



USAID
FROM THE AMERICAN PEOPLE

The USAID Economic Governance Program



Institute for Development
of Freedom of Information

ASSESSMENT OF THE QUALITY OF PUBLIC-PRIVATE DIALOGUE IN DRAFTING NORMATIVE ACTS

2020-2021

INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
THE USAID ECONOMIC GOVERNANCE PROGRAM GRANT:
PROMOTING PPD IN GEORGIA THROUGH MONITORING AND
AWARENESS RAISING

MAY 25, 2022

Note: This report was made possible with the support of the American people through USAID. The views expressed in this document do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

ASSESSMENT OF THE QUALITY OF PUBLIC-
PRIVATE DIALOGUE IN DRAFTING
NORMATIVE ACTS, 2020-2021

MAY 25, 2022

INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
THE USAID ECONOMIC GOVERNANCE PROGRAM GRANT:
PROMOTING PPD IN GEORGIA THROUGH MONITORING AND
AWARENESS RAISING

AUTHORS

GIVI ADEISHVILI

MARIAM SAGHAREISHVILI



The USAID Economic Governance Program



Note: *This report was made possible with the support of the American people through USAID. The views expressed in this document do not necessarily reflect the views of the United States Agency for International Development or the United States Government.*

ACRONYMS

DCFTA	DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT
GIZ	THE GERMAN SOCIETY FOR INTERNATIONAL COOPERATION
GNERC	GEORGIAN NATIONAL ENERGY AND WATER REGULATORY COMMISSION
IDFI	INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
RIA	REGULATORY IMPACT ASSESSMENT
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT



TABLE OF CONTENTS

INTRODUCTION	01
METHODOLOGY	02
MAIN FINDINGS	04
RECOMMENDATIONS	06
RATING OF LEGISLATIVE AND LOCAL SELF-GOVERNMENT NORMATIVE ACTS	08
ASSESSMENT	11
APPENDIX I: REFERENCES	36

INTRODUCTION

Cooperation between the public and private sectors is of crucial importance for the timely and effective resolution of economic challenges facing the country. The public-private dialogue will facilitate the development of inclusive, evidence-based policies and legislation. It also ensures the effective enforcement of normative acts.

The purpose of this report is to assess the quality of involvement of the private sector in the drafting of laws and regulations having a significant economic impact. The report includes an assessment of the quality of dialogue between the public and private sectors in the process of drafting 18 laws and regulations adopted between January 2020 and September 2021. 8 laws and 8 subordinate normative acts were selected for evaluation at the central level, along with 2 normative acts adopted by local self-government bodies. The selected municipalities were Ozurgeti and Zugdidi.



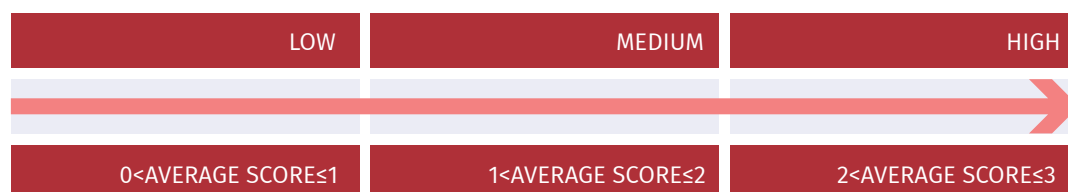
METHODOLOGY

The report assesses the quality of involvement of the private sector in the preparation of normative acts of significant socio-economic impact. The study covers the period before the initiation of a normative act in the legislative body. For the purposes of the study, the private sector is defined as consisting of stakeholders, e.g., business, civil society, academic and expert communities, representatives of research and international organizations.

The evaluation of the quality of dialogue in the preparation of laws is based on four pre-defined stages of policy development: Development of the general policy directions, the draft text development stage, dissemination of information and receiving feedback from the public, and ex-ante regulatory impact assessment.

-  **Development of the general policy directions:** at this stage, the involvement of the private sector in the initial policy development process is assessed. Additionally, the concept of the bill is prepared and the basic principles are agreed upon, although the preparation of the text of the bill has not yet begun;
-  **The draft text development stage:** at this stage, the involvement of the private sector in the process of drafting the text of the bill is assessed;
-  **Dissemination of information and receiving feedback from the public:** at this stage, the efforts of the authors of the bill to make the planned legislative reform and changes in the legislative act public and to disseminate information among the private sector and the general public; The effectiveness and quality of the steps taken to receive feedback from the public is also assessed.
-  **Ex-ante regulatory impact assessment (RIA):** at this stage, the existence of regulatory impact assessment related to the law and the involvement of the private sector are assessed.

Each stage consists of 6-7 subcomponents rated on a scale of 0 to 3. Initially, the average of each stage is calculated on a scale of 0 to 3. The final evaluation score, on the other hand, is the score of the 4 stages averaged on a scale of 0 to 3. For public-private dialogue, quality is assessed in the following way:

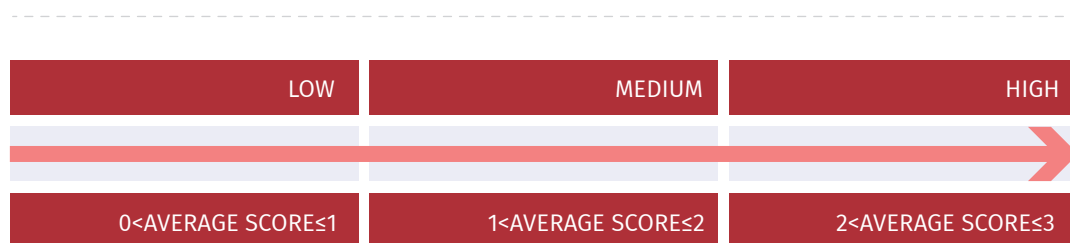


Assessment of the quality of dialogue in the preparation of subordinate normative acts / normative acts of local self-government bodies is based on three pre-defined stages of policy development:

- > Development of the general policy directions;
- > The draft text development stage;
- > Dissemination of information and receiving feedback from the public.

Note: The fourth component, the ex-ante regulatory impact assessment, is considered a bonus and is not a key component of the assessment.

Each stage consists of 6-7 subcomponents rated on a scale of 0 to 3. Initially, the average of each stage is calculated on a scale of 0 to 3. **The final evaluation score, on the other hand, is the score of the 3 stages averaged on a scale of 0 to 3. In the presence of a regulatory impact assessment, the final assessment score is the score of 4 stages averaged on a scale of 0 to 3.** For public-private dialogue, quality is assessed in the following way:



The average score for laws and subordinate normative acts is the arithmetic mean of the final score.

To assess the quality of the public-private dialogue, the project team conducted 63 interviews with the authors of the legislative acts and representatives of the private sector. A prepared questionnaire, which included the following topics, was used for the interviews: public awareness regarding ongoing reforms, the degree of involvement of the private sector, the involvement of decision-makers in the process, availability of the document to the general public, the involvement of the regional community in the dialogue, the quality and results of commentary and feedback. The project team additionally reviewed documents related to the legislative acts.

Note: The research team examined the degree of involvement of the population living in the region/community in the development of all normative acts, although it is not reflected in the scores of this assessment. In some cases, the specificity of a normative act restricts the involvement of the regional community, and at this stage of the assessment, legislative acts could not be separated on this basis.

