

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

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AUTHORS:

MARIAM SAGHAREISHVILI

NINO ALIBEGASHVILI

EDITOR:

LEVAN AVALISHVILI



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ACRONYMS

ADB	ASIAN DEVELOPMENT BANK
DCFTA	DEEP AND COMPREHENSIVE FREE TRADE AREA
DMO	DESTINATION MANAGEMENT ORGANIZATION
EPC	EUROPEAN PATENT CONVENTION
EPO	EUROPEAN PATENT ORGANIZATION
GIZ	DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE ZUSAMMENARBEIT (GERMAN AGENCY FOR INTERNATIONAL COOPERATION)
IDFI	INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
KFW	GERMAN CREDIT BANK FOR RECONSTRUCTION
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
RIA	REGULATORY IMPACT ASSESSMENT
PLT	PATENT LAW TREATY
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

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INTRODUCTION

Ensuring cooperation between the public and private sectors is important for the development of evidence-based and inclusive policies and legislative basis as well as the effective execution of regulations. By strengthening dialogue, it is possible to find timely and effective solutions to economic and social issues facing the country. The Institute for Development of Freedom of Information (IDFI), with the support of USAID, has been assessing the quality of cooperation between the public and private sectors since 2015. Initially, we evaluated the quality of dialogue at the central level, and since 2021 IDFI has also assessed municipal normative acts.

The purpose of this report is to assess the quality of engagement of the private sector in the process of developing normative acts that will have a significant economic impact. Specifically, the study assessed the quality of dialogue held within the framework of twenty normative acts adopted/initiated in 2021-2022. We selected eight laws/draft laws, eight sub-legal normative acts, and one priority budget program from four municipalities: Batumi, Kutaisi, Gori, and Rustavi. We selected infrastructure priorities for Batumi and Rustavi, and economic development priorities for Gori and Kutaisi.

At the initial stage of assessment, the project team analyzed the documents related to the normative acts. To identify stakeholders, the team spoke with relevant public agencies, professional associations, and non-governmental organizations. Over the course of the assessment period, it became more difficult to obtain public information from some public agencies. This trend has been confirmed by an IDFI study, which found that in 2022 the indicator for the accessibility of information in public institutions was the lowest in 12 years.¹

The assessment reflects these challenges: the project team received a negative response to a request for participation from several public agencies. In some cases, according to the opinions expressed by the public agency, the prepared act did not require external assessment, while in other cases the involved persons were protected from disclosure of their identity by executive privilege. As a result, the assessment relied on interviews with the private sector and published official information regarding the acts (e.g., explanatory notes, project reports, etc.), and does not include topics on which the research team could not obtain information.

In September-November 2022, the project team met with the representatives of the Kutaisi, Batumi, Gori, and Rustavi city halls and councils to study the existing practice of public-private dialogue in the municipalities and to select normative acts for assessment. Priority municipal budget programs with economic impact were evaluated based on the information received at the meetings.

¹<https://bit.ly/3mlxqr1>

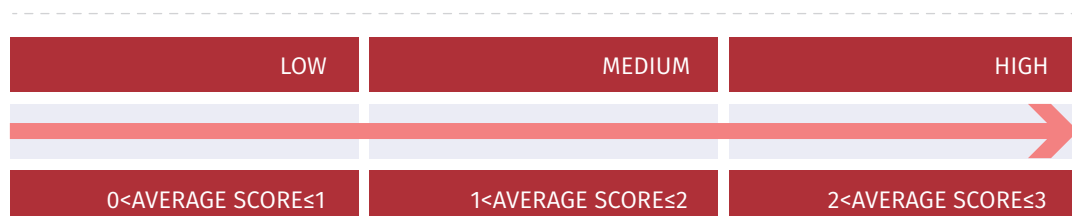
METHODOLOGY

The report assesses the quality of engagement of the private sector in the development of normative acts with socio-economic impact. The study evaluated the development process of normative acts prior to the formal hearings envisioned by the legislation. **For the purpose of this study, the private sector includes stakeholders such as business, civil society, expert or academic circles, and representatives of research and international donor organizations.**

During the development of laws, the assessment of the quality of dialogue is based on the four pre-defined stages of policy development: development of general policy directions stage, development of the text of the draft law stage, dissemination of information and reception of comments from the public, and the ex-ante regulatory impact assessment (RIA).

- Development of general policy directions 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:** 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:** 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 are assessed. The process includes assessing the effectiveness and quality of the steps taken to receive feedback from the public.
- RIA:** The existence of a RIA related to the law and the involvement of the private sector are assessed.

Each stage consists of six to seven 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 is the average of the score of the four stages on a scale of 0 to 3.** The quality of public-private dialogue is assessed according to the score:



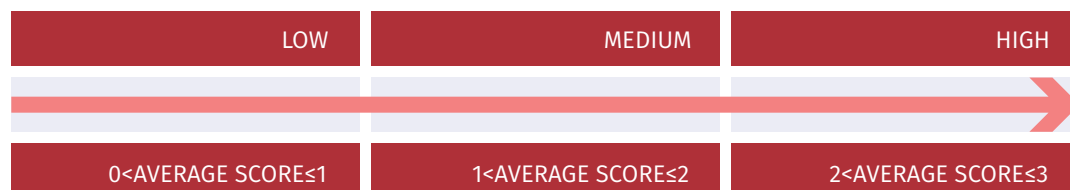
The assessment of the quality of dialogue during local self-government bodies' preparation of subordinate normative acts/normative acts is based on three pre-defined stages of policy development:

- > Development of the general policy directions
- > Development of the text of normative acts
- > 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 six to seven 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 is the score of the three stages averaged on a scale of 0 to 3. If a RIA exists, the final assessment score is the score of the four stages averaged on a scale of 0 to 3.** The quality of public-private dialogue is assessed according to the score:

The average score for each law and subordinate normative act is the arithmetic mean of the scores for the subcategories.



To assess the quality of the public-private dialogue, the project team held **72 interviews** with the authors of the legislative acts and representatives of the private sector. The interviews were guided by a questionnaire that covered 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, and the quality and results of commentary and feedback. The project team additionally reviewed documents related to the legislative acts.

MAIN FINDINGS

- > Public-private dialogue in preparation of selected normative acts was assessed mostly as of an average, and in some cases of high, quality.
- > The private sector participated in the development of 16 out of 20 normative acts, although at different stages and with varying quality of participation.
- > Public hearings were held for almost all acts, but not all the hearings were representative. According to the respondents, in some cases the hearing did not yield results.
- > A minority of public agencies did not publish the draft acts on their websites. That limited public awareness about the acts and, consequently, some stakeholders did not participate in the hearings.
- > Although most public agencies published the draft acts on their websites, this mechanism was not effective: agencies very rarely received any comments through this channel of communication. Public agencies said this is due to low interest from the private sector, although the private sector said it was difficult to navigate the websites and access the draft acts.
- > Most public agencies also provided drafts to identified stakeholders via email or at meetings.
- > In most cases, during the development of the concept of the act, public agencies analyzed international experience and processed various types of data, although it was not common for these materials to be shared with the private sector or published.
- > As a rule, public agencies prepared the initial drafts of the acts without the involvement of the private sector. However, some of them relied on information received from the private sector during the policy planning stage.
- > Representatives of the private sector argued that, in some cases, feedback from public agencies relied on standard responses and was substantiated, while hearings were viewed as a formality and did not encourage cooperation. During those hearings, recommendations from the private sector were not taken into consideration.
- > A large part of the studied acts that were prepared with the participation of the private sector underwent significant changes as a result of the comments received.
- > The engagement of the non-governmental sector in the preparation of the acts generally led to more effective dissemination of information and a higher level of participation from civil society.








- > RIAs were conducted on three draft laws and one subordinate law. In all four cases, the development of the RIA started in parallel with the preparation of the working versions of the draft laws. In the case of two draft laws, the RIA was completed before they were initiated and, in one case, after its initiation. The RIA on the subordinate law was prepared before the final draft was written. Respondents noted that, in general, a RIA is prepared when it is required by law for the normative act.
- > Public hearings were more common in Tbilisi than the regions.
- > The period of preparation of the studied draft laws ranges from 1 to 10 years. As a rule, the public sector was satisfied with longer periods of dialogue, as it allowed for multiple interactions with the private sector. However, some of the respondents from the private sector noted the ineffectiveness of the process. In certain cases, the prolonged process negatively impacted the quality of their engagement and potential for future cooperation.

MUNICIPALITIES

- > Stakeholders in municipalities were not adequately informed about the budget cycle and the competencies of public agencies.
- > In some cases, the public agency published drafts of normative acts but some stakeholders had trouble finding them.
- > As a rule, more meetings held during the budget planning stage with the general public than business and non-governmental organizations.
- > Budgets were discussed publicly, but the private sector did not actively participate in the hearings, partly due to the low degree of dissemination of information by the public sector and/or the private sector's expectation that their comments/recommendations would not be taken into consideration.



RECOMMENDATIONS

-  To increase the accountability and transparency of public agencies, as well as to inform a wide range of stakeholders, it is necessary to proactively disseminate the working versions of the acts through a variety of means and make it easier to find them on the websites of the agencies.
-  It is important to prepare and publish analytical documents to accompany the drafts of normative acts. This will enable public agencies to offer stronger arguments for their positions during public-private dialogues.
-  Public agencies must engage the representatives of the private sector when writing the initial working versions of the acts, which is possible through the establishment of working groups that represent both sectors.
-  To increase the quality of engagement and the private sector's motivation, the process of drafting acts should be effectively planned and conducted. Public hearings and substantiated feedback are also important to ensure stakeholders understand the importance of their comments/engagement and that their recommendations are considered.
-  The active participation of the non-governmental sector as well as the business sector is important for the dissemination of information and improvement of the drafted legislation.
-  In the case of laws with significant economic impact, it is necessary to prepare a RIA regardless of whether it is mandatory.² It is desirable that the RIA be prepared before the act is drafted.
-  Public hearings should be held in the regions as well, so that the specifics of the region and the opinions/recommendations of the local private sector are considered.

