



Technical Assistance Consultant's Report

Project Number: 46026-001
March 2017

Facilitation of Regional Transit Trade in Central Asia Regional Economic Cooperation (Financed by the Japan Fund for Poverty Reduction)

Report on Georgia

Prepared by PADECO Co., Ltd. in association with MDR Group, LLP

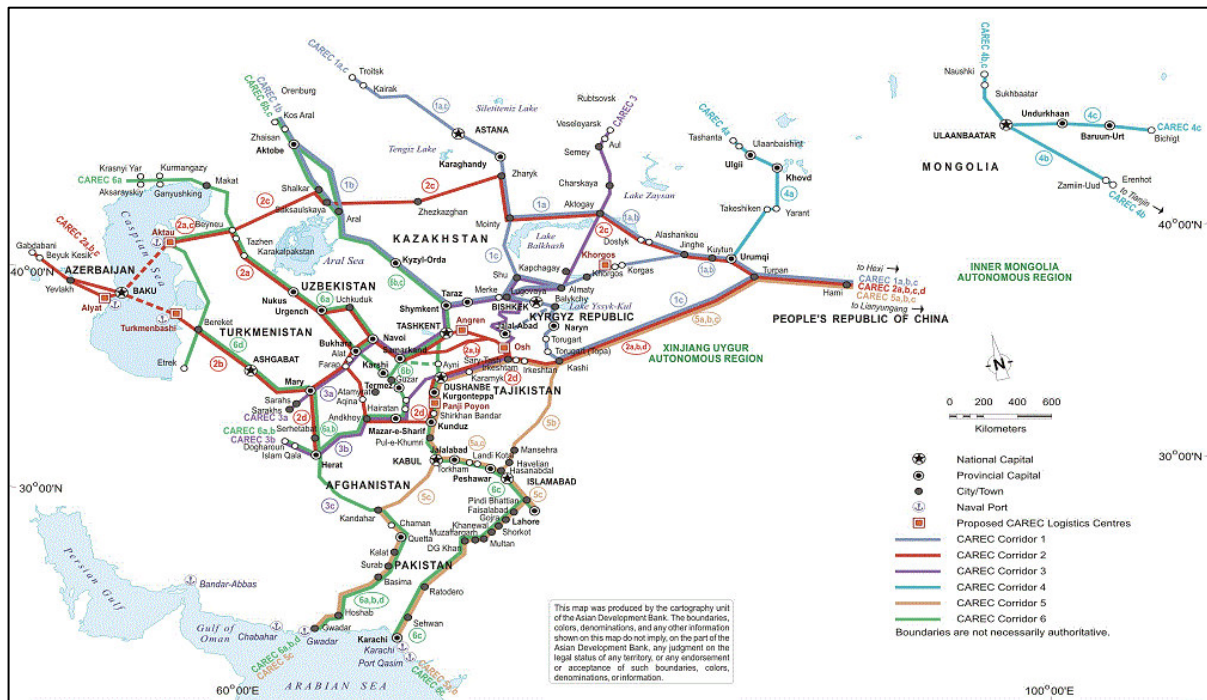
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Asian Development Bank



Technical Assistance Consultant's Report

TA-8586 (REG): Facilitation of Regional Transit Trade in CAREC



Report on GEORGIA



March 2017

In association with
MDR Group, LLP

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List of Acronyms

ADB	Asian Development Bank
AEO	Authorised Economic Operator
AFG	Afghanistan
ARM	Armenia
ASYCUDA	Automated System for Customs Data
AZB	Azerbaijan
BCP	Border Crossing Point
BGR	Bulgaria
BP	British Petroleum
CAREC	Central Asia Regional Economic Cooperation
CATS	CAREC Advanced Transit System
DCFTA	Deep and Comprehensive Free Trade Agreement
EU	European Union
GDP	Gross Domestic Product
GEO	Georgia
GER	Germany
GNCC	Georgia National Communication Commission
GPS	Global Positioning System
GRS	Georgia Revenue Service
GUAM	Georgia, Uzbekistan, Azerbaijan, Moldova
GSP	General System of Preferences
ICT	Information and Communications Technology
KAZ	Kazakhstan
KGZ	Kyrgyz Republic
MON	Mongolia
NCTS	New Computerised Transit System
PAK	Pakistan
PRC	People's Republic of China
RUS	Russia
TAJ	Tajikistan
TIR	Transport Internationaux Routiers
TEU	Twenty-Foot Equivalent Unit
TKM	Turkmenistan
TRACECA	Transport Corridor Europe Caucasus Asia
TUR	Turkey
WTO	World Trade Organisation
UAE	United Arab Emirates
UZB	Uzbekistan