MAIN FINDINGS

The survey of the 18 selected normative acts revealed the following findings:

- > The policy development phase is the weakest link in public-private dialogue. Only a third of public agencies ensured comprehensive dialogue with the private sector at the initial stage.
- > Prior to the drafting of almost all normative acts, the representatives of state agencies claimed that they had studied the challenges and/or international best practices in the area. These studies, however, were not formulated as a document and were oftentimes not available to the private sector.
- > The dialogue between the public and private sectors prior to working on the text of a normative act carried a predominantly general character. The public sector would submit conceptual issues to the private sector, while the private sector would limit itself to generalized comments.
- > Public institutions formed working groups with the participation of the private sector only in the process of drafting bills. For example, working groups have been set up in the Investors' Council and the Private Law Reform Advisory Board of the Ministry of Justice.
- > In the case of subordinate normative acts, the initial versions were prepared primarily by public agencies with the assistance of international and local experts, while the representatives of the private sector became involved in the process of discussing the draft version.
- > Public institutions identify representatives of the private sector (mainly companies and NGOs) in advance for the purposes of sharing the text of the normative act and inviting them to discussions.
- > At the stage of working on the text of almost all normative acts, the private sector was involved through sharing commentary and remarks. In many cases, public agencies were open to communication and made decisions accepting/rejecting comments based on communication with the private sector. However, the public entities were less inclined to take into consideration such comments in the cases of several normative acts.
- > In order to ensure publicity, all public institutions have introduced or are in the process of introducing the practice of publishing a draft version of a normative act on their website. Additionally, final versions are sent to the private sector via email.
- > Almost every public agency organized at least one public-private dialogue to discuss the final version of a normative act. Several agencies, however, were notable due to additional, proactive measures.

- > Public institutions used both oral and written methods for receiving feedback. Justifications by the public sector were not always satisfactory for the private sector. In many cases, instead of detailed feedback, the private sector received already updated versions of documents.
- > The private sector positively assessed the openness of the public sector during the review process of normative acts. In some cases, however, it negatively assessed the willingness to take feedback into consideration.
- > Private sector involvement and interest varied by topic. In some cases, despite the proactivity of the public sector, the private sector became more actively involved only after the entry into force of the normative act.
- > Regulatory impact assessments were prepared on three laws and three subordinate normative acts. The main reason for the lack of RIAs was the obligation to approximate Georgian legislation with European legislation. The obligation removed the issue of adoption/non-adoption of a normative act from the agenda.
- > A small number of public institutions held a dialogue between the private and public sectors across the whole country, while the rest was concentrated in Tbilisi. The specifics of a normative act sometimes restrict the ability of the public from the regions to become involved, although normative acts that concern all citizens of the country necessitate that they are kept informed.
- > Decision-makers were involved in the public hearings of all evaluated acts; this could have been senior management or middle management with a decision-making mandate.
- > From the private sector, the stakeholders mainly involved in the dialogue were companies, industry associations, and experts. Academic circles, students were less involved in the dialogue.
- > Existing challenges were analyzed in the selected municipalities based on the results of communication with the local private sector. The private sector was less involved, however, in the process of working on the text of the normative acts of the local self-government body.
- > In municipalities, the documents most often discussed publicly are the draft local budget and its accompanying resolutions, while in the case of other local normative acts, little dialogue is held.
- > The development period of the assessed normative acts varies between 0-8 years.

RECOMMENDATIONS

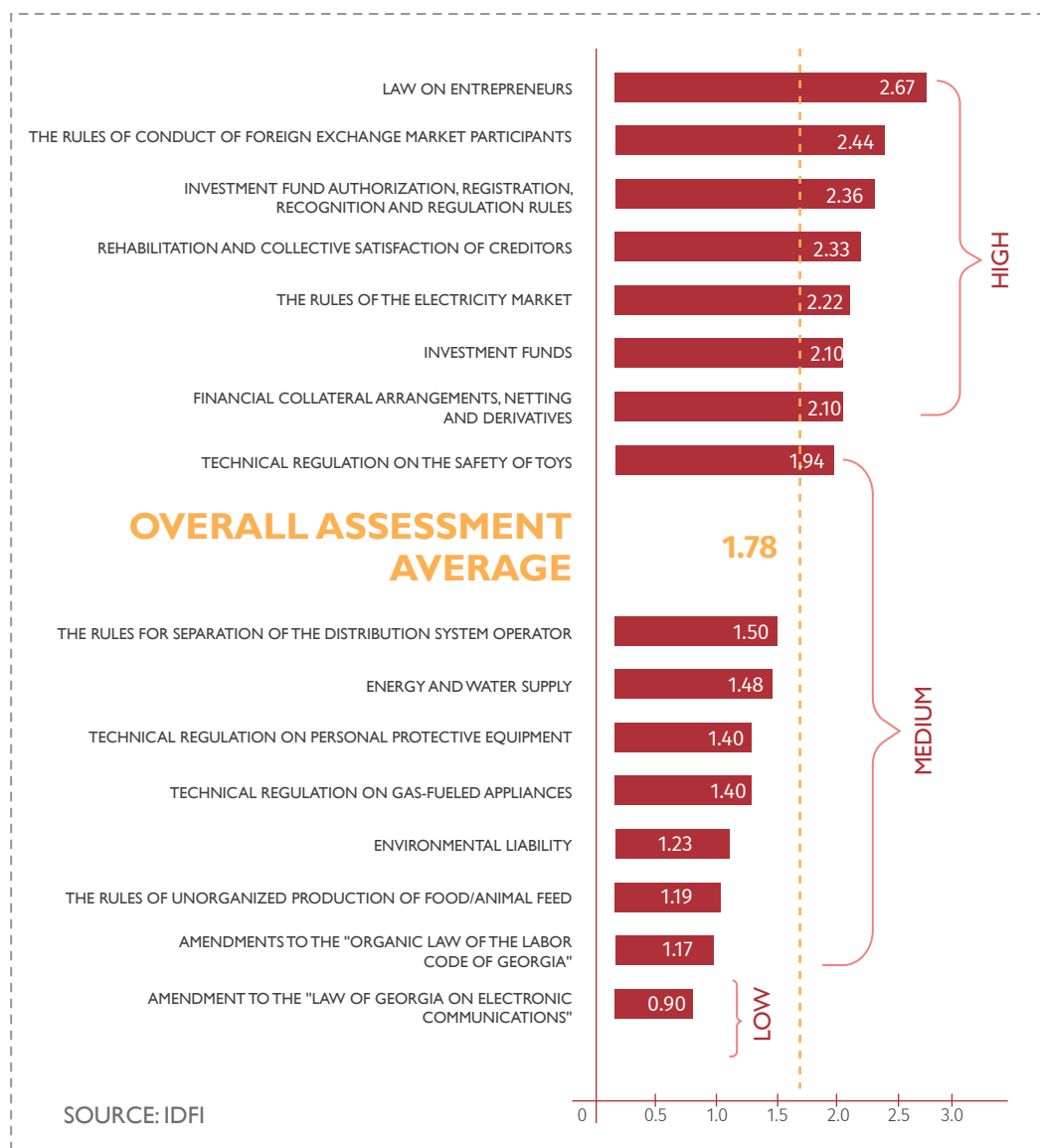
-  The public sector should initiate a dialogue with the private sector at the policy planning stage. Legislative reforms/amendments are often based on the strategic goals of the country, which is why it is important for the private sector to be involved in planning policy and developing strategies and guidelines.
-  It is necessary to assess the regulatory impact of acts that will have a significant socio-economic impact. This also applies to legislation to be harmonized within the framework of the Association Agreement, as the agreement provides for the harmonization of Georgian legislation with European laws, which allows the legislation to be adapted to the Georgian reality.
-  Additionally, the regulatory impact assessment should be prepared prior to working on the text of the normative act so as to establish the basic principles of the normative act based on the RIA.
-  Analytical documents prepared by public institutions (RIA, Problem Analysis Document, surveys of international practice, etc.) should be public and accessible to all representatives of the private sector.
-  In order to ensure inclusivity, at the policy planning stage, public agencies should identify and inform the stakeholders in the private sector that are directly or indirectly affected by the legislative reform/amendments.
-  In order to conduct high-quality dialogue, the public sector should establish working groups with the participation of the public and private sectors, within the framework of which normative acts will be prepared. This will increase the responsibility and accountability of both sides.
-  Public institutions should ensure the existence of a systematized process for receiving comments and feedback.
-  Public agencies should proactively disseminate the final versions of normative acts and ensure awareness among a wide range of the public.
-  Public discussions of normative acts should be held in Tbilisi as well as the regions.