² <https://www.matsne.gov.ge/ka/document/view/4776100?publication=0>

MUNICIPALITIES

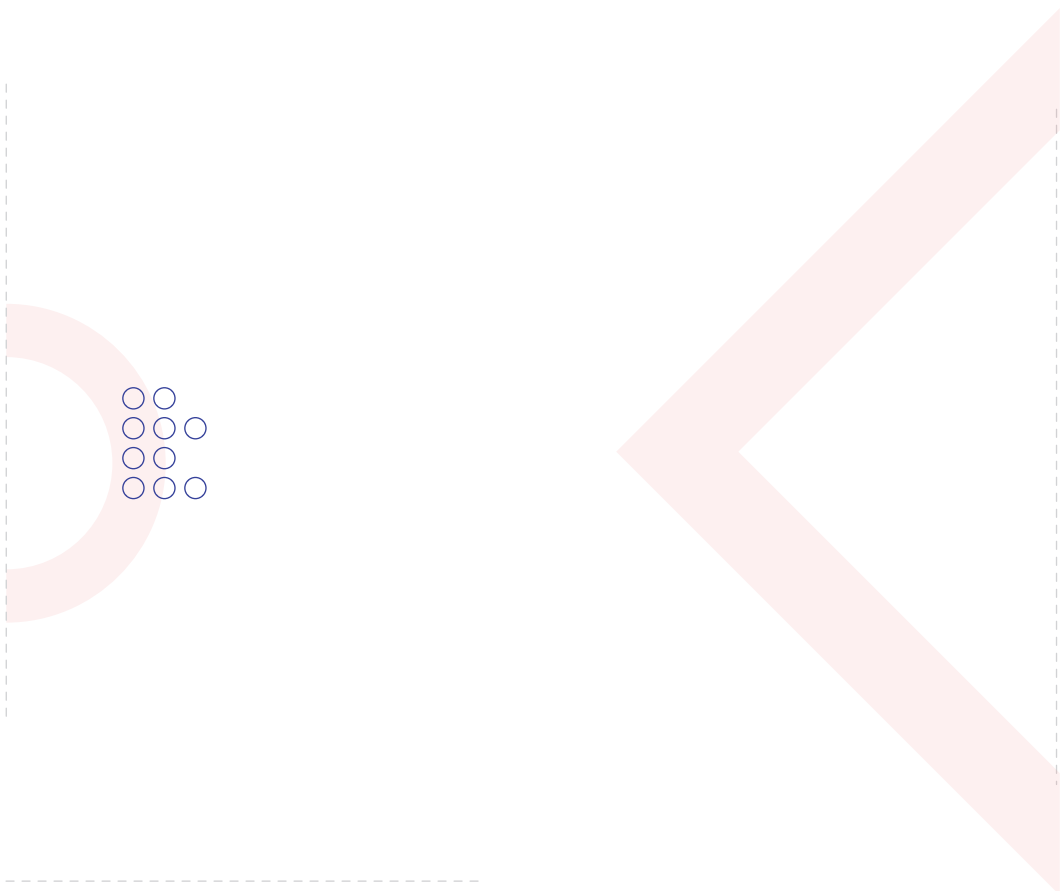
- It is vital to proactively share information about the powers of the local city hall and council, so that appropriate/relevant communication between the stakeholders and the responsible agencies is held in the process of elaborating the acts. This will increase the effectiveness of the participation of stakeholders in the dialogue and the quality of their contributions. In addition, this will facilitate the participation of the private sector in the local budget planning process.
- Information about the stages of drafting the budget and the relevant timeframes must be proactively disseminated in the municipalities.
- Stakeholders must be proactively informed about the availability of electronic versions of draft budgets, which should be easily accessible on the public agency's website.
- It is necessary to increase the involvement of the population and the private sector in the planning of economic development projects.

RATING OF NORMATIVE ACTS



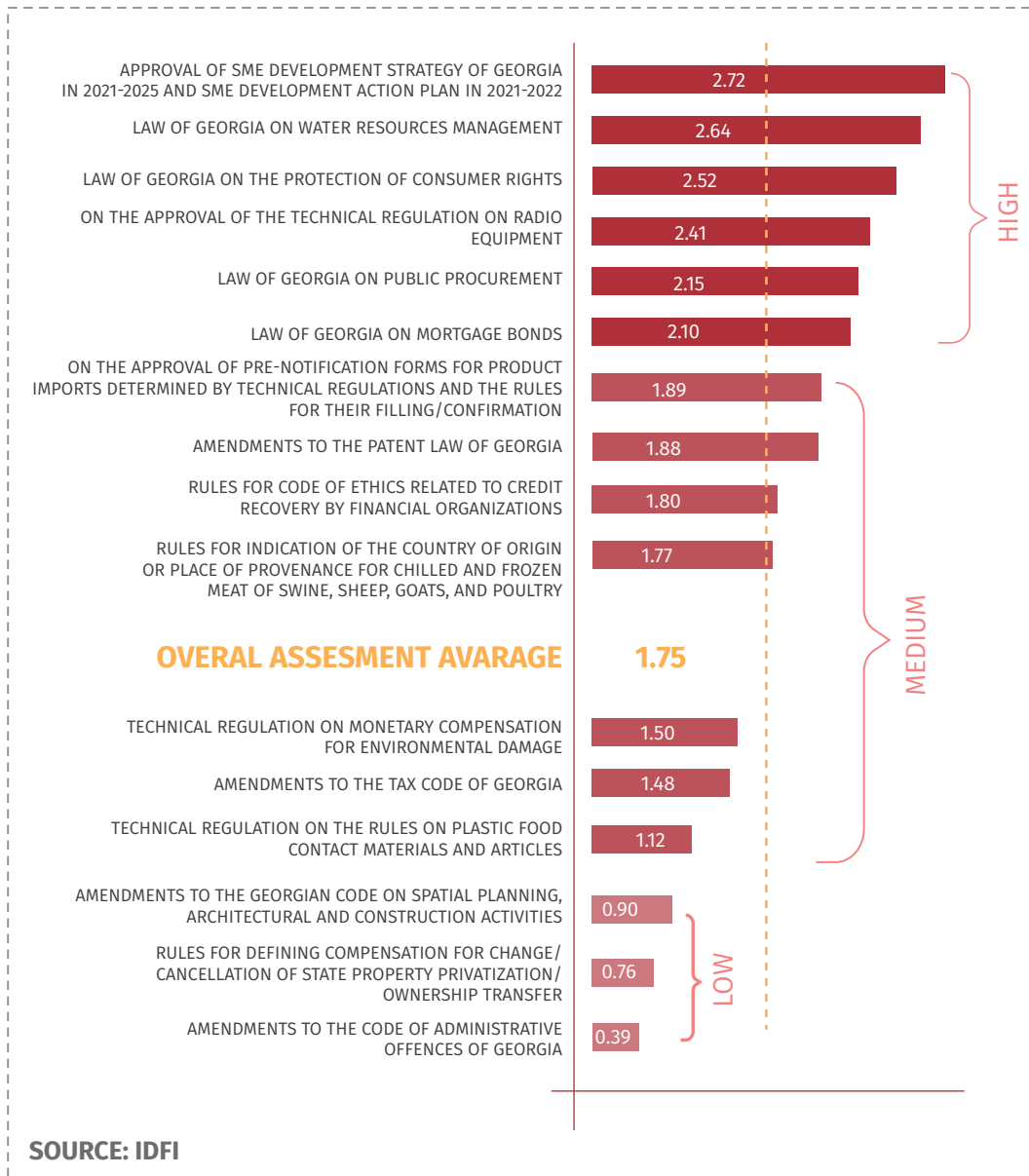
Out of the evaluated 20 normative acts on national and municipal levels, high-quality public-private dialogue was held in the development of seven of them. Ten acts were assessed as average, and the quality of public-private dialogue was low in three.

The total average of laws and subordinate normative acts stands at 1.75.³ This is considered in the overall median score³ as defined by our methodology. Six of the acts are rated as high, seven as medium, and three as low. The normative act “SME Development Strategy of Georgia in 2021-2025 and SME Development Action Plan in 2021-2022” received the highest assessment score (2.72).



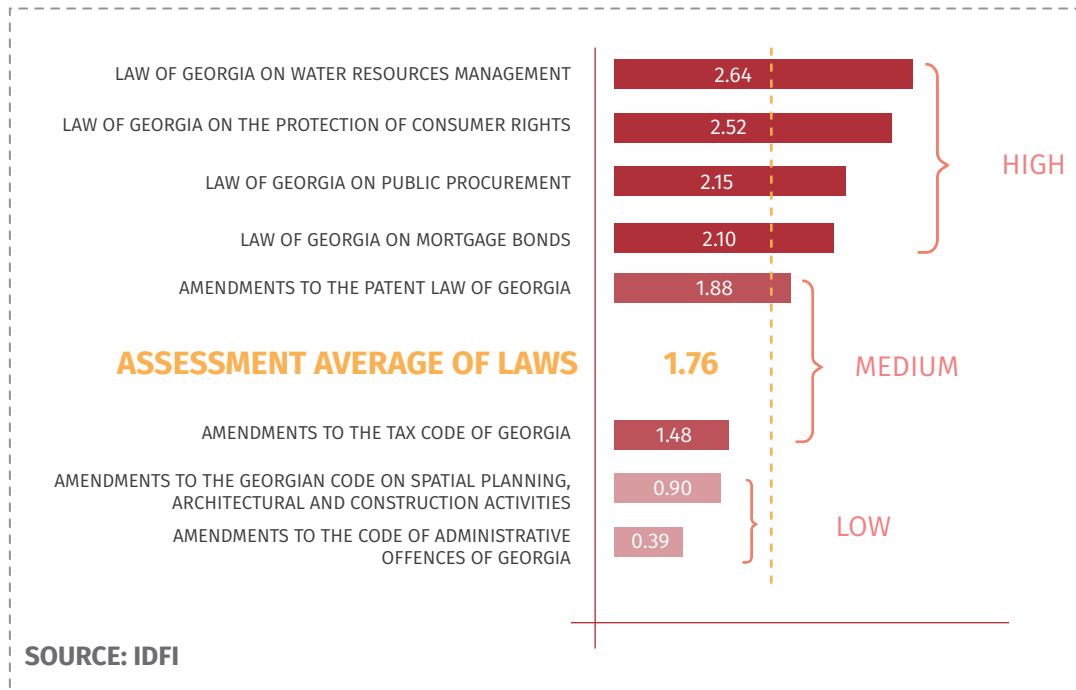
³ Arithmetic mean of four components

FIGURE 1: OVERALL RATING OF LAWS AND SUBORDINATE NORMATIVE ACTS



The average score of laws is 1.76.⁴ This is considered in the overall medium score as defined by our methodology. Four of the laws are rated as high, two as medium, and two as low. **The “Law of Georgia on Water Resources Management” received the highest score (2.64).**