1. Introduction

1.1 Project Background and Context

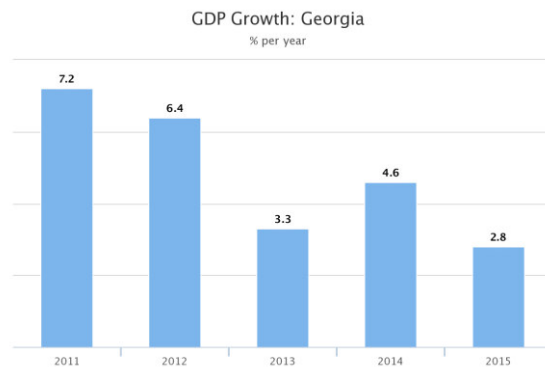
1. One of the key outputs of this technical assistance project has been the identification of a Pilot Corridor involving two or more CAREC countries where the proposed **CAREC Advanced Transit System (CATS)** can be tested before being extended to the other countries.
2. It was originally envisaged that this would be on **Corridor 1**: Sub-Corridors 1b and 1c with the Border Crossing Points (BCPs) at Khorgos on the border between the PRC and Kazakhstan; and with the BCP at Torugart between the PRC and the Kyrgyz Republic.
3. Following the penultimate Workshop held in Almaty in Kazakhstan in July 2016, it was agreed that an alternative Pilot Corridor would be considered focusing on **Corridor 2**: Sub-Corridor 2a with a maritime border crossing between Alyat/Baku and Aktau between Azerbaijan and Kazakhstan.
4. Following the submission of the Draft Final Report in September 2016, Georgia became a member of CAREC in October 2016. As a result, Georgia was invited to the Final Workshop for this project held in Baku in Azerbaijan in the first week of December 2016.
5. At this meeting, it was agreed that the second option for Corridor 2 would be the Pilot Corridor and that Georgia, as a new member of CAREC, would be included in the pilot scheme together with Azerbaijan and Kazakhstan.
6. An agreement was signed in Baku in December 2016 and it was agreed that a mission would be undertaken to Georgia in early 2017 to make a detailed analysis of the prevailing trade /transit relations, the customs regime, the legal and regulatory framework and the ICT systems.
7. As a result, the TA team undertook a mission to Tbilisi, Georgia from the 19-25 February 2017.
8. This mission also coincided with one from ADB, which organised a Trade Facilitation Programme Workshop for senior Government officials on 23 February 2017.
9. This report provides the findings of that mission and the key elements have also been included in the Final Report for this project.

