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INSOLVENCY REFORM ADVOCACY STRATEGY

USAID GOVERNING FOR GROWTH (G4G) IN GEORGIA

24 JUNE 2016

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GEORGIA

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DATA

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ACRONYMS

ALFG	Association of Law Firms of Georgia
AmCham	American Chamber of Commerce
BAG	Business Association of Georgia
DAS	Distributors Association of Georgia
EBRD	European Bank for Reconstruction and Development
G4G	Governing for Growth in Georgia
GIZ	The German Federal Enterprise for International Cooperation
GoG	Government of Georgia
IOH	Insolvency Office Holders
IRAFT	Insolvency Reform Advocacy Task Force
PPD	Public-Private Dialogue
USAID	United States Agency for International Development
MOJ	Ministry of Justice of Georgia
MOF	Ministry of Finances of Georgia
NBE	National Bureau of Enforcement

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1. EXECUTIVE SUMMARY

The purpose of the *Insolvency Reform Advocacy Strategy* is to identify the basic areas of concern among the legal practitioners and stakeholders involved with insolvency proceedings, and convert the identified concerns into the reform's initiative. Therefore, a predominant part of executing the strategy will include raising awareness among target groups and demonstrate the necessity of imminent changes. Efforts will be taken to attract all interested parts and engage effectively government in public-private dialogue (PPD).

To build a strong and unified voice in PPD, alliances between all interested groups will be built and IRAFT (Insolvency Reform Advocacy Task Force) will be created, which will seek to involve as many interested parties as possible. The purpose of IRAFT's work will be to outline the problematic aspects of current insolvency regulations and practice and work on elaborating the best possible solutions for the issues in question.

2. BACKGROUND

Georgia's insolvency system has become a prolonged challenge for all participants involved with insolvency proceedings. The *Insolvency Reform Advocacy Strategy*, a G4G grant program, was initiated due to the need to foster and encourage insolvency reform and adopt an effective insolvency regime.

During the last few years, discussion about the insolvency system was held within various groups of interested parties/organizations. There were several initiatives from public and private groups to amend the law or part of existing regulations, yet no results came to fruition.

This platform will seek to mobilize relevant stakeholders to promote and advocate particular initiatives related to the insolvency system and to involve government in PPD within the framework of the advocacy campaign.

3. METHODOLOGY

For influencing the policy and carrying out campaign, the following activities are envisaged:

- Build alliances and forming strong partnership.

For this purpose, it is essential to analyze possible partners and the type of contribution they can provide: Whether they have political influence, do they have access to decision makers or can people from these entities participate in the campaign as public speakers or trainers. In addition, one of the objectives is to find out whether stakeholders have any expertise and/or experience participating in insolvency proceedings.

Table 1: Potential Partner Analysis

POTENTIAL PARTNER	CONTRIBUTIONS
Partnership Fund	Access to decision makers
Georgian Co-Investment Fund	Access to decision makers
Business Association of Georgia (BAG)	Access to decision makers, human resources ¹
Georgian Small & Medium Enterprises Association	Access to decision makers, human resources
Georgian Chamber of Commerce & Industry	Access to decision makers, human resources
Investors Council of Georgia	Access to decision makers, human resources
Distributors Association of Georgia	Access to decision makers, human resources
American Chamber of Commerce in Georgia (AmCham)	Access to decision makers, human resources, expertise
Association of Microfinance Organizations	Expertise, human resources
Banks Association of Georgia	Access to decision makers, human resources, expertise
Developers Association of Georgia	Human resources, expertise

¹Lecturers, speakers, volunteers

Unity of Judges of Georgia	Expertise
Young Entrepreneurs	Human resources
Business Ombudsman of Georgia	Access to decision makers, expertise

- Determine primary target audiences for each objective; analyze their positions toward insolvency reform and name people/organizations to influence target audiences; schedule concrete activities for achieving objectives.

OBJECTIVE 1

To make insolvency reform a prioritized interest of the business community and public.

