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Governing for  
Growth  
in Georgia

# BUSINESS PERCEPTION SURVEY

FINAL REPORT

USAID GOVERNING FOR GROWTH (G4G) IN GEORGIA

July 8, 2019

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting LLP. The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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USAID GOVERNING FOR GROWTH (G4G) IN  
GEORGIA

CONTRACT NUMBER: AID-114-C-14-00007

DELOITTE CONSULTING LLC

USAID | GEORGIA

USAID CONTRACTING OFFICER'S

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OVERALL INSTITUTIONALIZED FRAMEWORK FOR  
PUBLIC CONSULTATION

LANGUAGE: ENGLISH

8 JULY 2019

DISCLAIMER:

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# DATA

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**Project Component:** Overall institutionalized framework for public consultation

**Practice Area:** Evidence-based policymaking

**Key Words:** Survey, business perception

## ACRONYMS

CRRC-Georgia	Caucasus Research Resource Centers Georgia
DCFTA	Deep and Comprehensive Free Trade Area
DK/RA	Do not know/refuse to answer
G4G	Governing for Growth in Georgia
GoG	Government of Georgia
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
NGO	Nongovernmental Organization
R&D	Research and Development
RIA	Regulatory impact Assessment
RS	Revenue Service
SMEs	Small and Medium Sized Enterprises
USAID	United States Agency for International Development

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# 1. EXECUTIVE SUMMARY

Governing for Growth (G4G) in Georgia is a five-year USAID-funded project, which Deloitte Consulting LLP began implementing in 2014. The project supports the Government of Georgia (GoG) in creating a better business environment via transparent legal and regulatory reforms that provide an opportunity for business sector growth. G4G supports dialogue among the private sector, the government, and civil society stakeholders to effectively formulate reforms that drive economic development.

In support of the above goals, G4G has sponsored business environment surveys on a regular basis over the course of the project. The surveys aim to understand the perceptions and attitudes of medium- and large-sized businesses (“medium” and “large” businesses, respectively) operating in Georgia on policy and reform related to the business environment - to identify areas where donors interventions would be most valuable.

In 2019, the survey specifically covered the following issues:

- Awareness of reforms
- Relations with media
- Attitudes toward the business environment
- Audit and tax administration
- Customs perceptions
- Information and communication technologies
- Capital markets
- Pension reform
- Water resource management

USAID, as part of the Economic Prosperity Initiative (EPI), implemented similar surveys in 2011, 2012, and 2014, and as part of G4G in 2016. The 2019 survey included 1,053 medium and large businesses, and has an average margin of error of 1.6%. This report analyzes differences between previous survey waves to understand dynamics in the previously noted fields. In addition, cross-tabulations are used to understand differences between businesses of different sizes and sectors.

The data and analysis led to a number of conclusions and recommendations.

When it comes to awareness of reform, a large majority of businesses are aware of tax reform, pension reform, and customs. In contrast, businesses are far less aware of other types of reform. With information about reform, medium-sized businesses find it slightly more difficult to access information, suggesting that efforts should be made to reach out to medium-sized firms. The government should continue its increased level of outreach to businesses (which the data reflects), including efforts to communicate reform through the internet and television — the two main places businesses look for information related to business and economics.

Overall, according to businesses in Georgia, high taxes and interest rates on loans remain the largest issues they face — just as they were in past waves of the survey. Given the recent changes to finance regulation (that have likely made access to finance more difficult), programing aimed at increasing access to finance is likely to help the business environment. Most businesses do not find Georgia’s competition legislation sufficient enough to ensure fair competition within the country. Generally speaking, businesses are divided over the transparency and fairness of economic governance. Improving and enforcing current legislation has the potential to improve the business environment overall.

More businesses find business associations ineffective than effective. Moreover, most business associations are not well known, or their effectiveness is unknown. This suggests that business associations should work to a) increase their profile among Georgian business, and b) promote successful cases of their work to improve their public standing.

Business overwhelmingly supports the establishment of a permanent coordination body composed of members of the public sector, private sector, and nongovernmental organizations (NGOs) to discuss country strategy, policy, and legislation prior to adoption. Business leaders generally report that it is necessary to involve businesses in preparing legislation related to the business environment. This suggests that the private sector would welcome the establishment of a permanent coordination body. Most businesses also welcome the introduction of regulatory impact assessments (RIA).

Businesses are generally satisfied with the tax and tax audit administration. Businesses believe the process of submitting tax declarations and obtaining tax refunds is seemingly simple. A relatively large share of businesses (12%) received a tax audit in 2018. Of those that were audited, almost half were charged with additional taxes as a result of audits. A relatively small share of those audited were hindered by the audit, but some did lose revenue.

The new corporate income tax regime has had a relatively positive influence. About one-quarter of businesses report increasing their investment in 2017 over 2016, following the introduction of the new tax regime. This finding should be taken with caution, however, as the data is not experimental and has not been analyzed using quasi experimental methods. Businesses in the secondary sector were more likely to invest more in 2017 than in 2016, as were large businesses.

The unified treasury code system is also perceived as having had a positive influence on business, generally speaking.

Businesses are relatively equally split between using International Financial Reporting Standards (IFRS), IFRS for small business, financial reporting standards for enterprises in the fourth category<sup>1</sup>, and not knowing what their standard is.

With customs, businesses that use customs services have a positive perception of the services. Most businesses feel that the customs fees are reasonable, that customs procedures are transparent and convenient, and that the waiting time during the customs clearance is reasonable. Businesses also feel that there is sufficient information on customs regulations currently available to ensure compliance when importing/exporting goods, as well as sufficient information on changes of customs regulations.

When it comes to state procurement, one in five medium and large businesses reported participating in a tender. Large and secondary sector businesses are more likely to do so. The businesses that participate are generally satisfied with the state procurement system.

Information and communication technology (ICT) usage is widespread among medium and large businesses in Georgia. Businesses generally perceive technology adoption as advanced within their sector. However, relatively few businesses had invested in ICTs in the six months prior to the survey. This issue should be monitored to ensure and incentivize ICT usage among Georgian businesses.

Transportation costs are rising or remaining the same for most medium and large businesses in Georgia. However, the costs represent a relatively small share of costs for most businesses. Among businesses that manufacture, import, or export goods, a plurality would be willing to use Georgian logistics services. Most businesses view Georgian transport and logistics services as reliable.

Capital markets are still not popular among businesses in Georgia, with very few using them in their business. About two-thirds are unaware of the capital market. A small percentage (13%) is willing to use capital markets in the future. Based on these findings, it is recommended to raise awareness among businesses about capital market opportunities.

Businesses have a lack of information about water resources management in Georgia and are unaware of the Law on Water Resources Management. This suggests that the Ministry of Environmental Protection and Agriculture and other institutions working on water resources management should attempt to engage businesses on proposed changes to the law.

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<sup>1</sup> According to the Law on Accounting, Reporting and Audit the “fourth category” includes an entity, the indicators of which at the end of the reporting period meet at least two criteria out of the following three: (1) The value of total assets does not exceed GEL 1 million; (2) The revenues do not exceed GEL 2 million; (3) The average number of employees during the reporting period does not exceed 10 (ten) people.

The vast majority of businesses are aware of the new pension reform. They generally report that the reform is not important for their business, but that it is important for the country and the population. Still, a plurality disagree with the concept of the reform. Nonetheless, most businesses are willing to pay their additional contribution.



## 2. INTRODUCTION

G4G is a five-year USAID-funded project, which Deloitte Consulting LLP began implementing in 2014. The project supports the GoG in creating a better business environment via transparent legal and regulatory reforms that provide an opportunity for business sector growth. G4G supports dialogue among the private sector, the government, and civil society stakeholders to effectively formulate reforms that drive economic development.

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The report proceeds as follows. In Section 3, the methodology is presented. In the subsequent sections, results are presented by theme. Specifically, Section 4 presents awareness of a variety of reforms. Section 5 presents attitudes toward the business environment more generally. Section 6 presents attitudes toward audits and the tax administration. Sections on information and communications technology, capital markets, pension reform, and water issues follow. In the final section, conclusions and recommendations are provided.

### 3. METHODOLOGY

To understand businesses' attitudes toward the subjects noted in the previous section, CRRC Georgia carried out a survey representative of registered businesses in Georgia. CRRC-Georgia conducted interviews with CEOs, owners, or other individuals well informed about business activities. The survey was stratified by size of business (medium and large) using the Georgian national definitions, which were used prior to the adoption of corresponding statistical definitions used in the European Union, which Georgia adopted as part of the Association Agreement with the European Union in 2014. This definition was used because too few businesses are in the large- and medium-sized groups in Georgia, according to the European definition and to ensure comparability with previous waves of the survey. In total, 1,053 businesses were interviewed within the project. Of these, 668 were medium-sized businesses and 358 were large-sized businesses. Overall, 15 were in the primary sector, 245 in the secondary sector, and 793 in the tertiary sector. The average margin of error for the survey is 1.6%. The survey was conducted in February and March 2019. Similar sampling designs and sample sizes were used in the previous waves of the 2014 and 2016 surveys.

**Table 1: Survey characteristics**

Year	Sample size
2011	1,002
2014	1,012
2016	1,000
2019	1,053

The survey questionnaire was updated following its review together with the G4G team. In this regard, a number of notes are important. Clear instructions on how questions should be asked were added. For example, in previous waves, it was not clear whether the interviewer should correspond with the respondent (ask the question and fill in the answer that most closely matches the respondent's answer in the survey), or if the interviewer should read out the list of all answer options after asking the question. For this wave of the survey, CRRC-Georgia developed instructions for each question on how the question should be asked. This means that the comparability of waves of the survey is weakened. At the same time, the results are much more reliable, because the questions were, in turn, asked in a consistent manner. Second, in the questionnaire development process, a number of additional questions that focused on pension reform and the newly introduced Estonian tax model reform<sup>2</sup> were added to the survey.

This report primarily uses descriptive statistics. It compares different waves of the survey, and looks at differences between different sectors (secondary and tertiary)<sup>3</sup> and businesses of different sizes. The primary sector is not included in these comparisons, because too few businesses in the primary sector participated in the survey to make a reliable statistical estimate or inference. For comparisons, cross-tabulations and chi-square tests<sup>4</sup> are used to look for significant differences between groups.

For the purpose of this report *small size enterprise* is defined as an enterprise where average annual number of employees does not exceed 20 persons and average annual turnover - 0.5 million GEL;

<sup>2</sup> For an overview of the Estonian tax model's introduction in Georgia, see American Chamber of Commerce and Industry in Georgia (2016). The Estonian Tax Model. Retrieved from [http://www.amcham.ge/diary/rtable\\_2016-03-09/estonian-model.pdf](http://www.amcham.ge/diary/rtable_2016-03-09/estonian-model.pdf) on April 8, 2019.

<sup>3</sup> Primary sector businesses are generally involved in the extraction of raw materials; secondary sector businesses, in the processing of raw materials; and tertiary sector businesses in the provision of services. For definitions, see Eurostat (2019). Statistics Explained. Retrieved from [https://ec.europa.eu/eurostat/statistics-explained/index.php/Main\\_Page](https://ec.europa.eu/eurostat/statistics-explained/index.php/Main_Page) on April 8, 2019.

<sup>4</sup> For an explanation of what a chi-square test is, see StatTrek (n.d.) Chi-Square Test for Independence. Retrieved from <https://stattrek.com/chi-square-test/independence.aspx> on April 8, 2019.

*medium size enterprise*, where average annual number of employees ranges from 20 to 100 persons and average annual turnover – from 0.5 million to 1.5 million GEL and *large size enterprise*, where average annual number of employees exceeds 100 persons and/or volume of average annual turnover - 1.5 million GEL.

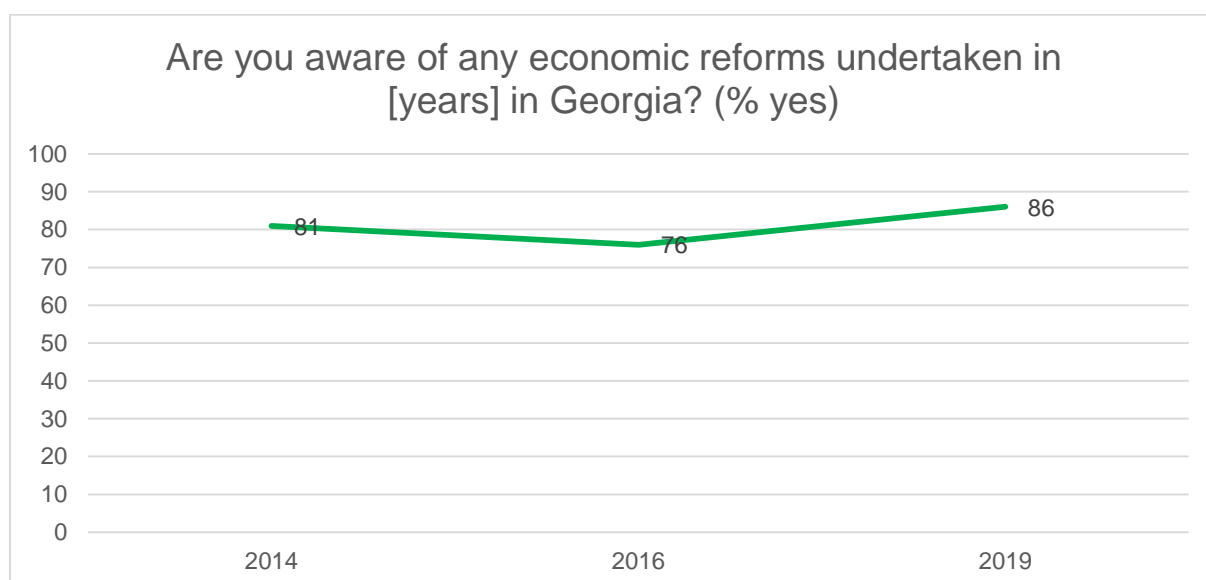
## 4. FINDINGS

The results of the survey are presented in this section. First, awareness of reform and media consumption are described. Next, attitudes toward the business environment in Georgia are presented. Perceptions of the audit and tax administration and customs follow. ICT and capital market usage are presented next. The section then provides an overview of attitudes toward pension reform and water issues.

### 4.1 AWARENESS OF REFORMS

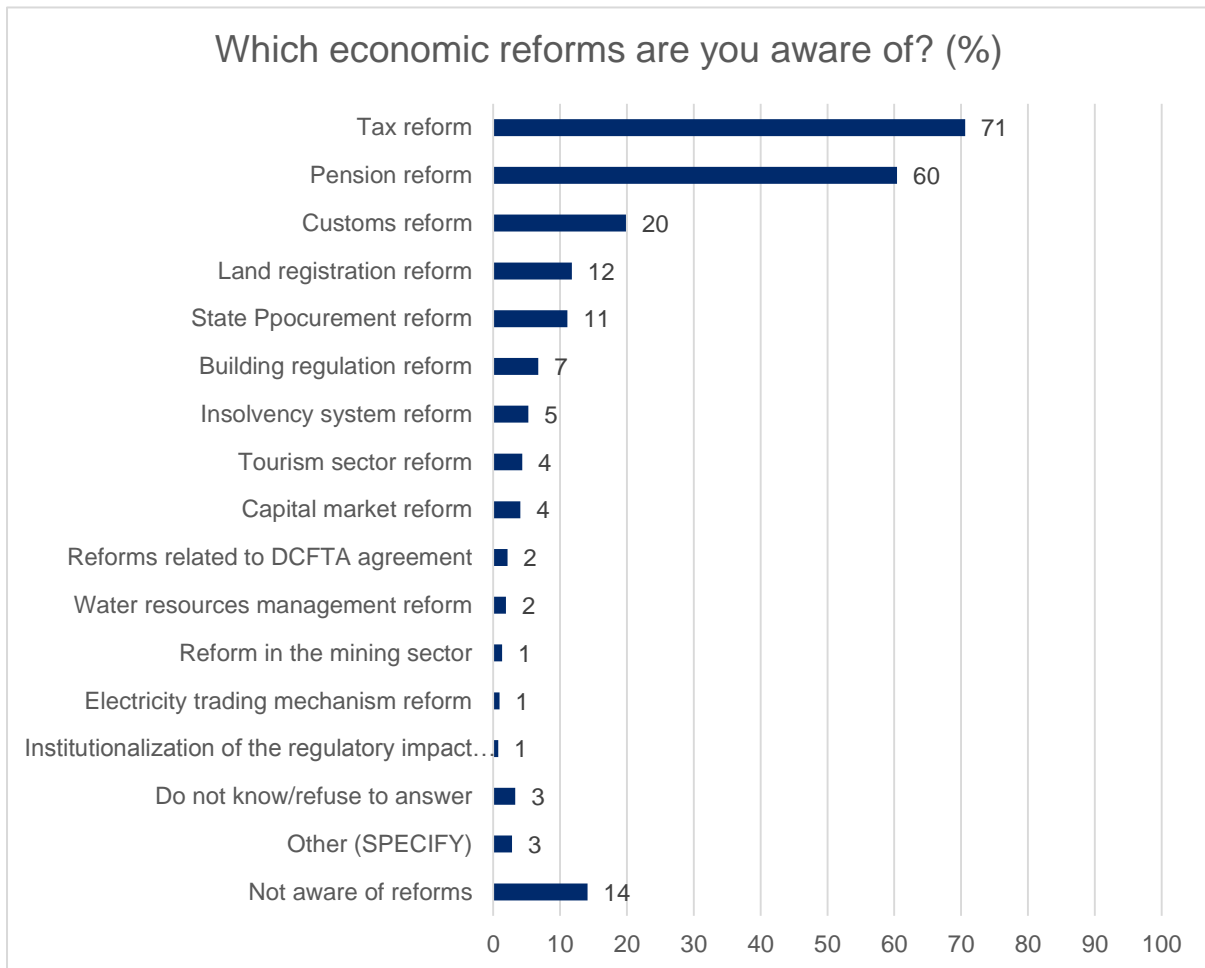
For many reforms to be effective, businesses must be aware of them so that they can take advantage of new opportunities as well as understand how reform will affect their business activities. With this in mind, this section reports on businesses' awareness of reform as well as their media consumption. Given that media is one of the most important mediums for informing businesses of a given reform, this section also provides data on media consumption among businesses in Georgia.

In 2019, 86% of medium and large businesses reported that they had heard of at least some reform carried out between 2014 and 2018. This compares to 76% that reported they were aware of a reform between 2014 and 2016 in the 2016 survey, and 81% in 2014 and 94% in 2011. A small but significant difference exists between medium (89%) and large (84%) businesses in terms of reported awareness of reforms. In contrast, there is no significant difference in reported awareness between different sectors.



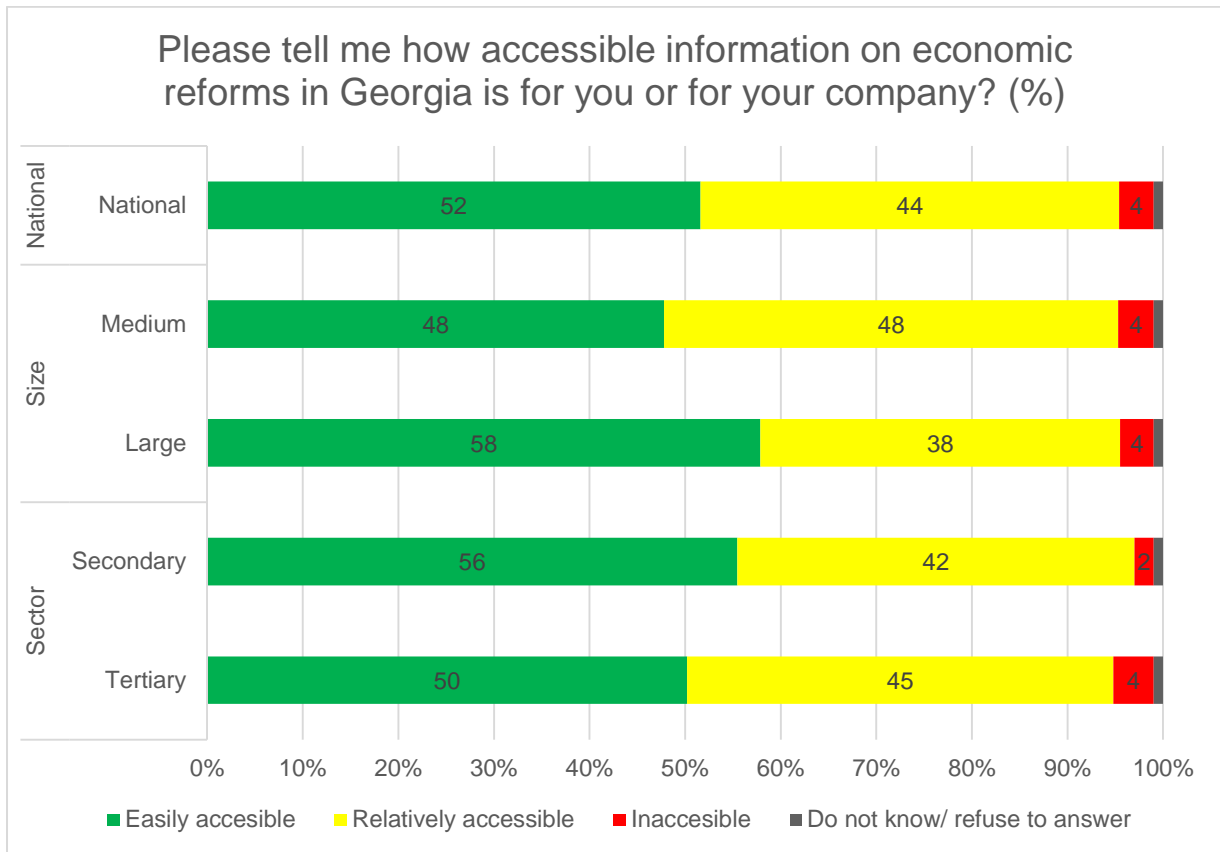
The survey measured awareness of reforms by asking businesses to name which reforms they were aware of. The 14 spheres of reform included tax reform, customs reform, pension reform, capital market reform, state procurement reform, insolvency system reform, land registration reform, reform in the mining sector, electricity trading mechanism reform, water resources management reform, institutionalization of regulatory impact analysis in the legislative process, tourism sector reform, building regulation reform, reform related to the Deep and Comprehensive Free Trade Area (DCFTA) agreement, and "other".

Awareness of reform related to tax reform is most common, with 71% of businesses reporting that this was the type of reform they were aware of. The reform that businesses reported the next most often was pension reform (60%), followed by customs reform (20%), and land registration reform (12%). Businesses were relatively unaware of reform related to regulatory impact assessment (1%), electricity trade (1%), and reform in the mining sector (1%).



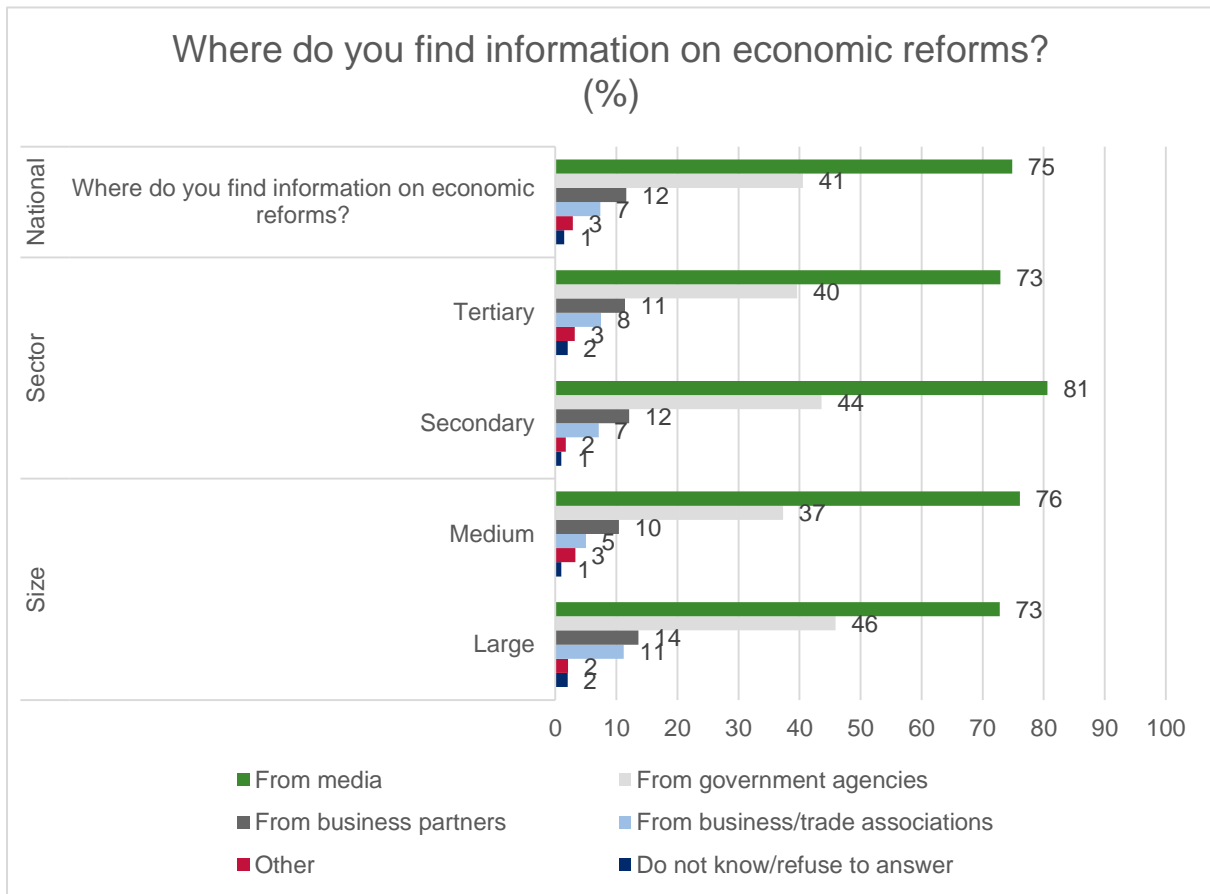
Awareness of different reforms also varied by the size and sector of a firm. Large businesses were more aware of reform related to taxes (74% large businesses mentioned versus 69% of medium businesses) and customs (26% of large businesses versus 16% of medium businesses), while medium businesses were less aware of reform generally speaking (11% of large businesses were unaware of any reform versus 16% of medium businesses). Businesses in the tertiary sector are more aware of pension reform (63% of tertiary sector businesses versus 53% of secondary sector businesses), while businesses in the secondary sector are more aware of building regulations (11% of secondary sector businesses versus 5% of tertiary sector businesses). There were no other significant differences between businesses of different sector or size. Because of a lack of clarity in coding in the previous wave of survey, it is not possible to compare awareness over time.