FIGURE 2: RATING OF THE LAWS

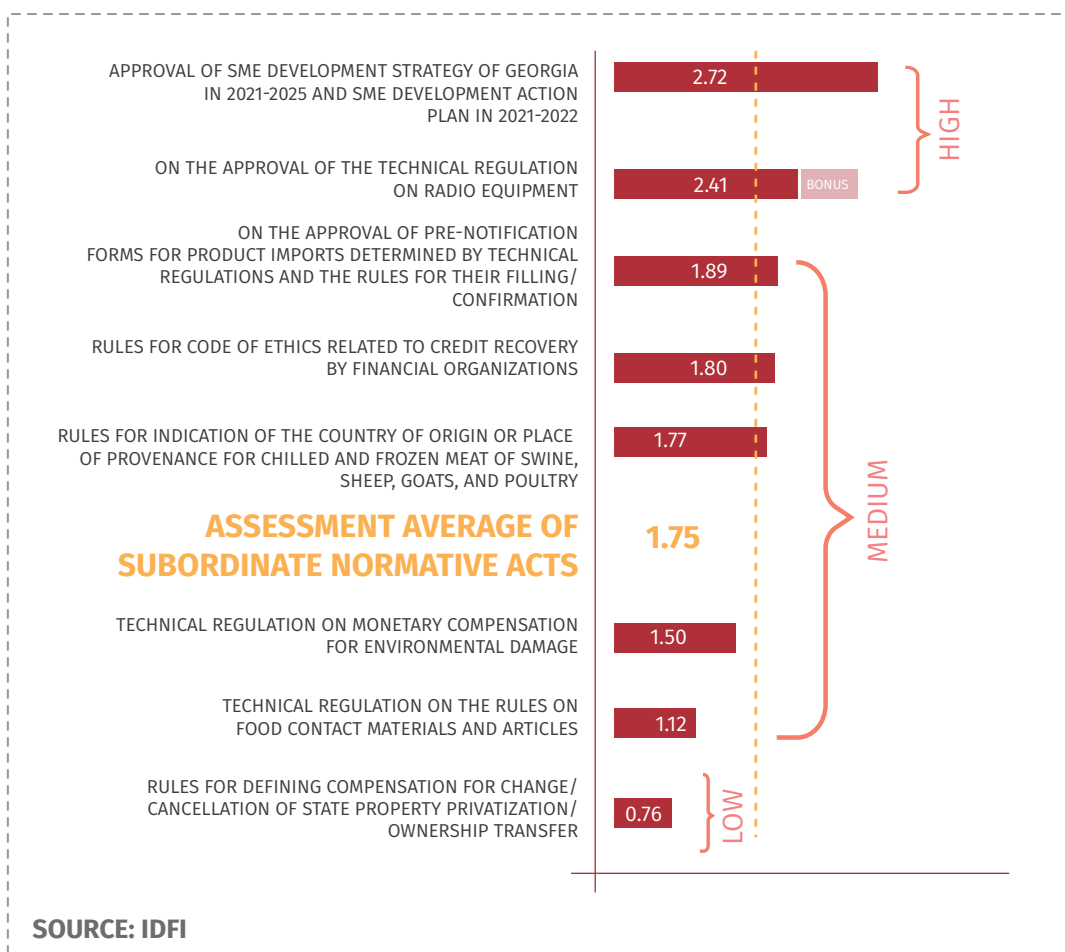


The average score of subordinate normative acts is 1.75.⁵ This is considered in the overall median score as defined by our methodology. Two subordinate normative acts were assessed as high, five as average, and one as low-quality. The subordinate normative act **“Approval of SME Development Strategy of Georgia in 2021-2025 and SME Development Action Plan in 2021-2022” received the highest score (2.72)** in this category. Only one subordinate normative act included RIA, which increased the assessment of the dialogue for this act from average to high.

⁴ Arithmetic mean of four components

⁵ Arithmetic mean of three components

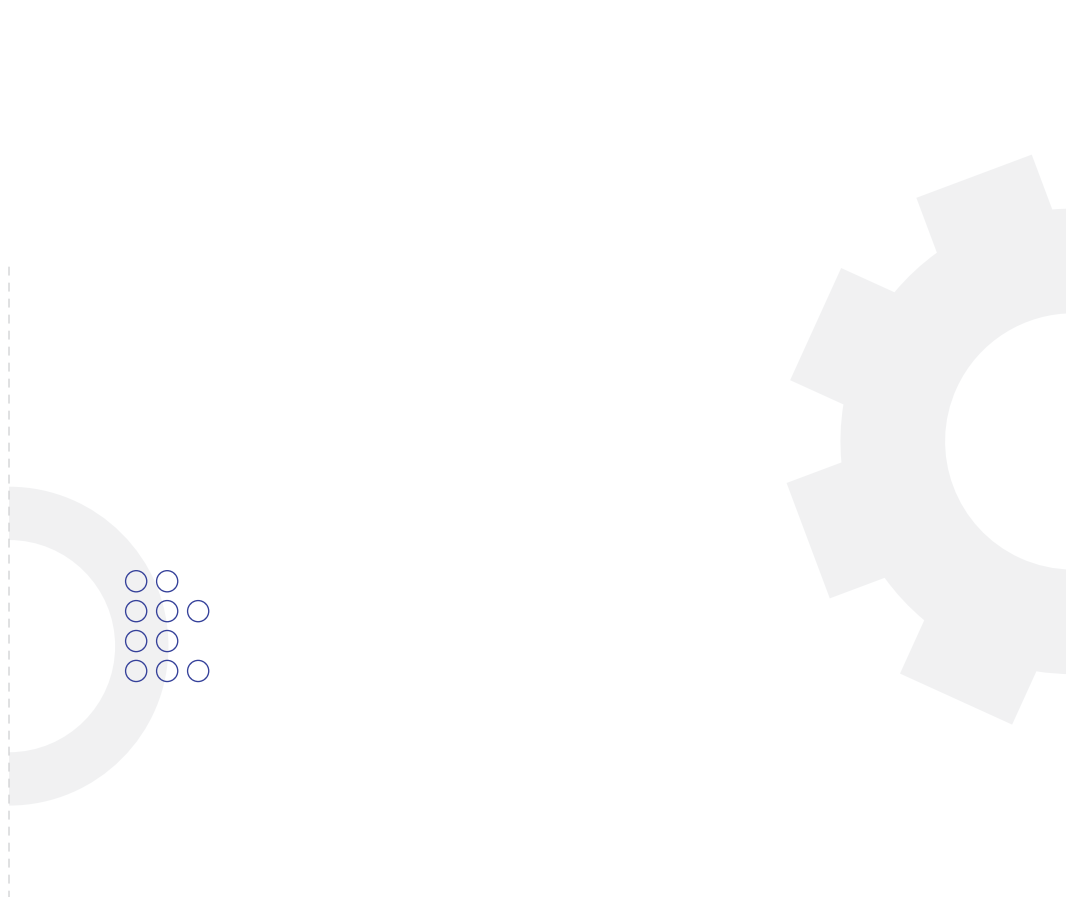
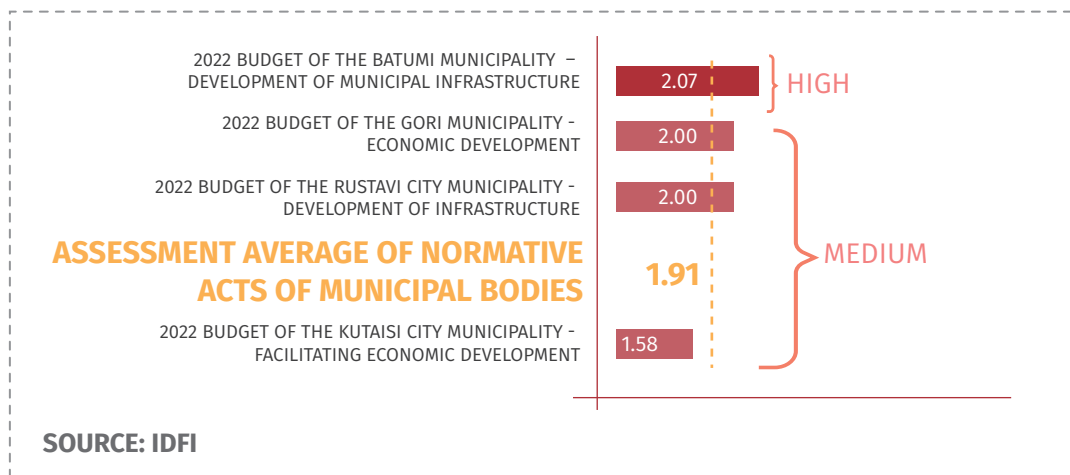
FIGURE 3: RATING OF SUBORDINATE NORMATIVE ACTS



The average assessment score of the normative acts of municipal bodies is 1.91⁶. This is considered in the overall median score as defined by our methodology. The highest score was assigned to the infrastructure priority of the 2022 budget of the Batumi City Municipality. It should be noted that the score spread here is small and while Batumi received high score, it was still closer to the average value.

⁶ Arithmetic mean of three components

FIGURE 4: RATING OF THE NORMATIVE ACTS OF MUNICIPAL BODIES



ASSESSMENT OF NORMATIVE ACTS

1. ASSESSMENT OF LAWS

Law: “On Water Resources Management”

Author: Ministry of Environment Protection and Agriculture of Georgia

Number: 07-2/86/10

Date: 15/11/2021

2.64

INFORMATION ON THE NORMATIVE ACT:

Surface and underground fresh water sources and their protection zones are defined as the sphere of regulation by the law. The law defines the competencies of various agencies and municipalities in the area of protection and utilization of water resources. It contains regulatory norms related to the legal status of water resources, as well as water objects and their protection zones. The law contains provisions on the use of water, as well as water resources management system, its protection and replenishment, and control over its utilization⁷.