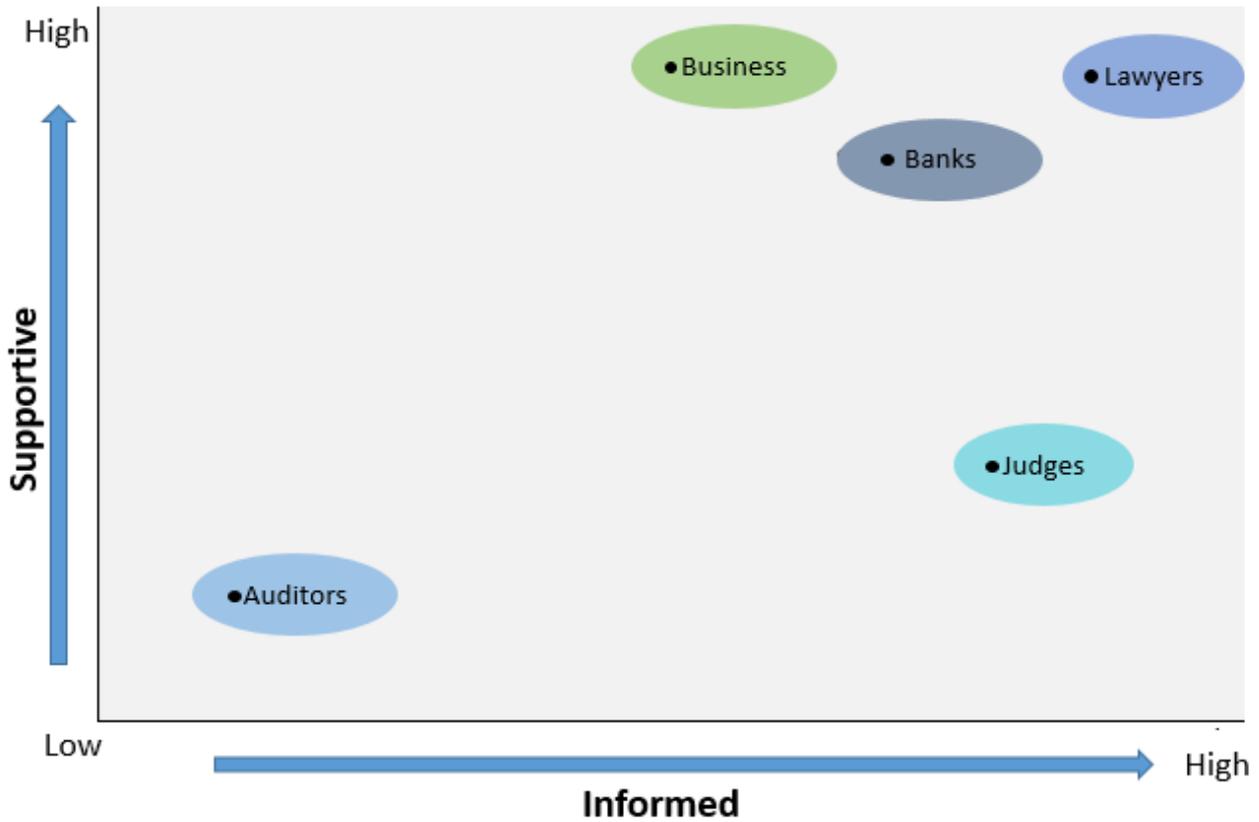
OBJECTIVE 1 TARGETS

For reaching objective 1, primary targets are the main stakeholders from the private sector and judicial system:

Table 2: Target Audience Analysis

PRIMARY AUDIENCE	POSITION ON INSOLVENCY REFORM	PARTNERS FOR ADVOCACY
Business community	Supportive Uninformed	Business Association of Georgia (BAG) Georgian Small & Medium Enterprises Association (GSMEA) Distributors Association of Georgia (DAS) Developers Association of Georgia
Banks & Micro Financial organizations	Supportive Informed	Banks Association of Georgia Micro Financial Organizations
Lawyers	Supportive Informed	BAG AmCham
Auditors	Supportive Informed	Association of Auditors
Judges	Neutral Informed	Unity of Judges of Georgia

Chart 1: Target Audience Analysis



OBJECTIVE 1 ACTIVITIES

The following activities should be carried out to achieve objective 1:

Conduct face-to-face interviews with targeted audience. During interviews, the project team will collect information about respondents' experience, such as, if they have been involved with insolvency proceedings, what kind of problems they faced, etc. If the respondent has not been involved in a proceeding or has no knowledge of insolvency themselves, the project team will provide him/her with information about defects of the system, the need for the reform and the major findings of the *Assessment of the Insolvency System in Georgia*, prepared by G4G. The project team will explain the need for a good law by offering the respondent to put himself/herself on the place of debtor, creditor or other player (for example an investor who wants to deal with project owned by insolvent company), and explain what kind of obstacles will he/she face in each situation concentrating on the respondent's current activity.