The survey suggests that overall, 52% of businesses think that information is easily accessible, and another 44% think it is relatively accessible. Medium businesses (48% report easy accessibility) find accessing information slightly more difficult than large businesses (58% reporting easy accessibility). Attitudes do not vary significantly between the secondary and tertiary sectors. A slight increase occurred between 2016 and 2019 results regarding accessing information.



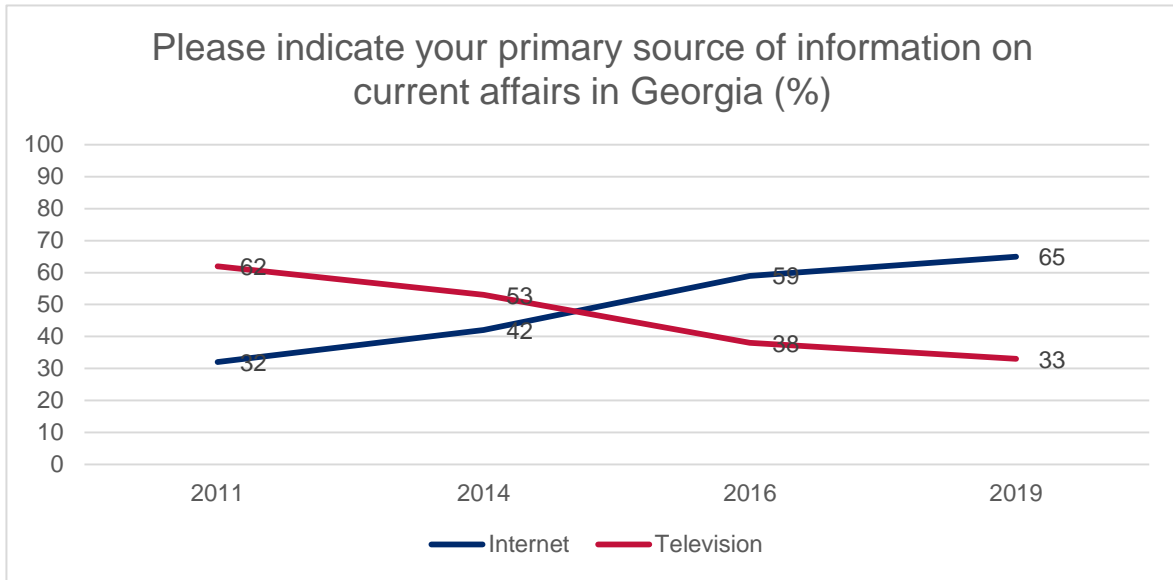
Based on the above, it appears that businesses believe they have relatively good access to information. Medium businesses are slightly less likely to think it is easy to access information, suggesting that outreach to medium (and, likely, small businesses) is more important than with large businesses. But which mediums are most likely to be successful in reaching businesses? Businesses generally report that they look for information in the media most frequently. The next most common source of information is government officials. Compared with 2016, the share of businesses reporting that they obtain information directly from government agencies has increased from 23% to 41%.

The only difference between sectors is that businesses in the secondary sector reported using the media to access information about economic reform more than businesses in the tertiary sector. A number of differences exist between businesses of different sizes. Large businesses are slightly more likely to report receiving information from government agencies and business or trade associations than medium businesses. This may suggest a need for government agencies to increase attempts to reach out to medium businesses. Alternatively, focusing on increasing dissemination on regulatory change where medium businesses already receive information—from the media—is also a potentially successful strategy. In all likelihood, some combination of both outreach strategies is likely to be most successful.



*Note: Respondents could provide as many responses as they wanted. Therefore, the percentages in the charts above do not add up to 100%.*

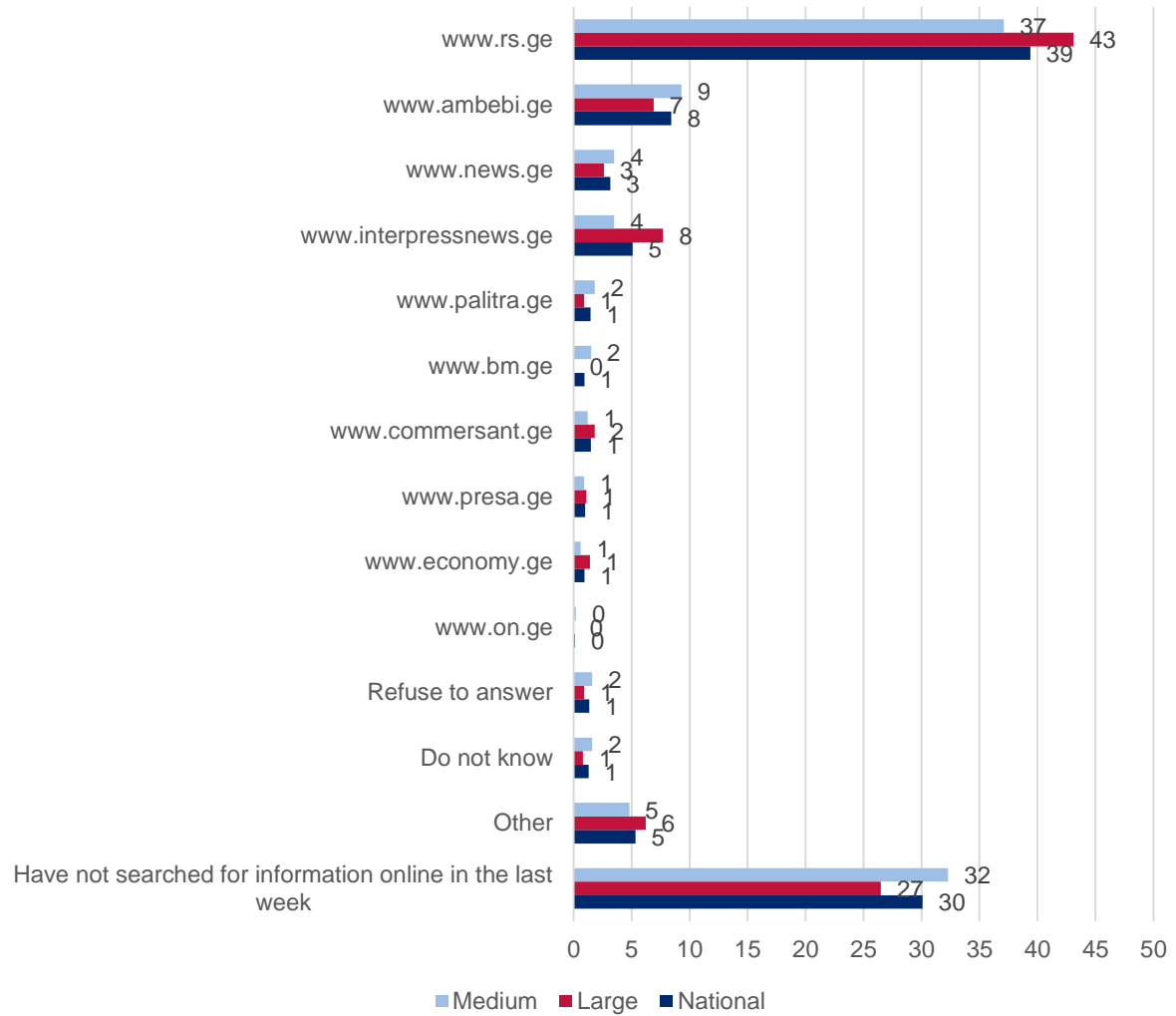
When it comes to current affairs, the data shows that the main source of information in Georgia for medium and large businesses is the internet (65%), while the second most common source for information is television (33%). Other sources are used by 1% of medium and large businesses as primary sources of information on current events. There are no differences in reported media consumption by size or sector of business. Comparing the results for the same question from 2016 shows that the internet appears to continue to be gaining in importance as a source of information, given a six-percentage point increase in the share of businesses reporting their usage of the internet as a primary source of information.



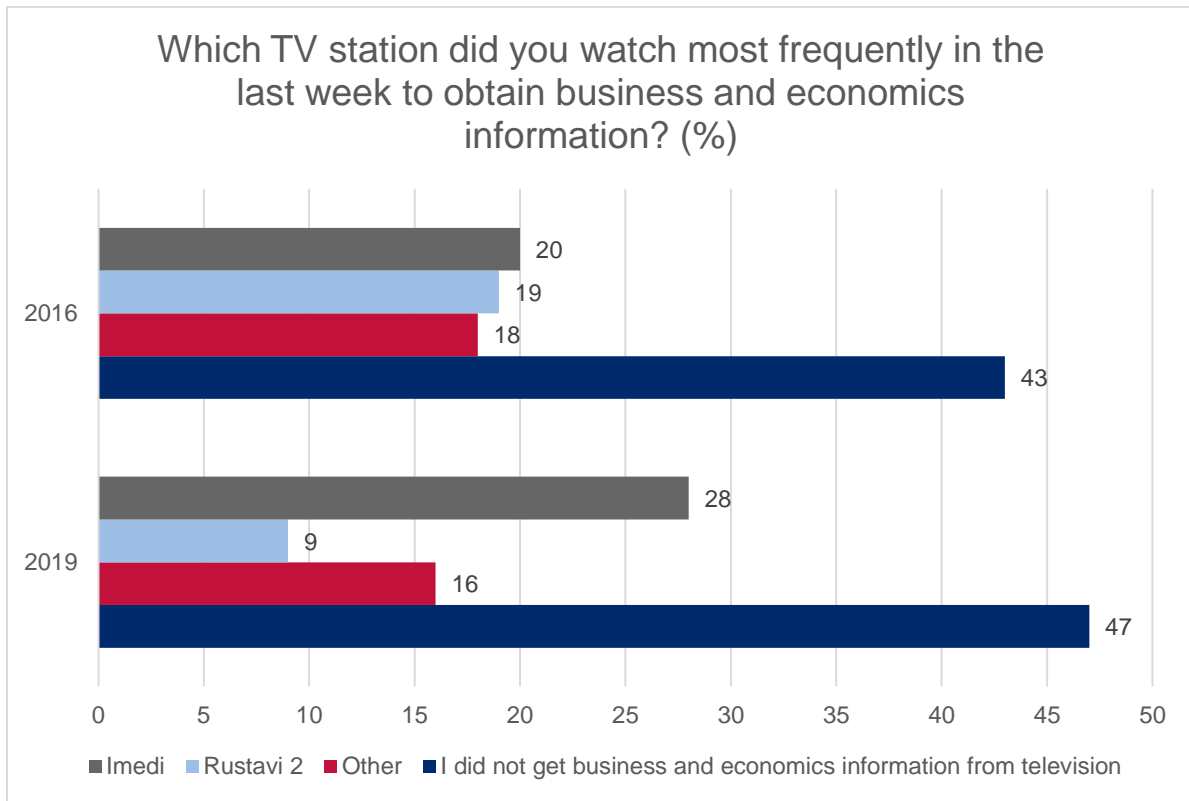
Businesses were asked which web page they used most frequently in the previous week to obtain information about business, which enabled an understanding of their online information-seeking behavior in greater detail. Overall, 39% percent mentioned the Revenue Service of Georgia’s web page (rs.ge), 8% said ambebi.ge, and 5% said interpressnews.ge. Overall, 30% of businesses reported not searching for information on any website in the previous week. The use of different websites did not vary by sector of business. However, medium businesses were slightly less likely to use the revenue services website (37%) than large businesses (43%). Large businesses were generally less likely to have searched for information online during the week prior to the survey (27%) than medium businesses (32%).



Which website have you used most frequently last week to obtain [information about business and economics]?  
(%)



Regarding particular TV stations, businesspeople most frequently receive business and economics news from Imedi (28%) and Rustavi 2 (10%). About one in twenty (6%) businesses view another TV station for business and economics news. Interestingly, the share of businesses reporting they obtain business news from Rustavi 2 has declined since 2016 (from 19% to 10%) and Imedi increased (from 20% to 28%). With print media, only 10% of businesses reported obtaining information from newspapers, and 9% reported obtaining information on business from magazines.



The above data suggest that reform related to taxes, pensions, and customs are best known, and most other areas of reform are known by relatively small shares of the business community. Medium businesses are slightly less aware and find it a bit more difficult to access information. Since 2016, a significant increase has occurred in the share of businesses that obtain information directly from government agencies. A plurality of businesses searched for information on the revenue services website in the week prior to the survey, and the internet remains the main source of information for businesses on economics and business news. Businesspeople who watch television for economic news increasingly watch Imedi, and the share of those watching Rustavi 2 has declined compared to 2016. The data suggest that efforts to improve awareness among medium businesses could take two strategies — the government could attempt greater outreach efforts directly or through the media. Some combination of both is likely the best strategy to increase businesses’ awareness of ongoing reforms.

## 4.2 ATTITUDES TOWARD THE BUSINESS ENVIRONMENT IN GEORGIA

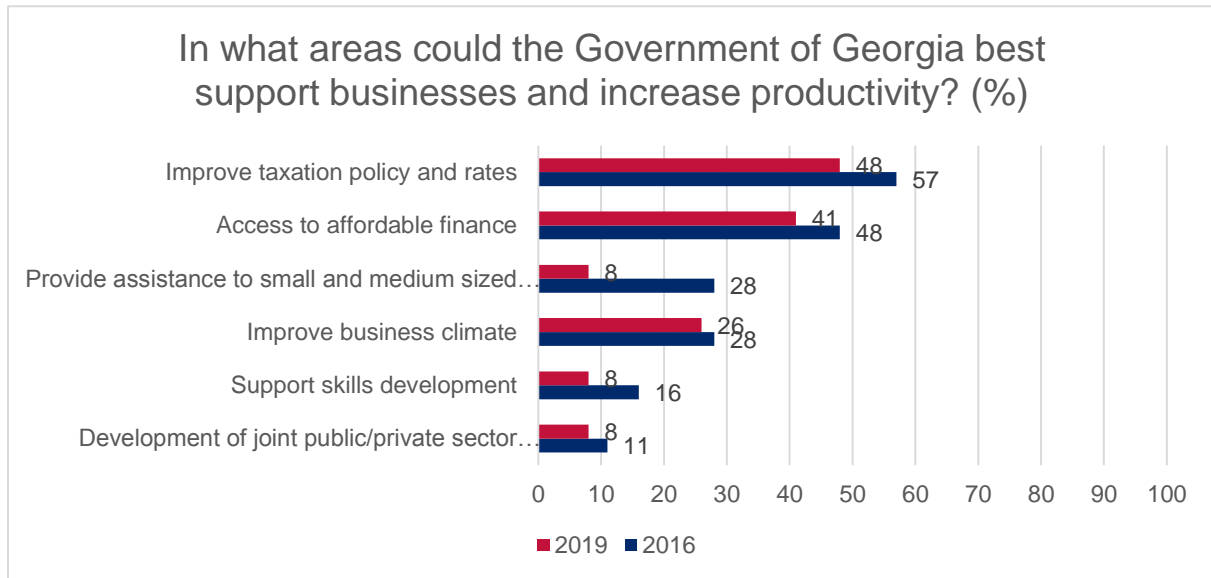
To assess the business environment in Georgia, the survey included questions about a number of issues, including what hinders businesses in their day-to-day operations, areas in which the GoG could best support business and help increase productivity, whether Georgia's competition legislation is sufficient to ensure fair competition within the country, and whether the data the National Office of Statistics collects is reliable. It further included questions on government engagement with the private and NGO sectors on country strategy, policy, and legislation prior to adoption. This section presents the results of these questions.

The survey asked businesspeople to name which factors hinder business in their day-to-day operations. High taxes was the most common response, with 23% of businesses reporting it hindered their day-to-day business operations. Businesses reported high interest rates for loans (19%) frequently as well. Since 2014, the main factors hindering day-to-day business remained high taxes and high interest rates. Businesses rarely named factors such as harassment by government bodies (1%), lack of intellectual property rights protection (1%), or inconsistent/unclear application of rule of law (2%). Medium businesses mentioned high taxes (26%) more than large businesses (19%).

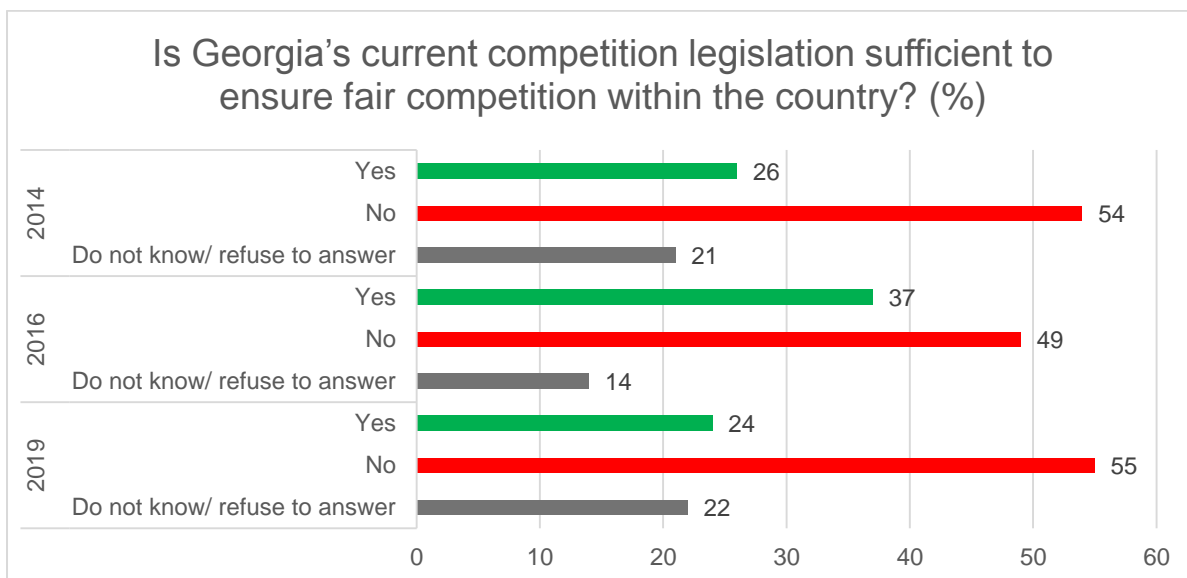
What factors hinder businesses in their day-to-day operations? (%)				
	2011	2014	2016	2019
No hindrances	37	19	25	34
High interest rates for loans			31	19
High taxes		1	30	23
Lack of fair competition	20	27	18	9
Frequent legislative and policy changes	23	36	16	10
Inconsistent policies	7	13	11	11
Unclear/vague laws			8	10
Inconsistent or unclear application of rule of law	7	13	7	2
Administrative burden	8	8	5	2
Lack of intellectual property rights protection	5	8	4	1
Harassment by government bodies/agencies	4	7	3	1
Lack of qualified workers				10
Currency instability			2	

What factors hinder businesses in their day-to-day operations? (%)				
	2011	2014	2016	2019
Financial condition of population			1	
Low-quality banking services	3			
Other	11	11	7	13
DK/RA	7	3	1	2

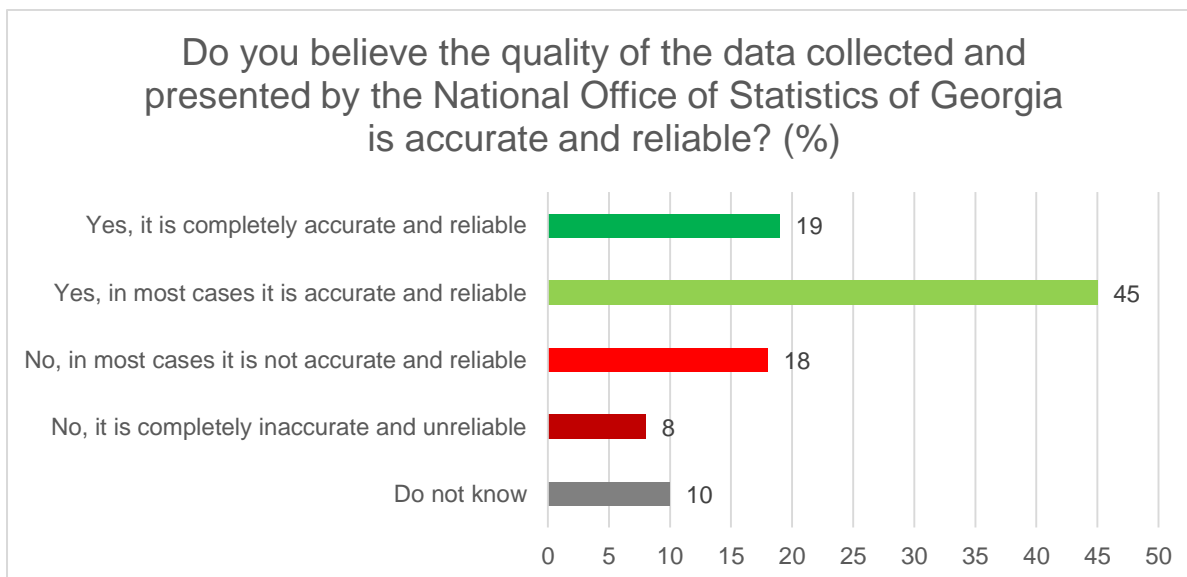
When asked for the areas in which the GoG can best support business and increase productivity, the most common response was improving taxation policy and rates. About half (48%) of businesses reported that changes in this domain could support their business and increase their productivity. The next most-often-reported domain was access to affordable finance (41%). The importance of taxation and access to affordable finance declined in 2019 compared with 2016, when 57% and 48% reported these issues, respectively. The next most common issue was improvement of the business climate (26%). Businesses rarely mentioned areas such as support in skills development (8%), the development of joint sectors (8%), or providing assistance to small and medium sized enterprises (8%).



In 2019, 24% of medium and large businesses reported that Georgia’s competition legislation is sufficient enough to ensure fair competition within the country and 55% reported it is not. The remaining 21% did not know. The share reporting it was sufficient has not changed since 2014. There is not a significant difference between medium and large businesses or between secondary and tertiary sectors in terms of feeling that Georgia’s legislation is sufficient.

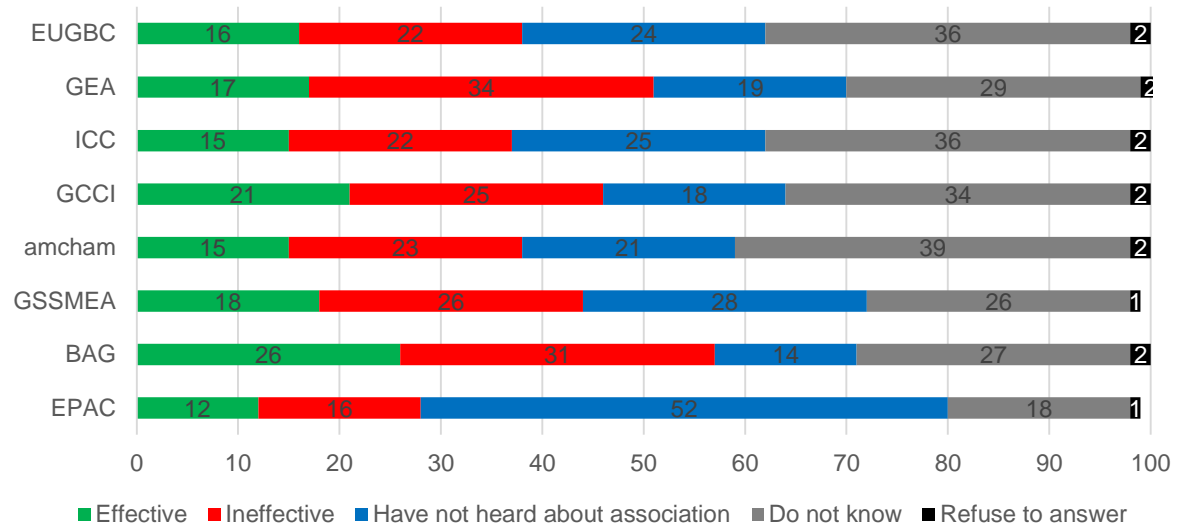


The majority (64%) of businesses believe that the quality of the data that the National Office of Statistics collects is completely or mostly accurate and reliable, just as in 2016. There is only a small number of businesses that report not knowing about the quality of statistics (10%). There is not a significant difference between large (62%) and medium (65%) businesses in terms of trusting the National Office of Statistics. The secondary (70%) sector trusts the data more than the tertiary (61%) sector.