2. Economy of Georgia

10. In the period 2009 to 2013, average annual real GDP growth in Georgia increased from -3.9% in 2009 to an average of 5.8% from 2010 to 2013. Growth decelerated in 2013 to 3.3% due to slower growth globally but recovered in 2014 to 4.8%.
11. However, a series of external shocks in 2015 had a significant impact on economic growth. These included the Russia-Ukraine crisis, the recession in the Russian Federation following sanctions and significant currency devaluations in major trading partners. By mid-2015, exports had declined by over 25% and overseas remittances from Georgian workers had dropped by almost 23.3%.
12. Growth in 2015, fell to 2.8% but a fiscal stimulus boosted demand and mining, construction and tourism expanded with FDI almost doubling to \$376 million, much of which was directed at transport and communications. As a result, growth expanded to 2.9% in 2016. ADB's projection for 2017 is forecast to be 4% reflecting increased FDI, private sector confidence and more diversified export markets.
13. In terms of the structure of Georgia's exports, they continue to be resource-based products including ferro-alloys, copper ores and concentrates, other minerals and agriculture that account for some 40% of merchandise exports. Although the share of manufactures has risen accounting for over 50% of merchandise exports, much of this has been for motor vehicle exports, which comprise largely refurbished used cars.
14. Service exports have also increased to almost 20% of GDP with transport and tourism being the major market segments and road and maritime services dominating imports of services.
15. In terms of export markets, Azerbaijan is the largest country accounting for 15% of total exports in 2015 followed by Bulgaria (10%), Turkey (8%) and the Russian Federation and Armenia (7% each) followed by the PRC (6%).
16. In terms of imports, Turkey is the largest exporter to Georgia with 17% in value terms, followed by the PRC (8%), the Russian Federation (7%), Ireland, Ukraine and Germany (6% each). Azerbaijan is the largest of the CAREC country exporters accounting for some 3% of Georgia's imports.
17. The European Union, however, is the largest trading partner for Georgia and some 33% of its trade is with the EU. EU exports in goods to Georgia in 2015 amounted to some €1.84 billion with imports from Georgia amounting to some €0.7 billion. EU exports of services to Georgia were €0.5 billion for the same period and imports €0.3 billion.
18. Georgia's trade policy continues to be focused very much on the country's integration into the world economy, trade liberalisation and openness and the implementation of its obligations under WTO Membership (2000) as well as much stronger relations with the European Union following the signature of its Association Agreement in 2014.
19. It also seeks to develop more diversified trading relations with other countries and preferential trading regimes. Its recent signature to a major trading agreement with the PRC signals a more dynamic approach to trade policy.
20. The signature of the Association Agreement with the EU and the Deep and Comprehensive Free Trade Area (DCFTA) is designed to eliminate all tariff and

non-tariff barriers on almost all goods as well as the liberalisation of services. The major impact of this agreement is to align the trade-related legislation of Georgia with that of the EU.

21. Georgia benefits from the unilateral Generalised Scheme of Preferences (GSP) and under the current regulations it qualifies for a special incentive, which rewards sustainable (GSP+) with better access to the EU market.
22. Georgia is also a partner country of the Eastern Partnership within the European Neighbourhood Policy and in 2014, Georgia and the EU agreed an Association Agenda, which outlined the policies for reform in Georgia and replaced

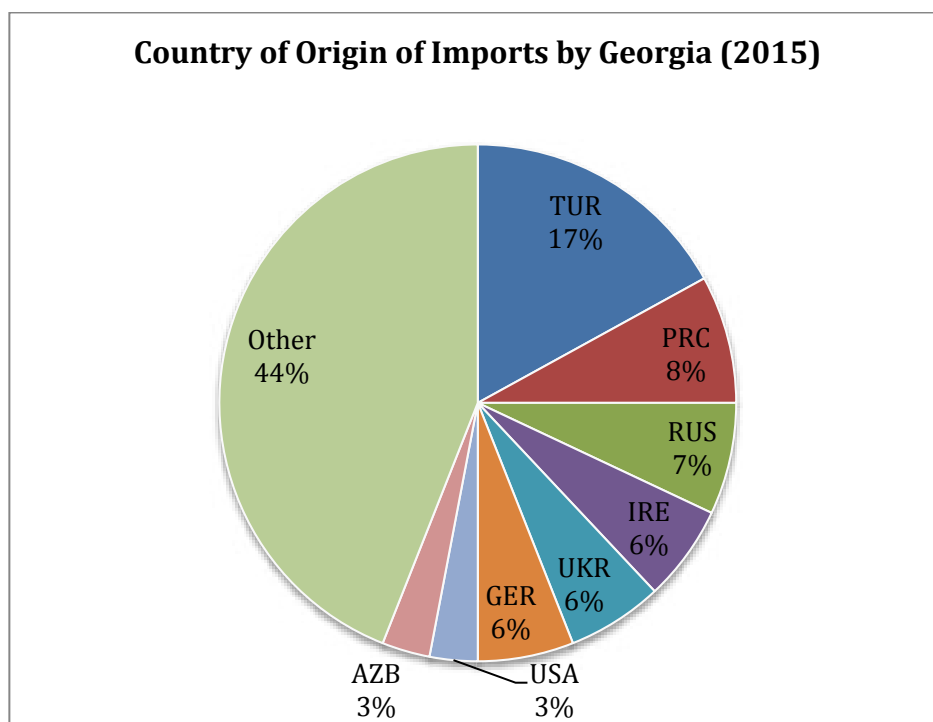


3. Trade Development

3.1 Main Trading Partners

23. The main exporters to Georgia in 2015 are shown in Figure 3.1 below. This shows that Turkey is the largest exporter to Georgia, followed by the PRC, the Russian Federation, Ireland, Ukraine and Germany.
24. Azerbaijan is the largest of the CAREC country exporters accounting for some 3% of Georgia's imports.