- > The public in regions should be informed about the benefits of public-private dialogue and importance of their participation in it.
- > Awareness of the importance of involvement in dialogue should also be raised among academia, students, experts, and other communities.
- > Normative acts should be prepared within reasonable timeframe so as to avoid waste of time and financial resources.

RATING OF LEGISLATIVE AND LOCAL SELF-GOVERNMENT NORMATIVE ACTS



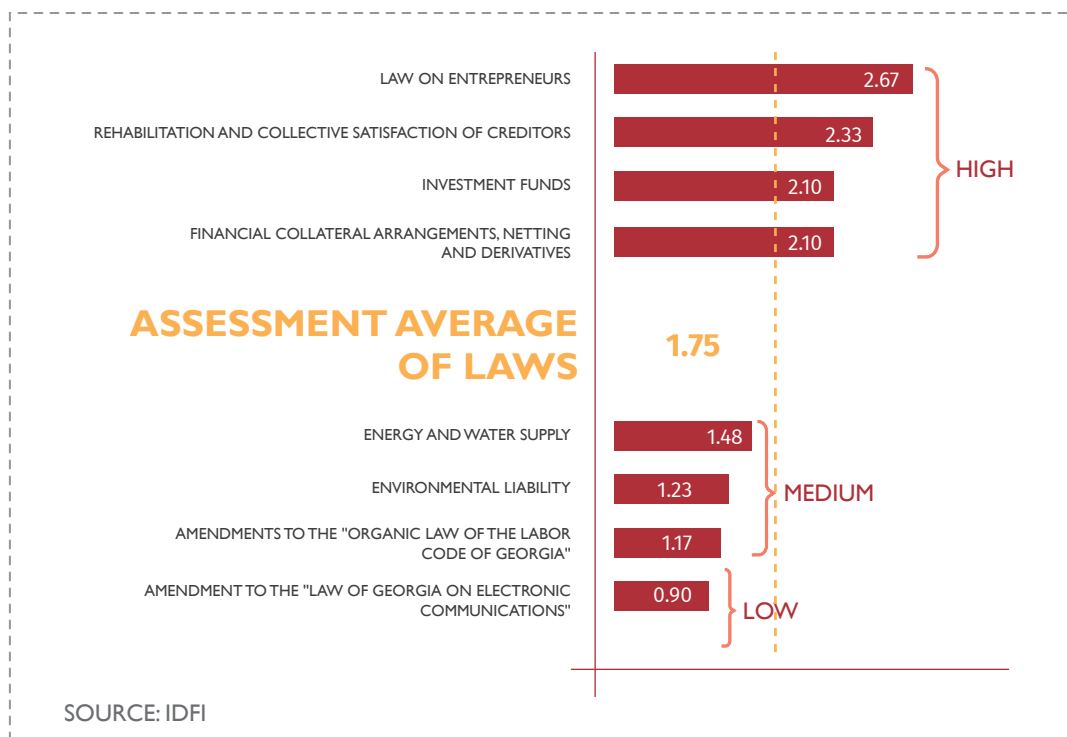
Figure 1: General Rating of Laws/ subordinate normative acts



The total average of laws and subordinate normative acts stands at 1.78.¹ This is considered in the overall medium score as defined by our methodology. Seven of the acts are rated as high, eight as medium, and one as low.

The average score of laws stands at 1.75². This is considered in the overall medium score as defined by our methodology. Four laws were rated as high, three as medium, and one as low. The Law on Entrepreneurs received the highest rating (2.67).

Figure 2: Rating of the laws



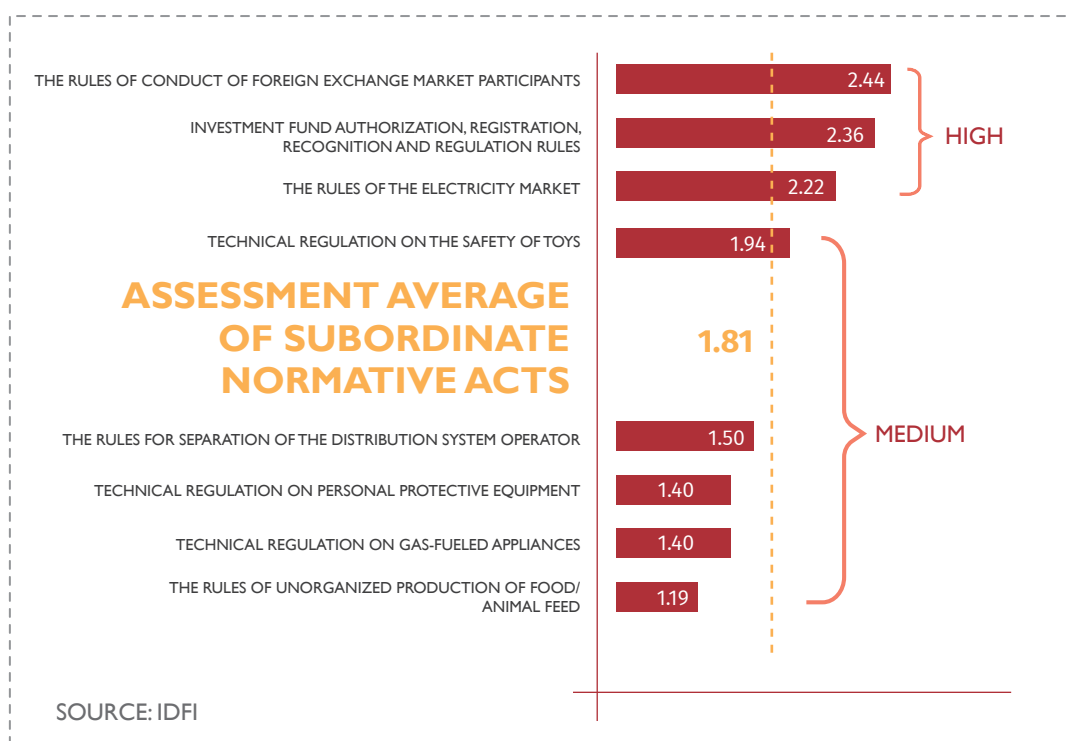
The average rating of subordinate normative acts stands at 1.81³. This is considered in the overall medium score as defined by our methodology. Three subordinate normative acts were assessed as high and five as medium. The subordinate normative act on "Foreign Exchange Market Rules of Procedure" received the highest rating (2.44) among the subordinate normative acts.