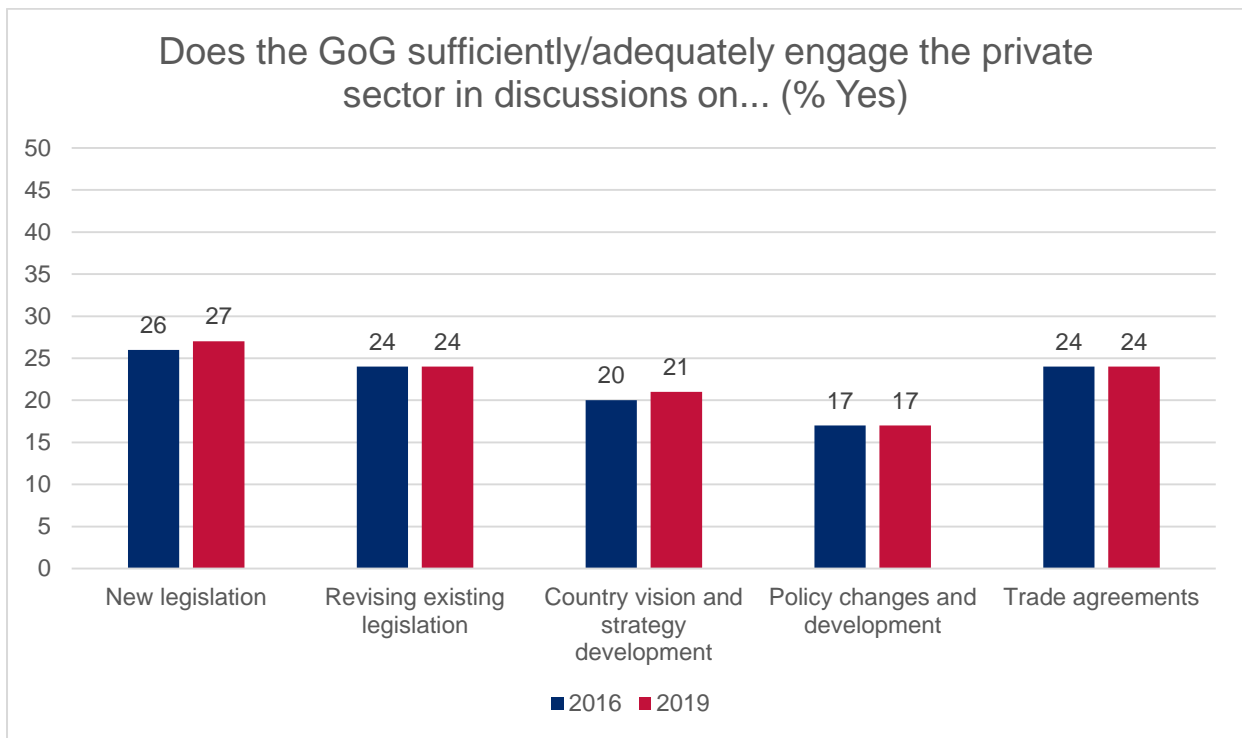


The survey asked which Georgian business associations were effective in advocating to the GoG the interests of their specific business or sector. A plurality of businesses did not know whether the associations were effective, and a large share of businesses had not heard of the associations asked about in the survey. Every business association had net negatives in terms of perceived effectiveness (i.e., more businesses thought the associations were ineffective than thought they were effective).

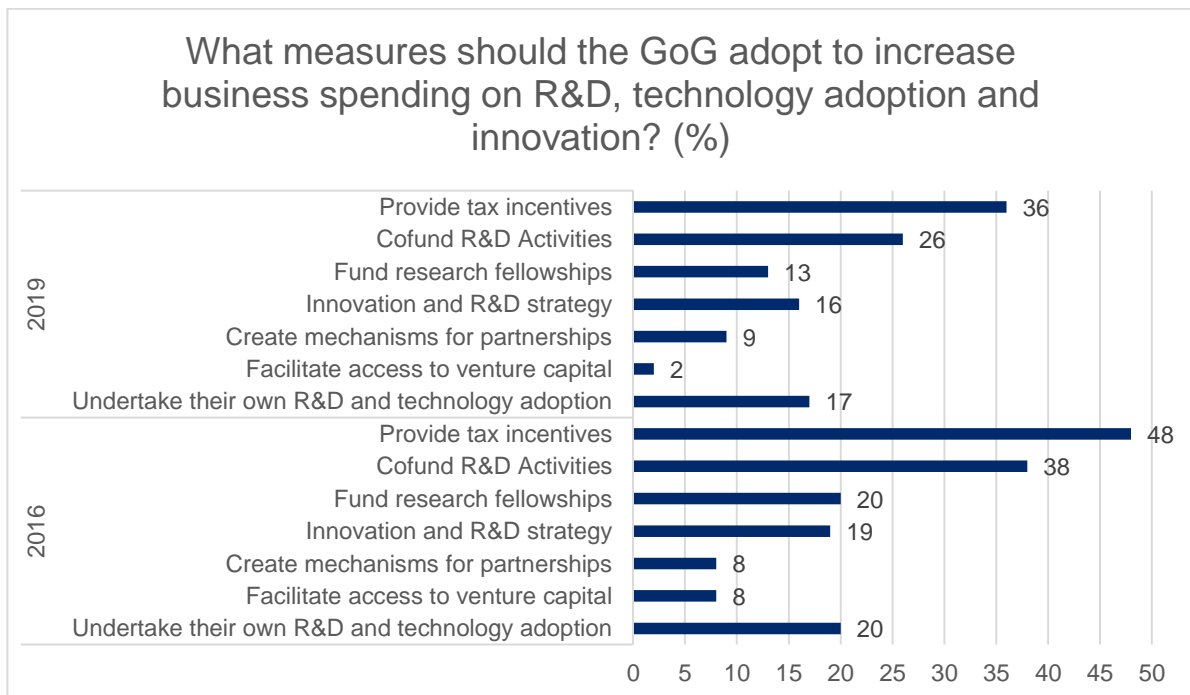
How effective are each of the following Georgian business associations in advocating to the Government of Georgia the interests of your specific business or sector?(%)



Businesses were asked which topics, if any, the GoG sufficiently/adequately engages the private sector in. New legislation was the most common topic, with 27% of businesses reporting that GoG engages the private sector on this issue. The next topic businesses reported was trade agreements (24%), tied with the revision of existing legislation (24%), country vision and strategy development (21%), and followed by policy changes and developments (17%). In comparison with 2016, attitudes did not change in a substantively significant manner. The topics that GoG sufficiently or adequately engaged with businesses in did not vary by the size of the firm. Businesses in the secondary sector are slightly more likely to think that GoG engages the private sector in the revision of existing legislation (28% secondary versus 22% tertiary) and country vision and strategy development (24% versus 19%). As the chart below shows, there were no changes in attitudes on these issues between 2016 and 2019.

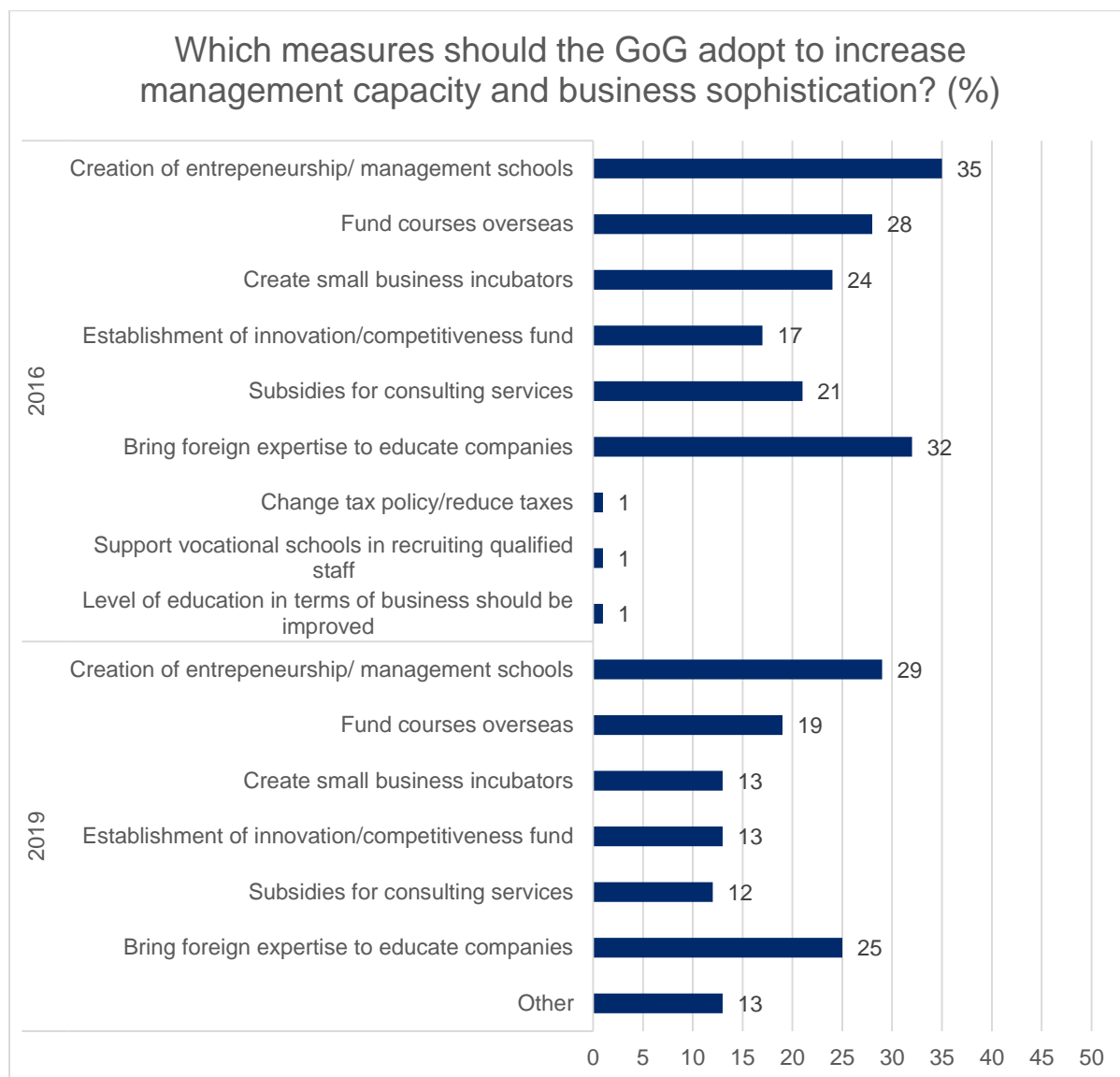


In terms of what measures the GoG should adopt to increase business spending on Research and Development (R&D), technology adoption, and innovation, the most common response was to provide tax incentives, with 36% of businesses reporting that this was an important step. The next most commonly mentioned measure was co-funding R&D activities (26%), followed by access to affordable finance (21%). Businesses rarely mentioned topics such as facilitating access to venture capital (2%) or creating mechanisms for partnerships (9%). Medium businesses mentioned providing tax incentives (38%) more than large businesses (31%).



*Note: Respondents could provide as many responses as they wanted. Therefore, the percentages in the charts above do not add up to 100%.*

Businesses were also asked which measures the GoG should adopt to increase management capacity and business sophistication. The most common response was the creation of entrepreneurship and management schools, with 29% of businesses reporting that measure as being important. The next most-often-chosen response was bringing foreign expertise to educate companies (25%), followed by reducing taxes (23%). Options such as creating small business incubators (13%), establishing an innovation/competitiveness fund (13%), and subsidies for consulting services (12%) were mentioned less often. There are no significant differences between the views of large and medium businesses or between the tertiary and secondary sectors.



*Note: Respondents could provide as many responses as they wanted. Therefore, the percentages in the charts above do not add up to 100%.*

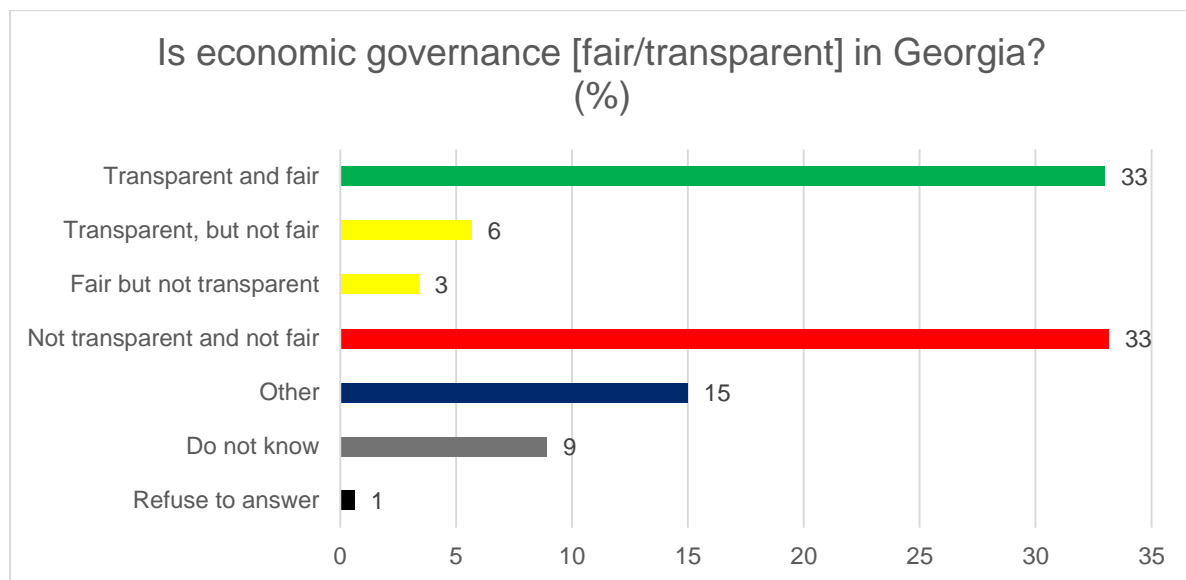
The survey asked whether the GoG should establish a permanent coordination body composed of members of the public sector, private sector, and NGOs to discuss country strategy, policy, and legislation prior to adoption. The vast majority of businesses agreed with the establishment of such a body (85%). There is no difference between large (85%) and medium (85%) businesses in terms of thinking the GoG should establish a permanent coordination body, but the secondary sector (91%) is slightly more likely to report that they agree with this idea than businesses in the tertiary sector (83%).



Most businesses (97%) think it is necessary to involve businesses in preparing legislation related to the business environment. There are no substantive differences between sectors or size of businesses in this regard.

When asked if it is necessary to conduct RIAs before reform implementation or preparation of legislation related to the business environment, most business agree that it is (84%). Large (88%) businesses report this slightly more often than medium (82%) businesses. There is no difference between the secondary and tertiary sectors.

Businesses are split regarding if economic governance is transparent (41%) or fair (39%) in Georgia. The sentiment is similar regardless of the size of the business. Businesses in the tertiary sector are slightly less likely to report that economic governance is fair (37%) than businesses in the secondary sector (44%).



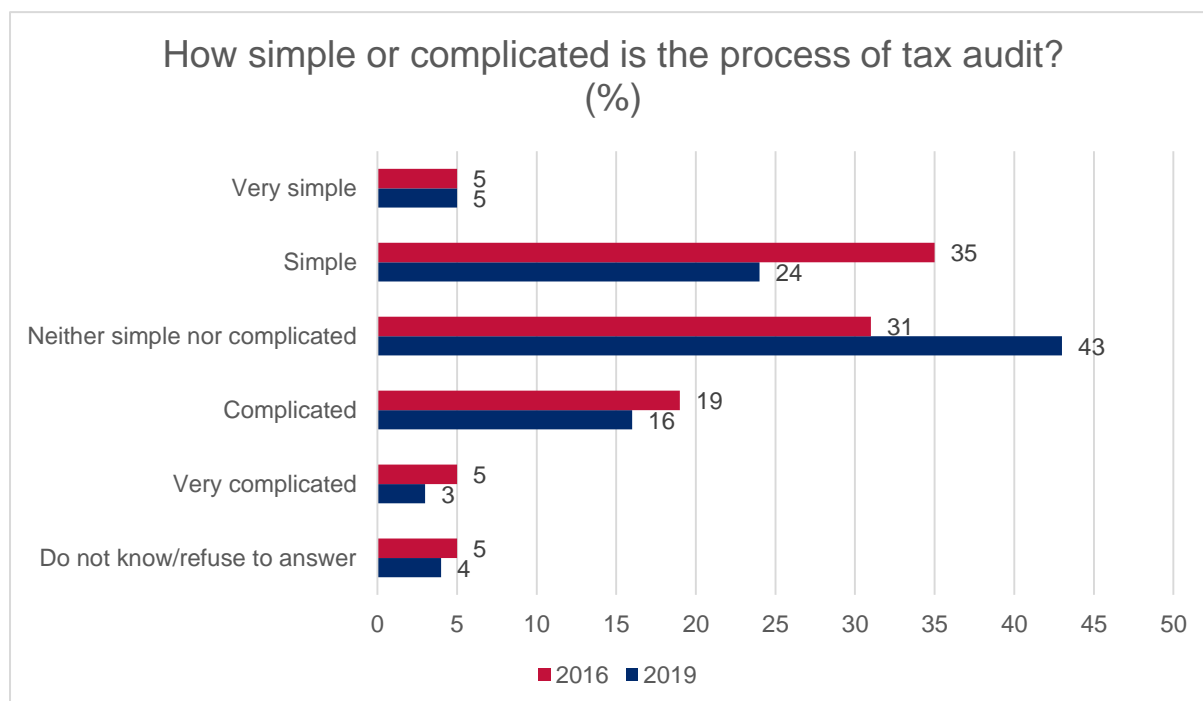
High taxes and high interest rates remain the biggest issues facing businesses in Georgia today, in their view. Most businesses do not find Georgia’s competition legislation sufficient to ensure fair competition within the country, nor do they find business associations effective. Businesses are divided over the transparency and fairness of economic governance.

The GoG should establish a permanent coordination body composed of members of the public sector, private sector, and NGOs to discuss country strategy, policy, and legislation prior to adoption, which is strongly supported by the business community, as they feel it is necessary to involve businesses in preparing legislation related to the business environment. The GoG should also conduct RIAs before reform implementation or the preparation of legislation related to the business environment, as supported by the majority of the business community.

### 4.3 AUDIT AND TAX ADMINISTRATION

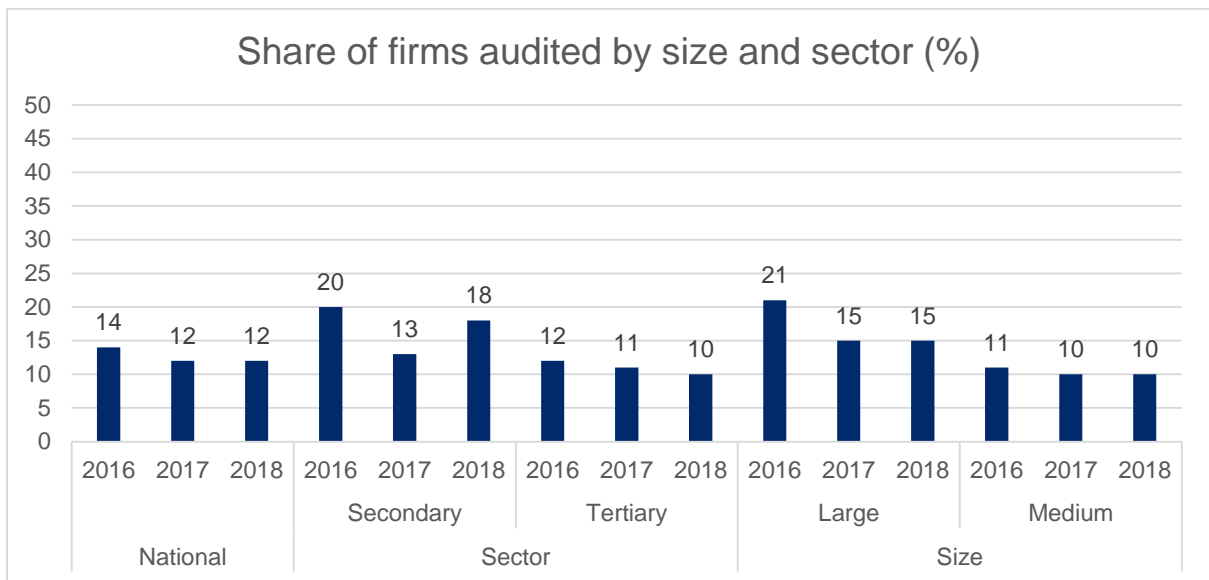
Audit and the tax administration more generally are a key interface with the government that all businesses interact with. Therefore, businesses' attitudes toward the administration are important and are an indicator of the business environment. Overall, the data suggest that businesspeople are satisfied with the audit and tax administration.

On the survey, businesses rated how simple or complicated the process of a tax audit is on a 5-point scale. Few businesses rated the process as complicated or very complicated (19%), a slight decline since 2016 (24%). At the same time, there was also a decline in the number of firms saying that the process was simple. While 35% of firms reported that the process was simple in 2016, 24% did in 2019. Overall, more businesses reported that the tax audit was neither complicated nor simple in 2019 than in 2016. Attitudes did not vary by the size of the firm. The tertiary sector (11%) found it less complicated than the secondary (17%) sectors.

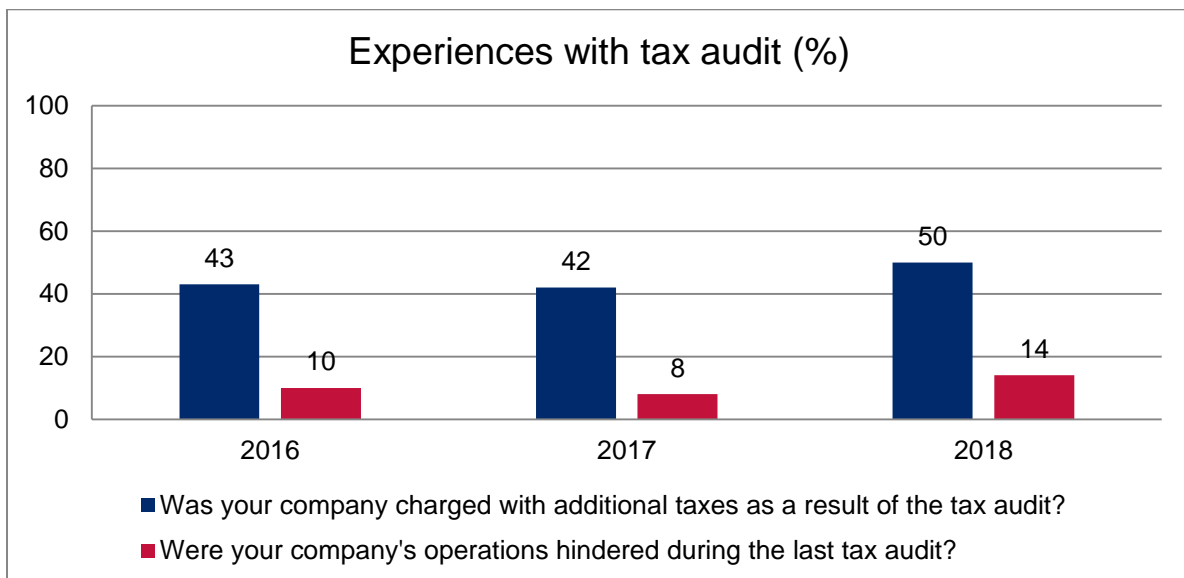


*Note: Four percent of respondents reported the question was not applicable to them.*

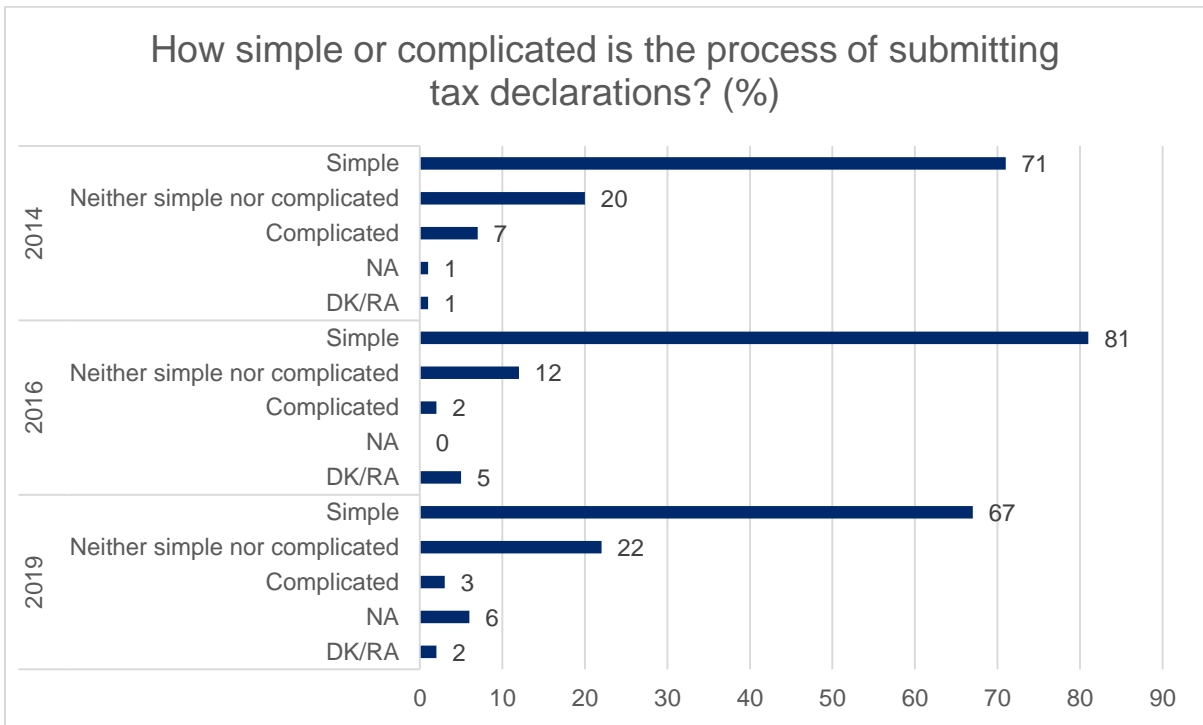
A relatively large share of medium and large businesses has been audited. The data suggest that 14% of businesses were audited in 2016, 12% in 2017, and 12% in 2018. Large businesses reported being audited more than medium businesses. Among businesses that were audited, the average number of days the audit took in 2016 was 52. In 2017, it was 58. In 2018, it was 69. Although there is an apparent increase in number of days, the data should be taken with great caution given the relatively small number of businesses within the sample that have been audited. Statistically speaking, the apparent increase is not statistically different between years.



