ISET POLICY INSTITUTE'S RECOMMENDATIONS FOR THE PARLIAMENT OF NEW CONVOCATION: THE FIRST 5 URGENT STEPS AS A PREREQUISITE FOR THE RESILIENCE OF GEORGIA'S ECONOMY

As advised by the European partners, in order to restore Georgia's trajectory towards EU membership, it is essential for the country to repeal the recently enacted laws concerning "Transparency of Foreign Influence" and "Protection of Family Values and Minors," as well as to adequately implement the nine requirements set forth by the European Commission for granting of EU candidate status to Georgia. While this shall make a priority for the newly elected parliament, ISET Policy Institute recommends that the new parliament undertakes the following five actions as essential prerequisites for the country's resilient economic development:

1) **Revoke the June 4, 2024, amendment to the Tax Code of Georgia, referred to as the "Offshore law," which facilitates the transfer of assets from offshores to Georgia.** In the context of the recent political and legislative developments in Georgia, this amendment poses significant risks of enabling money laundering and sanctions evasion. Even if the stated intent behind Georgia's tax code amendments is to boost foreign direct investment, the accompanying risks and reputational harm far outweigh the potential benefits.[1]
2) **Repeal the June 27, 2024, amendments to the Law on "Funded Pensions" to ensure the efficient functioning of the pension system**. The amendments may jeopardize the fund's governance efficiency and increase the risk of political influence on investment decisions. The amendments may also result in diminished competition, which is damaging to the participants and may adversely affect the development of the capital market in Georgia in the medium term. The adjustments to the law also raise the risks of investing in such government projects that could negatively impact the interests of pension system participants.[2]
3) Within the scope of its mandate, **ensure the full staffing of the Board of the National Bank of Georgia (NBG) with professionals distinguished by their impartiality and integrity** (as provided by the organic law on NBG).
4) Within the scope of its mandate, **ensure full adherence of the country's domestic laws and regulations with the enforcement conditions of**

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[1] For an extensive analysis of the risks and challenges associated with this topic, refer to the ISET Policy Institute's policy brief: "Georgia's Tax Code Gamble with Offshore Havens".

[2] For an in-depth analysis of the proposed modifications to the pension system, please refer to the ISET Policy Institute's policy brief. Please also refer to the ISET Policy Institute's Economic Policy Alert „Amendments to the Law of Georgia on Funded Pensions".

international sanctions imposed by the United States and other Western allies of Georgia.

5) **Ensure the transparency of the Anaklia Deep Sea Port construction financing agreement.** Limited information is available regarding the contractual agreement with the Chinese-Singaporean consortium. Chinese contracts often contain various forms of collateral pledges and offtake guarantees, which have a cascading nature. This raises questions about fiscal responsibilities and the potential for contingent liabilities, such as state guarantees, which could transform into direct liabilities and adversely affect the state budget. These concerns are heightened by the project's reliance on equity and debt financing from the government, possibly secured through a pension fund or loans sourced from Chinese companies. Given the significance of the matter, the obligations to be assumed by the state concerning the construction of the Anaklia Deep Sea Port ought to be public.[3]

[3] For an extensive analysis of this topic, please refer to the ISET Policy Institute's policy brief,"Anaklia port development: China's financing and its implications for Georgia", which examines the possible risks associated with Chinese investments in critical infrastructural projects.