Creation of IRAFT group from identified partners. IRAFT will be formed with stakeholders' representatives. IRAFT will serve as a mechanism for mobilization of groups in support of the reform; it should ensure creation of a common platform for target groups - especially with conflicting interests such as banks and entrepreneurs who usually face the risks associated with being an unsecured creditor during the insolvency proceedings. It is intended that IRAFT shall: (a) Be the marketplace where parties holding quite different positions and interests can share their concerns and try to

understand the opponent's position, and; (b) serve as a long-term working group that will enable the project team to mobilize significant stakeholders in case of the need to promote or lobby particular initiatives related to the insolvency system.

As an outcome of the first IRAFT meeting, topics of the 1st PPD session will be selected and include the most significant gaps of the current insolvency system. Herewith, respective speakers will be identified. IRAFT members will also be requested to use the resources of each organization involved, to the maximum extent possible, to advocate the reform and spread the word on the troublesome aspects of the existing system.

Hold educational public lectures on gaps of existing legislation and the necessity of reform. The aim of the public lectures is informing the broader public/interested parties on the problems of insolvency system, open discussion on problems and need for reform. G4Gs *Assessment of the Insolvency System in Georgia* will be presented. Expected result is to raise awareness by concentrating on real-life cases, illustrating the defects of existing system and analyzing often-anecdotal consequences of existing regulations, instead of theoretical analysis of matters in question.

One public lecture will be held at the Free University of Tbilisi where the main target audience will be law students and students from business management faculties and in addition all interested people will be invited by using IRAFT member associations network and social media (Facebook, Twitter). The approximate number of people attending will be 30 persons.

Another lecture will be held at the Techno Park Georgia for mostly young entrepreneurs and startup businesses. About 30 persons will be attending the lecture.

Engage the media to promote issue and using social media for advertisement of ongoing activities and achievements. The purpose of this activity is to inform broader public/interested parties on the problems of existing system, as well as the activities carried out throughout the advocacy campaign. Very often, the mere fact of informing the public/interested audience on conducting the advocacy campaign raises awareness on the necessity of the reform. For this purpose social media sources will be used. Public lectures will be uploaded on YouTube; information on ongoing events will be shared on Facebook and Twitter.

In order to ensure participation of media, "coffee and conversation" meeting with a group of journalists will be held. Journalists will be invited on planned PPD events. This will also ensure broad coverage of the events, which we consider material for formation of the political will as the Government, allegedly, would like to seem conscious to the need of economic reforms. This may be more so during the election year.

Conduct conference. The conference "When Crisis Generates Opportunities," will serve to mobilize broader groups of the business community, as well as public officials and experts working in the related field. Following Topics will be presented on the conference: Economic Reasons of Insolvency; Insolvency Office Holders (IOHs) and business management under insolvency procedures; creditors rights and rules of claim recovery; Revenue Service as a creditor; disposal of assets and maximization of recovered funds.

The two-day conference will be divided in five sessions. After each presentation, interactive Q&A (question/answer) sessions will be conducted. The format of the conference will enable the participants to express their concerns, find persons with similar viewpoints and understand the complexity of the related issues. Open discussion of problematic aspects shall also serve as a mechanism for finding solutions/compromises related thereto.

The target audience of the conference will be business community, public officials and experts. The expected number of attendees is approximately 50 persons.

Table 3: Activity Timetable for Achieving Objective 1

ACTIVITY	LEAD PERSON/ ORGANIZATION	TIMING
Conduct face to face interviews with target audience	Project team	05/20/2016 - 06/10/2016
Creation of IRAFT group from identified partners	Project team; Potential partner associations	05/20/2016 - 06/10/2016
Hold IRAFT meeting	Project team; Potential partner associations	06/14/2016
Hold educational Public Lectures on gaps and needs of Insolvency Reform	Tamta Ivanishvili Nana Amisulashvili	06/15/2016 - 07/01/2016
Using social media for advertisement of ongoing activities and achievements	Project team	05/20/2016 - 07/31/2016
Engage the media to promote issue	Project team; G4G	06/01/2016 - 07/31/2016
Conduct conference –When Crisis Generates Opportunities	ALFG members; IRAFT members	06/07/2016 - 06/08/2016

OBJECTIVE 2

To promote the need of insolvency reform to the top of the political agenda.

