan

At the outset, Business Development Council needs to elaborate six-month new communication plan for bilateral economic cooperation with EU member states, the US, as well as a number of countries of the Region and Asia. We consider that, three types of activities should be carried out:

- 1. Communication of the Prime Minister, Ministers of Economy and Foreign Affairs (by telephone; after the lifting of restrictions within the framework of visits) with colleagues from partner countries;**
- 2. Officially submitting Georgian side's cooperation proposals signed by the Prime Minister;**
- 3. Communication with around 10-15 companies/potential investors by sectors in each country. Depending on our priority, we may offer to the partner countries on one or two interested sectors for cooperation.**

The investment package signed by Prime Minister, which will be presented to foreign partners, should provide full Governmental support for these sectors, including:

- ✓ **Transfer of relevant land for 1 GEL for 25 years on conditions of investment obligations;**
- ✓ **Access to finance (support for state programs, credit guarantee mechanism, partnership fund co-financing etc.);**
- ✓ **Vocational training support;**
- ✓ **Tax benefits;**
- ✓ **Infrastructure development to the site**

In the process of negotiations with foreign investors, we consider that one of the preconditions should be maximum possible employment of the Georgian citizens.

In terms of access to finance, in addition to the above-mentioned already existing formats, the “Business Development Council” should support the development of these sectors in two directions, namely:

- 1. Allocation of state grants, as well as through active consultations with donors and effective coordination of their programs, allocation of additional grants to all three sectors according to the necessity, which should be arranged after consultations with the representatives of the sectors.**
- 2. The removal of loan restrictions for at least 1 year by the National Bank so that commercial banks themselves can determine the amount and type of currency to be issued, it is also important to set an annual interest rate upper limit for the loan.**

In case of the Government’s interest in the above-mentioned recommendations, EU-Georgia Business Council expresses its readiness to participate in the discussion of this document.



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