Figure 3.1 Main Exporters to Georgia in 2015

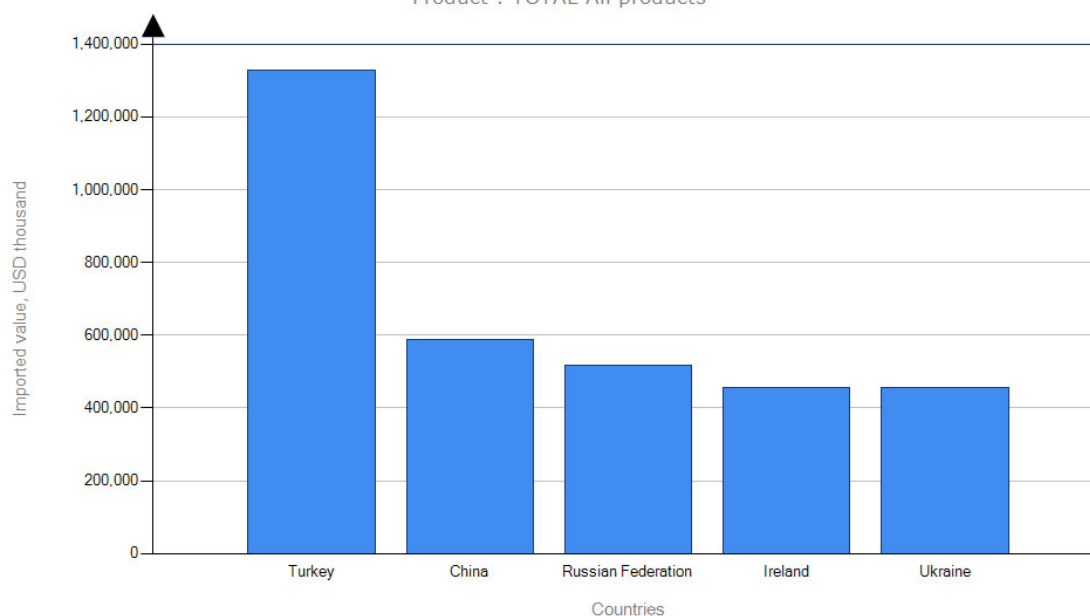


Source: ITC calculations based on UN COMTRADE statistics

25. Figure 3.2 shows the imports in value terms. Imports from Turkey amounted to almost \$1.4 billion in 2015 with the PRC almost \$600 million.
26. The Russian Federation, Ireland and the Ukraine all had exports to Georgia in excess of \$400 million.

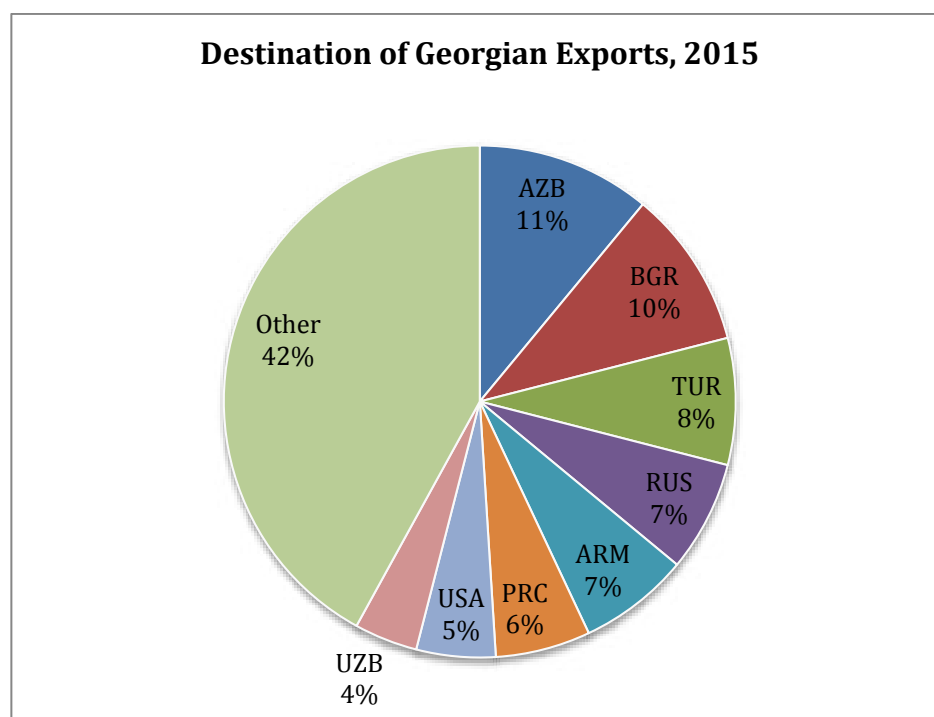
Figure 3.2 Value of Imports to Georgia, 2015 (\$'000).