¹ The arithmetic mean of the final scores of the acts

² The arithmetic mean of the components

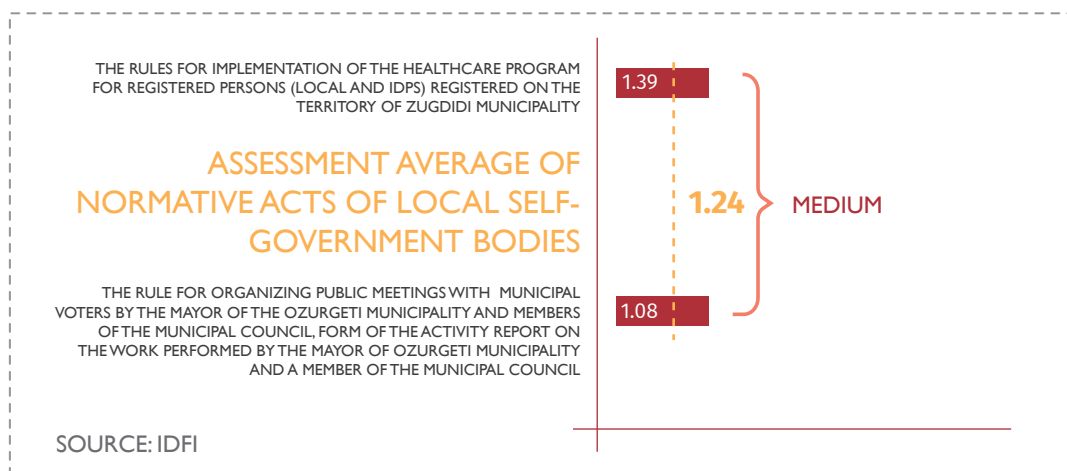
³ The arithmetic mean of the components

Figure 3: Rating of the subordinate normative acts



The average score of local self-government bodies' normative acts stands at 1.24⁴. This is considered in the overall medium score as defined by our methodology.

Figure 4: Rating of normative acts of local self-government bodies



⁴ The arithmetic mean of the components

ASSESSMENT

I. ASSESSMENT OF THE LAWS

Law: on Entrepreneurs Author: Members of the Parliament of Georgia: Mikheil Sarjveladze, Tea Tsulukiani, Shalva Papuashvili Number: 875-V^რბ-^ს03 Date: 02/08/2021	2.67
--	------

INFORMATION ON THE BILL: The need to start working on the new Law on Entrepreneurs arose due to issues left unregulated in the previous law, such as corporate governance, conflict of interest, liquidation and dispute resolution, etc. Additionally, the Association Agreement between Georgia and the European Union called for the harmonization of Georgian legislation with EU corporate law. The new law regulates the legal forms of an entrepreneur, issues related to the establishment, registration, and implementation of activities, and termination of activities.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS The private sector was informed about the need to draft a new Law on Entrepreneurs both due to the association commitments as well as through meetings organized with the support of donor organizations (USAID, GIZ). The meetings discussed the shortcomings of the then current law and the basic principles and objectives of the new law. Additionally, a needs survey was developed by the Ministry of Justice, although the respondents among private sector representatives had no information about this document. No consultations were held in the regions at this stage.	2.5
DRAFT TEXT DEVELOPMENT The initial draft of the bill was developed by a working group set up at the Ministry of Justice. The group also has representation from the private sector. After the initial draft was prepared, a working group composed of representatives of the private sector was formed on the basis of the Investors' Council, during which the	2.7

versions of the draft law were intensively discussed and relevant remarks were prepared. Donor organizations also facilitated the discussion of the bill. The remarks prepared by the private sector on the bill were reviewed by the public agency and a large part of them were taken into account. Respondents stressed the openness of the public sector in the process.	
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final working version of the draft law was available to the general public, published in the Legislative Herald of Georgia. Additionally, several public hearings on the bill took place, although no meetings were held in the regions. Representatives of the private sector voiced their remarks/comments at public hearings, followed by discussions between the public and private sectors. Respondents stressed the readiness and openness of the public sector for communication.	3.0
REGULATORY IMPACT ASSESSMENT The impact of the regulation was assessed in parallel with the work on the bill, before the preparation of the final version. The RIA was prepared by a research organization, while the public and private sectors were involved in interviews and discussions of the RIA. Following the preparation of the RIA, a public hearing was conducted to discuss its results. The document is available to all interested parties.	2.5

Law: on Rehabilitation and Collective Satisfaction of Creditors Author: Ministry of Justice of Georgia Number: 7165-1b Date: 18/09/2020	2.33
---	-------------

INFORMATION ON THE BILL: Georgia has always been at the forefront of the World Bank's Doing Business report, but tackling insolvency remains a major challenge. Eliminating gaps in insolvency proceedings and the creation of incentive mechanisms for rehabilitation is precisely the purpose of this bill. The purpose of the law is to protect the viability of enterprises while protecting the collective rights and interests of creditors. The	
---	--

law additionally defines a new profession as an "insolvency practitioner", which should ensure the improvement of the rehabilitation and bankruptcy process. Work on the bill began in 2016, before which Georgia's insolvency system was assessed several times by international experts in order to identify deficiencies.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS The policy planning phase took place within the framework of the "Promoting the Development of Civil and Administrative Law" project co-sponsored by the GIZ Law Program and the EU. At this stage, a working group composed of representatives of the public and private sectors was set up. Practicing lawyers that were members of the working group analyzed international experience, according to which concepts were developed on a number of issues. These concepts formed the basis of the insolvency bill. The concepts prepared were not available to the general public. The working group met periodically to discuss conceptual issues. The working group prepared comments that were submitted to and discussed with decision-makers. Additional consultations were held with commercial banks and various associations.	2.5
DRAFT TEXT DEVELOPMENT A working group to draft the initial version of the bill was set up in the Interagency Commission on Private Law Reform, the secretariat of which is the Ministry of Justice. The working group was composed of public officials and experts representing the private sector and associations. The process was overseen by foreign experts. A study of international best practices was conducted prior to beginning work on the bill, but the corresponding documents were not publicly available. The working group also developed a list of possible stakeholders who were periodically sent updated versions for feedback and who were invited to workshops. Comments from the private sector were mainly discussed at workshops attended by decision-makers.	2.7
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The working version of the bill was not made public, although it was circulated to pre-identified stakeholders for commentary. Additionally, before the initiation of the bill, the final version was presented to the private sector. Discussions on the	2.5

comments received from the private sector were conducted in the framework of a working group with the involvement of decision-makers.	
REGULATORY IMPACT ASSESSMENT The impact of the regulation was assessed in parallel with the work on the bill, before the preparation of the final version. The RIA was prepared by a research organization, and the public and private sectors were involved in the process through interviews and consultations. No public hearings of the RIA results were held and it was not disseminated in order to receive comments from the private sector. Nevertheless, the final document is available to all interested parties.	1.7

Law: on Investment Funds Author: Ministry of Economy and Sustainable Development of Georgia, National Bank of Georgia Number: 6805-რბ Date: 14/07/2020	2.10
---	-------------