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

Work on the bill began in 2012, based on the existing challenges facing the country, within the framework of a project implemented with the support of the EU, which entailed supporting Georgia in harmonizing the legislation related to water resources with that of the EU. With the support of the project, work began on developing a concept by a local specialist and with the participation of foreign experts. In parallel, meetings and hearings with stakeholders to formulate main principles were being held.

A part of respondents noted that at this stage they had information about the planned changes and were participating in public hearings. According to the interviews, at the initial stage, the non-governmental sector was more actively involved as compared to the business sector.

2.6

⁷ <https://info.parliament.ge/file/1/BillReviewContent/285759>

Prior to the Association Agreement, a comparative analysis with EU directives was prepared in order to determine which directives would be adapted to the Georgian reality and in what form. The mentioned document was not published, although it was shared with the stakeholders participating in the public hearing.

DRAFTING OF THE NORMATIVE ACT

2.4

Following the agreement on the concept, in 2013-2014 work began on the text of the bill. The initial working version was prepared by a local expert, with the involvement of foreign experts.

At this stage, meetings with stakeholders continued, albeit with lesser intensity, and communication largely took place in written form. The initial working version, after preparation, was sent to the stakeholders, following which the public sector received numerous notes and comments. These were discussed article by article with the non-governmental sector, alongside hearings of technical details, and based on their comments, significant changes were made to the text of the draft law.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.6

Multiple meetings were held in the process of developing the bill, between public institutions as well as in the public-private dialogue format, with the participation of high-ranking management. Public hearings, working format meetings, and individual consultations were held.

At the initiative of the non-governmental sector and with its active involvement, public hearings with the aim of providing information about the draft law were held in almost every region of Georgia. Through them, comments were provided to the representatives of the Ministry, while the Ministry in turn provided feedback mainly in the format of workshops or in written form.

Part of the respondents (representatives of both the public and private sectors) note that it was possible to do more work to raise awareness among the public, as ensuring that the municipalities were informed was of utmost importance. However, an opinion was expressed that the prolonged process of preparing the bill caused the engagement of the stakeholders to decrease.

REGULATORY IMPACT ASSESSMENT

2.8

In 2017, in parallel with the development of the draft law, an in-depth regulatory impact assessment document was prepared. At this stage, the working version of the bill was undergoing periodic amendments.

The RIA was prepared by research organization with the support of USAID and was available to the majority of stakeholders. In addition, reviews of the interim and final reports were held, attended by representatives of the private and public sectors.

Law: “On the Protection of Consumer Rights”

Author: Working Group of the Parliamentary European Integration Committee, Georgian National Competition Agency

Number: 1455-VIII0b-X03

Date: 29/03/2022

2.52

INFORMATION ON THE NORMATIVE ACT:

In 2012, the law “On the Protection of Consumer Rights” was abolished, as the law was no longer in accordance with modern, including those of the EU, standards of relations between consumers and sellers. The Georgian Parliament soon began to work on a new bill. In 2022, in accordance with the obligations under the Association Agreement signed between the EU and Georgia, the Parliament adopted the law “On the Protection of Consumer Rights”⁸, which is based on a number of legislative acts of the EU and guarantees the protection of consumer rights at a high standard. Donor organizations and international experts participated in the development process. With their support, a working version of the bill and a legal opinion were prepared.

The law protects consumers from unfair conditions and commercial practices, ensures that they are better informed, and determines the circumstances for canceling an agreement. In case of violation of the law, it provides the rules for determining and imposing fines, provides for the right to refuse remote/off-premises contracts, and lays out issues related to warranty.

⁸ <https://info.parliament.ge/#law-drafting/18389>

According to the explanatory note, the European Integration Committee of the Parliament of Georgia established a working group of representatives of the public and private sectors. From the private sector, thematic non-governmental organizations and business associations, representatives of the academic circle, experts, and judges participated in the hearings. In this format, during the draft law development period, 13 workshops were held.⁹

The bill was initiated twice – in 2015 and in 2019. According to a report of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ),¹⁰ the hearings of the draft law initiated in 2015 stalled due to existing controversies. In 2017, with the support of GIZ, an international expert evaluated the working version and presented recommendations, following which the working version was further refined, with the draft law initiated in 2019.

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

2.4

According to the respondents, work on the draft law began in 2012. An extended meeting was held between public and private sector representatives with the aim of agreeing on basic principles of the law. Part of the respondents mentioned that they had information about and attended the mentioned meeting. According to the interviews, at the initial stage, the non-governmental sector was more involved in the process than the business sector. An analysis of the topic was prepared and shared with the participants of a workshop, although it was not published publicly. Decision-makers participated in the process at all times.

DRAFTING OF THE NORMATIVE ACT

2.4

At the initiative of the European Integration Committee of the Parliament of Georgia, a working group composed of representatives of the public and private sectors was established. At the initial stage, the members of the working group were mainly non-governmental organizations and experts working on consumer rights protection, with large associations joining later. An initial working version

⁹ <https://info.parliament.ge/file/1/BillReviewContent/224265>

¹⁰ Final report - Support to the development of Private and Administrative Law System in Georgia, GIZ, 2018

was prepared by the Committee, with the support of an international expert, and then submitted to the working group for further elaboration. Discussion of the working version was conducted in interactive format. The public sector received a number of comments, on the basis of which important changes were made in the text of the draft law. Decision-makers participated in the process at all stages.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.6

A number of meetings were held in the process of elaborating the draft law, including in the format of public-private dialogue. Conferences and roundtable discussions were held. The Committee received comments both in written form and during the hearings. Feedback was primarily provided in the workshop format or in written form. No hearings were held in the regions, although a part of the participants of the hearings operate across Georgia. According to the public institution, prior to initiation, the final working version was sent to all participating parties, although it was not published on the website. Despite active work on the bill, part of the respondents noted that the lengthy process was ineffective.

REGULATORY IMPACT ASSESSMENT

2.7

Two RIAs were prepared in parallel with the development of the draft law. The first, partial RIA, was prepared at the initiative of the Ministry of Economy by the field expert in 2016 and concerned several articles of the law. A second, comprehensive RIA was prepared in 2018 with the participation of international experts and representatives of academia and with the support of GIZ. Both were prepared before the final initiation of the bill and were available to a large number of respondents. An interim review of the comprehensive RIA was conducted with public sector representatives. Key stakeholders were invited to its final review, and the meeting was representative.

Law: "On Public Procurement"

Author: LEPL State Procurement Agency

Number: 07-2/158/10

Date: 08/06/2022

2.15

INFORMATION ON THE NORMATIVE ACT:

The adoption of the law was based on the obligations undertaken under the Association Agreement with the EU, including within the framework of DCFTA.

The law sets the rights and obligations of participants of public procurement. It regulates topics related to the Public Procurement Agency (currently – State Procurement Agency), defining the Agency’s main functions, authority of the chair and qualification requirements. The law also regulates public procurement procedures as well as instruments, e.g., framework agreement; dynamic procurement system; electronic reverse auction; electronic catalogue. The law defines the full process of public procurement, dispute resolution, reporting, and control¹¹

The bill was initiated in 2022 and adopted in February 2023.

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

2.1

The work on the draft law began in 2017. It was prepared within the framework of the DCFTA, based on EU directives. Information regarding the development of the draft law was disseminated both during information meetings within the framework of the DCFTA and through social networks and various platforms.

At the initial stage, public hearings were being held within the framework of DCFTA information meetings, where, with the support of the State Procurement Agency, the principles of the bill were discussed and information on it was disseminated. These meetings were held in Tbilisi as well as the regions, with the involvement of the decision-makers from the public agency. International experts additionally held information meetings with some of the stakeholders.

No analytical document was prepared aside from the existing action plan that was developed within the framework of DCFTA and contained topics to be included in the draft law.

DRAFTING OF THE NORMATIVE ACT

2.0

Work on the initial working version of the bill began in 2017. At this stage, representatives of the private and non-governmental sectors were provided information about the start of the development of the new draft law a various public hearings and meetings.

¹¹<https://info.parliament.ge/file/1/BillReviewContent/301924>

The text of the draft law was developed by the agency with the involvement of foreign experts and was subsequently distributed to most of the stakeholders for review and comments, although there no public hearings were held at this stage and comments were received from some of the stakeholders in written form.

During the interviews, it became clear that in the process of preparing the normative act, the business sector possessed more information as compared to the non-governmental sector and, as such, their level of involvement was higher. Decision-makers participated in the process at all stages.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.2

During the development of the draft law, individual meetings were held with certain representatives of the private sector. The Agency received comments both in written form and during workshops. Communication and feedback with some of the stakeholders was conducted by phone.

According to the private sector, prior to initiation, a general public hearing of the final working version was not conducted, although, according to the public agency, it was published on the Agency and DCFTA.gov.ge websites, and the project was discussed both in Tbilisi and the regions.

Part of the respondents noted that despite having requested the working version of the draft law from the public agency at several meetings, they did not receive the document.

REGULATORY IMPACT ASSESSMENT

2.3

A regulatory impact assessment was prepared on one chapter of the draft law. A cost-benefit analysis was additionally prepared on the entire law. A research organization and independent experts worked on these. The preparation of both documents began in parallel with the development of the working version of the bill. In the former case, the document was completed before the final draft, while for the latter, the analysis was made public after the initiation of the draft law.

In both cases, during the preparation, working groups held meetings with stakeholders, mainly some representatives of the business sector. Intensive meetings were also held with the Agency and other public institutions to clarify specific issues.

Law: “On Mortgage Bonds”

Author: National Bank of Georgia; Ministry of Economy and Sustainable Development of Georgia

Number: 2112-IX0b-X03

Date: 29/11/2022

2.10

INFORMATION ON THE NORMATIVE ACT:

Issuing mortgage bonds, alongside deposits and other alternative sources, is one of the sources for financing for credit institutions, the introduction of which necessitates a special legal regime. The law in question defines and regulates the issuing of mortgage bonds, the supervision of the issuer, and the issues of legal relations pertaining to this activity.¹²

The law defines what assets can be used to secure mortgage bonds and which assets are not allowed; establishes real estate valuation standards and requirements for appraisers; establishes emission-related requirements, etc.