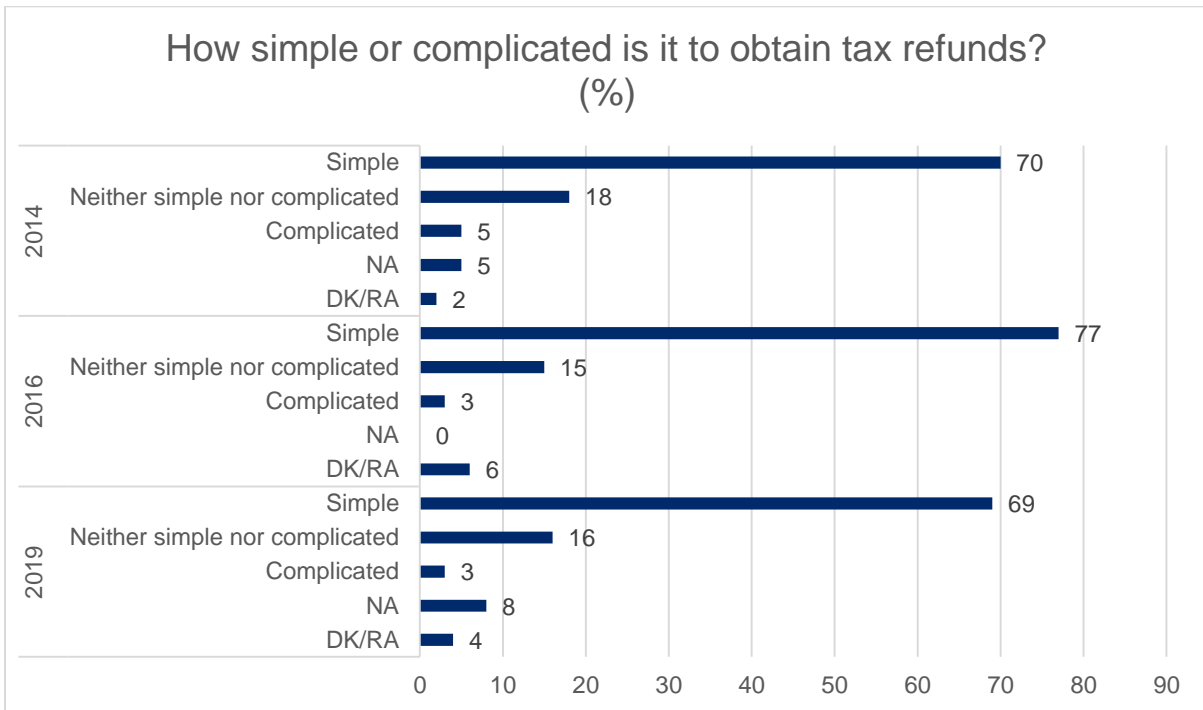
A bit under a half of the surveyed companies that were audited were also charged with additional taxes as a result of the audit. About one in ten businesses that were audited reported that their business operations were hindered during the tax audit. Of the audited businesses, 59% did not close during the audit, and only 16% closed for a week or more. About -half (45%) of the businesses that were audited and reported closing during the audit reported losing revenues as a result. Importantly, given the relatively small share of businesses that were audited within the survey, the numbers should be considered indicative, and differences between the years should not be considered significant differences.



Businesses were asked about the ease of submitting tax declarations. The results suggest that businesses generally find it easy to submit declarations. Most businesses (67%) reported that they were either simple or very simple to complete.

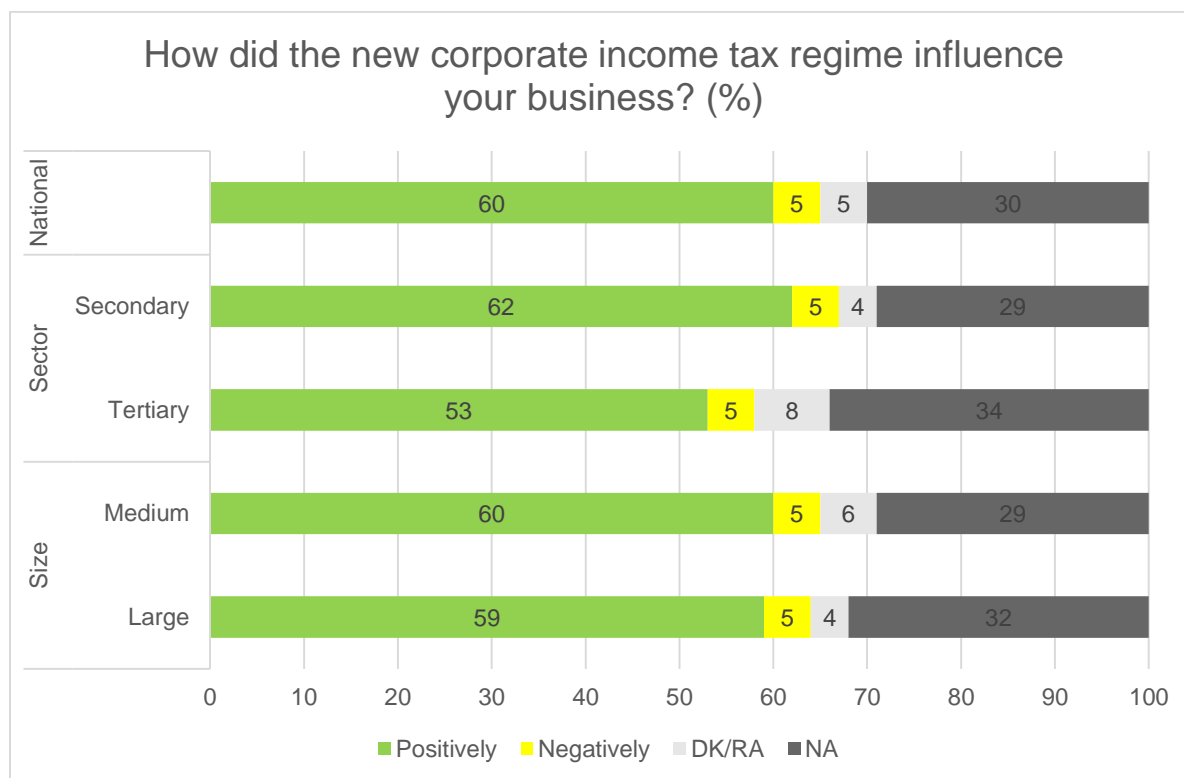


Businesses were also asked about the ease of obtaining tax refunds. As with tax declaration submission, businesses tended to report that it was easy to obtain tax refunds. Three-quarters (75%) of businesses reported that it was simple or very simple to obtain tax refunds. There was no significant difference between medium and large businesses in reporting this attitude, or between businesses in the secondary or tertiary sectors.

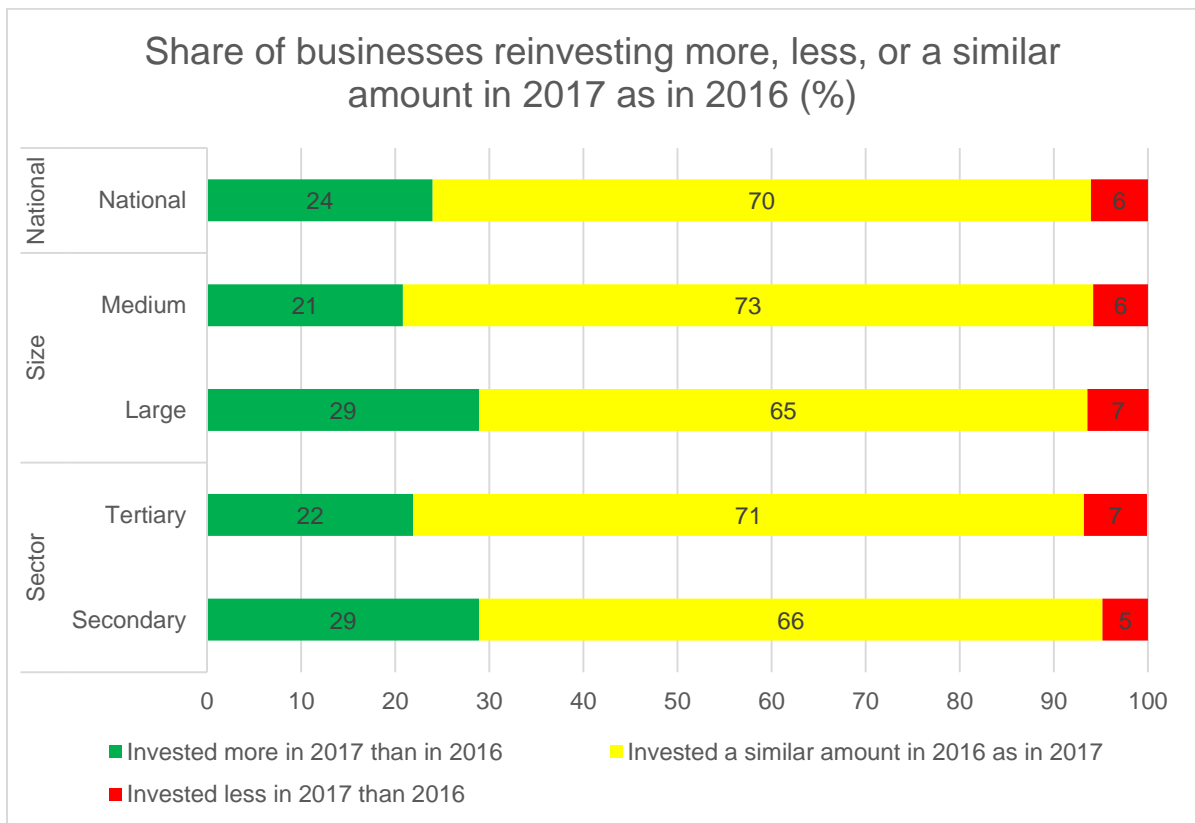


To understand the recent implementation of the Estonian tax model in Georgia, businesses were asked how the new corporate income tax regime influenced their business and how much of their profit was reinvested in the business in 2016, prior to the reform, and in 2017, after the reform. The

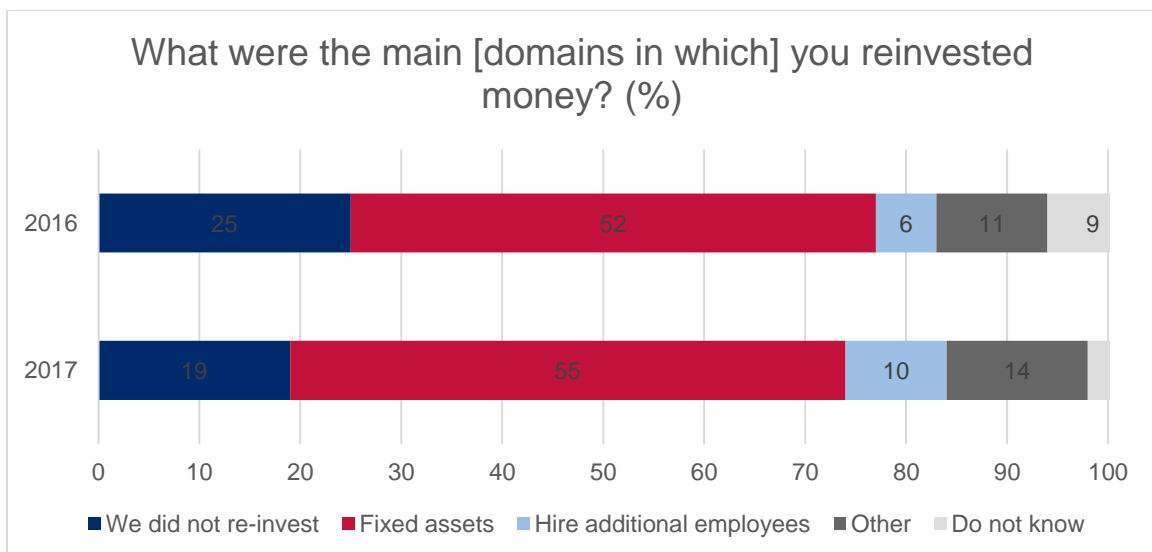
results suggest that the majority (60%) of businesses think the reform positively influenced their business. About one-third of businesses (30%) report that the tax reform did not influence their business and one in twenty (5%) report that it was negative for their business. Businesses in the secondary sector are significantly more likely to report the reform was positive for their business, compared with businesses in the tertiary sector. There was no significant difference between medium and large businesses.



In terms of reinvestment, the data suggest that businesses reinvested more in their business in 2017 — after the passage of the reform — than in 2016. Overall, 24% of businesses reported reinvesting more in their business in 2017 than in 2016. Only 6% of businesses reported reinvesting less in 2017 than in 2016. The majority of businesses (70%) reported reinvesting the same share of money in their business in 2016 as in 2017. Businesses in the secondary sector reported reinvesting more in their business in 2017 than in 2016 slightly more often (29%) than businesses in the tertiary sector (22%). Similarly, 29% of large businesses reported reinvesting more in their business in 2017 than in 2016, compared with 21% of medium businesses. Overall, this is suggestive — though not definitive — evidence that the Estonian tax model is encouraging reinvestment.

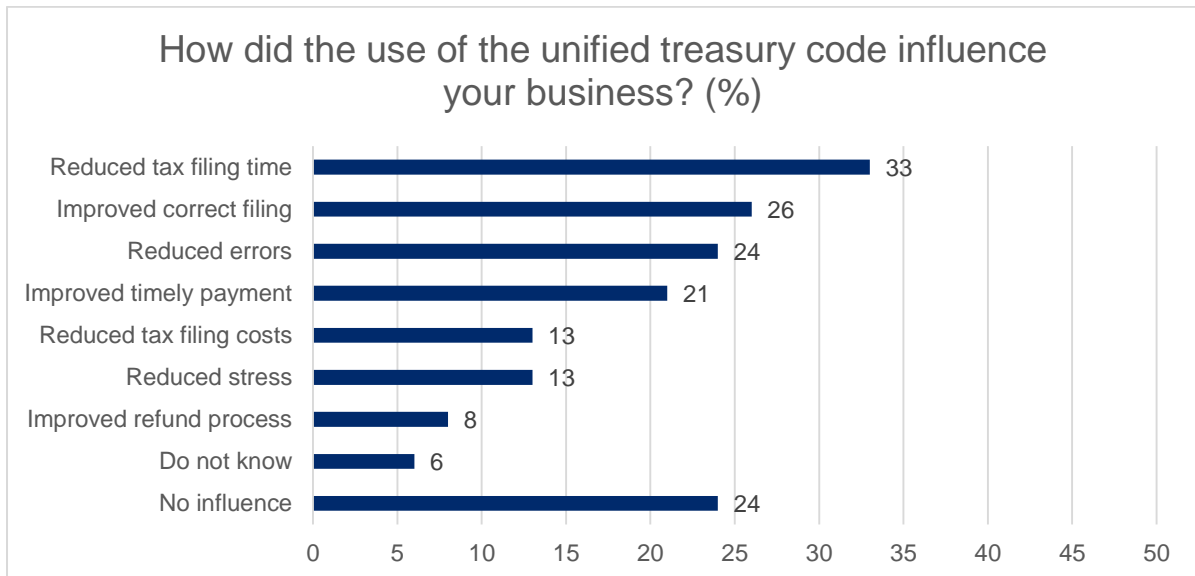


Businesses were also asked what they reinvested in. The majority of businesses reported reinvesting in fixed assets in 2016 and 2017. The next most common response in both years was not reinvesting. Relatively few businesses reported reinvesting in new permanent staff. Businesses in the secondary sector were more likely to reinvest money into fixed assets (70%) compared to businesses in the tertiary sector (45%). There were no significant differences between different sizes of businesses in terms of what they reported reinvesting in.



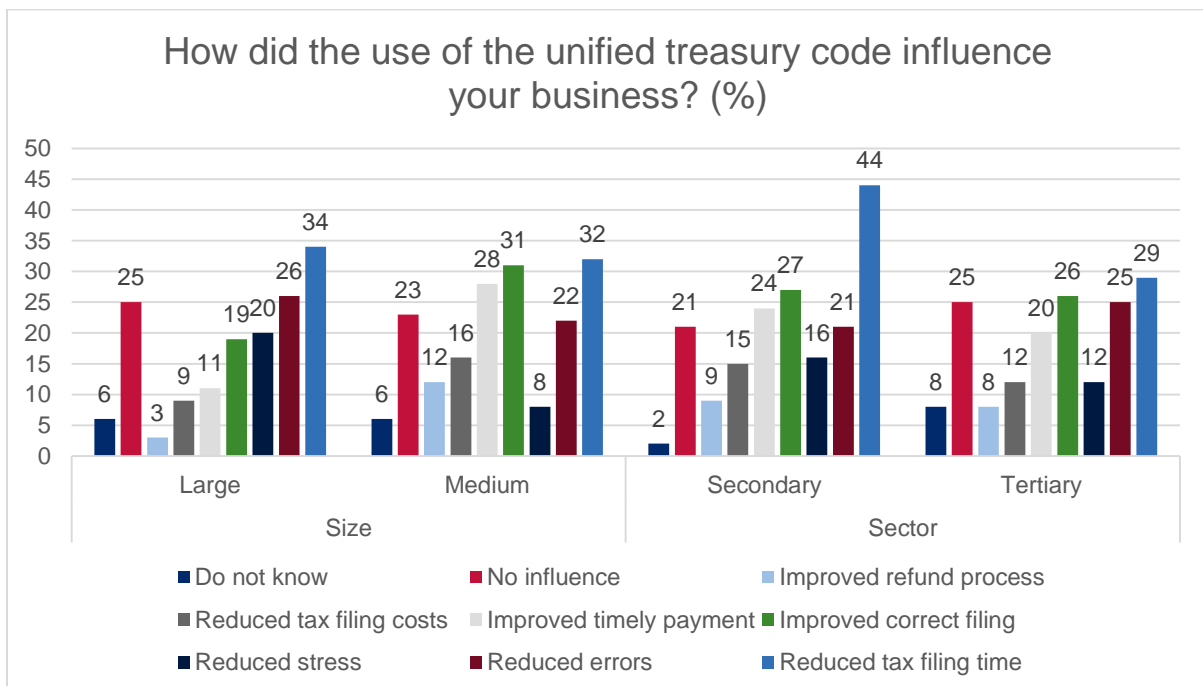
When it comes to the unified treasury code, businesses generally have positive attitudes toward the changes. One-quarter of businesses (24%) report that the unified tax code did not have a significant influence on their operations. About one-third (32%) report that it reduced their time in filling out paperwork. About a quarter (26%) reported that it improved the correctness of their filing. About one-quarter (24%) reported that the code reduced the number of errors they made. For 13%, it reduced

stress, and another 13% reported that it reduced their filing costs. One in five (21%) reported that it improved their time to payment. A little less than one in ten (8%) reported that it improved the refund process overall.



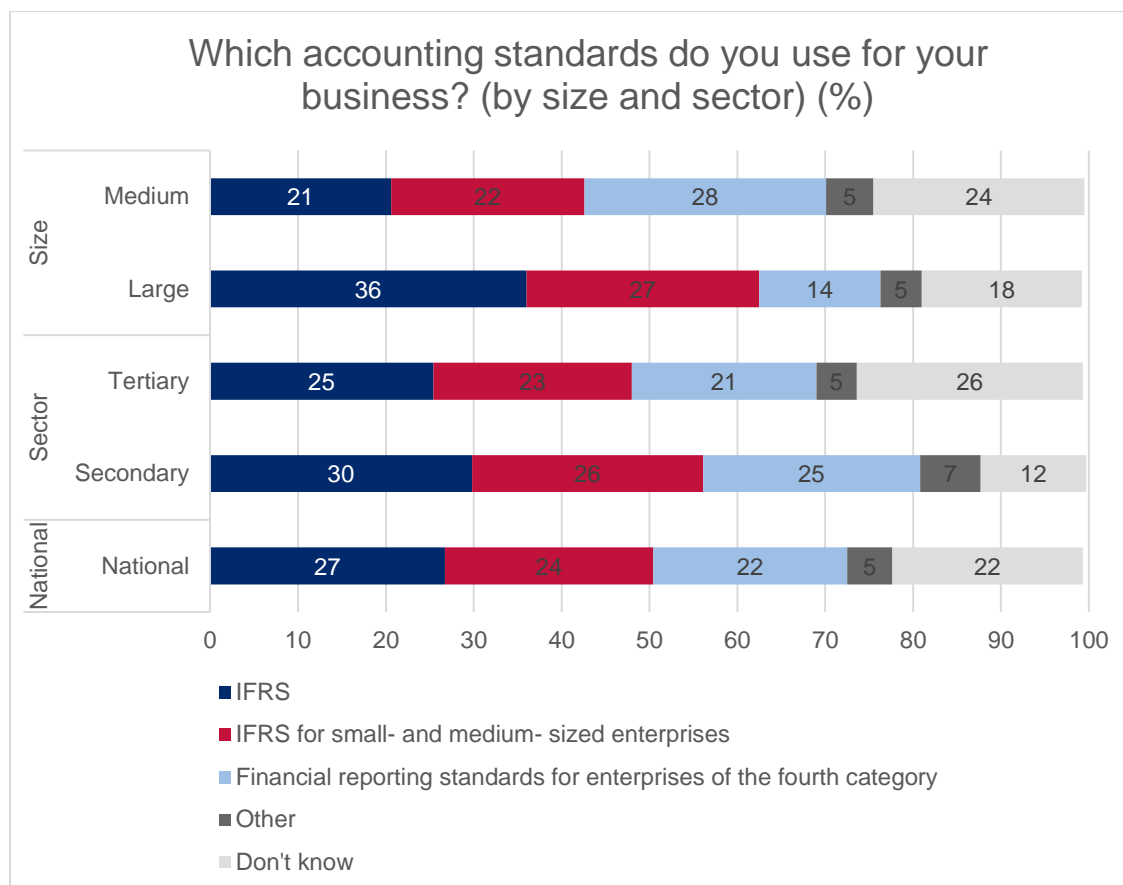
*Note: Respondents could provide as many responses as they wanted. Therefore, the percentages in the charts above do not add up to 100%.*

Medium businesses were more likely than large businesses to report that the unified treasury code improved the refund process, improved timely payments, improved correct filing, and reduced tax filing costs. Large businesses reported that it reduced stress more than medium businesses. Businesses in the secondary sector reported that the new unified tax code reduced their filing time more often than businesses in the tertiary sector. Otherwise, there were no significant differences in attitudes toward the new unified treasury code system.



According to respondents, no single accounting standard is commonly used among medium and large businesses in Georgia. Rather, relatively equal shares of businesses report using the International Financial Report Standards (IFRS) (27%), IFRS for SMEs (24%), financial reporting standards for the

enterprises of the fourth category (22%), and not knowing which accounting system they are using (22%). Five percent of businesses reported using another accounting system. Large businesses were more likely to report using IFRS (36%) than medium businesses, and medium businesses were more likely to report using financial reporting standards for the enterprises of the fourth category (28%). Businesses in the tertiary sector (26%) were significantly less likely to know what type of accounting standard they used for their businesses than businesses in the secondary sector (12%). These numbers should be interpreted with the fact in mind that businesses may not be aware of what accounting standard they use.<sup>5</sup>



Overall, businesses are satisfied with the audit and tax administration. Businesses believe that the process of submitting tax declarations and obtaining tax refunds is seemingly simple. A large share of businesses (12%) received a tax audit in 2018. Of those who were audited, almost half were charged with additional taxes as a result of audits. Businesses generally evaluate the new tax regime positively. Indeed, it also appears to have increased reinvestment, with 24% of businesses reinvesting more in 2017 than in 2016 — following the introduction of the new tax regime. This finding should be taken with caution, however, as the data is not experimental and has not been analyzed using quasi experimental methods. Businesses in the secondary sector were more likely to reinvest more in 2017 than in 2016, as were large businesses. The unified treasury code system is also perceived as having had a positive influence on business in general. Businesses are relatively equally split between using IFRS, IFRS for small business, financial reporting standards for enterprises in the fourth category, and not knowing what their standard is.

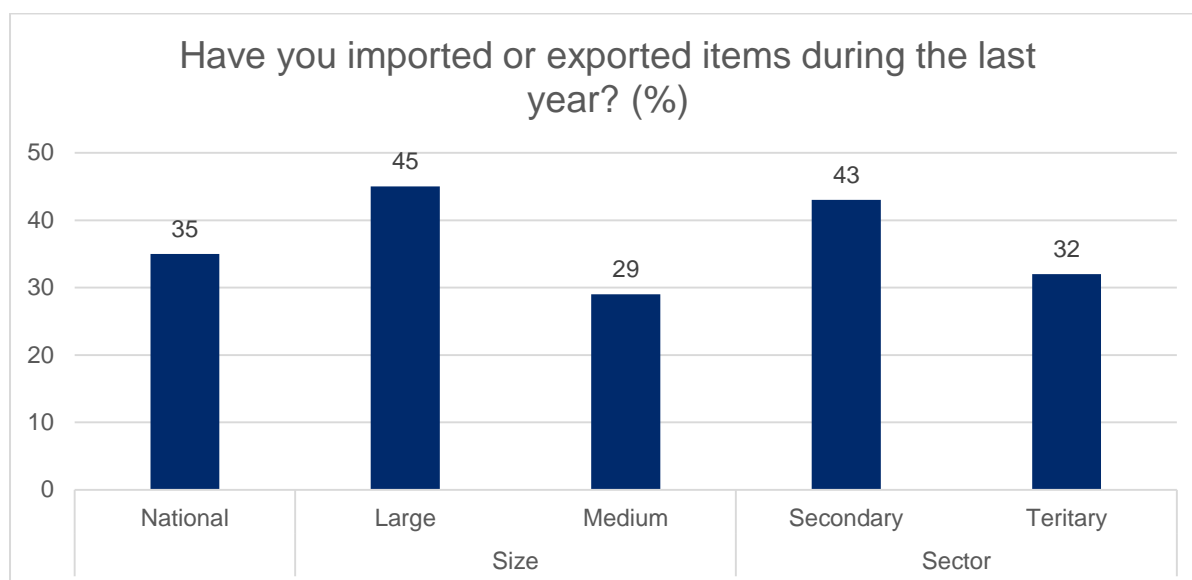
<sup>5</sup> Classification of large, medium and small businesses for the purpose of the Law on Accounting, Reporting and Auditing differs from the classification used for the purpose of this study (GEOSTAT's classification). Threshold set by Law on Accounting, Reporting and Auditing for large companies is higher than the threshold set by GEOSTAT and the law requires all large companies to use IFRS. The difference in classifications could explain the fact that some of the large businesses reported using standards other than IFRS. The other reason could be that the respondents were not fully aware what is the difference between the standards.