List of supplying markets for a product imported by Georgia in 2015
Product : TOTAL All products



27. Figure 3.3 shows the major destination of Georgian exports for 2015.

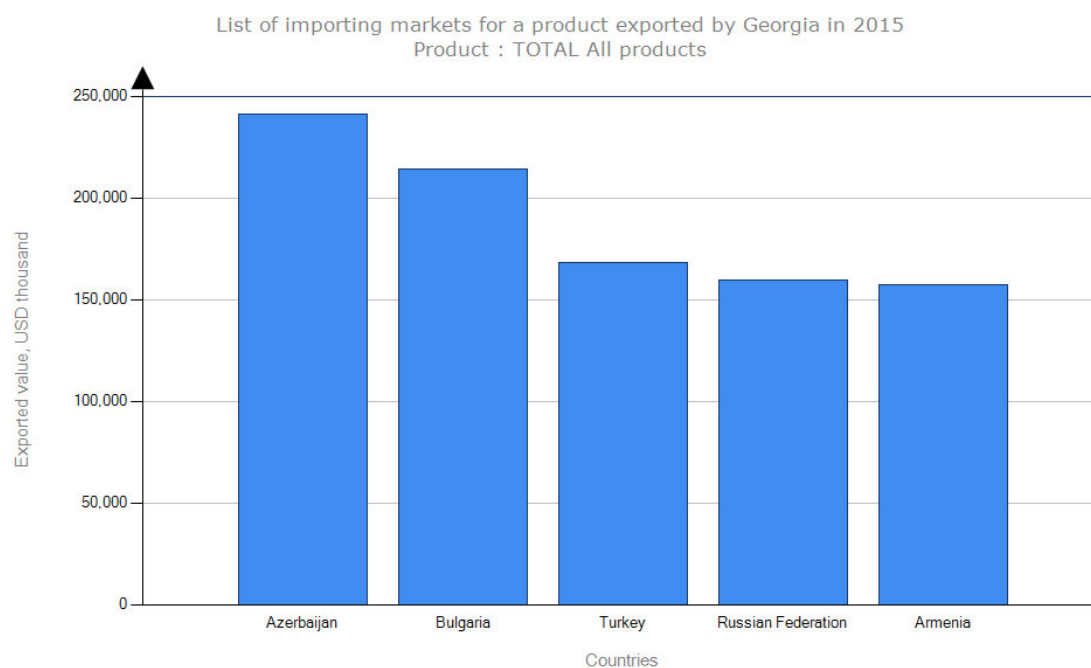
28. Azerbaijan is the largest country (15%), followed by Bulgaria (10%), Turkey (8%) and the Russia Federation (and Armenia (7%) followed by the PRC (6%).

Figure 3.3 Destination of Georgian exports in 2015.

Source: ITC calculations based on UN COMTRADE statistics.

29. Figure 3.4 shows the exports in value terms. Exports to Azerbaijan amounted to almost \$250 million, to Bulgaria some \$200 million and Turkey some \$150 million.