According to the explanatory note, the bill was prepared with the involvement of the experts from the Asian Development Bank, the European Bank for Reconstruction and Development, and the International Finance Corporation¹³

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

Work on the conceptual issues of the draft law started in 2018 with the involvement of an expert from the Asian Development Bank (ADB). A feasibility study was prepared during this period, and the basic principles of the bill were defined. Most of the stakeholders were informed about the planned changes. At the policy planning stage, around 15 meetings were held with them, with the participation of the decision-makers. The meetings aimed to discuss basic principles and reach agreement on crucial topics. No regional meetings were held, as the draft law does not have a regional context and only concerns commercial banks.

2.8

¹² <https://info.parliament.ge/#law-drafting/23711>

¹³ <https://info.parliament.ge/file/1/BillReviewContent/295769>

<p>DRAFTING OF THE NORMATIVE ACT</p> <p>The first working version of the bill was prepared by the ADB expert, later to be revised by the National Bank in cooperation with the private sector. General as well as individual meetings with stakeholders were held with the aim of discussing the working version, and the updated draft was shared with the private sector several times. According to the respondents, the hearings were thorough and productive.</p>	<p>2.4</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>The working version of the bill was published on the website of the National Bank of Georgia prior to initiation, although the public agency did not receive comments/notes this way. The working version was also shared electronically with stakeholders, and a public hearing was held. Communication between the public and private sector was conducted both in written form and in the framework of meetings. Stakeholders sent notes and comments to the public agency, some of which were reflected in the bill. The respondents noted that the feedback from the institution was based on reasoned arguments.</p>	<p>3.0</p>
<p>REGULATORY IMPACT ASSESSMENT</p> <p>No regulatory impact assessment was prepared. The explanatory note contains some information on the possible impact of the bill on the budget.</p>	<p>0.2</p>

<p>Law: “Amendments to the Patent Law of Georgia”</p> <p>Author: LEPL National Intellectual Property Center of Georgia – “Sakpatenti”</p> <p>Number: 07-2/144/10</p> <p>Date: 04/05/2022</p>	<p>1.88</p>
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<p>INFORMATION ON THE NORMATIVE ACT:</p> <p>The purpose of the draft law is to fulfill the prerequisite obligations for the entry into force of the validation agreement signed between the Government of Georgia and the European Patent Organization (EPO) in 2019. Additionally, it aims to ensure</p>	
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<p>that the Georgian legislation follows the European Patent Convention (EPC), the EU legislation, and the International Agreement on Patent Law (PLT) .¹⁴</p> <p>At this time, receiving a patent on an innovation in Georgia is possible through two methods, while the changes would add a third method, which implies European patent validation. The bill specified the rights of the inventor and the patent owner, added issues related to patent attorneys, and defined the conditions for the submission of an application for validation in accordance with PTL.</p> <p>According to the explanatory note, the bill was prepared with the support of the European Patent Organisation (EPO) .¹⁵</p> <p>The bill was initiated in May 2022 and adopted in May 2023.</p>	
<p>DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS</p> <p>The private sector was informed about the planned changes long before the law was drafted. An analytical document was not prepared, although, according to the explanatory note, in order to reflect the changes in the national legislation, the experience and legislation of Moldova, Hungary, Germany, and other countries were studied. A working group was created to develop the concept of the bill, with the involvement of stakeholders and field specialists.</p>	<p>2.7</p>
<p>DRAFTING OF THE NORMATIVE ACT</p> <p>The initial version of the draft law was prepared by Sakpatenti, and it was subsequently shared with stakeholders for comments and notes. Stakeholders provided notes to the public agency in written form, with hearings and feedback taking place at meetings. Mainly the heads of the structural unit were taking part at this stage. A consensus between the representatives of the public and private sectors was reached on all principal topics.</p>	<p>2.2</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>The working version of the bill was not published prior to initiation. Representatives of the private sector received the final version for comments electronically, but no public hearing of the final version took place. According to the respondents, no comments on the final version were received, as principal topics had already been agreed. Due to the specifics of the issue, no hearings were held in the regions.</p>	<p>2.5</p>

¹⁴ <https://info.parliament.ge/#law-drafting/24117>

¹⁵ <https://info.parliament.ge/file/1/BillReviewContent/299433>

REGULATORY IMPACT ASSESSMENT

0.2

No RIA was prepared. The explanatory note contains some information on the possible impact of the bill on the budget.

Law: "Amendments to the Tax Code of Georgia"

Author: Members of the Parliament of Georgia

Number: 1706-VIIIობ-Xოჰ

Date: 23/06/2022

1.48

INFORMATION ON THE NORMATIVE ACT:

Amendments to the Code¹⁶ were predicated by the COVID-19 pandemic. Specifically, the restrictions put in place due to the spread of the coronavirus touched economic activity as well. In order to reduce the losses of the persons engaged in economic activity and to ensure these activities would be uninterrupted, it was necessary to implement various measures. The goal of the bill was to exempt business subjects from property tax (aside from land tax) in 2020-2021, which would help them overcome some of the difficulties created by the pandemic.

As a result of the amendments to the Code, the following economic subjects received tax breaks from property tax: hotels and other accommodation facilities, restaurants and other catering objects, beverage providers, travel agencies, tour operators and other booking operators. The development of the draft law began in the period of April-May 2021, and the bill was initiated in an accelerated manner in June!¹⁷

Note: *The bill received a medium score according to the methodology used in the report, due to the fact that the process was conducted in an accelerated manner and therefore there was a lack of public hearings. However, respondents from both the public and the private sectors in the interviews evaluated the elaboration process and the adopted amendments positively.*

¹⁶ <https://info.parliament.ge/#law-drafting/23998>

¹⁷ <https://matsne.gov.ge/ka/document/view/5501407?publication=0>

<p>DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS</p> <p>Before the draft law was elaborated, meetings were held between business associations and large business operators, where challenges created by the pandemic were discussed. Because business subjects with activities related to tourism faced major challenges and had problems generating operational revenue, in order to retain the businesses, ideas regarding tax breaks were expressed. This topic was raised in mass media as well.</p>	<p>2.1</p>
<p>DRAFTING OF THE NORMATIVE ACT</p> <p>After the private sector shared the initiative with the public sector, a joint meeting of the representatives of the Ministry of Finance and the Revenue Service was held, where the concept of the amendments to the Code was elaborated. Afterwards, the public agency developed the text of the bill on the amendments to the Tax Code.</p>	<p>1.4</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>The final version was sent to some beneficiaries, and a meeting to discuss it was also held. According to respondents, there were some comments, but as the bill was to be adopted in an accelerated manner, which was also in the interests of the private sector, no further amendments to the draft law were made. Decision-makers participated in the process at all stages.</p>	<p>2.2</p>
<p>REGULATORY IMPACT ASSESSMENT</p> <p>No RIA was prepared. The explanatory note¹⁸ contains some information about the possible impact of the bill on the budget.</p>	<p>0.2</p>

¹⁸ <https://info.parliament.ge/file/1/BillReviewContent/298460>

Law: “Amendments to the Georgian Code on Spatial Planning, Architectural and Construction Activities”

Author: City Hall of the Batumi Municipality

Number: 1712-VIII06-X03

Date: 23/06/2022

0.90

INFORMATION ON THE NORMATIVE ACT:

The regulation¹⁹ concerns the compensation of residents of dilapidated houses or victims in housing construction, as well as the implementation of state housing projects. According to the amendments in the bill, until 2027 (approval of the general development plan of Batumi), in case of a positive recommendation from the council, it will become possible to increase the construction intensity coefficient within the borders of the Batumi municipality without a detailed development plan.

According to the decree, if a residential building is in disrepair cannot be reinforced, based on the conclusions of a special recommendation board, it will be permissible to exceed the limit value of the maximum development coefficient even in the absence of a detailed plan. The mayor of Batumi is the decision-maker only on the basis of a positive conclusion of the consultative council. The composition of the council is determined by the mayor, and its rules of conduct are approved by the city council.

Note: *The IDFI team officially requested information from the City Hall of Batumi, the author of the bill, but could not obtain any information about the drafting process of the project. As such, it was not possible to fully identify the involved parties. For the purposes of the assessment, the research team relied on the information provided by the representatives of the non-governmental sector and the city council, as well as the information found in the explanatory note, which does not provide full details on the drafting of the bill. Consequently, only topics that IDFI was able to access information on were evaluated.*

The amendment to the law was adopted through an accelerated procedure²⁰

¹⁹ <https://info.parliament.ge/file/1/BillReviewContent/302651?>

²⁰ <https://info.parliament.ge/#law-drafting/24375>

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

1.8

Due to the relevance of the topic, information about the necessity of drafting the bill spread widely. Intensive meetings between beneficiaries and the public sector took place over years. The Batumi City Hall announced the program for dismantling dilapidated houses in the beginning of 2022. On March 29, 2022, decree №159 of the government “on the approval of the targeted state program – Batumi without dilapidated houses²¹” was issued.

The Prime Minister voiced some information about the draft law at a conference, following which there was a meeting with Batumi residents. Information was disseminated through television as well as social media. In addition, information booklets regarding the contents of the bill were disseminated among the residents, although, according to interviews with some private sector representatives, it can be argued that these booklets did not include some key topics for local residents.

Dilapidated residential buildings were examined. According to private sector representatives, however, the expertise was superficial, and the issue was not studied in depth.

DRAFTING OF THE NORMATIVE ACT

1.6

The text of the bill was developed by the Batumi City Hall. According to some of the respondents, during the development of the draft law, meetings in a closed format were held mostly with large construction companies operating in Batumi.

The topic was discussed several times during sessions of the city council, and the interest from stakeholders was fairly high. Private sector representatives studying the issue of dilapidated housing in the city provided some analytical documentation and recommendations to the authors of the bill, although these were not reflected in the draft law. The private sector received no feedback from the public agency.

The interviews reveal that part of the respondents did have information about this stage of the process.