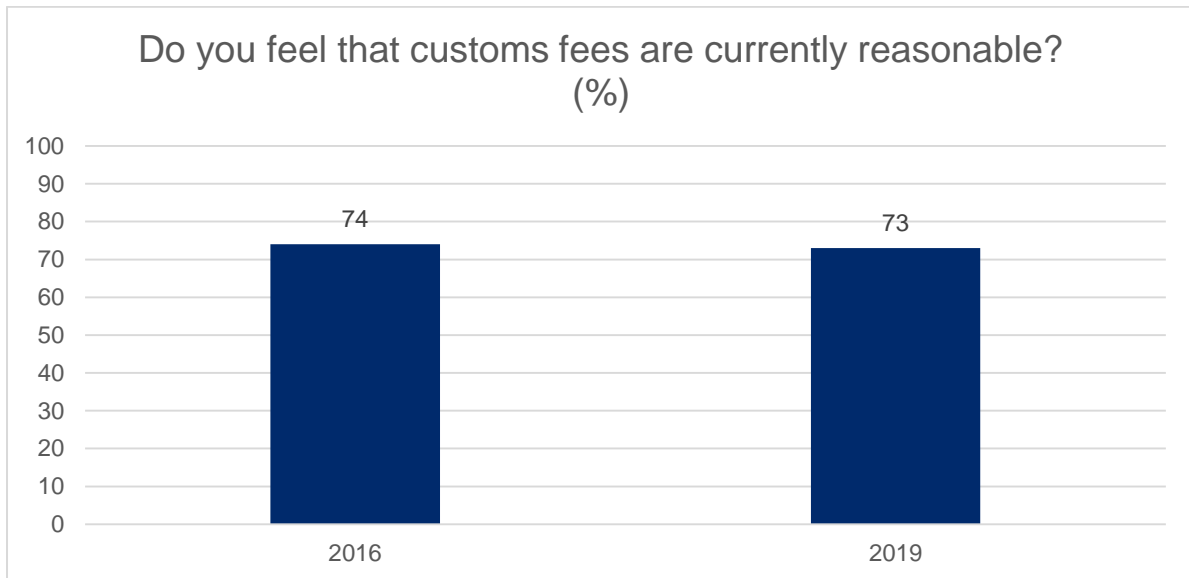
## 4.4 CUSTOMS ADMINISTRATION

The effective functioning of customs is important for the country's economy given its role in the smooth import and export of goods. To understand businesses' perceptions of the customs services in Georgia, the survey asked numerous questions about customs services. Overall, the data suggest that the services are perceived positively in Georgia among users.

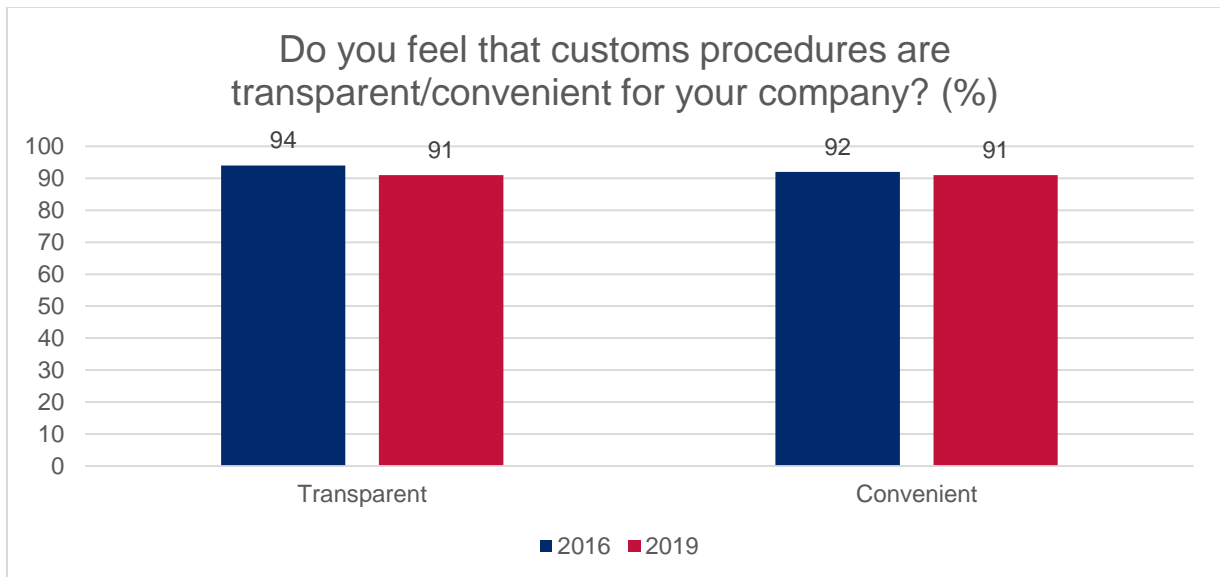
Around a third of businesses (35%) exported or imported items during 2018. The share of businesses exporting and importing has decreased since 2016, in which 49% of companies exported or imported. Secondary sector businesses (43%) were more likely to export or import than tertiary sector (32%) businesses. Large businesses (45%) were also more likely to export or import items, compared to medium businesses (29%). In the remainder of this section, the questions reported were only asked to businesses that imported or exported.



Businesses that imported or exported were asked their views of customs services. Most of these businesses (73%) feel the customs fees are currently reasonable. Large businesses (79%) are more likely than medium businesses (68%) to report that they are reasonable. Secondary sector businesses (80%) report that customs fees are currently reasonable more often than tertiary (70%) sector businesses. The share of businesses reporting that customs fees are reasonable has not changed significantly since 2014.



Most large businesses feel that customs procedures are 1) transparent (94%) and 2) convenient (92%) for their company. Medium businesses report similar attitudes toward convenience (90%), but are slightly less likely to report that procedures are transparent (88%). More secondary sector businesses feel that customs procedures are more transparent (96%) than tertiary (89%) sector businesses.



Most businesses (93%) feel there is sufficient information on customs regulations currently available to ensure compliance when importing/exporting goods, regardless of sector. Large businesses (96%) are slightly more likely than medium businesses (90%) to agree. No significant change has occurred over time. Most businesses (90%) also report that there is sufficient information currently available regarding changes to customs regulations. There is no difference between large (91%) and medium (90%) businesses. There is also no difference between sectors. There is no significant change in this over time.

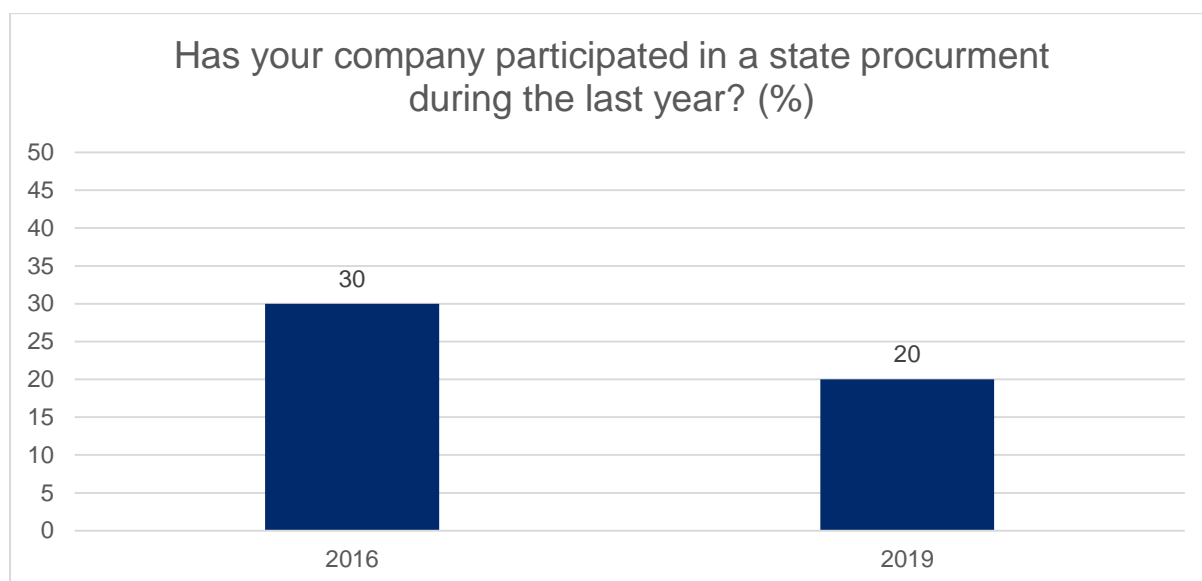
Most businesses (86%) feel the waiting time during the customs clearance is reasonable (60%) or completely reasonable (26%). There is no difference between large (88%) and medium (84%) businesses or between the secondary (88%) and tertiary (85%) sectors.

Overall, businesses that use customs services have a positive perception of customs. Most businesses feel that customs fees are reasonable, that customs procedures are transparent and convenient, and that the waiting time during the customs clearance process is reasonable. Businesses also feel that there is sufficient information currently available regarding customs regulations to ensure compliance when importing/exporting goods, as well as sufficient information on changes to customs regulations.

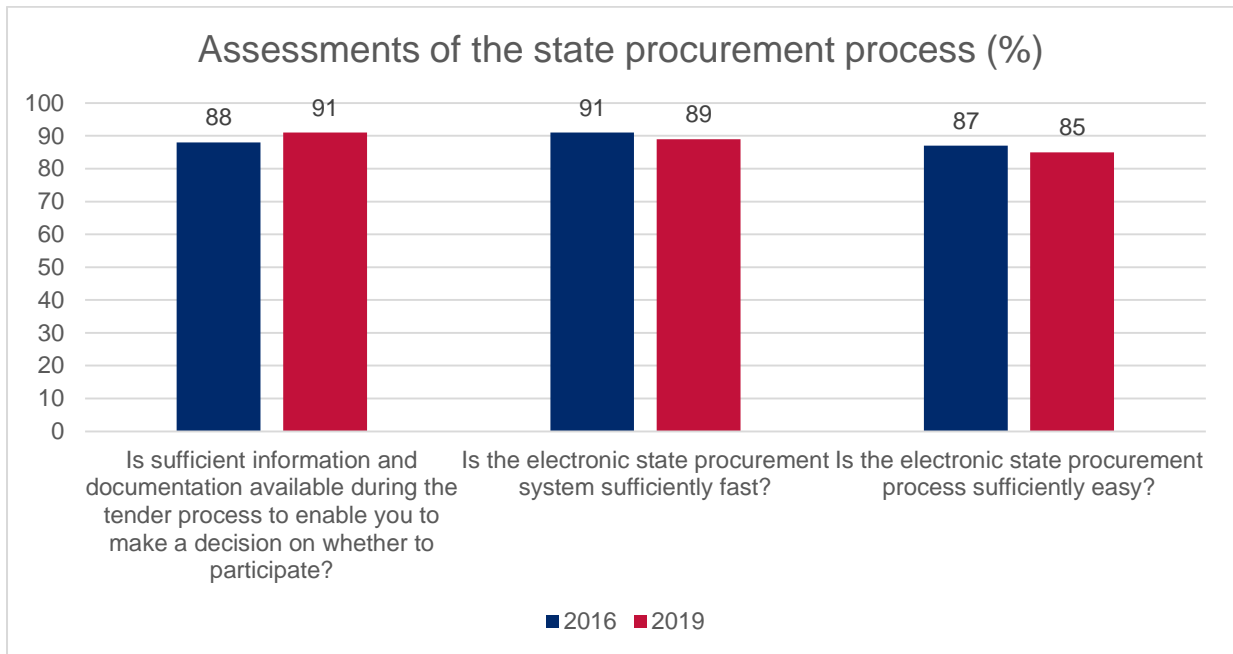
## 4.5 STATE PROCUREMENT

State procurement is an important source of revenues for many businesses as the state is the single largest economic actor in the country. Therefore, the smooth functioning of the state procurement system is crucial to the economy as a whole. To understand the state procurement system, questions were asked about businesses' participation in procurement, and—among businesses that participated—whether there was sufficient information provided by the system, whether the electronic system is fast enough, and whether the process overall is easy enough. The results suggest that participating firms are generally satisfied.

One in five (20%) of medium and large businesses reported participating in a state procurement in the last year. Large businesses were slightly more likely to participate (25%) than medium businesses (17%). Businesses in the secondary sector (33%) were about twice as likely as tertiary sector businesses (17%) to participate in a state procurement in the last year. Between waves of survey, there appears to be a decline of 10 percentage points in the share of firms that are participating in state procurement.



Among businesses that participated in the state procurement process, the vast majority find that the electronic system is sufficiently fast, the process easy enough, and that sufficient information is presented for them to decide whether to bid. There are no significant changes in businesses' attitudes toward these issues since the previous wave of the survey.

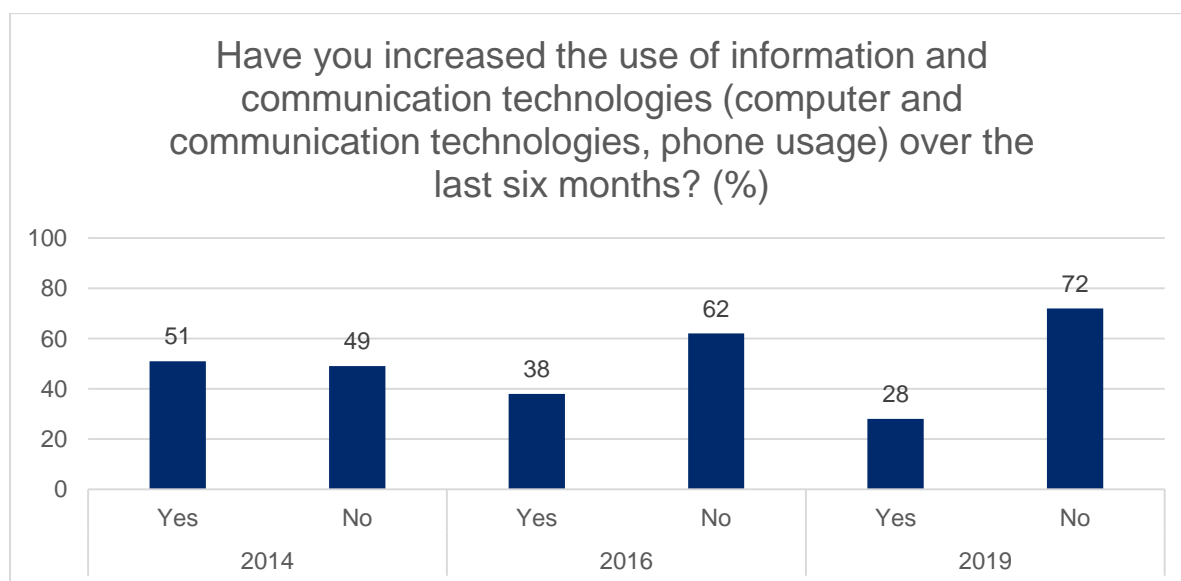


Overall, about one in five medium and large businesses participated in the state procurement process. Large and secondary sector businesses are more likely to do so. The businesses that participate are generally satisfied with the state procurement system.

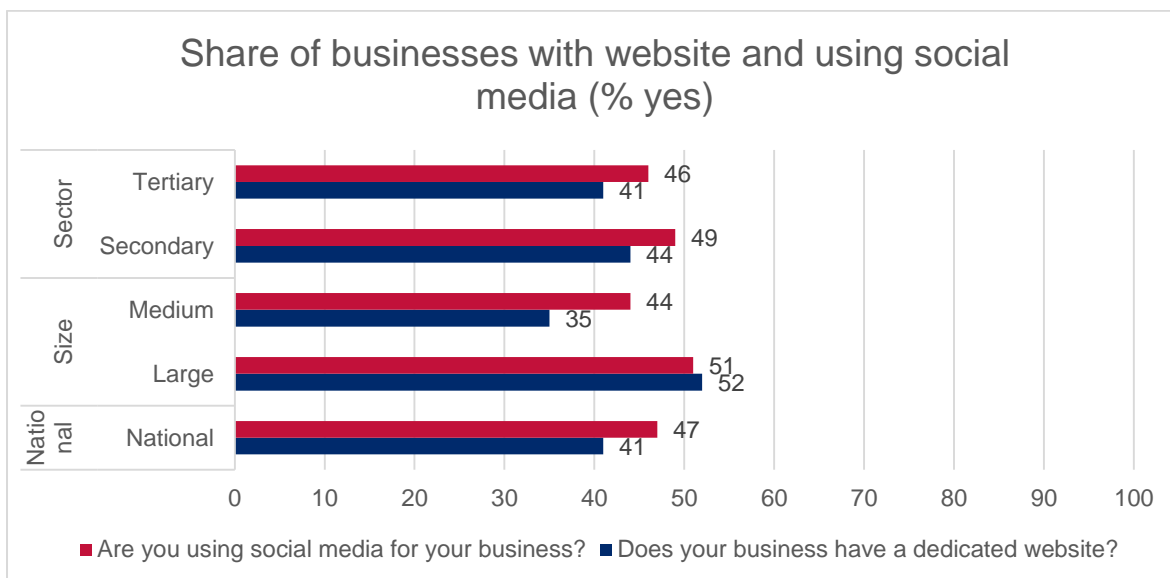
## 4.6 INFORMATION AND COMMUNICATION TECHNOLOGIES

The adoption of information and communications technologies for business is critical to efficiency and productivity gains across the economy in the medium term. Internationally, countries are increasingly seeking technology sectors and engaged in policies aimed at encouraging ICT startups. In this regard, the GoG has introduced a number of programs to support the technology sector and startups more generally. But, how common is ICT usage in Georgia? This section provides an overview of ICT usage among Georgia's medium and large businesses.

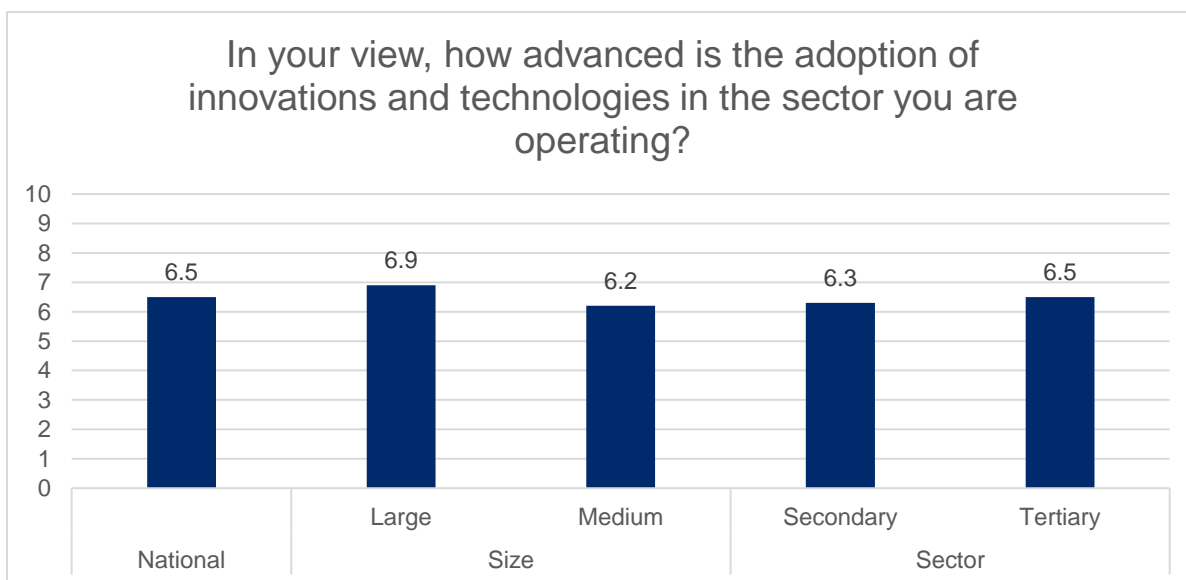
The data suggest that, as in 2016, the vast majority of medium and large businesses use computers (95%) and the internet (95%) in their business. A majority also use "information systems" (59%). Around half of businesses (47%) use social media (Facebook, Twitter, Instagram, etc.) for their business. Similar shares of businesses in the secondary and tertiary sectors report using the internet and computers, as do businesses that are medium and large. Information systems are slightly more common (63%) among medium businesses compared to large businesses (57%). The same is true of businesses in the secondary sector (64%) compared with the tertiary sector (58%). Social media use is also a bit more common among medium businesses (51%) than large businesses (44%). The share of businesses reporting that they have increased the use of ICTs in the last six months has declined compared with recent years. This may stem from the adoption of technologies in past years and their continued usage.



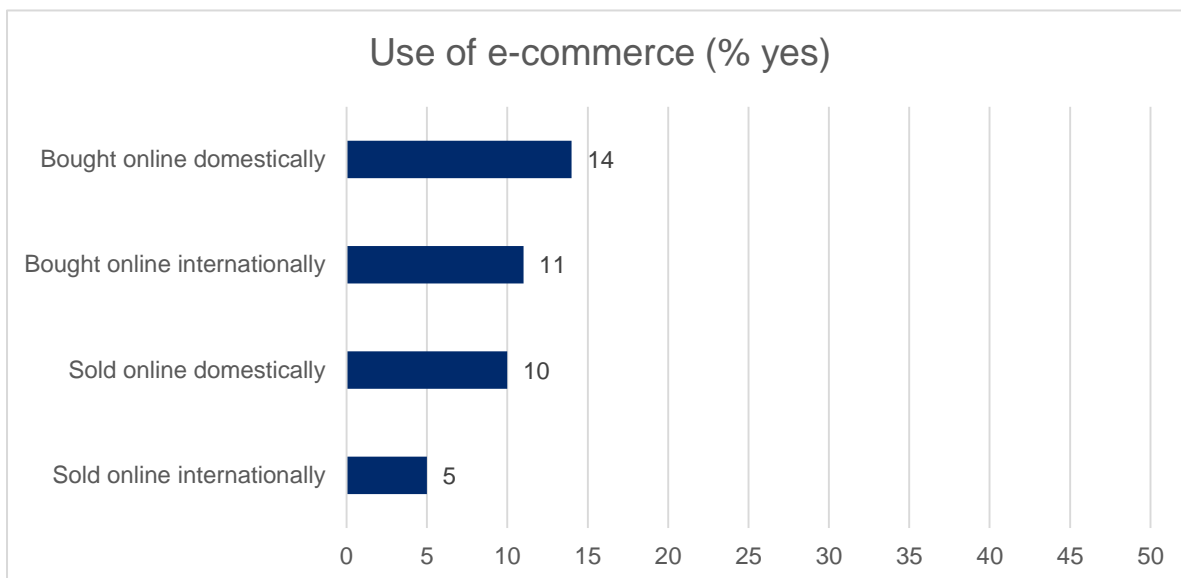
A minority (41%) of companies have dedicated websites. Among those businesses that do, a plurality have had them for five years or more (45%). Half (50%) have had dedicated websites for one to five years, and 3% have had a website for less than one year. The remainder were uncertain or refused to answer the question. Businesses in tertiary and secondary sectors are equally likely to have a dedicated website. However, businesses in the tertiary sector report having dedicated websites for five years or more significantly more often (49% in the tertiary sector compared with 31% in secondary sector). There was no significant difference in this regard between businesses of medium and large size.



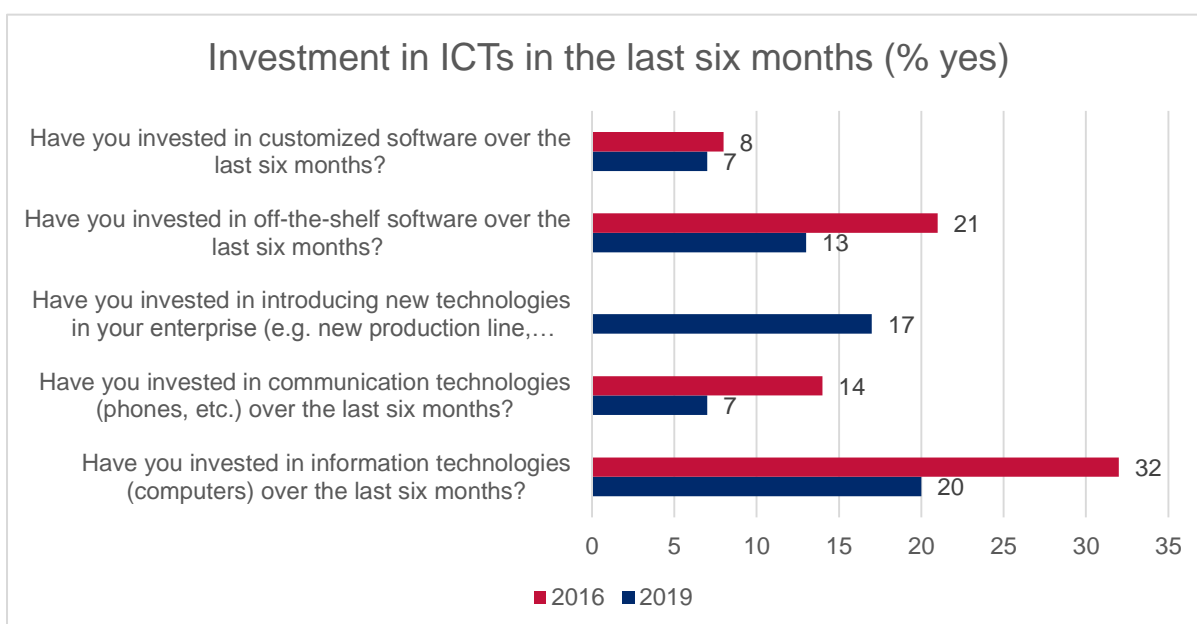
The majority of companies positively evaluated innovation and technology adoption in their sector. On a 10-point scale, where one means not advanced at all and 10 means very advanced, the average response was 6.5 (compared with 6.6 in 2016, an insignificant change). Large businesses are slightly more likely to report that technology adoption is advanced (6.9 points on average) compared with medium businesses (6.2 points on average). There is no significant difference between secondary and tertiary sectors regarding perceived levels of being advanced in adoption.