OBJECTIVE 2 TARGETS

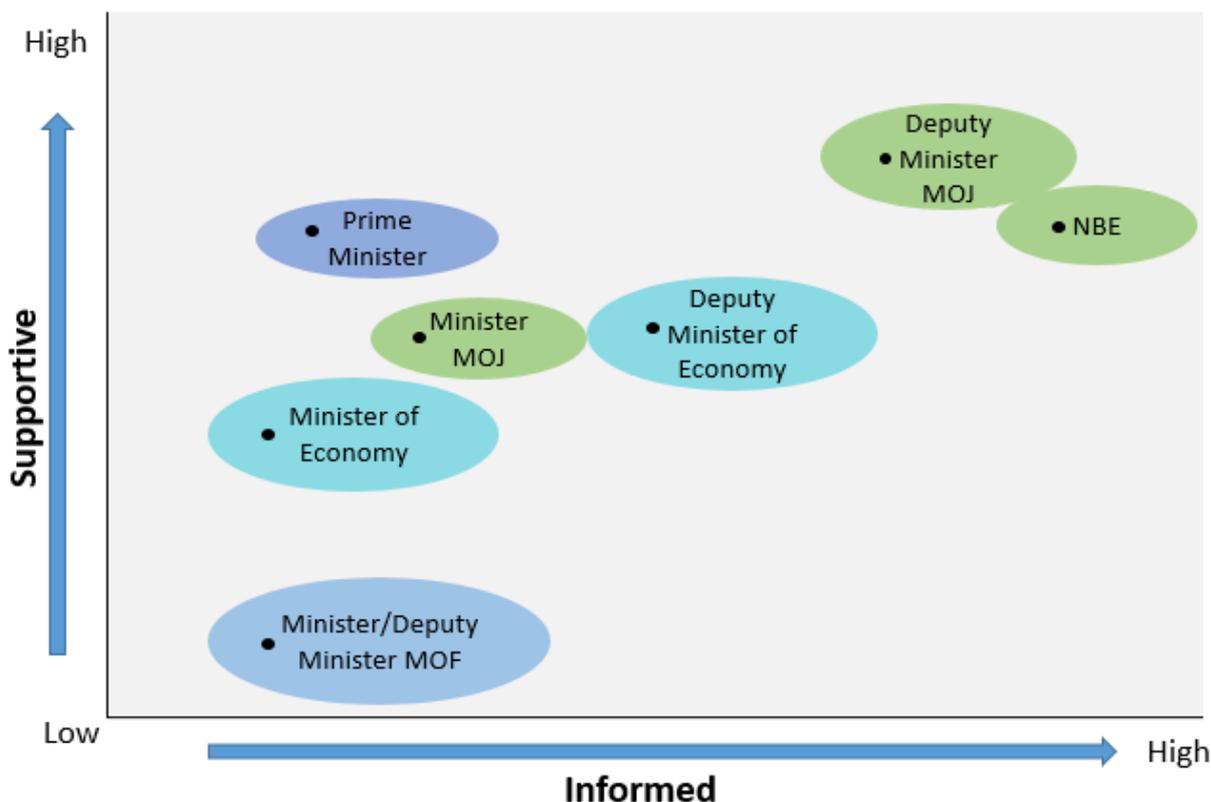
To reach objective 2, primary targets are the government officials/decision makers:

Table 4: Target Audience Analysis

PRIMARY AUDIENCE	POSITION ON INSOLVENCY ISSUE	PARTNER WITH CONNECTION	TOOLS
Prime Minister of Georgia	Supportive Uninformed	Investors Council of Georgia	To arrange meeting, make presentation on problematic issue of Georgian

			Insolvency System Invite to 2nd PPD Session
Minister of Justice of Georgia	Supportive Uninformed	BAG	Invite to 2nd PPD Session
Deputy Minister of Justice– Mikheil Sarjveladze	Supportive Informed		To arrange meeting; Invite to PPD Session
Minister of Economy and Sustainable Development of Georgia	Neutral Uninformed	AmCham	Invite to 2nd PPD Session
Deputy Ministers of Economy and Sustainable Development –Nikoloz Gagua	Supportive Informed		To arrange meeting, make presentation on problematic issue of Georgian Insolvency System Invite to 2nd PPD Session
Minister of Finance of Georgia	Neutral Uninformed	Business Ombudsman	Invite to 2nd PPD Session
Deputy Minister of Finance– George Tabuashvili	Neutral Informed		Invite to 2nd PPD Session
LEPL National Bureau of Enforcement Head of Insolvency Division – Natia Sakhokia	Supportive Informed	Banks Association of Georgia	Invite to 2nd PPD Session

Chart 2: Target Audience Analysis



OBJECTIVE 2 ACTIVITIES

The following activities should be carried out to achieve objective 2:

Conduct IRAFT meetings. Three IRAFT meetings will be held to prepare PPD sessions, summarize results of the PPD sessions and to develop the recommendations for continued Insolvency Reform, etc.