INFORMATION ON THE BILL: A number of vague provisions in the Law on Investment Funds adopted in 2013 were hindering the development of the capital market. Additionally, existing legislation should have been brought closer to European legislation and to the principles established by the International Organization of Securities Commissions. The need for changes in the area of investment funds was mentioned in the "Georgian Capital Market Diagnostic Survey" prepared in 2015 and in the "Capital Market Development Strategy" developed in 2016. Both documents are public and available to interested parties. Consequently, a new law was drafted, aiming to regulate issues related to the establishment, management, and implementation of investments of asset management companies and investment funds.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Stakeholders were informed regarding the expected reform. The public agency analyzed the shortcomings of the previous law and studied international best practice, but a complete analytical document was not developed and made public. At this stage of drafting, the concept of the bill was prepared, which was then	2.3

discussed with the representatives of the private sector within the framework of public-private dialogue. No consultations were held in the regions at this stage.	
DRAFT TEXT DEVELOPMENT A working group composed of representatives of the public and private sectors was set up at the Investors' Council with the aim of preparing a working version of the bill. The working group reviewed the text of the bill on a weekly basis. Working versions were shared with both members of the working group and non-member stakeholders. The public sector received numerous comments from the private sector. Some of the comments were taken into account, and in cases where they were not, reasoned feedback was provided. Respondents noted the readiness and openness of the public sector for communication.	2.8
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC Prior to initiation, the bill was not published on the website, although it was available to all interested representatives of the private sector. Prior to the initiation of the bill, several meetings were held in the format of public-private dialogue. At this stage in the drafting of the bill, there were fewer comments from the private sector, as almost all stakeholders had been involved in the work on the bill and consensus on key issues had been reached. Respondents noted the readiness and openness of the public sector for communication.	2.8
REGULATORY IMPACT ASSESSMENT No regulatory impact assessment document was prepared. The explanatory note contains some information about the possible impact of the bill on the budget. Additionally, the Ministry of Economy developed an incomplete RIA, although it was not available to stakeholders.	0.5

Law: on Financial Collateral Arrangements, Netting and Derivatives Author: National Bank of Georgia Number: 5672-რბ Date: 20/12/2019	2.10
INFORMATION ON THE BILL: The adoption of the law was predicated, on the one hand, on the need to bring Georgian legislation in line with the European directives, and on the other hand, on the goals of promoting the development of financial and capital markets in Georgia. The law introduces new definitions of derivatives, mutual settlement agreements, financial collateral, and financial instruments. The law also provides guarantees for protecting the rights of the parties to the transaction.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Stakeholders were informed of the expected changes, as the National Bank held consultations with representatives of the private sector before beginning work on the project. To analyze existing challenges, the National Bank conducted a survey among private sector representatives by disseminating a special questionnaire. A meeting between the public and private sectors was held with the aim of analyzing existing challenges and getting acquainted with the concept of the bill. The views of the private sector expressed at the meetings were taken into account in the first working version.	2.8
DRAFT TEXT DEVELOPMENT A working group with the participation of the private sector was established at the National Bank, within the framework of which a working version of the draft law was developed and refined extensively. In the process of working on the text, the public sector received numerous comments from the private sector. The comments were mainly discussed in a working group format, where reasons were put forth for various decisions, which were then made by agreement of the parties.	2.7
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final working version was not made public, although it was sent to all interested private sector representatives, and a public hearing was held. At this stage of	2.8

developing the law, comments were almost exhausted as active communication between the public and private sectors was underway while the law was being drafted.	
REGULATORY IMPACT ASSESSMENT	0.2
No regulatory impact assessment document was prepared. The explanatory note contains some information regarding challenges in the existing legislation and the possible impact of the bill on the budget.	

Law: on Energy and Water Supply Author: Energy Community, Ministry of Economy and Sustainable Development of Georgia, Georgian National Energy and Water Regulatory Commission Number: 5646-რბ Date: 20/12/2019	1.48
---	-------------

INFORMATION ON THE BILL:	
Due to Georgia's Association Agreement with the European Union and Georgia's accession to the Charter of the Energy Union in 2017, the Law on Electricity and Natural Gas was replaced by the Law on Energy and Water Supply. The main objectives of the law are to promote free trade and competition in electricity and natural gas, to separate transmission/distribution activities from production/supply, to establish the status of trader and supplier, to increase the mandate of the regulatory commission, and to ensure safe and uninterrupted supply to consumers.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS	1.7
A problem analysis document was not developed. Before starting work on the bill, however, public sector representatives analyzed the European experience in this sector. The private sector was informed about the expected reform from the activities carried out by both the public and the non-governmental sectors. At the initial stage of the implementation of the reform, a meeting was held at the Ministry of Energy, where the basic concepts of the law were introduced to a part of the private sector.	

DRAFT TEXT DEVELOPMENT The initial working version, which was then sent to private sector representatives for comments, was prepared by an energy union expert with the assistance of the Ministry of Economy and Sustainable Development and GNERC. Respondents noted that at the initial stage the authors of the bill were not open in terms of sharing working versions and reacting to comments. Nevertheless, at one point, the private sector became involved in the process and remarks were prepared that were then discussed at workshops.	1.2
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final version of the bill was made available to the private sector. It was also discussed with the involvement of companies, NGOs, and experts, who then prepared comments. A part of the feedback was taken into account, although certain principal issues were left open.	2.3
REGULATORY IMPACT ASSESSMENT Regulatory impact assessment was prepared not on the whole law, but on one of the mechanisms covered by the law. Part of the private sector did not have information about the document and did not participate in its discussion. Part of the private sector had information about the RIA, as the document had been shared with them before one of the public-private dialogues.	0.8

Law: on Environmental Liability Author: Ministry of Environment Protection and Agriculture of Georgia Number: 244-IV06-X03 Date: 02/03/2021	1.23
---	------

INFORMATION ON THE BILL: The adoption of the law was predicated on the obligation to approximate the Georgian legislation with the European directives within the framework of the Association Agreement with the European Union. The aim of the law is to identify the damage to the environment and mitigation/prevention of said damage, as well as to develop and oversee a harm mitigation plan, and involve stakeholders in the process.	
---	--

According to the law, an enterprise that pollutes the environment will be obligated to take the necessary measures to eliminate the damage, for which it must have mobilized financial resources in advance. The Department of Environmental Supervision will assess the damage to the environment and monitor the implementation of the plan to mitigate the damage.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Part of the private sector was informed about the expected reform from, on the one hand, the Association Agreement, and on the other hand, from communication with the Ministry of Environment and Agriculture. At the initial stage, however, public consultations were not conducted with the participation of the private sector; neither in the capital nor in the regions. Prior to the project, an analysis of existing deficiencies was developed, although it was not available to the private sector.	0.5
DRAFT TEXT DEVELOPMENT The initial version of the bill was prepared by foreign experts. A working group was set up in the ministry, which did not involve the private sector; then revised it. Only then was the document made available for the private sector. The public sector received comments from the private sector on the working version, although the feedback was not systematized.	1.5
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC Prior to the initiation of the bill in Parliament, the working version was available to the general public. It was published on the official websites of the Ministry of Environment Protection and Agriculture of Georgia and the LEPL - Center for Environmental Information and Education. In addition, several public hearings were held with the participation of the private sector. The public sector received both written and oral comments from the private sector, some of which were taken into account. Respondents noted that the public sector was open to communication.	2.8
REGULATORY IMPACT ASSESSMENT No regulatory impact assessment document was prepared. The explanatory note contains some information about the challenges of the existing legislation and the possible impact of the bill on the budget.	0.2

Law: on Amendments to the Organic Law of Georgia on the Labor Code of Georgia

Author: Member of the Parliament of Georgia: Dimitri Tskitishvili

Number: 7177-Ilb

Date: 29/09/2020

1.17

INFORMATION ON THE BILL:

The purpose of the amendments to the draft law is to harmonize the Labor Code with international standards and EU legislation. The amendments are aimed at ensuring a safe, healthy, and fair work environment for workers. The amendment prohibits discrimination on the basis of labor in the workplace, defines the principles of concluding an employment contract, working hours, leave, remuneration, termination of the contract, and its grounds. The changes envisage the expansion of the Labor Inspection Service and an increase in its authority.