²¹ <https://matsne.gov.ge/ka/document/view/5422452?publication=0>

<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>According to the information received from the interviews, the draft law was not published prior to being initiated in the Parliament and was not shared with the private sector. Public hearings were not held.</p>	<p>0.0</p>
<p>REGULATORY IMPACT ASSESSMENT</p> <p>No RIA was prepared. The explanatory note²² contains some information about the possible impact of the bill on the budget.</p>	<p>0.2</p>

<p>Law: “Amendments to the Code of Administrative Offences of Georgia”</p> <p>Author: Staff of Faction “Georgian Dream” – Parliament of Georgia</p> <p>Number: 07-3/211/10</p> <p>Date: 18/05/2022</p>	<p>0.39</p>
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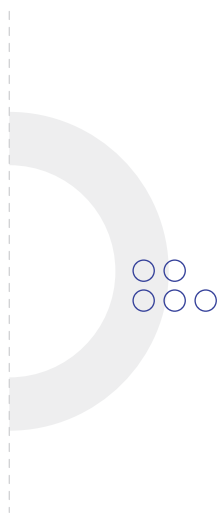
<p>INFORMATION ON THE BILL:</p> <p>The draft law entails increasing the authority of municipalities in cases of certain offenses contained in the Code of Administrative Offences. The purpose of the amendments is to enable city hall services to not only register offences, but also impose fines on the perpetrators²³</p> <p>Note: <i>The IDFI team officially requested information from the Parliament of Georgia in addition to contacting the author of the bill but was not able to obtain detailed information on the development process. As such, it was not possible to identify involved parties. For the purposes of this assessment, the team relied on the information contained in the explanatory note²⁴, which does not provide full details on the drafting of the bill. Consequently, only topics that IDFI was able to access information on were evaluated.</i></p>	
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²² <https://info.parliament.ge/file/1/BillReviewContent/302651>

²³ <https://info.parliament.ge/#law-drafting/24202>

²⁴ <https://info.parliament.ge/file/1/BillReviewContent/300456>

<p>DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS</p> <p>According to the explanatory note, an overview of similar practices in other countries was not prepared during the work on the amendments. The project team was unable to obtain information about hearings prior to the development of the bill and the participation of the private sector or decision-makers in the process.</p>	<p>0.0</p>
<p>DRAFTING OF THE NORMATIVE ACT</p> <p>The draft of the amendments was prepared by the office of the “Georgian Dream” party with the participation of the Rustavi City Hall. IDFI was unable to obtain information about other participants and the process of development of the working version.</p>	<p>1.0</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>IDFI was unable to obtain information on public hearings, comments, and feedback from public agencies.</p>	<p>NA</p>
<p>REGULATORY IMPACT ASSESSMENT</p> <p>No RIA was prepared. The explanatory note contains some information on the possible impact of the bill on the budget.</p>	<p>0.2</p>



2. ASSESSMENT OF SUBORDINATE NORMATIVE ACTS

Subordinate normative act: “Approval of SME Development Strategy of Georgia in 2021-2025 and SME Development Action Plan in 2021-2022”

Author: Ministry of Economy and Sustainable Development of Georgia

Number: 351

Date: 13/07/2021

2.72

INFORMATION ABOUT THE NORMATIVE ACT:

The SME Development Strategy of Georgia in 2021-2025 and Action Plan are the second strategic documents of the country in this area²⁵

The SME Development Strategy of Georgia in 2021-2025 contains 7 main priority directions:

- > Priority 1. Refining legislation, strengthening institutions, and improving the operating environment for small and medium enterprises;
- > Priority 2. SME skill development and supporting the development of entrepreneurial culture;
- > Priority 3: Improving the accessibility of finances;
- > Priority 4: Supporting the increase of SME exports, market reach, and internationalization;
- > Priority 5: Promoting electronic communications, information technologies, innovation, research and development for SMEs;
- > Priority 6: Supporting the development of female entrepreneurs;
- > Priority 7: Promoting the development of green economy.

²⁵ <https://matsne.gov.ge/ka/document/view/5214991?publication=0>

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

2.6

At the decree of the Minister of Economy and Sustainable Development of Georgia, the corresponding steering board and working group were established, the latter of which was composed by private sector as well as public sector representatives.

Prior to the consultations on the draft strategy and action plan, the goals and the relevant groups with high interest and influence were defined, along with the importance of the engagement of said groups and the relevant timelines.

For the purpose of effectively conducting the consultations process, a cycle of public consultations was planned, elaborated prior to the beginning of the work on the draft strategy and action plan, and was then presented to the working group by the coordinating agency.

At the initial stage, the working group developed an analytical document that studied and analyzed the existing situation in the country and defined priority directions based on the assessment. The mentioned priorities were in accordance with the priority directions initiated by OECD. According to respondents, at the initial stage there was no discussion of the strategy and action plan, although meetings of the working group were held.

DRAFTING OF THE NORMATIVE ACT

2.8

After the working group defined the priority directions of the strategy in line with the analysis prepared by the OECD, a draft strategy and a logical framework were developed with the expert support of the working group and GIZ.

In relation to the draft strategy, relevant international organizations conducted a gender impact assessment.

Following the development of the initial working version, an inclusive-ranging and representative public hearing was held, where the project was shared with stakeholders for feedback. The stakeholders provided comments to the public agency in written form. Further discussions took place at the working meetings, and the coordinating agency collected feedback in written form or by phone.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.8

The working version of the document was published on the Ministry's website and sent to private sector representatives via email, hence, stakeholders were informed. This said, some of the respondents noted that the wider public had fewer opportunities and/or interest in searching for this document electronically.

A table for comments and recommendations was disseminated to all participants of the meetings/hearings along with the draft strategy. In addition, the draft strategy and action plan for public consultations, together with the relevant documents, was published on the official website of the Ministry of Economy and Sustainable Development of Georgia. During this period, a total of 201 comments were submitted. There were fewer comments received from the website. All comments were discussed in detail within the framework of the working group, and responses were prepared for each by the agencies with the relevant competences. Additionally, individual feedback was provided, including on the comments that were taken into consideration.

REGULATORY IMPACT ASSESSMENT (BONUS)

NA

Subordinate normative act: “On the Approval of the Technical Regulation on Radio Equipment”

Author: Ministry of Economy and Sustainable Development of Georgia

Number: 161

Date: 24/04/2023

2.41

INFORMATION ABOUT THE NORMATIVE ACT:

Adoption of a technical regulation on radio equipment is required under the EU-Georgia Association Agreement.

The regulation²⁶ determines specific requirements for ensuring access to market and putting radio equipment into operation.

Note: *The IDFI team officially requested information from the authors of the regulation, but the latter did not share the information necessary for the assessment. Therefore, only the topics on which IDFI obtained information from private sector representatives and the RIA working group were assessed.*

²⁶<https://matsne.gov.ge/document/view/5788697?publication=0>

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

1.3

The obligation of the entry into force of the technical regulation stemmed from the Association Agreement with the EU. Most respondents noted that they had information on the regulation from early stages, although the elaboration process became active in 2021. According to them, they were informed about the potential date of the regulation entering into force by the public agency at various meetings. However, the date was changed multiple times.

Based on the private sector interviews, at the general policy directions development stage, aside from the EU directive, the public sector did not provide any analytical document and did not hold any hearings.

DRAFTING OF THE NORMATIVE ACT

2.0

An initial working version was drafted by the public agency and then shared with stakeholders, together with the EU directive, for comments.

Several meetings/hearings between the public and private sector representatives were held at the drafting stage. The meetings were mainly held in a Q&A format. Stakeholders had an opportunity to share comments with the public sector. Most respondents assessed the work process as fairly active and positive, although part of them noted that the public sector was not adequately prepared to provide reasoned answers to their questions. In addition, some of the private sector did not have information on whether their comments were taken into consideration.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.2

The working version of the regulation²⁷ was published on the DCFTA.gov.ge website. Additionally, according to some respondents, meetings were held with a wider format and also remotely. Feedback from the public agency was given in written form and at meetings. Some the private sector representatives were provided with a working version with their comments considered, while others noted during interviews that they did not have information on whether their comments were taken into consideration.

²⁷ <http://bitly.ws/Db54>

REGULATORY IMPACT ASSESSMENT (BONUS)

2.3

In parallel with the development of the subordinate act and despite no obligation to do so, the relevant department of the Ministry of Economy prepared a regulatory impact assessment. Within the framework of this assessment, meetings were held with some of the private sector. According to the representatives of the public agency, important changes were made to the working group as a result of the RIA. A wide presentation of the document was held, attended by private and public sector representatives. The RIA was published on the ministry's website, although some of the private sector representatives noted that they did not have information about its implementation.

** The score assigned to RIA is considered an additional score in the assessment, as our methodology does not consider RIA a mandatory component for subordinate acts. The inclusion of the RIA score had a significant positive impact on the final score of the regulation – the quality of the process increased from average to high.*

The final assessment encompasses the average score of the three components derived from the methodology and the bonus. The bonus is calculated as follows – the RIA score is added to the 4-component assessment with the RIA share.

Subordinate normative act: “On the Approval of Pre-Notification Forms for Product Imports Determined by Technical Regulations and the Rules for their Filling/Confirmation”

Author: LEPL Market Surveillance Agency, LEPL – Revenue Service

Number: №166 – №1-1/317

Date: 09/07/2021

1.89

INFORMATION ABOUT THE NORMATIVE ACT:

The purpose of the regulation²⁸ is to establish a form for advance declaration of imports of construction materials, toys, personal protective equipment, gas-fueled devices and machinery, and defining the rules for filling out said form.

²⁸ <https://matsne.gov.ge/document/view/5212690?publication=0>

<p>DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS</p> <p>The development of the regulation was based on several technical regulations from previous years that were being discussed with economic operators in Tbilisi as well as the regions. Prior to these meetings, the beneficiary economic operators were identified by the Revenue Service and the list was shared with the Agency for the purpose of inviting the operators to meetings. Therefore, stakeholders were informed about the planned changes. Based on their recommendation, the import mechanism existing at the time was changed. Analytical documents, including RIA, were prepared on several technical regulations mentioned above, although not the regulation under review itself. These documents were available to stakeholders.</p>	<p>2.9</p>
<p>DRAFTING OF THE NORMATIVE ACT</p> <p>The text of the decree was prepared by the public agencies, although it was based on the information received as a result of the consultations with the private sector. The private sector was more involved in the preparation of the technical regulations than the subordinate act under present review. However, in parallel with the development of the working version of the regulation, meetings were being held where issues related to imports were discussed.</p>	<p>2.0</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>Information about the norm that would enter into force was disseminated by the Revenue Service, through their website among other ways. The Market Surveillance Agency did not publish the document on its website because of its ongoing reconstruction, and no public hearing of the document took place.</p>	<p>0.8</p>
<p>REGULATORY IMPACT ASSESSMENT (BONUS)</p> <p>NA</p>	<p>—</p>

Subordinate normative act: “Rules for Code of Ethics Related to Credit Recovery by Financial Organizations”

Author: National Bank of Georgia

Number: 14/04

Date: 17/02/2022

1.80

INFORMATION ABOUT THE NORMATIVE ACT:

The Code of Ethics²⁹ sets the rules for credit recovery by financial organizations that follow international standards. The resolution established obligations of financial organizations in the process of customer relations related to credit recovery as well as in its dealings with third parties. The Code of Ethics provides for sanctions imposed by the National Bank on violators.

