

Flash Report 01 June 2020

Report on the meeting of the European Ambassador and the members of the European Business Association on 21 May 2020.

 **European Business Association Georgia** ...
Posted by Nini Ushikishvili
22 May at 10:02 · 🌐

On May 21, members of the European Business Association held an online meeting with EU Ambassador to Georgia Carl Hartzel to discuss the impact of Coronavirus on business.

#EBAMembers



“A friend in need is a friend indeed” was the theme of the EU Ambassador to Georgia Carl Hartzel’s initial address to the online Zoom meeting with 70 members of the European Business Association, members of the European diplomatic corps and invited guests.

The Ambassador noted that he was personally very proud that the European Union was able to move as fast as it did in the early stages of the crisis in order to lend a hand and work side by side with this Government and as he said in his May 9th speech a friend in need is a friend indeed and the EU has proven so far that they are friends indeed vis-à-vis Georgia. This would not have been possible if they had not seen a credible and robust response from the side of the Georgian Government with regard to the health crisis but noted that Georgia also had a good starting point on the economic side which allowed the EU with the World Bank, IMF and many others to engage very rapidly and constructively with the Government of Georgia and other partners to also set the economic packages that are being implemented. The starting point is not bad, although of course the situation is already hard for many and will require many more months of hard work to see through.

Over the last two months three important support packages that have been initiated. About 250 million euros have been allocated for Georgia in the form of grants. These are new grants and new funding.

In addition to strengthened the partnership with civil society to support the most vulnerable groups and 70 million Euro for SMEs, the Council of the European Union on Wednesday 20th May, approved 150 million Euro for macro-financial support. In rough numbers, the European Union is putting on the table about 1.5 billion lari for Georgia.

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The Ambassador did not want to make comparisons because the EU is a global player who doesn't want to make comparisons between countries, but noted that for one total population, Georgia has one of the highest levels EU support per capita in the world. This is a great achievement of the Georgian government and people.

The Ambassador then highlighted the following issues of relevance to business here in Georgia, the main themes on which they are working:

- Finance to business
- Assistance to Government and its anti-crisis economic plan.
- Economic revival in the regions in particular the tourism sector which is now much more in the forefront and a part of the public debate.
- How the EU is dealing with economic irritants and trying to kick-start the recovery
- Reforms in the pipeline being negotiated for the MFA and the Resilience Contract.



Concerning reforms:

- The Ambassador noted that European Business Association has been very much involved in competition law organising seminars and conference. The EU hope to push though the draft amendments that are there including merger control, the use of dominant position and investigative powers. They hope to see that this piece of legislation will move before the end of this year.
- Public procurement and government tenders. The EU understands that many local businesses are pushing for this for a long time and the EU is committed and hope to see progress as part of their overall negotiations to include the setting up of an independent and impartial dispute resolution board to give possibilities of redressing where one party is at a disadvantage.
- Anti-Corruption is a long term interest of the EU to protect EU taxpayers and to make Georgia an even more attractive place for investors. It is even more important now because of the exception assistance being given including direct budgetary support.
- The EU is happy to see the setting up and nurturing of the State Employment Agency and occupational health and safety and the labour code are subjects of negotiation and the EU are interested in our views as to priorities and what should be included in the memorandums of understanding

Following the Ambassadors opening, a panel of EBA companies outlined the problems facing their sectors:

Speaker	Organisation	Sector	Subject	Summary
Giorgi Gogoladze	<p>DBF Deutsche Basalt Faser GmbH</p>  <p>Website: https://www.deutsche-basalt-faser.de/ Country of Origin: Germany</p>	<p>Construction Industry Composite Industry Automotive Industry</p>	<p>Finance Tenders and DCFTA</p>	<p>Live example of German and Georgian SME Cooperation: 1: No long term financing in Georgia for SME manufacturers. 2: Government construction projects Importing low quality building materials from China and Russia rather than using Georgian made high quality, ecologically clean products.</p>
Torsten Weller	<p>Hilton Batumi</p>  <p>Website: www.batumi.hilton.com Country of Origin: Georgia</p>	<p>Hospitality</p>	<p>Tourism and Vocational Training</p>	<p>Germany has a good vocational training system and Hilton with educational partners in Batumi has implemented over 25 successful exams using a dual “theory and practical” system. Occupation rates will be low after crisis but must get students back now to ensure more agility and effectiveness in the future.</p>
Valeri Chekheria	<p>Adjara Group</p>  <p>Website: https://adjaragroup.com Country of Origin: Georgia</p>	<p>Hospitality, Agriculture</p>	<p>Tourism</p>	<p>Tourism, in particular eco-tourism has a great future in Georgia and the group are investing in the regions, but need access to IFI financing as local bank charges are too high and not competitive. It is necessary to keep tourism as a priority even as IFI focus moves Ag and Medical sectors.</p>
Alex Matua	<p>ProCredit Bank</p>  <p>Website: www.procreditbank.ge Country of Origin: Germany</p>	<p>Banking</p>	<p>Access to Finance and SMEs</p>	<p>Capital Requirements are sufficient following a 900 million lari provision for the sector in March. ProCredit has German Shareholder support. Liquidity across Lari, Euro and Dollar requirements is sufficient. Risk has increased in Tourism and Construction sectors and moratorium in place. They are focused on the SME sector and see demand rising.</p>

