

# PROBLEMS AND CHALLENGES OF CORPORATE MANAGEMENT IN GEORGIA

POLICY PAPER SUMMARY



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Eastern Partnership Civil Society Forum Georgian National Platform is an association of local and international non-commercial legal entities registered in Georgia, aiming to promote and implement the goals set by the Joint Declarations of the Prague, Warsaw and Vilnius Eastern Partnership Summits and the EU-Georgia Association Agreement of European Neighborhood Policy and other joint events.

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## Summary

The purpose of this paper is to study and analyze the problems of the development of the business sector in Georgia and the implementation and development of a corporate culture. Its aim is to study existing policies which deal with the business environment, analyze the historic development of the tax policies, analyze the current challenges and developments businesses face in the country, and to improve existing policies, while proposing efficient and effective economic instruments.

The research is based on both field and desk studies, while taking a chronological approach to diagnose and analyze legislative, political and market conjecture processes. The distrust towards financial institutions by citizens and businesses was evaluated, and the obstacles business face adopting corporate management and growing into major business organizations was analyzed. Qualitative interviews allowed to interview experts and business owners, to compare and analyze information gathered from various sources, and design the recommendations.

To solve the existing problems, the following activities should be implemented:

- Improve skill sets of citizens in corporate management;
- Increase trust towards financial institutions and the State by implementing a policy on returning the so called “unreturnable deposits”.

First, liabilities taken on by the State in 1997 must be indexed and then the return policy should be defined through one of the following recommendations: 1) Vouchers for tax inclusion – an obligation, which can either be claimed by the lawful owner as prorated towards taxes owed, or to be sold to the third persons/businesses; 2) Within the confinements of this obligation, transfer state property (via privatization) and, in conjunction with this, allow loans with preferential conditions. The second alternative should be more beneficial to the State, since it saves funds necessary for administering privatization procedures, does not involve handing out cash, while supporting business development simultaneously.

### Recommendations:

- Pay out proper compensations for property damages incurred by the population inhabiting non-occupied territories during the civil conflict in the 1990s;
- Ensure a sustainable, fair business environment by establishing business arbitration;
- Rehabilitation through financial compensation for businesses/entrepreneurs who suffered as a result of unlawful actions of the State during 2008-2012;

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- Implementation of the Law of Georgia on Accounting and Financial Audit imposed duties in a timely and coherent manner;
  - Elaboration of standards for various business industries on determining the calculation of losses.

### **Expected results**

- Increased public trust in financial institutions;
- Motivated population to open savings accounts and save their money;
- Increased investments and a stimulated economy as a result of a sustainable business environment;
- Growth of the number of business organizations and large enterprises, positively influencing and increasing employment opportunities;
- The establishment of a mutually trusting and respecting environment between the business and the State, reflected in the economy and supporting the sustainable development of the country.

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