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

The National Bank of Georgia constantly monitors customer complaints, through its call center as well as based on the reporting from financial institutions. The Code of Ethics was based on the consolidated information regarding these complaints. In addition, the public agency studied American, British, and Australian experience, although the results of this analysis were not shared with the private sector. At this stage, the private sector was not involved in the process, with no consultations being held, although the needs of the wider public were taken into consideration during the elaboration of the concept.

1.0

DRAFTING OF THE NORMATIVE ACT

The initial working version of the resolution was prepared by the public agency, which was then shared with stakeholders. It was on this basis that the private sector learned about the planned changes. A large part of stakeholders, associations of lending entities and others, participated in the process of refining the working version. Communication took place both in written form and in the format of meetings, with decision makers taking part. With the participation of the private sector, the initial working version of the resolution was changed to a significant degree.

1.8

²⁹ <https://www.matsne.gov.ge/ka/document/view/5384943?publication=0>

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.6

The working version was published on the website of the National Bank for the purpose of receiving comments from the wider public, while communication with the private sector was conducted in written form as well as in the format of meetings. The public agency received several comments/requests for clarification from users, although a large part of the comments came from the financial sector, in written form as well as in the format of wider meetings. Meetings were held with the participation of the decision-makers. Respondents noted that some comments were not taken into consideration and feedback was not always conclusive, even if the process as a whole was transparent.

REGULATORY IMPACT ASSESSMENT (BONUS)

NA

Subordinate normative act: “Rules for Indication of the Country of Origin or Place of Provenance for Chilled and Frozen Meat of Swine, Sheep, Goats, and Poultry”

Author: Ministry of Environment Protection and Agriculture of Georgia

Number: 326

Date: 20/06/2022

1.77

INFORMATION ABOUT THE NORMATIVE ACT:

The regulation establishes the rules for indicating the place of origin and the place of provenance and the obligations of business operators for certain types of meat on the labels during the provision of food information to the consumer. The purpose of these rules is to protect human life, health, and economic interests of consumers³⁰.

The adoption of the normative act is based on the Association Agreement between Georgia and the European Union, and specifically based on the requirements of the DCFTA (chapter - Sanitary and Phytosanitary Measures³¹).

³⁰ <https://matsne.gov.ge/ka/document/view/5499443?publication=0>

³¹ <https://t.ly/0UHxu>

<p>DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS</p> <p>One of the appendices of the DCFTA defined the European directives and the timeline for harmonizing the Georgian legislation with them. According to this appendix, this normative act should have been adopted in 2022. The list was published on the DCFTA.gov.ge website, with the information thus available to all stakeholders. In addition, the public sector in previous years enacted a regulation similar to resolution N326. During the hearings of the former, information about the new resolution was provided to the participants.</p> <p>The resolution is based on an EU directive. Thus, an analysis of the directive was prepared, but no additional analytical documentation was developed.</p>	<p>1.7</p>
<p>DRAFTING OF THE NORMATIVE ACT</p> <p>The working version of the resolution was developed by the public sector, without the involvement of the private sector. However, according to the public sector, during the process of elaboration, stakeholders had opportunities to receive information on the mentioned resolution during meetings related to other acts, which were organized by the public agency.</p>	<p>1.4</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>After the preparation of the draft of the normative act, the document was published on the website of the Ministry and discussed during meetings with stakeholders. Respondents noted that the meetings largely had the private sector ask questions and that they did not receive comments. No meetings were held in the regions, although large associations attended meetings in the capital and information could be disseminated through these.</p> <p>In addition, the final draft of the resolution was sent to the World Trade Organization and its members. After the adoption of the resolution, the Ministry received commentary from the representatives of relevant agencies of the United States and Canada and provided them with substantiated response.</p>	<p>2.2</p>
<p>REGULATORY IMPACT ASSESSMENT (BONUS)</p> <p>NA</p>	<p>—</p>

Subordinate normative act: “Technical Regulation on Monetary Compensation for Environmental Damage”

Author: Ministry of Environment Protection and Agriculture of Georgia

Number: 368

Date: 15/07/2022

1.50

INFORMATION ABOUT THE NORMATIVE ACT:

The normative act was elaborated in accordance with the law of Georgia “On Environmental Liability” and established the rules for calculating damage to the environment and monetary compensation for said damage³².

The methodology established by the regulation regarding compensation for damage to the environment was developed since 2014, but the adoption of the bill “On Environmental Liability”, which was based on the obligation to approximate Georgian legislation with EU directives as per the Association Agreement, necessitated reflecting these changes in the regulation and adopting it in the new form.

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

As the normative act existed since 2014 and was re-approved after the amendments to the law in accordance with the Association Agreement, stakeholders had information about the expected changes. In the process of developing the normative act, several other acts were prepared and discussed with the stakeholders as one package. However, no consultations with the private sector were held during the planning stage.

0.7

DRAFTING OF THE NORMATIVE ACT

The initial working version of the normative act was developed by foreign experts with the involvement of LEPL National Environmental Agency. After the draft was elaborated, it was shared on the Ministry’s website and presented along with other normative acts.

1.8

³² <https://www.matsne.gov.ge/ka/document/view/5523053?publication=0>

A small number of notes from stakeholders were received via the website, and some opinions were expressed during the presentation. The stakeholders were also sent the working version of the regulation for discussion, and the draft was revised again based on the comments received as a result.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.0

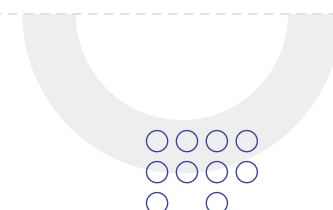
The review of the normative act was conducted in a comprehensive manner, alongside several other acts. It was disseminated in various ways, including via the website and e-mail. In addition, a presentation was held, attended by decision-makers, and information about it was also shared on television.

According to respondents, since the approval of the normative act took place as a result of the amendments made to the Law on Environmental Protection and the technical regulation itself did not see any major changes, comments from stakeholders were few and mostly technical. Working hearings were also held by sectoral agencies of the Ministry.

The comments received from the private sector were reflected in the normative act, although the public agency did not notify the authors of the comments about this, and the latter only found out after reading the final draft. After the final draft was elaborated, no public hearing was held and the document was not sent to stakeholders, only being shared on the website. No hearings were held in regions, although the private sector participated in the process.

REGULATORY IMPACT ASSESSMENT (BONUS)

NA



Subordinate normative act: “Technical Regulation on the Rules on Plastic Food Contact Materials and Articles”

Author: Ministry of Environment Protection and Agriculture of Georgia

Number: 304

Date: 08/06/2022

1.12

INFORMATION ABOUT THE NORMATIVE ACT:

The normative act established specific requirements for plastic materials and articles that are produced and/or placed on the market for contact with food products, already in contact with food, or expected to be in contact with food. In addition, the normative act determines the conditions for production of plastic materials and articles and their placement on the markets by business operators³³

The normative act is based on the Association Agreement with the EU, and more specifically with DCFTA requirements.

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

1.2

According to one of the appendices of the DCFTA,³⁴ this normative act must have been elaborated in 2022. The EU legislative acts that Georgian legislation needs to match were published on DCFTA's website and were thus available to stakeholders. In addition, at meetings or hearings organized by the public sector that were related to other acts, general information on the regulation was provided to stakeholders, although there was no public hearing or workshop directly on the development of this resolution.

The resolution is based on an EU directive, which was therefore analyzed, but no additional analytical documentation was prepared.

DRAFTING OF THE NORMATIVE ACT

1.2

The working version of the resolution was prepared by the public sector, without the involvement of the private sector. The working version was shared internally in the public agency.

³³ <https://matsne.gov.ge/ka/document/view/5489071?publication=0>

³⁴ <https://dcfta.gov.ge/assets/uploads/agreement/sanitary/%E1%83%93%E1%83%90%E1%83%9C%E1%83%90%E1%83%A0%E1%83%97%E1%83%98%20IV%20-%20XII.PDF>

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

1.0

After the development of the working version, the document was published on the website for a longer period of time than determined (due to its volume), but no comments or notes from the private sector were received. The project author expressed readiness to discuss comments if needed.

According to the public agency, since the date of entry into force of the mentioned regulation was set for 2026, public hearings are planned to start closer to this date.

REGULATORY IMPACT ASSESSMENT (BONUS)

NA

Subordinate normative act: “Rules for Defining Compensation for Change/Cancellation of State Property Privatization/Ownership Transfer”

Author: The Government of Georgia, LEPL National Agency of State Property

Number: 300

Date: 08/06/2022

0.76

INFORMATION ABOUT THE NORMATIVE ACT:

The resolution³⁵ was prepared based on one of the recommendations from the N32/36 report of the State Audit Service in 2021 “2017-2018 Compliance Audit Report of the Transfer of State Property in Exchange for Investment Obligations by LEPL National Agency of State Property”³⁶. The recommendation urges the Ministry of Economy and Sustainable Development and the Agency to develop a methodology for determining compensation to be paid in case of changes in privatization conditions, with criteria for calculating the amount, and to turn this issue into a normative regulation. The resolution concerns the parties purchasing and utilizing state property and lays out the mentioned methodology.