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

Gaps in the current Labor Code have been mentioned in a number of documents, including a document prepared by the public sector regarding compliance with the European Labor Code, International Labor Organization reports, Public Defender's reports, surveys prepared by the non-governmental sector, reports by the Labour Conditions Inspection Department, and trade unions.

A high-level conference was held to disseminate information about the expected changes, which was attended by the relevant representatives of the private sector. Additional consultations with the private sector, however, were not conducted. Consequently, part of the respondents did not have information about the planned changes before receiving the working version.

DRAFT TEXT DEVELOPMENT

The initial working version of the draft law was prepared by foreign and Georgian experts of the International Labor Organization. A working group composed of the public and private sectors was then formed to discuss the draft amendments in presentation and roundtable formats. Private sector representatives were involved in the discussions and submitted their comments on the bill. Their comments were reviewed by the public sector and international experts, although

2.2

1.8

their feedback was not systematized. Respondents felt the process was open, although the feedback from the public sector and the degree to which recommendations were taken into account was less than satisfactory.	
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The completion of the working version coincided with the beginning of the pandemic, at which time the document was technically refined and initiated in Parliament. The final working version was not published before the project was initiated and no public discussion was held.	0.5
REGULATORY IMPACT ASSESSMENT No regulatory impact assessment document was prepared. The explanatory note contains some information about the possible impact of the bill on the budget.	0.2

Amendment to the Law of Georgia on Electronic Communications Author: Administration of the Government of Georgia, Georgian National Communications Commission Number: 7065-რბ Date: 17/07/2020	0.90
---	-------------

INFORMATION ON THE BILL: The Law of Georgia on Electronic Communications was amended in an expedited manner. The purpose of the amendment was to give the Commission additional powers to effectively enforce the Commission's decision in the event of a breach of the law. Specifically, if a person working in the field of electronic communications sells shares without the prior consent of the Commission, the Commission requests the person to restore the original condition, for the timely and effective execution of which the Commission is authorized to appoint a special manager for a specified period. A special manager is given the right to appoint/dismiss the company's managers and to limit the issuance of profits and dividends, as well as to dispute transactions made in the last 1 year before his appointment.	
--	--

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Part of the private sector representatives was informed about the planned changes. The National Communications Commission held a meeting with the major market operators on this issue. Due to the need to resolve the issue expeditiously, no analytical document was developed before the draft amendments, and no large-scale consultations with the private sector were conducted.	1.3
DRAFT TEXT DEVELOPMENT The draft amendments were developed by the public sector, without the involvement of the private sector.	0.3
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The private sector was informed of the expected changes, although the draft amendments were made public at the time of initiation in Parliament. It was at this time that the private sector became involved in the discussions. No public hearings were held prior to the initiation of the amendments, and the quality of consideration for comments was unsatisfactory for some private sector representatives.	1.8
REGULATORY IMPACT ASSESSMENT No regulatory impact assessment document was prepared. The explanatory note contains some information about the possible impact of the bill on the budget.	0.2

2. ASSESSMENT OF SUBORDINATE NORMATIVE ACTS

Subordinate normative act: Decree of the President of the National Bank of Georgia on the Approval of the Rules of Conduct of Foreign Exchange Market Participants Author: National Bank of Georgia Number: 142/04 Date: 21/07/2020	2.44
INFORMATION REGARDING THE ACT: The purpose of the rule adopted on the basis of the Organic Law of Georgia on the National Bank of Georgia is to promote the establishment of a competitive, transparent, and fair foreign exchange market in Georgia and to establish rules for trading foreign exchange market participants and sharing information with clients, as well as currency market restrictions, prohibitions, and supervisory measures.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS The private sector was informed about the need for and preparation of a normative act. Before preparing the working version, trainings were conducted for representatives of the private sector on the mentioned topic. The analysis document was prepared by experts and was not public, although representatives of the private sector had information about the document. At this stage, the concept of the subordinate normative act was formulated and discussed with the representatives of the private sector.	2.5
DEVELOPMENT OF THE TEXT OF THE ACT The initial working version was prepared by the National Bank of Georgia and foreign experts, then further developed in a working group established on the basis of the Financial Markets Treasury Association. The private sector was actively involved in the process, with a number of remarks prepared. The public sector was open to communication. Discussions around received comments were held on an ongoing basis, and decisions were made by agreement of the parties.	2.3
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final working version was not published on the website, although key stakeholders had access to the document. At this stage, the working group again	2.5

discussed and agreed on the final issues. Decisions on the consideration of the remarks were made by agreement of the parties.	
REGULATORY IMPACT ASSESSMENT (BONUS) NA	—

Subordinate normative act: Decree of the President of the National Bank of Georgia on the Approval of the Investment Fund Authorization, Registration, Recognition and Regulation Rules Author: National Bank of Georgia Number: 170/04 Date: 22/09/2020	2.36
--	-------------

INFORMATION REGARDING THE ACT: The rule sets out the conditions and procedure for authorization, registration, and recognition of investment funds by the National Bank of Georgia, in addition to setting out additional requirements for the regulation of investment funds.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS The private sector was informed about the expected changes both from the records in the Law on Investment Funds and from the communication from the National Bank of Georgia. A working version of the concept was prepared by a foreign expert. Consultations and discussions on conceptual issues were held between the public sector and the private sector.	1.8
DEVELOPMENT OF THE TEXT OF THE ACT The original text of the regulation was prepared by the National Bank of Georgia and then sent to private sector representatives for comments. The public sector received comments from the private sector. Feedback on the comments was both written and oral, within the framework of the meetings. The feedback was mostly substantiated.	3.0

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final working version was published on the website of the National Bank of Georgia and shared with the private sector for comments.	2.3
REGULATORY IMPACT ASSESSMENT (BONUS) NA	—

Subordinate normative act: Resolution of the Georgian National Energy and Water Supply Regulatory Commission on the Approval of the Rules of the Electricity Market Author: GNERC, Energy Exchange, Georgian State Electric System Number: 46 Date: 11/08/2020	2.22
--	--------------------

INFORMATION REGARDING THE ACT: The purpose of the resolution is to create a necessary legal environment for the development of a competitive electricity market and a fair price, including by facilitating the entry of new competitors into the market; Promoting efficient production and consumption by introducing hourly trade, enabling demand management; Establishing a transparent, efficient, and reliable financial settlement system with participants. These rules apply to early day and day-to-day trading of electricity, in which one party to the transaction is the supplier, major customer, system operator, manufacturer, or trader, and the other is the exchange operator. The resolution was prepared by market operators, then sent to the regulatory commission for consideration.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Representatives of the private sector were informed about the decision, since it follows from the Law on Electricity and Water Supply. Additionally, prior to the preparation of the working version, a meeting was held with market participants to familiarize them with the basic concepts and principles of the resolution.	1.5