The vast majority of companies report that they do not sell or purchase products online, either within Georgia or abroad. About one in six businesses (14%) report purchasing goods online in Georgia and approximately one in ten (11%) internationally. One in ten businesses (10%) report selling goods or services online domestically, and one in twenty (5%) report selling goods or services online internationally. The frequency of buying or selling things online does not vary by business size or between the secondary and tertiary sectors.



The data suggest that about one in five medium and large businesses invested in computer hardware in the last six months, and one in fifteen invested in communications hardware. About one in six (17%) report having invested in new technologies. While 13% report purchasing off-the-shelf software for their firm, 7% report purchasing customized software. Large businesses are significantly more likely to have invested in computer hardware (28%) than medium businesses (16%). The same is true of communications hardware (11% versus 5%). One-quarter of large businesses (25%) reported investing in introducing a new technology compared with 13% of medium businesses. Businesses in the secondary sector (23%) were slightly more likely to do so (15%) than businesses in the tertiary sector. While 18% of large businesses reported investing in off-the-shelf software in the last six months, 10% of medium businesses had. Large businesses were also significantly more likely to report investing in customized software (11%) than medium businesses (5%). There were no significant differences in investment in software by sector. There are small changes between waves in investment. There have been fewer businesses buying computers, telephones, and of the shelf software since 2016.



Note: The question about introducing new technologies was not asked in 2016. Hence, no comparison is possible.

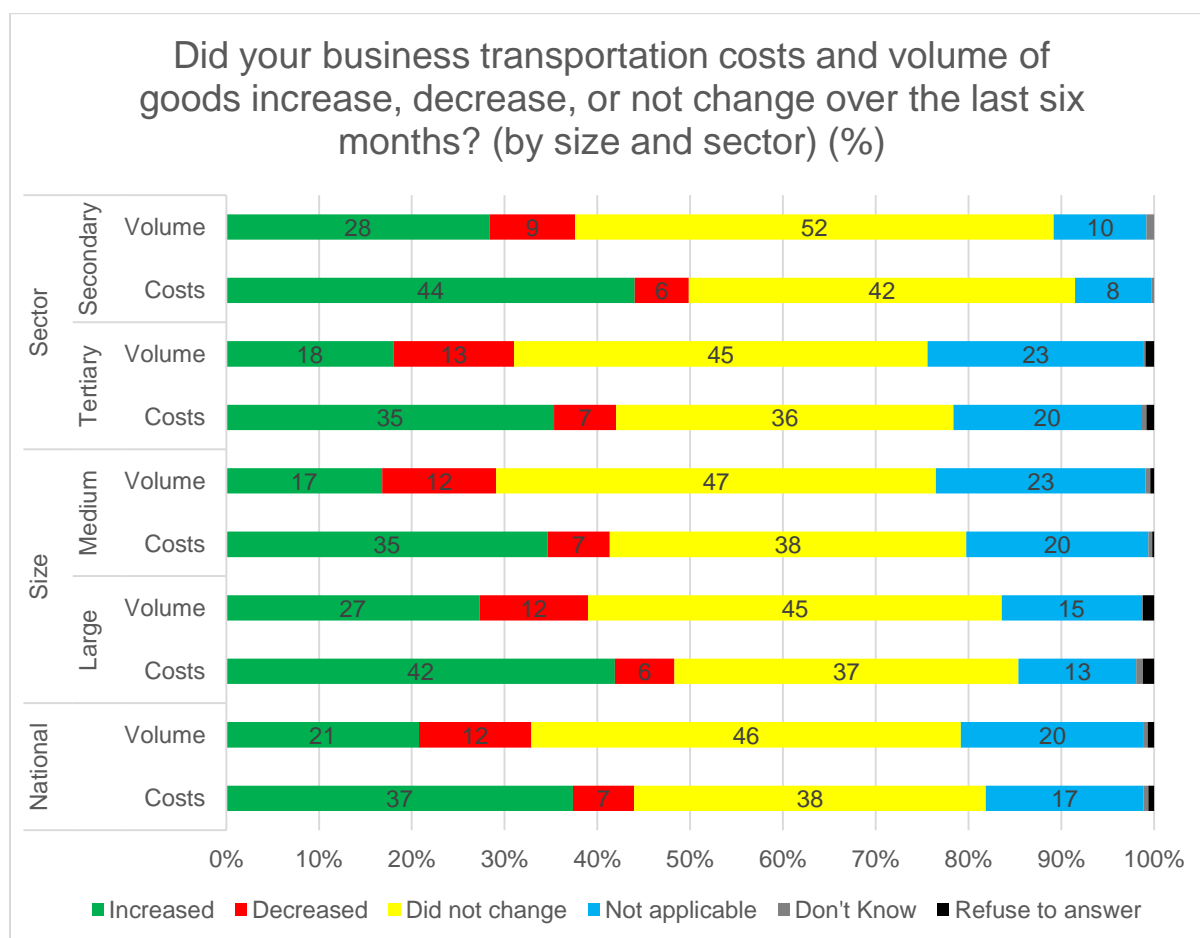


Overall, the data suggest that ICT usage is widespread among medium and large businesses in Georgia. Businesses generally perceive technology adoption as advanced within their sector. However, relatively few businesses had invested in ICTs in the six months prior to the survey. This issue should be monitored to ensure and incentivize ICT usage among Georgian businesses.

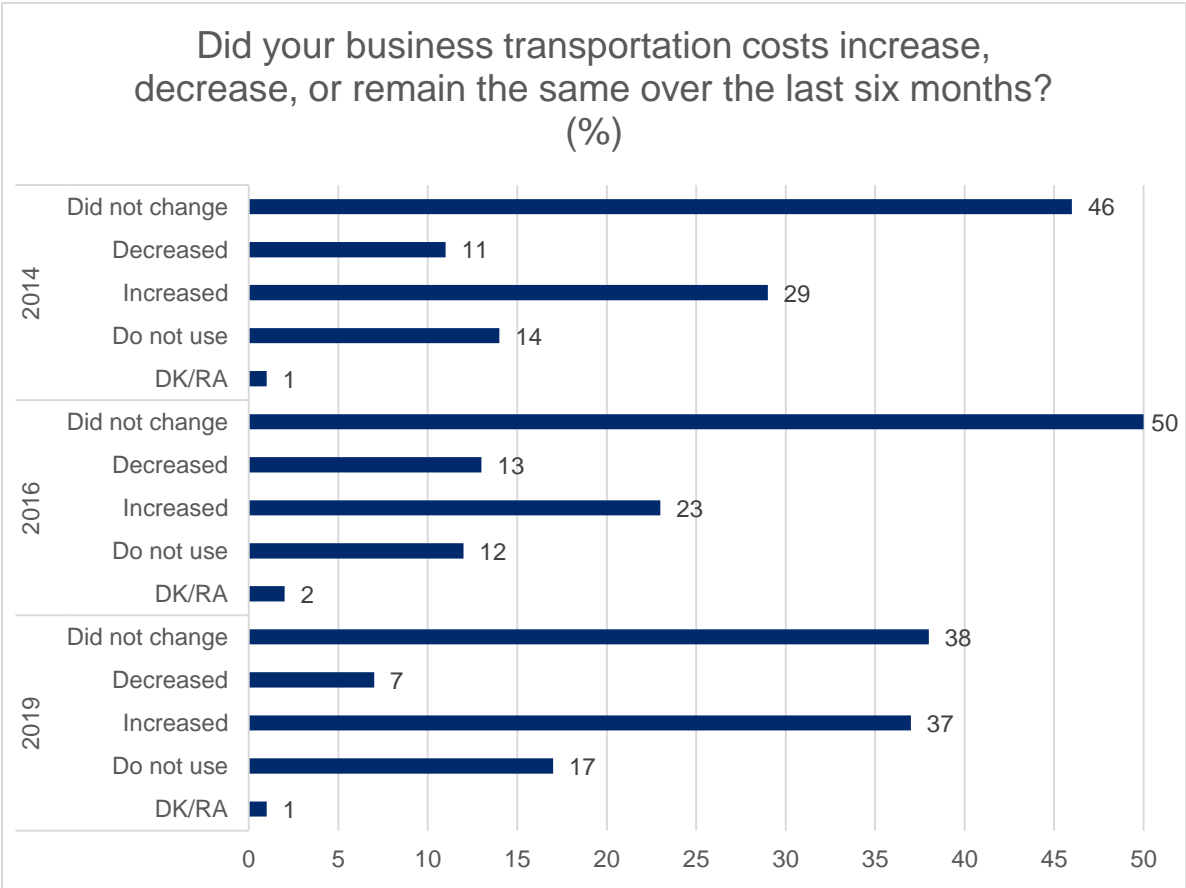
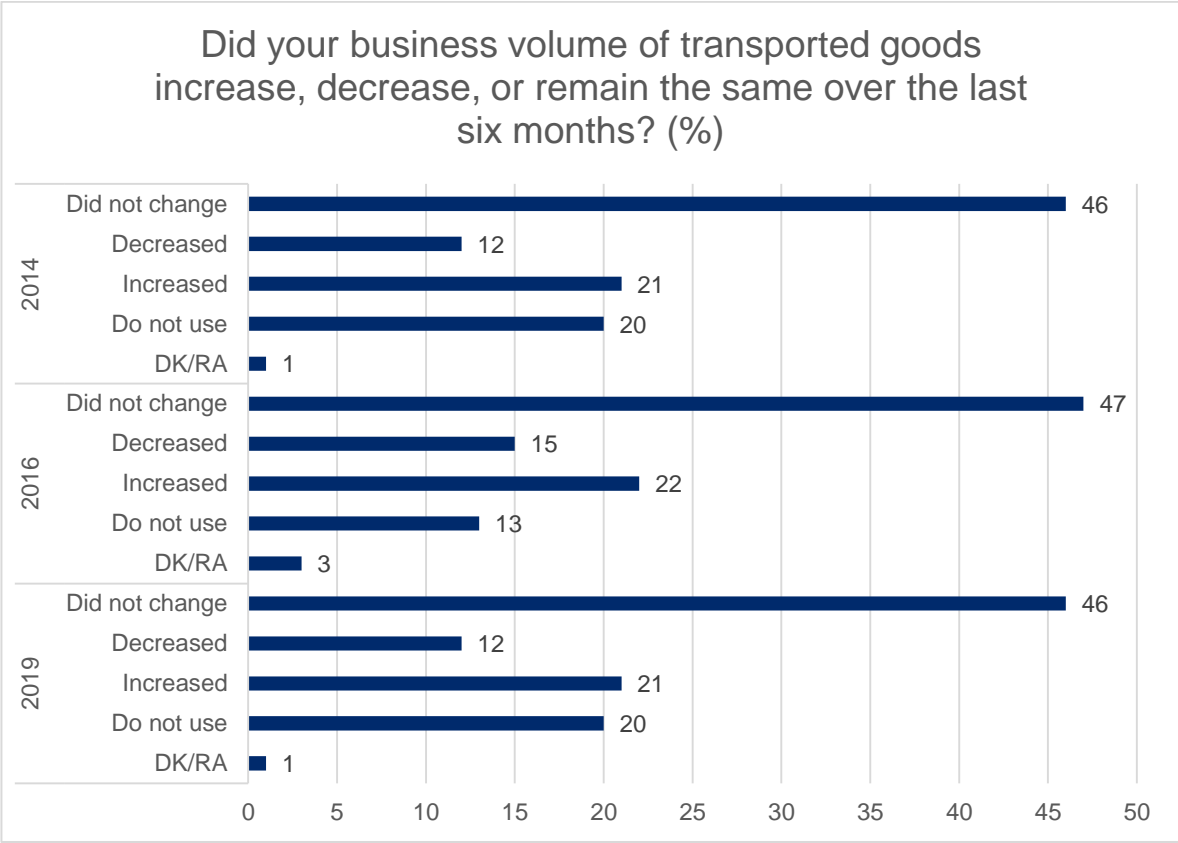
## 4.7 TRANSPORT AND LOGISTICS

Transport and logistics are a critical aspect of every business in the economy. Moreover, Georgia’s strategic position between Europe and Asia, multiple Black Sea ports linking the two, and investment from China within its Belt and Road Initiative have led to increased interest in the Georgian logistics sector in recent years. Therefore, this section of the report provides an overview of trends in businesses’ transportation and logistics costs and attitudes toward Georgian transport and logistics firms.

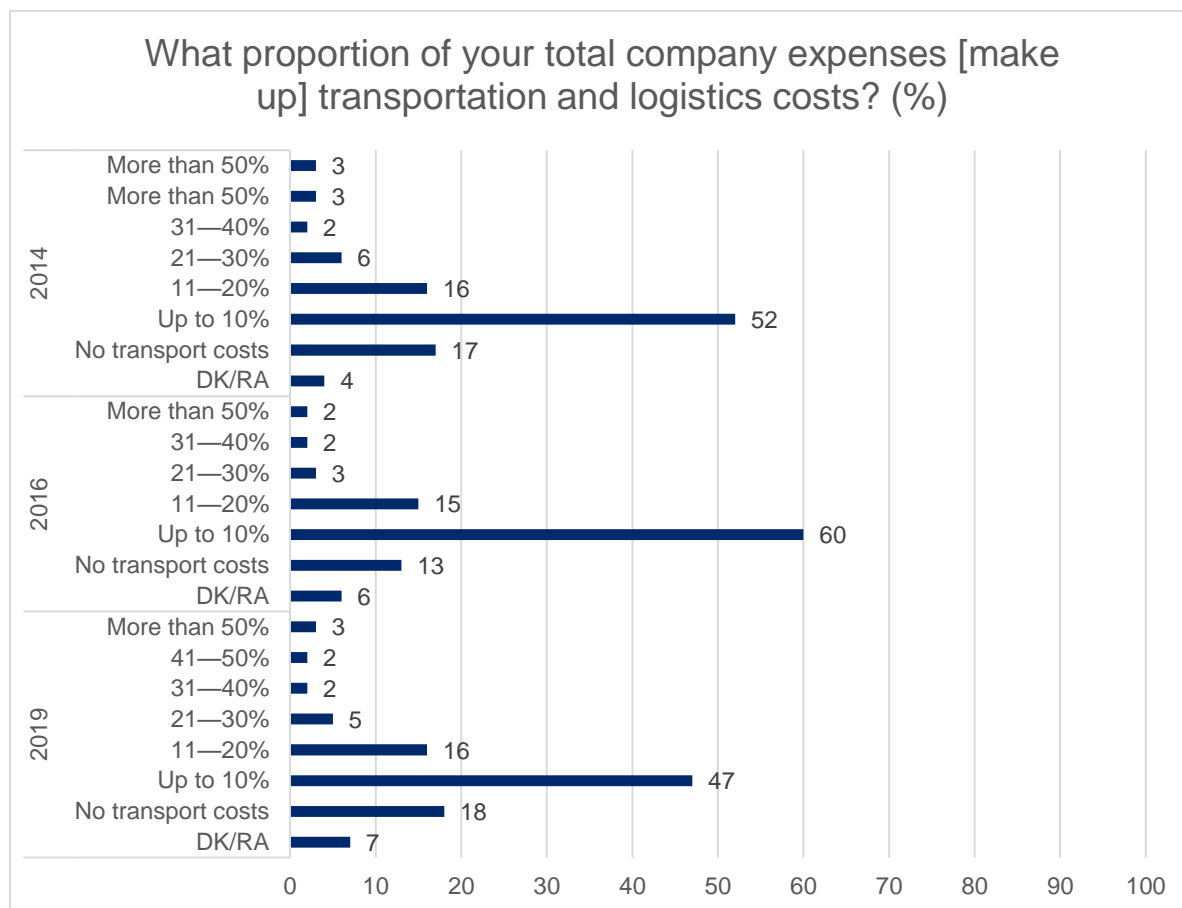
Overall, about four-fifths of businesses do not have transport costs and/or do not transport goods within their business. Among those businesses that do, about half have not had a change in the volume of goods they have transported. Equal shares of businesses report increased costs and no change in costs for transportation. Relatively few businesses report that the costs of transport or volume of goods they are transporting have decreased. Medium businesses and businesses in the tertiary sector are less likely to have transport costs than large businesses and those in the tertiary sector.



The above is consistent with past findings of the survey, and there are no significant changes between waves.

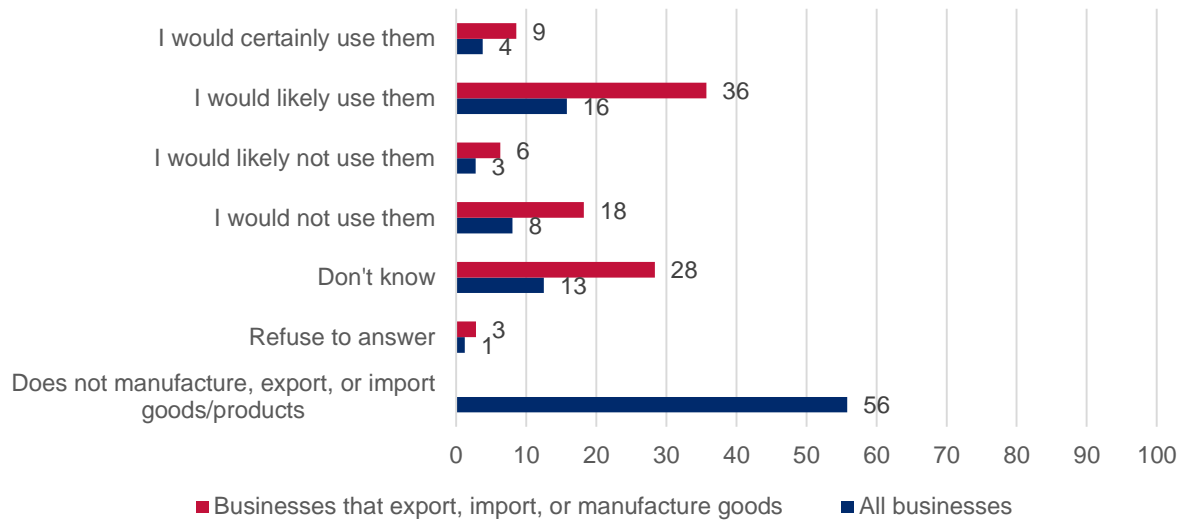


For the majority of businesses (65%), transportation and logistics costs make up less than 10% of business costs (47%) or are simply not a cost (18%). Businesses in the tertiary sector are about twice as likely to report not having any costs (21%) as businesses in the secondary sector (9%). In contrast, a larger share of secondary sector businesses report that their transport and logistics costs are 10% or less of their business (56%) than businesses in the tertiary sector (44%). A similar pattern holds with large businesses being less likely to report no transport costs (13%) than medium businesses (22%). Large businesses are also slightly more likely to report that costs are 10% or less of total expenses (50%) than medium businesses (45%).



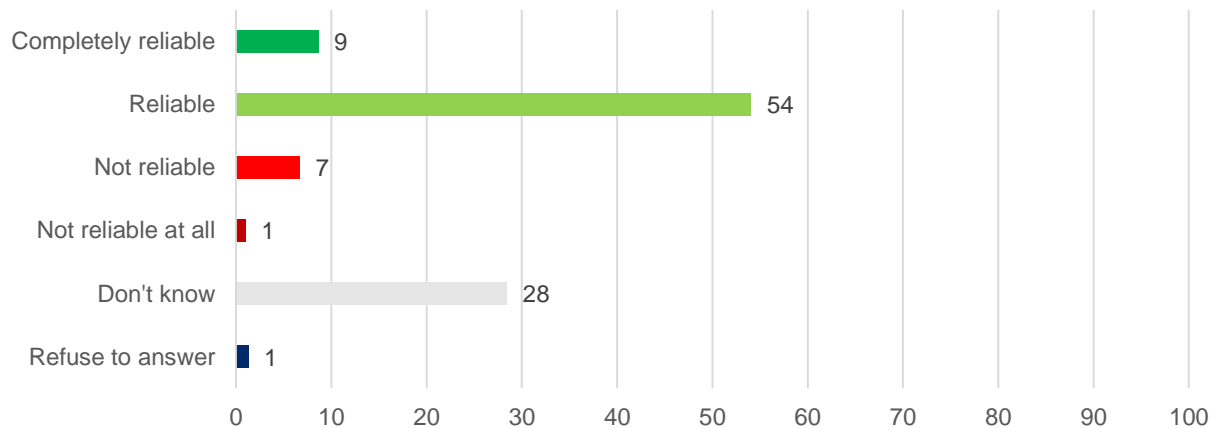
Among businesses that manufacture, export, or import products, most report that they would use the services of a Georgian logistics center in the next three years. However, the majority (56%) of businesses report that they do not manufacture, export, or import goods. Among businesses that report manufacturing, exporting, or importing goods, a plurality reports they would likely use them (36%) or would certainly use them (9%). A large share of businesses are also uncertain (28%).

If your business manufactures, exports, or imports goods/products, to what extent would you use the services of a Georgian logistics center within the next three years? (%)



The majority of businesses report that transportation and logistics services are reliable (54%) or completely reliable (9%) in Georgia. Slightly more than one-quarter of businesses (28%) do not know whether they are reliable or not. Large businesses are a bit more likely to report that logistics services are reliable (62%) than medium businesses (49%). However, this stems from the fact that medium businesses are more likely to be uncertain (32%) than large businesses (23%) about the reliability of Georgian logistics services.

Are transportation and logistics services reliable in Georgia? (%)

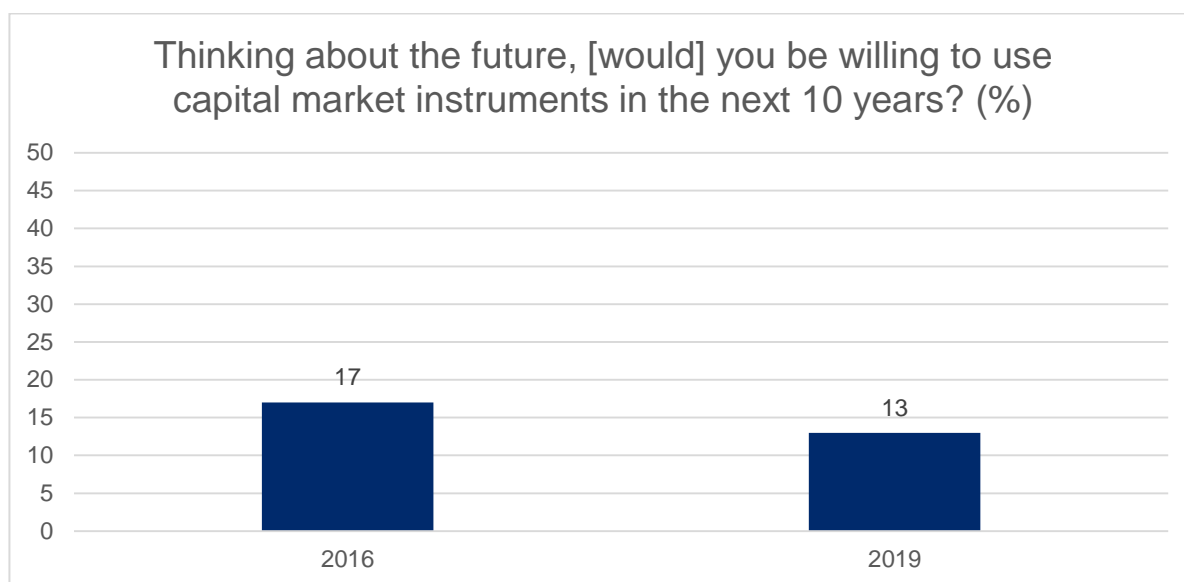


Overall, transportation costs are rising or remaining the same for most medium and large businesses in Georgia. However, the costs represent a relatively small share of costs for most businesses. Among businesses that manufacture, import, or export goods, a plurality would be willing to use Georgian logistics services. Most businesses view Georgian transport and logistics services as reliable.