³⁵ <https://matsne.gov.ge/ka/document/view/5488997?publication=0>

³⁶ <https://bit.ly/3mNZSYx>

<p>INFORMATION ABOUT THE NORMATIVE ACT:</p> <p>The resolution³⁵ was prepared based on one of the recommendations from the N32/36 report of the State Audit Service in 2021 “2017-2018 Compliance Audit Report of the Transfer of State Property in Exchange for Investment Obligations by LEPL National Agency of State Property”³⁶. The recommendation urges the Ministry of Economy and Sustainable Development and the Agency to develop a methodology for determining compensation to be paid in case of changes in privatization conditions, with criteria for calculating the amount, and to turn this issue into a normative regulation. The resolution concerns the parties purchasing and utilizing state property and lays out the mentioned methodology.</p>	
<p>DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS</p> <p>No analytical document was prepared at the policy planning stage, although the resolution was based on the monitoring experience of the Agency of State Property. At this stage, no consultations with stakeholders were held.</p>	<p>0.3</p>
<p>DRAFTING OF THE NORMATIVE ACT</p> <p>The working version of the resolution was prepared by the Agency. The private sector was not involved in the process. The working version was shared only with the Ministry of Economy and Sustainable Development, with active involvement of the head of the Agency in the process.</p>	<p>1.2</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>The working version of the resolution was not published, was not made available to stakeholders and no public hearings were held. The Agency received comments on the working version from the Ministry, based on which no fundamental changes were made to the draft.</p>	<p>0.8</p>
<p>REGULATORY IMPACT ASSESSMENT (BONUS)</p> <p>NA</p>	<p>—</p>

3. ASSESSMENT OF NORMATIVE ACTS OF MUNICIPAL BODIES

Normative act of municipal body: 2022 Budget of the Batumi Municipality (Development of Municipal Infrastructure)

Author: City Hall of the Batumi Municipality, Batumi Municipal Council

Number: 26

Date: 26/11/2021

2.07

INFORMATION ABOUT THE NORMATIVE ACT:

The municipal budget is prepared by the City Hall and approved by the municipal council. The 2022 budget defined 7 priority directions. This study reviewed the process of development of the #1 priority – development of municipal infrastructure.

The priority entailed the development of road infrastructure, its rehabilitation, construction, development of transportation services, development of communal infrastructure, rehabilitation of water drainage system, rehabilitation of dilapidated housing, planning and management of infrastructural projects, etc.³⁷

The infrastructure priority also included the activities planned under the KfW funded project, which was already predetermined from the approval of the project, so the stakeholders could not be involved in this part of the budget. The present study describes and assesses the process of elaborating municipal infrastructure development program, except for the KfW project.

It should be clarified that, according to the "Local Self-Government Code", the Municipal Council is obliged to publish the working version of the budget received from the City Hall and organize its public hearing³⁸.

³⁷ <https://matsne.gov.ge/ka/document/view/5292000?publication=0>

³⁸ In the case of all four normative acts

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

2.0

The budget development stages are similar every year. The process began with the needs assessment of the population and the private sector by the representatives of the Batumi City Hall. At the same time, members of the city council met with stakeholders and gathered information about their needs. The City Hall received suggestions on issues related to infrastructure in written form as well. The information received by the representatives of the City Hall and Council in written and oral forms was consolidated in a document of priorities prepared by the City Hall, which was then published with the aim of receiving further comments from the public. No additional analytical documents were prepared.

Following the elaboration of the document on the priorities, the departments of the City Hall met with stakeholders to inform them about and discuss the priorities and the limits of the financial resources necessary for their implementation. Respondents noted that at this stage meetings were held with the residents, while the non-governmental sector was less involved in these hearings. In addition, the non-governmental sector expressed a wish that the distribution of budget funds in the future be based on analysis and assessments.

The public sector noted that the specificity of infrastructure projects is that, during their planning, experience from previous years is considered. Therefore, it would not be possible to consider certain recommendations.

DRAFTING OF THE NORMATIVE ACT

1.6

The working version of the budget was prepared by the Batumi City Hall. According to them, after the project was prepared, departments of the City Hall met with stakeholders for the purpose of receiving comments. Meetings were held in every administrative unit. The comments stated at the hearings, as well as those received in written form, were reflected in the working version. Respondents noted that notes from private companies were considered to a greater extent than those from non-governmental organizations.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.6

The Batumi Municipal Council published the working version provided by the City Hall on its website and organized a public hearing, as prescribed by the law. Non-governmental organizations were invited to the public hearing by the Financial and Economic Development Commission of the City Council, but only a small part of them attended the discussion. At the same time, the Batumi City Hall also held a public hearing in administrative units.

The quality of involvement of the private sector in the meetings was low. Some of the respondents named the expectation that the comments by stakeholders would not be taken into consideration as the reason.

REGULATORY IMPACT ASSESSMENT (BONUS)

NA

Normative act of municipal body: 2022 Budget of the Gori Municipality (Economic Development)

Author: City Hall of the Gori Municipality, Gori Municipal Council

Number: 36

Date: 24/12/2021

2.00

INFORMATION ABOUT THE NORMATIVE ACT:

A municipality's budget is prepared by the City Hall and approved by the Municipal Council. 7 priority directions were defined in the 2022 budget. In this assessment, the preparation process of #7 Priority - Economic Development - was studied.

The priority entailed the development of local economic opportunities and support for the functioning of the municipal transport³⁹

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

The budget cycle is similar every year, and the population and private sector therefore had some information about the activities planned for the year and the relevant timelines. At the beginning of the development of the 2022 budget, information was shared with the residents and other stakeholders through meetings as well as the local newspaper and social media.

Prior to the elaboration of the economy part of the budget, representatives of the City Hall and Council reviewed information received from the population about

2.0

³⁹<https://matsne.gov.ge/document/view/5324631?publication=0>

the needs that were expressed to the public institutions in written form or at meetings with the public, and the document on the priorities was prepared accordingly. At the planning stage, the private sector presented an initiative that was later reflected in the budget project.

DRAFTING OF THE NORMATIVE ACT

1.8

The working version of the budget was prepared by the City Hall services. The budget of NNLEs financed by the economic development program was presented to the City Hall in August. The mentioned budget was elaborated based on experience from previous years as well as meetings with the population.

During the process of refining the project, there were almost no comments provided by the population during meetings regarding the economic program direction. According to the public agencies, the residents were more interested in infrastructure projects, as the level of awareness on economic development is generally low.

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.2

The working version of the budget was published on the website, and one public hearing was held, organized by a local youth group and attended by representatives of the public agency.

At the public hearing of the final version, the residents presented an initiative regarding the implementation of a project to support small businesses. According to the representatives of the municipality, the initiative could not be accepted, as such a project was not considered in the budget.

According to the interviews, the residents were more interested in infrastructure projects rather than the economic direction. Despite the readiness of the public agency to discuss economic development programs, interest in this regard was still low.

REGULATORY IMPACT ASSESSMENT (BONUS)

NA

Normative act of municipal body: 2022 Budget of the Rustavi City Municipality (Development of Infrastructure)

Author: City Hall of the Rustavi Municipality, Rustavi Municipal Council

Number: 281

Date: 25/11/2021

2.00

INFORMATION ABOUT THE NORMATIVE ACT:

The municipal budget is prepared by the City Hall and approved by the Municipal Council. The 2022 budget defined 6 priority directions. This study reviewed the process of development of the #2 priority – development of municipal infrastructure.

The priority entailed the development of road infrastructure and water systems, construction, supporting homeowner associations, beautification activities, and others.⁴⁰

DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS

The budget cycle is similar every year, and the population and private sector, therefore, had some information about the activities planned for the year and the relevant timelines. Prior to celebration of the infrastructure budget, the representatives of the City Hall and Council received information from the population about their needs, in written form or at meetings. The document on the priorities was developed afterwards, and the process of elaborating the working version of the budget began. It was after this that it became known what was reflected in the budget. At this stage, there was more active communication with the population than the private sector. No additional analytical documents were prepared.

DRAFTING OF THE NORMATIVE ACT

The working version of the budget was prepared by the City Hall. During revisions to the project, a meeting was held between the non-governmental sector and the City Hall and Council members at the initiative of one of the non-governmental organizations. Some of the comments from the meeting were reflected in the project.

⁴⁰<https://matsne.gov.ge/ka/document/view/5288795?publication=0>

DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC

2.2

The working version of the budget was published on the website, and a public hearing was held in the municipal council. Even though the document was public, it was not available to all stakeholders, as part of them did not know where and when the project was published. It was not disseminated proactively. Some comments were received at this stage as well, in addition to more requests from stakeholders. According to the public agencies, the comments and requests that could not be reflected in the 2022 budget will be included in following years.

REGULATORY IMPACT ASSESSMENT (BONUS)

NA

Normative act of municipal body: 2022 Budget of the Kutaisi City Municipality (Facilitating Economic Development)

Author: City Hall of the Kutaisi Municipality, Kutaisi Municipal Council

Number: 5

Date: 29/12/2021

1.58

INFORMATION ABOUT THE NORMATIVE ACT:

The municipal budget is prepared by the City Hall and approved by the Municipal Council. The 2022 budget defined 6 priority directions. This study reviewed the process of development of the #6 priority – facilitating economic development.

The priority entails a program for stimulating the economy and supporting business, supporting the development of tourism, developing a general plan of the city, and management of the property of the self-governing unit⁴¹

Note: *As some officials involved in/responsible for the process of elaborating the budget did not share the necessary information for the assessment, the IDFI team prepared it based on other available information.*

⁴¹ <https://www.matsne.gov.ge/ka/document/view/5315614?publication=0>

<p>DEVELOPMENT OF THE GENERAL POLICY DIRECTIONS</p> <p>The stages of budget preparation are similar every year. At the beginning of the 2022 budget development process, representatives of the City Hall and Council met with the population and received information about their needs. In addition, meetings were held with the private sector by the Destination Management Organization (DMO).</p>	<p>2.0</p>
<p>DRAFTING OF THE NORMATIVE ACT</p> <p>The working version of the budget was prepared by the Kutaisi City Hall.</p>	<p>0.5</p>
<p>DISSEMINATION OF INFORMATION AND FEEDBACK FROM THE PUBLIC</p> <p>The working version of the budget was published on the website of the municipal council and was discussed at a council hearing, which was broadcasted via social media. Therefore, stakeholders had opportunities to ask questions and received feedback.</p> <p>According to the interviews, the population was more interested in infrastructure projects compared to the economic development support programs. Similarly, the representatives of the business sector - the companies operating in the tourism sector - also wanted to consider infrastructural projects in the mentioned budget.</p>	<p>2.3</p>
<p>REGULATORY IMPACT ASSESSMENT (BONUS)</p> <p>NA</p>	

APPENDIX I:

REFERENCES

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- 03 „On Mortgage Bonds” (Registration № 2112-IXობ-ႂოႃ, Initiated version, Explanatory note) (parliament.ge)
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