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Representatives of the private sector were informed about the decision, since it follows from the Law on Electricity and Water Supply. Additionally, prior to the preparation of the working version, a meeting was held with market participants to familiarize them with the basic concepts and principles of the resolution.	1.5
DEVELOPMENT OF THE TEXT OF THE ACT The draft resolution was prepared by market operators with the assistance of foreign experts, after which representatives of the private sector were involved in the discussion and commentary on the document. The working version for the private sector was available from a variety of sources. Stakeholders had the opportunity to leave comments and opinions. Their remarks were, for the most part, reflected in the document. The decision to consider the comments was made by agreement of the parties.	2.2
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC After preparing the working version, the document was forwarded to the Regulatory Commission, where the document was published on the website and several public hearings were held with the participation of the private sector. The decisions on the comments of the interested parties were made by discussing the issue and by agreement of the parties.	3.0
REGULATORY IMPACT ASSESSMENT (BONUS) NA	—

Subordinate normative act: Resolution of the Government of Georgia on the Approval of the Technical Regulation on Toy Safety

Author: LEPL Market Surveillance Agency

Number: 47

Date: 20/01/2020

1.94

INFORMATION REGARDING THE ACT:

According to the technical regulations adopted on the basis of the Product Safety and Free Circulation Code, the market surveillance body is authorized to check the compliance of toys placed on the Georgian market with the requirements of the technical regulations and to issue relevant recommendations for bringing them into compliance. The technical regulation also applies to imports. The resolution was committed to Georgia's free trade agreement with the European Union (DCFTA).

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

Part of the private sector was informed about the planned changes before the working version was prepared, as the Market Surveillance Agency held a meeting to get them familiar with the basic principles of the relevant European directive. Additionally, the RIA and the current situation analysis documents were developed prior to drafting the working version, although the private sector had no information about this.

1.7

DEVELOPMENT OF THE TEXT OF THE ACT

The text of the draft law was prepared by the public sector. In parallel with the work on the text, however, the Agency conducted trainings in the capital and regions on the relevant EU directive. General comments from the private sector were voiced at the meetings, therefore their comments were not reflected in the resolution.

1.8

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

The final working version was published on the website and discussions were held in the capital and regions. The private sector had remarks, some of which were not taken into account, and some of which were agreed upon between the parties. It should be noted that part of the private sector was passive in the process of

2.8

reviewing the draft and only after the adoption of the resolution became active in terms of comments and requests for amendments to the resolution.	
REGULATORY IMPACT ASSESSMENT (BONUS)	1.5
A RIA for 13 products, including toys, was prepared in 2013.	

Subordinate normative act: Resolution of the Georgian National Energy and Water Supply Regulatory Commission on the Approval of the Rules for Separation of the Distribution System Operator Author: GNERC Number: 39 Date: 16/07/2020	1.50
--	-------------

INFORMATION REGARDING THE ACT: The resolution was developed on the basis of the Law of Georgia on Energy and Water Supply and applies to the distribution system operators of the electricity and natural gas sectors. According to the resolution, the distribution system operator that is part of an integrated enterprise, in terms of legal form, organizational arrangement, and decision-making, must be independent from other activities that are not related to distribution.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS The obligation to adopt the resolution was undertaken under the Law on Energy and Water Supply, which in turn was developed within the framework of the Association Agreement and Georgia's commitment to the Charter of the Energy Union. All stakeholders were therefore informed of the expected changes. Prior to the drafting of the resolution, no preliminary analytical document was developed, and no consultations were held with the private sector.	0.3
DEVELOPMENT OF THE TEXT OF THE ACT The text of the resolution was prepared by the Energy Union, after which it was	1.7

processed by the GNERC. No working group was set up to work on the text of the resolution, although the working version was discussed with representatives of the private sector. Representatives of the private sector provided comments, to which substantiated feedback was provided by the GNERC, both in writing and orally. Most of the comments were reflected in the document.	
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final working version was published on the GNERC website and discussed publicly. In this case, as well, there were comments from stakeholders, although the format of the meeting did not allow for a full-fledged, reasoned discussion.	2.5
REGULATORY IMPACT ASSESSMENT (BONUS) NA	—

Subordinate normative act: Resolution of the Government of Georgia on the Approval of the Technical Regulation on Personal Protective Equipment Author: LEPL Market Surveillance Agency Number: 82 Date: 06/02/2020	1.40
INFORMATION REGARDING THE ACT: The purpose of this regulation, adopted in accordance with the Code of Product Safety and Free Circulation, was to determine the design and manufacturing requirements of personal protective equipment available on the market in order to ensure the health and safety of consumers. Personal protective equipment is designed and constructed for human carrying/holding and is designed to prevent health and life-threatening hazards. The obligation to adopt the resolution was taken under Georgia's free trade agreement with the European Union (DCFTA).	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS The private sector had generalized information about the expected changes,	0.3

although no prior consultations were held with them. The RIA was developed before the initial working version was prepared, although the private sector had no information about it.	
DEVELOPMENT OF THE TEXT OF THE ACT The text of the normative act was prepared by the public sector. However, in parallel with the work on the text, the Agency conducted trainings on the relevant EU directive in the capital and regions. The comments voiced during the meeting did not carry relevance to the issue. Consequently, these comments were not reflected in the resolution.	1.5
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final working version was published on the website and discussions were held in the capital and regions. The private sector provided generalized comments. Consequently, they could not be reflected in the resolution. It should be noted that the involvement and interest of the private sector were low prior to the adoption of the resolution.	2.3
REGULATORY IMPACT ASSESSMENT (BONUS) A RIA for 13 products, including personal protective equipment, was prepared in 2013.	1.5

Subordinate normative act: Resolution of the Government of Georgia on the Approval of the Technical Regulation on Gas-Fueled Appliances Author: LEPL Market Surveillance Agency Number: 84 Date: 06/02/2020	1.40
--	-------------

INFORMATION REGARDING THE ACT: According to the technical regulations adopted on the basis of the Product Safety and Free Circulation Code, the market surveillance body is authorized to check the compliance of gas-fueled appliances placed on the Georgian market with the requirements of the technical regulation and issue relevant recommendations for bringing gaseous fuel equipment into compliance. Gas-fueled appliances burn gas	
--	--

and are used for food preparation, cooling, air conditioning, space heating, hot water generation, lighting, or washing, as well as forced combustion stoves and heaters equipped with such stoves. The technical regulation also applies to imports. The obligation to adopt the resolution was taken under Georgia's free trade agreement with the European Union (DCFTA).	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS The private sector had generalized information about the expected changes, although no prior consultations were held. RIA was developed before the draft version was prepared, but the private sector had no information about it.	0.3
DEVELOPMENT OF THE TEXT OF THE ACT The text of the normative act was prepared by the public sector. In parallel with the work on the text, however, the Agency conducted trainings on the relevant EU directive in the capital and regions. The comments voiced during the meeting did not carry relevance to the issue. Consequently, these comments were not reflected in the resolution.	1.5
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC The final working version was published on the website and discussions were held in the capital and regions. The private sector provided generalized comments. Consequently, they could not be reflected in the resolution. It should be noted that the involvement and interest of the private sector were low prior to the adoption of the resolution.	2.3
REGULATORY IMPACT ASSESSMENT (BONUS) A RIA for 13 products, including gas-fueled appliances, was prepared in 2013.	1.5