Hold the first PPD session. The main purpose of the first PPD session will be to: (a) Outline the most significant findings of Georgian Insolvency System and to reconcile the positions among key stakeholders; (b) voice the concerns of business community and the parties that have suffered the most due to the defective nature of the existing system in front of the Government officials and to let them know that they need to make the insolvency reform as a priority in their agenda, and: (c) understand the Government’s position on various issues presented. The latter will also be material to categories the issues according to their sensitivity for the political establishment.

The two-day PPD session will be held in Borjomi. All IRAFT members, business sector representatives and corresponding government officials will be invited to participate in the meeting.

Journalists from two or three different publication will be invited to ensure media support. The approximate number of attendees will be 30 persons.

Conduct meetings with relevant Government officials. To identify positions/interests and to advocate the reform process, face-to-face meetings will be held with influential government officials such as ministers and deputy ministers. The project team considers that such private meetings with Government officials will be material because they may be keener to disclose certain “behind the scene” information. This will help us to better understand the context and reasoning for the State’s current policy. By knowing this, we shall be better positioned in understanding how the matters need to be advocated.

Meetings with the Deputy Minister of Justice and Deputy Minister of Economy and Sustainable Development of Georgia will be prioritized, as the leading part in the reform is MoJ, but at the same time the issue is very important for economic development of the country and the visions of the MoESD will be the determinant.

Conduct meeting with judges at the Supreme Court. As key participants of insolvency proceedings, the experience and findings of judges are of high significance. This will also enable the project team to understand the judiciary’s position on taking certain functions away from the court system. In addition, since they will be one of the primary actors in implementing the reform legislation, it is material to understand how they see the process and most importantly, how they see themselves in this process.

Conduct meeting with Prime Minister of Georgia. Present the information on problematic issues of Georgian Insolvency System underlining economic reasons for insolvency reform; discuss perspectives of the reform.

Members from IRAFT and the project team will participate in the meeting (approximately 5-7 persons).

Hold large-scale PPD session. The second PPD session will be held in Tbilisi. The main purpose of the first PPD session will be:

- To sum up the advocacy campaign, its findings and recommendations in resolving the existing controversies;
- To present IRAFT group’s members and overview of the groups work;
- To present and discuss recommendations developed by IRAFT;
- To deliver information about interviews held with stakeholders;
- To get positions from Government Officials about insolvency reform.

Up to 100 persons will take participation:

- Representatives from Prime Minister’s Office, MoJ, Ministry of Finance, MoESD, National Bureau of Enforcement, Business Ombudsman’s Office;
- Donor Organizations: USAID, G4G, EBRD, World Bank, GIZ;
- Business sector representatives;
- IRAFT members;
- ALFG members;
- Representatives of Judiciary.

Journalists representing various news agencies, televisions and other media players will be invited to broadcast and spread information about the event.

Table 5: Activity Timetable for Achieving Objective 2

ACTIVITY	LEAD PERSON/ ORGANIZATION	TIMING
Hold PPD session	Project team; IRAFT members	06/25/2016 - 06/26/2016
Conduct meetings with relevant Government officials	Project team; IRAFT members	07/01/2016 - 07/26/2016
Conduct meeting with judges at Court	Project team; IRAFT members	07/01/2016 - 08/06/2016
Conduct IRAFT meetings	Project team; IRAFT members; Partner Associations	06/14/2016 - 08/06/2016
Hold large-scale PPD session	Project team; IRAFT members; Partner Associations	07/20/2016 - 08/10/2016

4. ADDITIONAL INFORMATION

The ALFG Insolvency Law Working Group can serve as guarantor for long-term activities, as this group is intended to continue working on insolvency issues after completion of the grant activity.

The planned long-term activities are:

ACTIVITY	LEAD PERSON/ORGANIZATION	TIMING	ESTIMATED RESULT
Creation of Insolvency Office Holders Association	ALFG	09/10/2016-10/10/2016	Create the bulk of trained professionals, who will be able to implement the respective functions
Start working on the legislative amendments based on the concept paper created during the project	ALFG	10/20/2016-03/25/2017	New Legislation

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