



2nd Meeting of the Eurasian Corporate Governance Roundtable

Sheraton Metechi Palace Hotel
Tbilisi, Georgia
7-8 June 2001



Transparency and Disclosure

Welcoming remarks

by

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hosted by

**The National Securities Commission of Georgia
The Georgian Stock Exchange
International Regional Federation of Accountants and Auditors Eurasia**

with the support of



**The Government of Japan
The Global Corporate Governance Forum**

Ladies and Gentlemen:

Let me welcome you all in Georgia. I would like to express my gratitude to the Organization for Economic Co-operation and Development which has organized this meeting. I would also like to thank the US Agency for International Development, the Government of Japan, International Finance Corporation, and the Global Corporate Governance Forum for the support in organizing this meeting.

We fully acknowledge the importance of improving corporate governance, as a crucial factor in the successful operation of companies and development of the country overall. The introduction of international principles of corporate governance must become one of the main priorities in Georgia. This will significantly support to the sound development of the private sector and become the foundation of economic growth in the country. During the last decade, Georgia has lived through the difficult, but interesting period of time. First years of the state independence were marked by political turmoil and other important processes, such as: the destruction of central planning regime, escalation of economic crisis, collapse of financial and monetary systems and traditional economic relations, loss of markets, industry stagnation. The economic problems were aggravated by the internal political confrontation, separatist movements from outside, outburst of crime, hyperinflation. In spite of the above, the country managed to find its way out of chaos by means of generally accepted democratic standards and establishing a viable democratic country, based on market principles.

The consultations held with the government of Georgia and International Financial Institutions in the beginning of 1994 laid the foundation to the anti-crises program. This program has launched the economic reforms in Georgia. The corn stone of these reforms was the reform of fiscal and monetary systems, state property privatization, initiation of the land reform, reforms in education, health and social security areas. The prices have been liberalized, the quotas, export tax, registering of export and import contracts have been abolished, and the non-tariff barriers and limitations have been removed. The reasonable monetary and credit policy is being carried out; the inflation is under control. The reform of the banking system, aimed at its further strengthening, has also started. The stabilization processes in Georgia were accompanied by the implementation of important international projects. Georgia has already acquired the international functions and the fact that our country has been acknowledged as one of the key states, connecting Europe and Asia, is in the direct relation with the prospects of economic development of Georgia. High importance is being attached to the realization of the Great Silk Road concept, that involves transport and communication system. The international program for the development of Transport Corridor Europe-Caucasus-Asia (TRACECA) is not limited to transport functions – it has established itself as an important factor in future economic and social development of Eurasian countries.

The decision reached in October 1995, on the transportation of Caspian oil through the territory of Georgia, can be considered as a real recognition of Georgia. The results of carrying out this project are not limited only to the expected economic effect – these results are also important in the view of their positive impact on the establishment of safe and secure environment both in Georgia and in whole Caucasus.

Significant steps have been carried out in Georgia in the field of improving corporate governance. With the assistance of the international financial organizations, Georgia has introduced legislative base, meeting the international standards, USAID has helped to establish the National Securities Commission of Georgia. The accounting system of enterprises was converted to internationally

accepted accounting standards, that will make a significant contribution to the simplification of financial accounting of enterprises and their transparency, the latter being one of the key requirements of Western standards for corporate governance. As a result of membership in the World Trade Organization, Georgia became the companion of international business regulations, that implies the introduction of the principles recognized by WTO. The most important trend of implemented economic reforms is the state property privatization. More than 12 thousand of state enterprises have been privatized till now. Part of them is now owned by foreign investors. At this stage the government of Georgia has made an important and fundamental decision on privatization of energy and communication enterprises and restructuring of transport sector. The legislation of Georgia provides equal rights for all investors and entrepreneurs. However, unfortunately there are cases, when the law is violated, and the rights of entrepreneurs and shareholders are prejudiced. In such conditions introduction of generally accepted corporate governance principles in our life should be established as the highest priority for Georgia and other transition countries. This will ensure the complete transparency, the harmonization of accounting system with the Western standards and maximal protection of shareholders' rights.

According to the decree of the President of Georgia, dated December 12, 2000, in order to improve the business climate and to support private investments, the State Commission working with the investors has been established. One of the main functions of this Commission is to establish partner relations between entrepreneurs and the government. The Commission should also support the improvement of business climate and attraction of investments in Georgia.

Finally, I would like to welcome once more the participants of the roundtable and to wish you success.