Subordinate normative act: Resolution of the Government of Georgia on the Approval of the Rules of Unorganized Production of Food/Animal Feed Author: Ministry of Environment Protection and Agriculture of Georgia Number: 14 Date: 09/01/2020	1.19
--	-------------

INFORMATION REGARDING THE ACT: The purpose of this regulation, adopted in accordance with the Code of Food/Animal Feed, Veterinary, and Plant Protection, is to facilitate the activities of a natural person who, according to the legislation of Georgia, is a family production entity and carries out food/animal feed production or primary production without organization; The purpose of the regulation is to ensure the efficient functioning of the domestic market and to protect the interests of consumers.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Stakeholders involved with the Food/Animal Feed Safety, Veterinary, and Plant Protection Code were informed about the preparation of the resolution, although no consultations were held with the private sector at this stage. The public sector studied the European experience, but no document was created as a result of the study.	0.5
DEVELOPMENT OF THE TEXT OF THE ACT The working version of the resolution was prepared by the public sector, without the participation of the private sector. Prior to the development of the draft, European practice was reviewed, which was reported during the discussions, although the document was not available to stakeholders.	0.3
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC Following the preparation of the working version, the document was published on the website and several public hearings were held with the participation of stakeholders in the capital and the regions. Respondents noted that the private sector was not active in terms of providing comments, while the public sector was not willing to take remarks into consideration.	2.8

REGULATORY IMPACT ASSESSMENT (BONUS)	
NA	

3. ASSESSMENT OF NORMATIVE ACTS OF LOCAL SELF-GOVERNMENT BODIES

Normative Act of the Local Self-Government Body: Resolution "On the Approval of the Rules for the Implementation of the Healthcare Program for Registered Persons (Local and IDPs) on the Territory of the Zugdidi Municipality" Author: Zugdidi Municipality City Hall Number: 3 Date: 27/01/2021	1.39
--	-------------

INFORMATION REGARDING THE ACT: The resolution includes the rules for the implementation of the healthcare program, which applies to the residents of the Zugdidi Municipality. The regulation determines the intensity with which the program can be used, including for the socially vulnerable and the disabled. Additionally, the rules and conditions for providing funding for the services provided by the program are established.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Before preparing the initial version, the representatives of the Zugdidi City Hall held a number of meetings with various groups of the community, both in the center of the municipality and in its villages. The goal of the meetings was to identify the challenges facing the public in the field of health in order to reflect the identified issues in the resolution.	2.2
DEVELOPMENT OF THE TEXT OF THE ACT The working version of the resolution was prepared by the public sector, without the participation of the private sector.	0.5

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC During the discussion of the draft budget of the municipality, a discussion of the draft of the assessed resolution was held. The private sector was not active in terms of providing comments during the submission of the project. One remark was made, that based on the analysis, was later reflected in the document.	1.5
REGULATORY IMPACT ASSESSMENT (BONUS) NA	—

Normative Act of the Local Self-Government Body: Resolution "On the Approval of the Rules for Organizing Public Meetings with Municipal Voters by the Mayor of the Ozurgeti Municipality and Members of the Municipal Council, Form of the Activity Report on the Work Performed by the Mayor of Ozurgeti Municipality and a Member of the Municipal Council" Author: Ozurgeti Municipal Council Number: 8 Date: 30/04/2020	1.08
---	------

INFORMATION REGARDING THE ACT: The resolution develops the rules for the mayor and city council members to hold public meetings with voters, which means setting the dates/schedule of meetings with voters and the issues that should be presented in the report. Additionally, the resolution developed a form for activity reports of city council members.	
DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS Prior to the drafting of the resolution, a document on openness, transparency, and integrity and corresponding action plan were developed with the involvement of non-governmental organizations, which provided for the preparation of the assessed resolution. Consequently, part of the private sector was informed about the expected change, and they themselves were the initiators of this change. No consultations were held between the public and private sectors at the initial stage of drafting the resolution.	0.5

DEVELOPMENT OF THE TEXT OF THE ACT The initial version of the normative act was prepared by a non-governmental organization - the Democratic Development Union. Following the preparation of the initial version, several meetings were held between NGOs and city council representatives to discuss the text of the resolution and to take into account received comments.	2.0
DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC After drafting the final version, the document was published on the website and public administrative proceedings were initiated. Public discussions, however, were not held. The public sector also did not receive comments from stakeholders other than the Democratic Development Union	0.8
REGULATORY IMPACT ASSESSMENT (BONUS) NA	—

APPENDIX I: REFERENCES

- 01 Assessment of the impact of issues within the framework of the draft Georgian law on Rehabilitation and Collective Satisfaction of Creditors, 2019, “On Rehabilitation and Collective Satisfaction of Creditors” (Registration № 07-2/457/9, appendix) (parliament.ge)
- 02 “On Rehabilitation and Collective Satisfaction of Creditors” (Registration № 07-2/457/9, Initiated version, Explanatory note) (parliament.ge)
- 03 “On Investment Funds” (Registration № 07-2/453/9, Initiated version, Explanatory note) (parliament.ge)
- 04 “On Amendments to the Organic Law of Georgia on the Labor Code of Georgia” (Registration № 07-3/448/9, I Hearing, Explanatory note) (parliament.ge)
- 05 Assessment of the impact of regulation of the draft Georgian law on Entrepreneurs, 2018, b8ebc060-2735-11ec-823f-db6b1f423efa.pdf (iset-pi.ge)
- 06 “On Entrepreneurs” (Registration № 07-3/29/10, Initiated version, Explanatory note) (parliament.ge)
- 07 “On Environmental Liability” (Registration № 07-2/501/9, Initiated version, Explanatory note) (parliament.ge)
- 08 “On Financial Collateral Arrangements, Netting and Derivatives” (Registration № 07-2/386/9, Initiated version, Explanatory note) (parliament.ge)
- 09 “Amendment to the Law of Georgia on Electronic Communications” (Registration № 07-2/494/9, Initiated version, Explanatory note) (parliament.ge)
- 10 „On energy and water supply“ (Registration № 07-2/346/9, Initiated version, Explanatory note) (parliament.ge)
- 11 Support to the development of Private and Administrative Law System in Georgia, Final report, GIZ, 2018
- 12 Better commercial law and legal practice in Georgia, Final report, GIZ, 2021
- 13 Parliament of Georgia, 2022, info.parliament.ge
- 14 Georgian Legislative Herald, 2022, matsne.gov.ge

- 15 Zugdidi Municipal Council, 2022, zugdidi.gov.ge
- 16 Ozurgeti Municipal Council, 2022, ozurgeti.mun.gov.ge
- 17 Batumi Municipal Council, 2022, batumicc.ge
- 18 Ministry of Economy and Sustainable Development, 2022, economy.ge; dcfta.gov.ge
- 19 Georgian Energy and Water Regulatory Commission, 2022, gnerc.org
- 20 Ministry of Environment and Agriculture, 2022, mepa.gov.ge
- 21 National Bank of Georgia, 2022, nbg.gov.ge
- 22 Environmental Information and Education Center, 2021, eiec.gov.ge