## 4.8 CAPITAL MARKETS

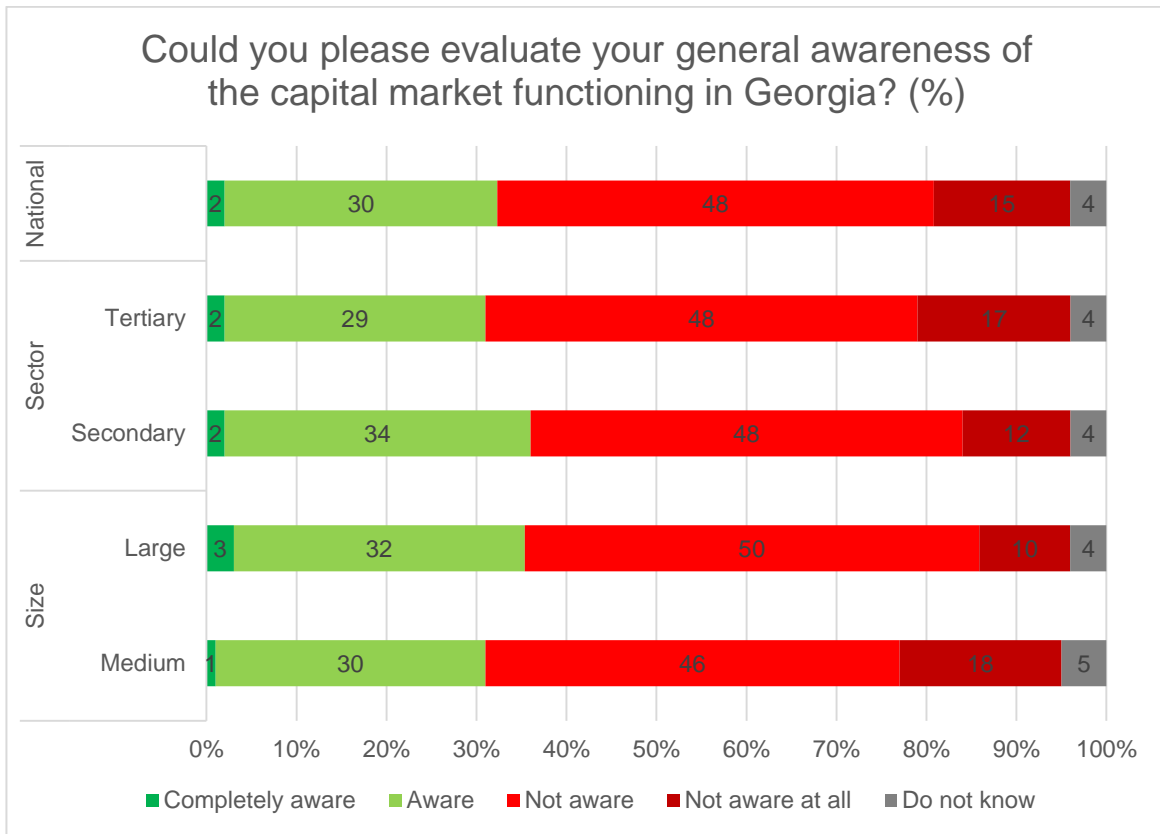
Capital markets remain extremely underdeveloped in Georgia, with most businesses unaware of the instruments available and almost no businesses using them.

Most businesses (97%) do not use capital market instruments in financing their business, with only 1% of businesses reporting that they use them. Thinking about the future, more businesses (13%) are willing to use capital market instruments than are already using them. A plurality of businesses (42%) report uncertainty about whether they would use capital market instruments. While there is not a difference between large (14%) and medium (13%) businesses' willingness to use these instruments, the secondary sector (21%) is more likely to be interested in using capital market instruments than the tertiary (11%) sector. There has been no significant change in willingness to use capital markets since 2016.



Among businesses interested in accessing capital markets, most businesses are inclined to use equities (75%), corporate bonds (65%), and state bonds (47%). There is little interest in derivatives (13%), and little knowledge of them it seems—as 45% of businesses interested in using capital markets reported not knowing whether they would be interested. Given the small sample size in the survey of businesses that are interested in using capital market instruments, the numbers above should be considered indicative rather than used to show significant differences.

Most businesses (63%) are unaware of the capital market functioning in Georgia. No substantively important difference exists between large (35%) and medium (31%) businesses that report some or complete awareness of the capital market, or between the primary (36%) and tertiary (31%) sectors.

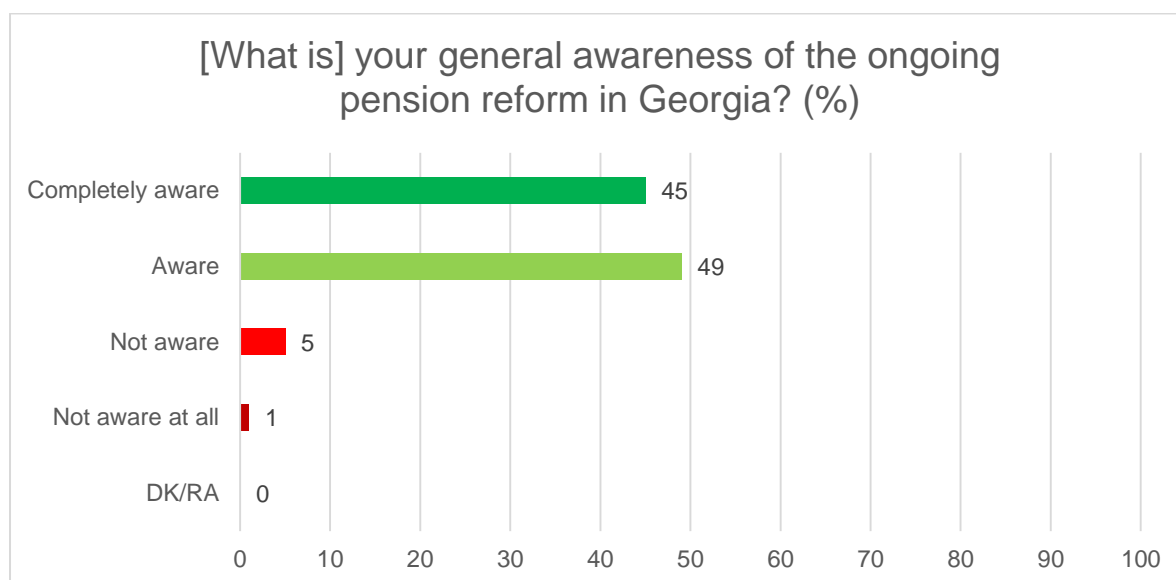


Capital markets are still not popular among businesses in Georgia, with very few using them in their business and almost two-thirds unaware of the capital market. A small percentage (13%) are willing to use capital markets in the near future, with equities, corporate bonds, and state bonds as the instruments most likely to be used. Based on these findings, it is recommended to raise awareness among businesses about capital markets.

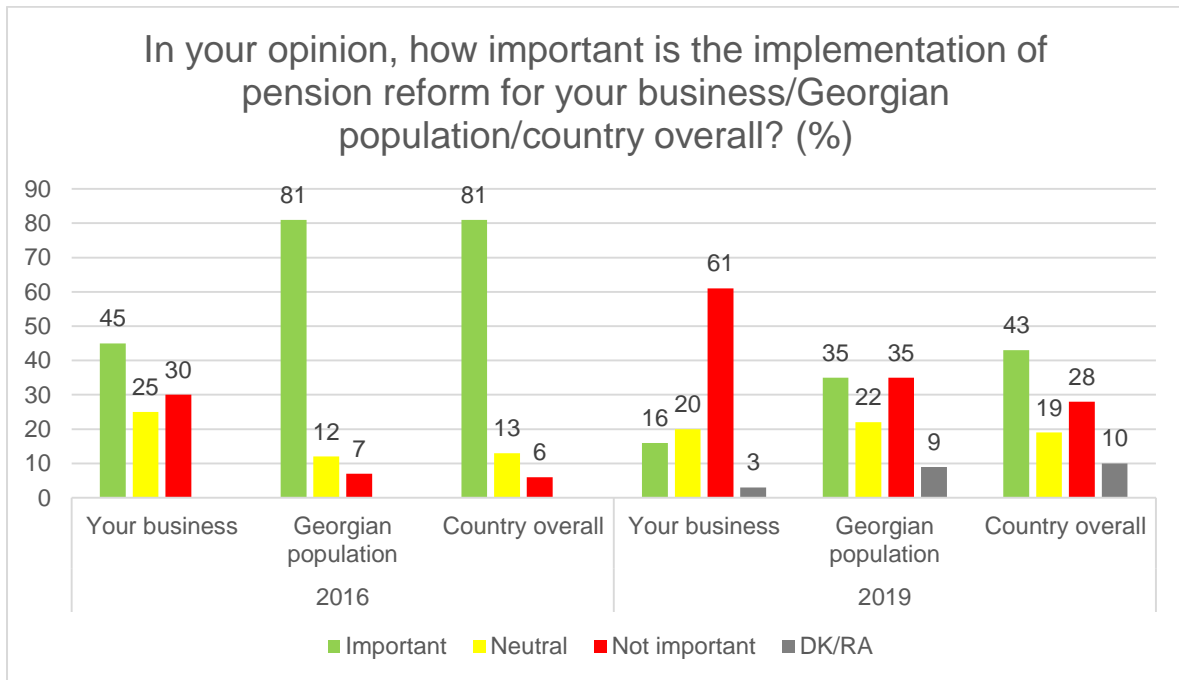
## 4.9 PENSION REFORM

The GoG adopted a cumulative pension system, which provides a 6% contribution to the pension fund per month. The amount contributed to the fund is taken from three sources: the employee (2%), employer (2%), and the state budget (2%). All employees younger than the age of 40 are obliged to contribute, while people older than 40 can leave the system by request. Men over 65 and women over 60 are out of the system by default. The pension fund will invest the accumulated sum in local and international financial markets. The new system was launched in January 2019.

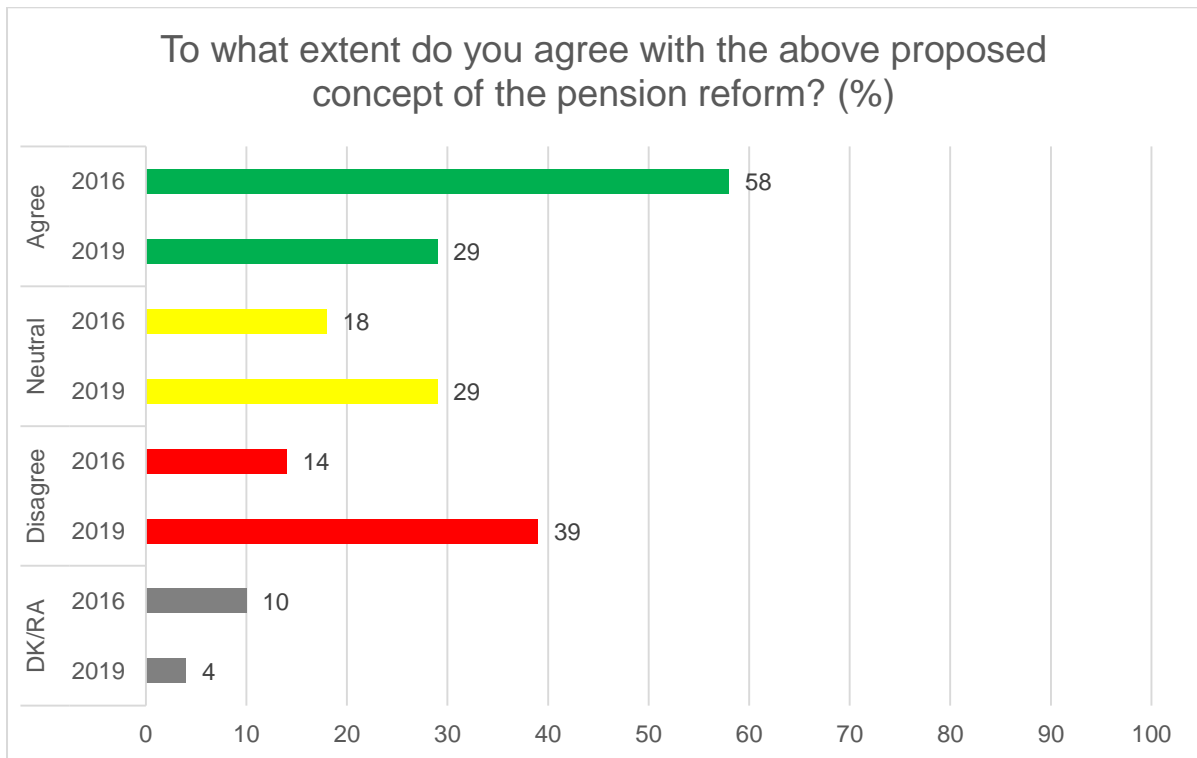
During the 2019 survey, medium and large businesses were asked several questions to evaluate their general awareness of the pension reform. The majority (94%) of medium and large businesses answered that they are completely aware or aware of pension reform. There were no significant differences by size or sector of business.



More than one-half of companies (61%) evaluate the reform as unimportant for their business. About one-third (35%) think that implementation of the pension reform is important for the population. Another one-third think the opposite (35%). When asked about the country overall, a plurality (43%) report that it is important. There are no significant differences in attitudes by the size of the business or between the tertiary and secondary sectors. Since 2016, businesses' attitudes toward pension reform have become more negative.

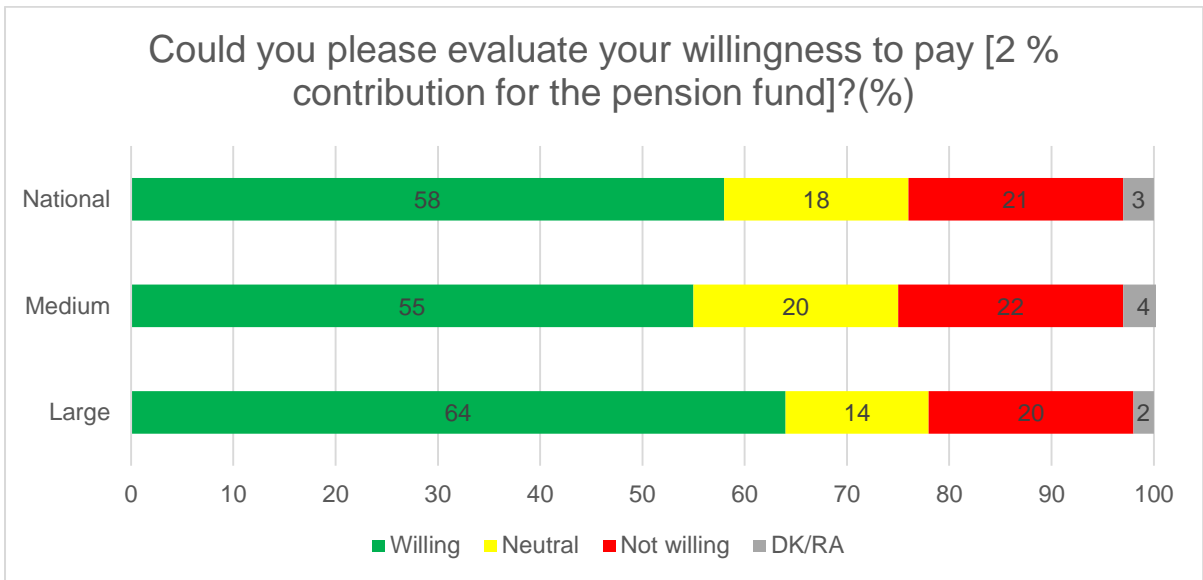


About one in three businesses in Georgia agreed (29%) or were neutral (29%) toward the concept of the reform. More businesses (39%) disagreed with the concept of the reform. This is a steep decline from the last wave of the survey, during which 58% of businesses agreed with the concept of pension reform, 18% were neutral, and 15% disagreed. More businesses were also uncertain about the reform.



Medium and large companies' willingness to pay 2% contribution to their employees is relatively high, with an average value of 7 on a 10-point scale. Willingness to pay is lower among medium enterprises compared to large firms. Willingness to pay does not vary significantly by sector.



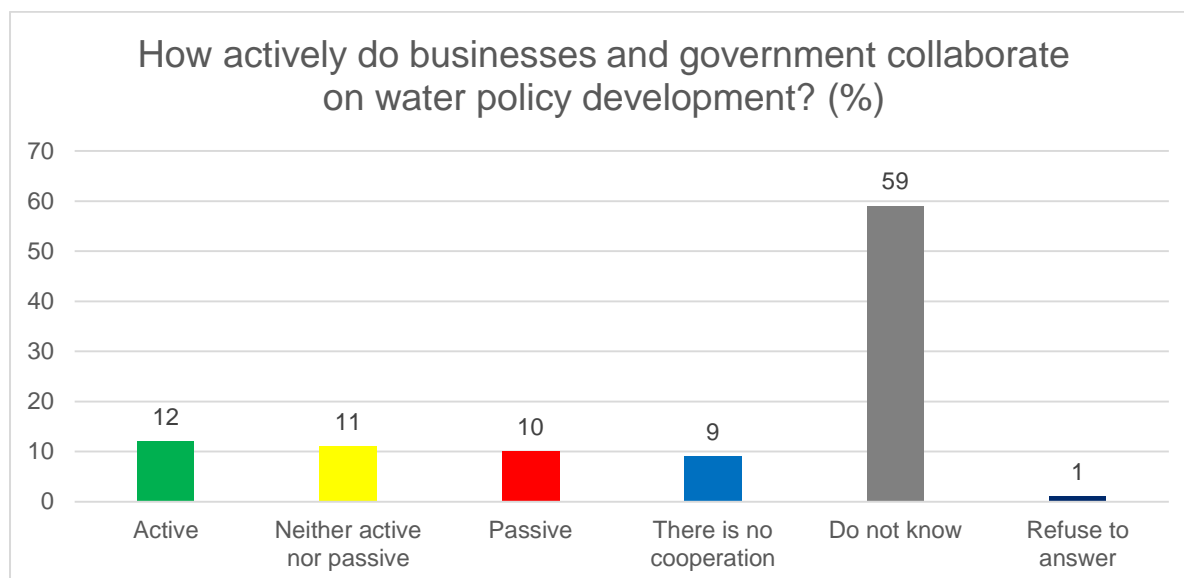


Most businesses are aware of the new pension reform. They generally report the reform is not important for their business, but that it is important for the country and the population. Still, a plurality disagree with the concept of the reform. Nonetheless, most businesses are willing to pay their contribution.

## 4.10 WATER RESOURCE MANAGEMENT

Georgia is generally considered a water-rich country. An important step toward improving the situation in the field of water resource management was drafting the Law on Water Resources Management. As business uses significant water resources, their awareness and knowledge of relevant legislation is important for the country as a whole. This section describes businesses' awareness of related legislation.

Businesses were asked how actively the government cooperates with them on water policy development. The majority of businesses reported not knowing (59%). This response did not vary by size of business or sector. Nine percent of businesses reported that the government did not cooperate at all on water policy. Another 10% of businesses reported that there was neither active nor passive cooperation, rating cooperation as 5 on a 10-point scale. The remaining businesses were split roughly equally between thinking cooperation tended toward proactivity or passivity. These attitudes did not vary significantly by the size or sector of the firms.



Businesses were asked about their general awareness of the draft Law on Water Resources Management. Only 13% reported that they had heard of the law, down from 25% in 2016. Among those aware of the law, the majority were aware of the proposed changes to water prices (86%). More than one-half (66%) knew about water abstraction and discharge licenses. Only 30% reported being aware of the implementation of the water basins management principle. Businesses that were aware of the law evaluated it neutrally (the mean value is 5.55 on a 10-point scale).

In general, businesses lack information about water resources management in Georgia and are unaware of the Law on Water Resources Management. This suggests that the Ministry of Environmental Protection and Agriculture and other institutions working on water resources management should attempt to engage businesses on the proposed changes to the law.

## 5. CONCLUSIONS AND RECOMMENDATIONS

The above data and analysis led to numerous conclusions and recommendations.

When it comes to awareness of reform, the majority of businesses are aware of tax reform, pension reform, and customs. In contrast, businesses are far less aware of other types of reform. With information about reform, medium businesses find it slightly more difficult to access information, suggesting that efforts should be made to reach out to medium firms. It is recommended that the GoG continue its increased level of outreach to businesses (which shows up in the data) and its efforts to communicate reform through the internet and television—the two main places businesses look for information related to business and economics.

Overall, according to businesses in Georgia, high taxes and interest rates remain the largest issues they face, just as they were in past waves of the survey. Given the recent changes to finance regulation (that have likely made access to finance more difficult), programing aimed at increasing access to finance is likely to help the business environment. Most businesses do not find Georgia's competition legislation sufficient to ensure fair competition within the country. Generally speaking, businesses are divided over the transparency and fairness of economic governance. Improving and enforcing current legislation have the potential to improve the business environment overall.

More businesses find business associations ineffective than effective. Moreover, most business associations are not well known, or their effectiveness is unknown. This suggests that business associations should work to a) increase their profile among Georgian business, and b) promote successful cases of their work to improve their public standing.

Businesses overwhelmingly support the establishment of a permanent coordination body composed of members of the public sector, private sector, and NGOs to discuss country strategy, policy, and legislation prior to adoption. They generally report it is necessary to involve businesses in preparing legislation related to the business environment. This suggests that the private sector would welcome the establishment of a permanent coordination body. Additionally, most businesses welcome the introduction of RIAs.

Businesses are generally satisfied with the audit and tax administration; they believe the process of submitting tax declarations and obtaining tax refunds is seemingly simple. A relatively large share of businesses (12%) received a tax audit in 2018. Of those who were audited, almost one-half were charged with additional taxes as a result of audits. A relatively small share of those audited were hindered by the audit, but some did lose revenue.

The new corporate income tax regime has had a relatively positive influence. About one-quarter of businesses report increasing their reinvestment in 2017 over 2016, following the introduction of the new tax regime. This finding should be taken with great caution, however, as the data is not experimental and has not been analyzed using quasi experimental methods. Importantly, the data provided in this report more generally should not be taken to evaluate any reform or program since it is observational and analyzed as such. Businesses in the secondary sector were more likely to reinvest more in 2017 than in 2016, as were large businesses.

The unified treasury code system is also perceived as having had a positive influence on business generally speaking. Businesses are relatively equally split between using IFRS, IFRS for small business, financial reporting standards for enterprises in the fourth category, and not knowing what their standard is.

With customs, businesses that use the customs services have a positive perception of the services. Most businesses feel the customs fees are reasonable, that customs procedures are transparent and convenient, and that the waiting time during the customs clearance is reasonable. Businesses also feel that there is sufficient information on customs regulations currently available to ensure compliance when importing or exporting goods, as well as sufficient information on changes to customs regulations.

When it comes to state procurement, one in five medium and large businesses reported participating in a tender. Large and secondary sector businesses are more likely to do so. The businesses that participate are generally satisfied with the state procurement system.

ICT usage is widespread among medium and large businesses in Georgia. Businesses generally perceive technology adoption as advanced within their sector. However, relatively few businesses had invested in ICTs in the six months prior to the survey. This issue should be monitored to ensure and incentivize ICT usage among Georgian businesses.

Transportation costs are rising or remaining the same for most medium and large businesses in Georgia. However, the costs represent a relatively small share of costs for most businesses. Among businesses that manufacture, import, or export goods, a plurality would be willing to use Georgian logistics services. Most businesses view Georgian transport and logistics services as reliable.

Capital markets are still not popular among businesses in Georgia, with very few using them in their business. About two thirds are unaware of the capital market. A small percentage (13%) is willing to use capital markets in the future. Based on these findings, it is recommended to raise awareness among businesses about capital markets.

Businesses have a lack of information about water resources management in Georgia and are unaware of the Law on Water Resources Management. This suggests the Ministry of Environmental Protection and Agriculture and other institutions working on water resources management should attempt to engage businesses on the proposed changes to the law.

The vast majority of businesses are aware of the new pension reform. They generally report the reform is not important for their business, but that it is important for the country and the population. Still, a plurality disagree with the concept of the reform. Nonetheless, most businesses are willing to pay their additional contribution.

# APPENDIX: SURVEY QUESTIONNAIRE

## Business Organizations Survey

February 2019

Interviewer code

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Organization code

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READ THE TEXT BELOW TO EACH RESPONDENT

Good morning/afternoon/evening, my name is \_\_\_\_\_, (TELL YOUR NAME) and I represent CRRC-Georgia, an independent, non-profit research company. On behalf of the USAID-funded Governing for Growth in Georgia (G4G) Project, I would be grateful if you could spare me a few minutes to answer some questions relating to Georgia’s business environment. All answers will remain confidential and will be used solely to measure project performance and priorities for future activities. Your answers will be combined with those of 999 other business representatives interviewed throughout Georgia and will only be presented collectively. The survey should take around 20-25 minutes in total.

(IF RESPONDENT AGREES THANK HIM/HER) - Thank you

COMPLETE THE TABLE BELOW UPON COMPLETION OF INTERVIEW

B1. Name of the company	
B2. Address of the company	
B3. Telephone number of the company	
B4. Respondent’s telephone number	

\*RESPONDENT SHOULD BE THE OWNER/DIRECTOR OF THE COMPANY OR OTHER INDIVIDUAL HOLDING A SENIOR POSITION.

DATE OF INTERVIEW: \_\_\_\_\_ / \_\_\_\_\_

DAY MONTH

INTERVIEW START TIME: \_\_\_\_\_ / \_\_\_\_\_ INTERVIEW COMPLETION TIME: \_\_\_\_\_ / \_\_\_\_\_

HOUR MINUTE HOUR MINUTE

**B1. Respondent's position in the organization:**

*[Up to two answers. Respondent should be decision-maker in financial issues!]*

Finance director/Chief financial officer	1
Other director/Chief executive(president)	2
Financial manager	3
Other decision-maker manager	4
Coordinator	5
Accountant (preferable head accountant )	6
Shareholder	7
Head of administration	8
Other (specify)	9

**B2. [Show card B6] What is organizational and legal status of your company? [Only one answer]**

Individual entrepreneur	1
Joint liability company	2
Limited partnership	3
Limited liability company (LTD)	4
Joint stock company	5
Cooperative	6
Branch of foreign company	7
(Don't know)	-1
(Refuse to answer)	-2

## **SECTION A—AWARENESS OF REFORMS**

*A1. Are you aware of any economic reforms undertaken during the period of 2014-2018 in Georgia?*

Yes	1	<i>CONTINUE</i>
No	0	<i>Go to question A4</i>

<i>(Refuse to answer)</i>	-2	
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A2. Which economic reforms are you aware of?

*(DO NOT READ. Accept all answers)*

	A2. SPONTANEOUS AWARENESS
Tax Reform	1
Customs Reform	2
Pension Reform	3
Capital Market Reform	4
State Procurement Reform	5
Insolvency System Reform	6
Land Registration Reform	7
Reform in the Mining Sector	8
Electricity Trading Mechanism (ETM) Reform	9
Water Resources Management Reform	10
Institutionalization of the Regulatory Impact Analysis (RIA) in the legislative process	11
Tourism Sector Reform	12
Building Regulations Reform	13
Reforms related to DCFTA agreement	14
Other (SPECIFY)	15
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

A3. Are you aware of the following economic reforms ... (READ ALL REFORMS THAT WERE NOT NAMED IN A2)

	Yes	No	(Don't know)	(Refuse to answer)
Tax Reform	1	0	-1	-2
Customs Reform	1	0	-1	-2
Pension Reform	1	0	-1	-2
Capital Market Reform	1	0	-1	-2
State Procurement Reform	1	0	-1	-2
Insolvency System Reform	1	0	-1	-2
Land Registration Reform	1	0	-1	-2
Reform in the Mining Sector	1	0	-1	-2
Electricity Trading Mechanism (ETM) Reform	1	0	-1	-2
Water Resources Management Reform	1	0	-1	-2
Institutionalization of the Regulatory Impact Analysis (RIA) in the legislative process	1	0	-1	-2
Tourism Sector Reform	1	0	-1	-2
Building Regulations Reform	1	0	-1	-2
Reforms related to DCFTA agreement	1	0	-1	-2
Other (SPECIFY)	1	0	-1	-2

A4. Please tell me how accessible information on economic reforms in Georgia is for you or for your company?