<p>Archil Bakuradze</p>	<p>MFO Crystal</p>  <p>Website: https://ir.crystal.ge/ Country of Origin: Georgia</p>	<p>Microfinance</p>	<p>Access to Finance and SMEs</p>	<p>Microfinance sector important because it serves 1/3 of the population. Crystal alone serves 10% of the population, mainly in the regions. 40 farming customers, 1/3 of customer base which is now seen as a strength post COVID-19. As a result of the crisis they see a lot of Georgians returning from abroad to Georgia and many businesses relocating to the regions. 60% of customers report reduces revenues 12% collapse of revenue. 15 to 20% of loans may become non-performing but 50% of loans require no restructuring at all. See effect of crisis lasting 12 to 18 months with Georgian economy emerging stronger due to increase in entrepreneurship.</p>
<p>Baris Ataeli</p>	<p>Bureau Veritas Georgia</p>  <p>Website: https://group.bureauveritas.com/ Country of Origin: France</p>	<p>Consulting, HSE</p>	<p>Veritas is Standards, Certification and Safety</p>	<p>Company provide certification in Quality, Health & Safety, Environmental Protection and Social Responsibility and started protection procedures across the Group based on its experience in China. Now particularly involved in hospitality sector and recently announced a return to business standard with the French Group Accor: https://group.bureauveritas.com/newsroom/accor-and-bureau-veritas-launch-label-support-return-business Noted that Georgia still has many soviet standards in place but they are providing European certification and standards.</p>
<p>Maia Mikava</p>	<p>Association for Agriculture Development</p>  <p>Website: http://afad.org.ge Country of Origin: Georgia</p>	<p>Agriculture</p>	<p>Agriculture and Regional Development</p>	<p>Focusing on the Samegrelo-Zemo Svaneti region and the large scale export of Hazelnuts. There is a need for more financial support for the SME involved in the exports of Hazelnuts to Europe to maintain sustainability through the crisis. Noted that more investment is needed from donors for the tourism sector in the region and thanked the EU for its support its ongoing support in the region.</p>
<p>Irina Sak</p>	<p>Publicis Groupe Georgia</p>  <p>Website: http://www.publicis.com/ Country of Origin: France</p>	<p>Advertising</p>	<p>Public Relations and Advertising</p>	<p>Important to focus on transparent information. World Bank, EIB and EBRD are providing huge funding to Georgia for the crisis but SME sector has an absence of information and an absence of finance. For example TBC said they had no programs for SMEs and offered 24% to 26% interest on short term loans. Publicis considers better digital communication strategies for Georgia and between the business sector and the EU is important and EBA is an ideal vehicle.</p>

Paata Lomadze	<p>GPI Holding</p>  <p>Website: www.gpih.ge Country of Origin: Austria</p>	Insurance	Insurance	Several thousand jobs could be created quickly if the mandatory motor insurance legislation that was due to be introduced in 2019 could be moved through Parliament. Only 6% of cars are insured in Georgia. This would boost the industry at this critical time and the companies are ready to invest in the regions and in training now.
Roman Bokeria	<p>Georgian Airways</p>  <p>Website: https://www.georgian-airways.com/ Country of Origin: Georgia</p>	Aviation	Aviation Business	Since March 20 th all regular flights have been suspended. The company have conducted 33 special flights and repatriated over 3,000 Georgian citizens safely and no pilots or crew have contracted COVID-19. Georgian Airways are ready to restart the tourists flights, however as in all European counties Government support is required if bankruptcy is to be avoided.

Conclusion

All sectors of the Georgian economy face significant challenges post COVID-19 and the EU Assistance received to date and planned is of vital importance to restarting the economy. There is increased awareness in the European Union as both a strong international friend and partner to Georgia, but also as an economic opportunity.

John Braeckveldt

Chair

European Business Association Georgia