Figure 3.4 Destination and Value of major exports from Georgia, 2015 (000\$)



Source: ITC calculations based on UN COMTRADE statistics.

3.2 Trade with CAREC countries (2015)

30. Tables 3.1 to 3.4 show the value and volume of intra-regional trade between Georgia and the CAREC countries for 2015. Total imports to Georgia from the CAREC countries amounted to \$961 million in 2015 compared with \$7.73 billion globally.
31. Imports from Azerbaijan accounted for 24% of the total imports from CAREC amounting to \$226.4 million. Imports from Kazakhstan accounted for 2% of those from CAREC amounting to \$22.16 million. Those from the PRC amounted to \$587 million or 61% of the total from CAREC.
32. Total exports to CAREC countries from Georgia amounted to \$538 million in 2015 compared with \$2.2 billion. Exports from Georgia to Azerbaijan amounted to \$241 million or 45% of the total exports to CAREC countries in 2015 and 11% of their global exports. Exports to Kazakhstan amounted to \$45 million or 8% of the total exports to CAREC. Exports to the PRC amounted to \$126 million or 23% of total exports to CAREC countries.
33. Azerbaijan amounted to almost 540,000 tons or 50% of the total imported from CAREC countries. Kazakhstan accounted some 54,000 tons or 5% of the total from CAREC. Imports from the PRC amounted to over 223,000 tons whilst that from Turkmenistan was over 250,000 tons.
34. In volume terms, Azerbaijan accounted for some 40% of exports (\$86, 400) whilst Kazakhstan was only 11% with 22, 762 tons. Exports to the PRC amounted to 39% of the CAREC total with some 84,000 tons exported.
35. Table 3.4 shows exports from Georgia to CAREC countries in 2015 in volume terms. Over 40% was to Azerbaijan and 11% to Kazakhstan. 39% was to the PRC.

Table 3.1 Imports of Georgia from CAREC countries, 2015 (\$000)

	AFG	AZB	KAZ	KGZ	MON	PAK	PRC	TAJ	TKM	UZB	CAREC Total	Global Total
GEO	0	226401	22162	1716	0	4237	587357	11	111805	7016	960705	7730082
% of CAREC total	0%	24%	2%	0%	0%	0%	61%	0%	12%	1%		
% of Global total	0%	3%	0%	0%	0%	0%	8%	0%	1%	0%		

Table 3.2 Exports by Georgia to CAREC countries, 2015 (\$000)

	AFG	AZB	KAZ	KGZ	MON	PAK	PRC	TAJ	TKM	UZB	Total	Global Total
GEO	329	240950	44963	6667	898	414	125800	4431	16052	97956	538460	2204676
% of CAREC total	0%	45%	8%	1%	0%	0%	23%	1%	3%	18%		
% of Global total	0%	11%	2%	0%	0%	0%	6%	0%	1%	4%		

Table 3.3 Imports of Georgia from CAREC countries, 2015 (tons)

	AFG	AZB	KAZ	KGZ	MON	PAK	PRC	TAJ	TKM	UZB	Total
GEO	0	548721	54507	2030	0	7800	223345	2	258888	9918	1105211
% of CAREC total	0%	50%	5%	0%	0%	1%	20%	0%	23%	1%	

Table 3.4 Exports from Georgia to CAREC countries, 2015 (tons)

	AFG	AZB	KAZ	KGZ	MON	PAK	PRC	TAJ	TKM	UZB	Total
GEO	45	86400	22762	1059	863	142	83966	1419	13201	4386	214243
% of CAREC total	0%	40%	11%	0%	0%	0%	39%	1%	6%	2%	

Source: ITC calculations based on UN COMTRADE statistics.

3.3 Commodity Composition of Trade

36. Table 3.5 shows the value of the 5 major products imported into Georgia from 2011 to 2015. Imports were largely energy-based products such as petroleum oil and gases together with copper ore and concentrates as well as medicaments. Motorcars also rank highly and most of these are used cars from Japan, Europe etc. that are refurbished and exported. These could be classified as re-exports.