Inaccessible	1
Relatively Accessible	2
Easily Accessible	3
(Refuse to answer)	-2
(Don't know)	-1



A5. Personally, or for your business, where do you find information on economic reforms? *(Do not read. Correspond. Accept all answers)*

*IF THE RESPONDENT STATES THAT S/HE ACCESSES WEBSITES OF GOVERNMENT AGENCIES CIRCLE CODE 1, IF OF BUSINESS TRADE ASSOCIATIONS CIRCLE CODE 3. IF THE RESPONDENT NAMES INTERNET GENERALLY AS SOURCE OF DATA CIRCLE CODE 2.*

From Government Agencies	1
From Media	2
From Business/Trade Associations	3
From Business Partners	4
Other (SPECIFY)	5
Other (SPECIFY)	
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

## SECTION C—RELATIONS WITH MEDIA

Please indicate your primary source of information on current affairs in Georgia? *(Do not read. Correspond. ONE ANSWER ONLY)*

Television	1
Radio	2
Newspaper	3
Magazine	4
Internet	5
Friends and Family	6
Other (SPECIFY)	7
<i>(Refuse to answer)</i>	-2

Which TV station did you watch most frequently last week to obtain business & economics information? *(Do not read. Correspond. ONE ANSWER ONLY)*

I did not get business & economics information from TV	-5
Imedi	1

Rustavi 2	2
Public Broadcaster	3
TV 1	4
Tabula	5
Palitra TV	6
Kavkasia	7
Sakartvelo	8
Maestro	9
Abkhazetis Xma	10
Patriarchy Television "Ertsulovneba"	11
Artarea	12
GDS	13
Obiektivi	14
Adjara TV	15
CNN	16
BBC	17
Al Jazeera	18
Russian TV Channels	19
Other (SPECIFY)	20
(Refuse to answer)	-2

Which newspaper did you read most frequently last week to obtain business & economics information? *(Do not read. Correspond. ONE ANSWER ONLY)*

I did not get business & economics information from newspapers	-5
Kviris Palitra	1
24 Saati	2

Alia	3
Qronika	4
Alioni	5
Akhali Taoba	6
Bankebi da Finansebi	7
Imedi	8
Sitkva da sakme	9
Asaval-dasavali	10
Akhali versia	11
Georgian Times	12
Rezonansi	13
Sakartvelos Respublika	14
Georgia Today	15
7 Dge	16
Other (SPECIFY)	17
(Refuse to answer)	-2

Which magazine did you read most frequently last week to obtain business & economics information?

*(Do not read. Correspond. ONE ANSWER ONLY)*

*THE QUESTION IMPLIES READING HARD COPIES OF JOURNALS AS WELL AS ONLINE VERSIONS.*

I did not get business & economics information from magazines	-5
Forbes Georgia	1
Focus	2
Gza	3
Liberali	4
Tabula	5

Sarke	6
Other (SPECIFY)	7
(Refuse to answer)	-2

Please recall, in the past week, how many days have you accessed the internet to obtain information about Georgian business & economics? Name the number of days when you obtained such information. (INDICATE NUMBER OF DAYS, IF THE ANSWER IS "NONE" INDICATE "0 DAYS" AND GO TO C6)

|\_| Days

(Refuse to answer)	-2
(Don't know)	-1

Please tell me, which website have you used most frequently last week to obtain such information?  
(Do not read. Correspond. ONE ANSWER ONLY)

IN CASE RESPONDENT NAMES FACEBOOK, ASK TO PROVIDE THE LINK OF INFORMATIONAL WEBSITE WHICH WAS ACCESSED VIA FACEBOOK.

www.rs.ge	1
<u>www.ambebi.ge</u>	2
<u>www.interpressnews.ge</u>	3
www.news.ge	4
<u>www.commersant.ge</u>	5
www.presa.ge	6
www.palitra.ge	7
www.bm.ge	8
www.on.ge	9
<u>www.economy.ge</u>	10
Other (SPECIFY)	11
(Don't know)	-1

(Refuse to answer)	-2
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Prior to this survey, have you heard about the Governing for Growth in Georgia/G4G Project?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

## SECTION D—GENERAL ATTITUDES

D1. What factors hinder businesses in their day-to-day operations? *(Do not read. Correspond. Accept all answers)*

No Hindrances	-5
Inconsistent Policies (regulations, markets, approaches, etc.)	1
Frequent Legislation and Policy Change	2
Harassment by Government Bodies/Agencies	3
Lack of Fair Competition Environment	4
Inconsistent or Unclear Application of Rule of Law	5
Lack of Intellectual Property Rights Protection	6
Administrative Burden (Number of Documents, Procedures, etc.)	7
High taxes	8
Unclear/vague laws	9
High interest rates for the loans	10
Lack of high qualified workers	11
Other (SPECIFY)	12
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D2. In what areas could the Government of Georgia best support businesses and increase productivity?

*(Do not read. Correspond. Accept all answers)*

Access to Affordable Finance	1
Improve Taxation Policy & Rates	2
Support Skills Development	3
Development of Joint Public/Private Sector Strategies for Development of Targeted Sectors	4

Provide Assistance to SMEs in Terms of Technology Adoption	5
Improve business climate and related policies	6
Other (SPECIFY)	7
Other (SPECIFY)	8
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D3. Does the Government of Georgia sufficiently/adequately engage the private sector in discussions on:

*[Read out issues provided in the first column and select only one answer in each row]*

		Yes	No	<i>(Refuse to answer)</i>	<i>(Don't know)</i>
1	New Legislation	1	2	-2	-1
2	Revising Existing Legislation	1	2	-2	-1
3	Country Vision and Strategy Development	1	2	-2	-1
4	Policy Changes and Developments	1	2	-2	-1
5	Trade Agreements	1	2	-2	-1

D4. Is Georgia's current competitiveness legislation sufficient to ensure fair competition within the country?

*(Read out. Accept only one answer)*

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D5. Do you believe the quality of the data collected and presented by the National Office of Statistics of Georgia is accurate and reliable? *(Read out. Accept only one answer)*

Yes, it is Completely Accurate and Reliable	1
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Yes, in Most Cases it is Accurate and Reliable	2
No, in Most Cases it is not Accurate and Reliable	3
No, it is Completely Inaccurate and Unreliable	4
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D6. What measures should the Government of Georgia adopt to increase business spending on R&D, technology adoption and innovation? *(Do not read. Correspond. Accept all answers)*

Provide Tax Incentives	1
Co-fund R&D Activities	2
Fund Research Fellowships	3
Development of an Innovation and R&D Strategy	4
Create Mechanisms for Industry/University/ Government Partnerships	5
Facilitate Access to Venture Capital	6
Undertake Their Own R&D and Technology Adoption	7
Other (SPECIFY)	8
Other (SPECIFY)	9
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D7. What measures should the Government of Georgia adopt to increase management capacity and business sophistication? *(Do not read. Correspond. Accept all answers)*

Creation of Entrepreneurship/Management Schools	1
Fund Courses Overseas	2
Create Small Business Incubators	3
Establishment of Innovation/Competitiveness Fund	4
Subsidies for Consulting Services	5



Bring Foreign Expertise to Educate and Train Georgian Companies	6
Other (SPECIFY)	7
Other (SPECIFY)	8
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D8. How effective are each of the following Georgian Business Associations in advocating to the Government of Georgia the interests of your specific business or sector (whether you are a member of the association or not)?

*[Read out issues provided in the first column and select only one answer in each row]*

		Very Effective	Somewhat Effective	Not Really Effective	Ineffective	I have not heard about this association	<i>(Refuse to answer)</i>	<i>(Don't know)</i>
1	Economic Policy Advocacy Coalition (EPAC)	1	2	3	4	-5	-2	-1
2	Business Association of Georgia (BAG)	1	2	3	4	-5	-2	-1
3	Georgian Small and Medium Enterprises Association (GSSMEA)	1	2	3	4	-5	-2	-1
4	American Chamber of Commerce	1	2	3	4	-5	-2	-1
5	Georgian Chamber of Commerce & Industry (GCCCI)	1	2	3	4	-5	-2	-1

		Very Effective	Somewhat Effective	Not Really Effective	Ineffective	I have not heard about this association	(Refuse to answer)	(Don't know)
6	International Chamber of Commerce	1	2	3	4	-5	-2	-1
7	Georgian Employers' Association (GEA)	1	2	3	4	-5	-2	-1
8	EU – Georgia Business Council (EUGBC)	1	2	3	4	-5	-2	-1
9	Other (Specify)	1	2	3	4	-5	-2	-1

D9. Should the Government of Georgia establish a permanent coordination body comprising the public sector, private sector and NGOs to discuss country strategy, policy and legislation prior to adoption?

Yes	1
No	0
(Refuse to answer)	-2
(Don't know)	-1

D10. How do you think, is it necessary or not to involve businesses in preparing law related to business environment?

Yes	1
No	0
(Refuse to answer)	-2
(Don't know)	-1

D11. How do you think, is it necessary or not to conduct Regulatory Impact Analysis (RIA) before reform implementation or law preparation that are related to business environment?

Explain: Aim of Regulatory Impact Analysis (RIA) is to analyze positive and negative impact of legislation or reform on business environment, society, environmental protection and budget expenditures prior to its preparation.

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D12. How do you think, is economic governance transparent in Georgia?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

D13. How do you think, is economic governance fair in Georgia?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

## SECTION G—AUDIT AND TAX ADMINISTRATION

[Show card G1] In your opinion, how simple or complicated is the process of tax audit? Please base your answer on a 5-point scale, where 1 represents “Very Complicated” and 5 represents “Very Simple”

*(TAX AUDIT PERFORMED BY THE REVENUE SERVICE AND NOT A PRIVATE AUDIT WHICH COULD BE FINANCED BY THE COMPANY)*

Not Applicable	-5
Very Complicated	1
Complicated	2
Neither simple nor complicated	3

Simple	4
Very Simple	5
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

How many times has a tax audit(s) been conducted in your company in 2016? in 2017(2) (3) in 2018?  
*(TAX AUDIT PERFORMED BY THE REVENUE SERVICE AND NOT A PRIVATE AUDIT FINANCED BY THE COMPANY)*

	G2.1 2016	G2.2 2017	G2.3 2018	
Indicate Number of Audits Performed  (If none has been conducted indicate "0".  In case answers are "0", "-1", "-2" do not ask G3, G4 and G5 questions for those years)  If none has been conducted in 2016, 2017 and 2018 go to section G8				
<i>(Refuse to answer)</i>	-2	-2	-2	
<i>(Don't know)</i>	-1	-1	-1	

How long did the tax audit take, on average, in your company (1) in 2016, (2) in 2017 and (3) in 2018?  
*(INDICATE NUMBER OF DAYS)*

	G3.1 2016	G3.2 2017	G3.3 2018
Number of Days			
<i>(Refuse to answer)</i>	-2	-2	-2
<i>(Don't know)</i>	-1	-1	-1

Was your company charged with some additional taxes as a result of the tax audit in (1) 2016? (2) in 2017? (3) and in 2018?

	G4.1 2016	G4.2 2017	G4.3 2018
Yes	1	1	1
No	0	0	0

	G4.1 2016	G4.2 2017	G4.3 2018
<i>(Refuse to answer)</i>	-2	-2	-2
<i>(Don't know)</i>	-1	-1	-1

Was your company's operations hindered during the last tax audit (1) in 2016? (2) in 2017? (3) and in 2018?

	G5.1 2016	G5.2 2017	G5.3 2018	
Yes	1	1	1	<i>CONTINUE</i>
No	0	0	0	<i>GO TO G8 if the answers are 0, -1, or -2 for all three years</i>
<i>(Refuse to answer)</i>	-2	-2	-2	
<i>(Don't know)</i>	-1	-1	-1	

For how many days was your business closed as a result of the tax audit? *(Do not read. Correspond. ONE ANSWER ONLY)*

<i>(Did not close)</i>	-5
1 Day	1
2 Days	2
3 Days	3
4 Days	4
5 Days	5
1-2 Weeks	6
More than 2 Weeks	7
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

What was the revenue loss (in terms of percentage) for the period of closure during tax audit? *(Do not read. Correspond. ONE ANSWER ONLY)*

<i>(Not Impacted/No loss)</i>	-5
< 10% Loss of Revenue	1
10%-20% Loss of Revenue	2

21%-30% Loss of Revenue	3
31%-40% Loss of Revenue	4
41%-50% Loss of Revenue	5
51%-75% Loss of Revenue	6
76%-100% Loss of Revenue	7
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

[Show card G8]How simple or complicated is the process of submitting tax declarations? Please base your answer on a 5-point scale, where 1 represents “Not simple at all” and 5 represents “Very Simple”

Not Applicable	-5
Very Complicated	1
Complicated	2
Neither simple nor complicated	3
Simple	4
Very Simple	5
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

[Show card G9]How simple or complicated is it to obtain tax refunds? Please base your answer on a 5-point scale, where 1 represents “Not simple at all” and 5 represents “Very Simple”

Not Applicable	-5
Very Complicated	1
Complicated	2
Neither simple nor complicated	3
Simple	4
Very Simple	5
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

G10a. How did new corporate income tax regime influence your business (introduced from January 1, 2017)? *[Read out]*

Positively	1
Negatively	2
No influence	-5
(Refuse to answer)	-2
(Don't know)	-1

G10b. *[Show card G10b]* As a result of this reform approximately what share of profit has been reinvested in business and was not distributed on shareholders. Please tell me about the period before the reform in 2016 and after that in 2017.

	2016	2017
Less than 10%	1	1
11%-20%	2	2
21%-30%	3	3
31%-40%	4	4
41%-50%	5	5
51%-60%	6	6
61%-70%	7	7
71%-80%	8	8
81%-90%	9	9
91%-100%	10	10
My business was not established yet	-5	-5
(Don't know)	-1	-1
(Refuse to answer)	-2	-2

G11. What were main directions where you reinvested money? Please tell me about the period before the reform in 2016 and after that in 2017. *[Don't read. Correspond. Accept all answers.]*

	2016	2017
It didn't happen	1	1
Fixed assets of company	2	2
Hire additional employees	3	3
Other (Specify)	4	4
(Don't know)	-1	-1
(Refuse to answer)	-2	-2

G12. How did the use of unified treasury code influence your business (introduced from January 1, 2016)?

*[Don't read, correspond, Up to three answers]*

It did not have significant influence	-5
Reduced stress	1
Reduced errors	2
Reduced tax filing costs	3
Reduced tax filing time	4
Improved correct filing	5
Improved timely payment	6
Improved refund process (refund of VAT or other taxes)	7
(Don't know)	-1
(Refuse to answer)	-2

G13. Which accounting standards do you use for your business? *[Don't read. Correspond. Only one answer]*

International Financial Reporting Standards (IFRS)	1
IFRS for Small-and Medium-Sized Entities	2



Financial reporting standards for the enterprises of the fourth category.	3
Other (Specify)	4
(Don't know)	-1
(Refuse to answer)	-2

## SECTION H—CUSTOMS PERCEPTIONS

Have you imported or exported items during the last year?

Yes	1	<i>CONTINUE</i>
No	0	<i>GO TO SECTION Z</i>
<i>(Refuse to answer)</i>	-2	
<i>(Don't know)</i>	-1	

Do you feel that customs fees are currently reasonable?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Do you feel that customs procedures are 1) transparent and 2) convenient for your company?

	H3a.Transparent	H3b.Convenient
Yes	1	1
No	0	0
<i>(Refuse to answer)</i>	-2	-2
<i>(Don't know)</i>	-1	-1

Is sufficient information on customs regulations currently available to ensure compliance when importing/exporting goods?

Yes	1
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No	0
(Refuse to answer)	-2
(Don't know)	-1

Is sufficient information on changes of customs regulations currently available?

Yes	1
No	0
(Refuse to answer)	-2
(Don't know)	-1

Is the waiting time during the customs clearance reasonable?

Completely reasonable	1
Reasonable	2
Not reasonable	3
Not reasonable at all	4
(Refuse to answer)	-2
(Don't know)	-1

## SECTION Z—INFORMATION AND COMMUNICATION TECHNOLOGIES

Z1. Are you using computers in your business?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Z2. Are you using internet in your business?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Z3. Are you using the Information Systems in your business?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Z4. [Show card Z4] In your view, how advanced is the adoption of Innovations and Technologies in the sector you are operating (among businesses in Georgia)? Please provide your evaluation on a 10-point scale, where “1” means “not advanced at all” and “10” means “very advanced”. *[Provide a Showcard]*

Not advanced at all									Very advanced	<i>(Don't know)</i>	<i>(Refuse to answer)</i>
1	2	3	4	5	6	7	8	9	10	-1	-2

Z5. Does your company have a dedicated website for your business?

Yes	1	
No	0	<i>Go to Z6</i>

<i>(Refuse to answer)</i>	-2	
<i>(Don't know)</i>	-1	

Z5.1. For how many years do you have the website already? *[Don't read. Correspond. Only one answer]*

Less than one year	1
From one up to three years	2
From three up to five years	3
More than 5 years	4
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Z6. Are you using social media (Facebook, Twitter, Instagram, etc.) for your business?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Z7. Are you using e-Commerce for purchases Countrywide? Cross border?

	Z7a.Countrywide	Z7b.Cross Border
Yes	1	1
No	0	0
<i>(Refuse to answer)</i>	-2	-2
<i>(Don't know)</i>	-1	-1

Z8. Are you using e-Commerce for selling goods or services Countrywide? Cross border?

	Z8a.Countrywide	Z8b.Cross Border
Yes	1	1
No	0	0
<i>(Refuse to answer)</i>	-2	-2

(Don't know)	-1	-1
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Z9. Do you use internet or online platforms for loans or investment attraction?

Yes	1
No	0
(Refuse to answer)	-2
(Don't know)	-1

Z10. Have you increased or not your use of information and communication technologies (computer and communication technologies, phone usage) over the last 6 months?

Yes	1
No	0
(Refuse to answer)	-2
(Don't know)	-1

Z11. Have you invested or not in information or communication technologies (computer and communication technologies, phones, etc.) over the last 6 months? *[Don't read. Correspond. Accept all answers]*

No, we have not bought/invested in ICT Technologies	0
Yes, we have bought/invested in Computer Technologies (hardware, monitor, peripherals, etc.)	1
Yes, we have bought/invested in Communication Technologies (telephones, telecommunications equipment.)	2
(Refuse to answer)	-2
(Don't know)	-1

Z12. Have you invested or not in introducing new technologies in your enterprise (e.g., new production line, innovations, other types of technologies)? *[Don't read. Correspond. Accept only one answer]*

No, we have not bought/invested in introducing new technologies	0
Yes, we have bought/invested in introducing new technologies	1

(Refuse to answer)	-2
(Don't know)	-1

Z13. Have you invested or not in Software/Computer Programs over the last six months?

*[Don't read. Correspond. Accept all answers]*

No, we have not bought/invested in any Software	0
Yes, we have bought/invested in 'Off the Shelf' Software (Windows, Office, Antivirus, etc.)	1
Yes, we invested in Customized Software	2
(Refuse to answer)	-2
(Don't know)	-1

## SECTION K—TRANSPORTATION & LOGISTICS

Did your business transportation costs and volume of transported goods increase, decrease or did not change over the last 6 months? *If company does not use transportation select code 0 in the column "Do not use" (THE TRANSPORTATION COSTS IMPLY TRANSPORTATION OF GOODS INSIDE THE COUNTRY AS WELL AS FROM AND TO FOREIGN COUNTRIES).*

	Increased	Decreased	Did Not Change	Do Not Use	(Refuse to answer)	(Don't know)
Transportation Costs	1	2	3	0	-2	-1
Volume of Transported Goods	1	2	3	0	-2	-1

What proportion of your total company expenses is represented by transportation and logistics costs?

*[Don't read. Correspond. Accept only one answer]*

I have no Transport or Logistics Costs	-5
Up to 10%	1
11-20%	2
21-30%	3

31-40%	4
41-50%	5
More than 50%	6
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

If your business manufactures, exports or imports goods/products, to what extent would you use the services of a Georgian logistics center within the next three years?

*[Read out. Accept only one answer]*

Do Not Manufacture, Export or Import Goods/Products	-5
I would not use it	1
I would rather not use it	2
I would rather use it	3
I would certainly use it	4
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Is the transportation and logistics services reliable in Georgia?

*[Read out. Accept only one answer]*

Completely reliable	1
Reliable	2
Not reliable	3
Not reliable at all	4
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

## SECTION L—STATE PROCUREMENT

Has your company/business participated in state procurement (tenders) during the last year?

Yes	1	<i>CONTINUE</i>
No	0	<i>GO TO SECTION N</i>
<i>(Refuse to answer)</i>	-2	
<i>(Don't know)</i>	-1	

Is sufficient information and documentation available during the state procurement tender/bidding process to enable you to make a decision on whether to participate?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Is the electronic state procurement process sufficiently fast?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

Is the electronic state procurement process sufficiently easy?

Yes	1
No	0
<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

## SECTION N—CAPITAL MARKET

N1. Do you use capital market instruments in financing your business operations (for example Equities, Corporate Bonds)?

Yes	1
No	0



<i>(Refuse to answer)</i>	-2
<i>(Don't know)</i>	-1

N2. Thinking about the future, will you be willing to use capital market instruments, in the next 10 years?

Yes	1	<i>Go to Question N4</i>
No	0	
<i>(Refuse to answer)</i>	-2	
<i>(Don't know)</i>	-1	

N3. Which instruments would you more likely use?

		YES	NO	<i>(Don't know)</i>	<i>(Refuse to answer)</i>
1	Corporate Bonds	1	0	-1	-2
2	State Bonds	1	0	-1	-2
3	Equities	1	0	-1	-2
4	Derivatives	1	0	-1	-2

N4. Could you please evaluate your general awareness on the capital market functioning in Georgia?

[Read out. Accept only one answer]

Completely aware	1
Aware	2
Not aware	3
Not aware at all	4
<i>(Don't know)</i>	-1
<i>(Refuse to answer)</i>	-2

## **SECTION O—PENSION REFORM**

Could you please evaluate your general awareness on the ongoing Pension Reform in Georgia?

[Read out]

Completely aware	1
Aware	2
Not aware	3
Not aware at all	4
(Don't know)	-1
(Refuse to answer)	-2

[Show card O2] In your opinion, how important is the implementation of pension reform for [1] your business, [2] for Georgian population, [3] for the country overall? Please provide your evaluation on a 10-point scale, where “1” means “not important at all” and “10” means “very important”. *[Provide a Showcard]*

		Not important at all									Very Important	(Don't know)	(Refuse to answer)
1	Your Business	1	2	3	4	5	6	7	8	9	10	-1	-2
2	Georgian Population	1	2	3	4	5	6	7	8	9	10	-1	-2
3	country overall	1	2	3	4	5	6	7	8	9	10	-1	-2

[Show card O3] The government of Georgia adopted the law on the private retirement savings system model. According to this model, the monthly contribution to the pension fund is defined as 6%. The contribution will be distributed among employee (2%), employer (2%) and the State (2%). The employees below age 40 will automatically become members of the pension system, however, the employee above age 40 will have the right to withdraw from the system. In the case the employee is in the system, the 2% co-funding obligation of the State and employer emerge. Pension savings go to the non-commercial pension fund. The accumulated funds will be invested in local and international financial markets.

To what extent do you agree to the above proposed concept of the pension reform?

Strongly agree	1
Agree	2
Neutral	3
Disagree	4
Strongly disagree	5
(Refuse to answer)	-2

(Don't know)	-1
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O4.[Show card O4] . As you might already know, the new pension reform implies the obligation of paying additional contribution to the employees (2%). Could you please evaluate your willingness to pay this additional contribution on a 10-point scale where “1” means not at all willing and “10” means fully willing to pay.

Not willing at all										Fully willing	(Don't know)	(Refuse to answer)
1	2	3	4	5	6	7	8	9	10	-1	-2	

## SECTION P—WATER ISSUES

P1. [Show card P1] In your opinion, how actively do businesses and government collaborate on water policy development? Please provide your evaluation on a 10-point scale, where “1” means that they cooperate very passively and “10” means that they operate very actively. [Provide a Showcard] [If a respondent states that there is the full absence of cooperation circle “-5”]

No Cooperation	Very passive cooperation										Very active cooperation	(Don't know)	(Refuse to answer)
-5	1	2	3	4	5	6	7	8	9	10	-1	-2	

P2. Are you aware on the draft Water Resources Management law?

Yes	1											
No	0	COMPLETE THE INTERVIEW										
(Refuse to answer)	-2											

P2.1. Which particular main aspects are regulated by the draft law on Water Resources Management? [Read out]

		YES	NO	(Don't know)	(Refuse to answer)
1	Changes in water use tariffs	1	0	-1	-2
2	Water abstraction/discharge licenses	1	0	-1	-2
3	Implementation of water catchment basins management principles	1	0	-1	-2

4	Other (Specify)	1	0	-1	-2
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P3. [Show card P3] Overall, how would you evaluate new Water Resources Management law? Please provide your evaluation on a 10-point scale, where “1” means “very negatively” and “10” means “very positively”. *[Provide a Showcard]*

Very negatively									Very positively	<i>(Don't know)</i>	<i>(Refuse to answer)</i>
1	2	3	4	5	6	7	8	9	10	-1	-2

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