Table 3.5 Major products imported into Georgia between 2011-2015 (\$000)

Product label	2011	2012	2013	2014	2015
All products	7071609	8053872	8022261	8601807	7730082
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, etc.	201370	232814	281252	314626	742194
Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations, etc.	910542	951390	954333	918371	658712
Motorcars and other motor vehicles principally designed for the transport of persons, etc.	510679	662599	710493	715051	468136
Petroleum gas and other gaseous hydrocarbons	236633	318033	316786	368507	416086
Copper ores and concentrates	105	8	113057	165286	207871

37. Table 3.6 shows the 5 major exports from Georgia between 2011 and 2015. These are largely resource-based products including copper ores/concentrates, ferro-alloys and minerals/fertilisers. Refurbished motorcars also rank highly as do agricultural products and medicaments.

Table 3.6 Major Exports from Georgia between 2011 and 2015 in value terms (\$000)

Product label	2011	2012	2013	2014	2015
All products	2186407	2376634	2910582	2861043	2204676
Copper ores and concentrates	85135	53535	161633	248008	270601
Ferro-alloys	253617	260578	230748	285806	194766
Motorcars and other motor vehicles principally designed for the transport of persons, etc.	450297	587296	703817	517787	179646
Other nuts, fresh or dried, whether or not shelled or peeled (excluding coconuts, Brazil nuts, etc.	130169	83658	166735	183399	176632
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, etc.	42159	51962	52143	92086	141531
Mineral or chemical nitrogenous fertilisers (excluding those in pellet or similar forms, etc.	144091	137221	130575	137622	109777

38. Table 3.7 shows Georgia's imports from Kazakhstan from 2011 to 2015 in value terms (\$000)

Table 3.7 Georgian Imports from Kazakhstan 2011-2015 (\$000)

Product label	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
All products	69642	132412	55639	35197	22162
Petroleum oils and oils obtained from bituminous minerals (excluding crude);	363	205	2696	3876	3540
Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled "cold-reduced", clad, plated or coated	6860	77	3974	1940	3534
Petroleum oils and oils obtained from bituminous minerals, crude	0	0	0	0	2604
Mineral or chemical nitrogenous fertilisers (excluding those in pellet or similar forms, or in packages with a gross weight of <= 10 kg)	0	0	221	3678	2257
Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	365	0	272	0	1950

39. Table 3.8 shows Georgia's exports to Kazakhstan from 2011 to 2015. Major exports include wine, mineral water, alcohol and medicaments.

Table 3.8 Georgian Exports to Kazakhstan, 2011 to 2015 (\$000)

Product label	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
All products	156867	62236	103598	88589	44963
Wine of fresh grapes, incl. fortified wines	8799	12095	13967	16485	14442
Waters, incl. natural or artificial mineral waters and aerated waters; no added sugar	8483	10014	15204	12709	10496
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses for retail sale	948	1381	1595	2048	4127
Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages	6072	6024	6210	4228	2779
Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetener	1198	1862	1316	8052	1584

Source: ITC calculations based on UN COMTRADE statistics.

40. Table 3.9 shows Georgia's imports from Azerbaijan for 2011 to 2015.

Table 3.9 Georgia's imports from Azerbaijan, 2011-2015 (\$000)

Product label					
	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
All products	472119	460436	403131	349628	226401
Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing ...	340858	335528	275692	240841	138146
Gypsum; anhydrite; plasters consisting of calcined gypsum or calcium sulphate, whether or not ...	10505	19445	23196	26817	11778
Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus ...	43	4788	5262	5982	7404
Copper ores and concentrates	0	0	0	0	6668
Cement, incl. cement clinkers, whether or not coloured	26	306	542	1362	4205

41. Table 3.10 shows Georgia's exports to Azerbaijan for 2011-2015. Once again, refurbished motorcars predominate together with medicaments and live animals.

Table 3.10 Exports from Georgia to Azerbaijan, 2011-2015 (\$000)

Product label					
	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
All products	425729	626507	709932	544167	240950
Motorcars and other motor vehicles principally designed for the transport of persons, incl. ...	177839	345616	401066	267958	63567
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put ...	11289	22542	19083	27818	26347
Live bovine animals	0	39228	47567	30067	17822
Rail locomotives powered from an external source of electricity or by electric accumulators	0	0	0	0	14600
Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening ...	5055	6726	7521	10144	8411

Source: ITC calculations based on UN COMTRADE statistics.

42. The tables below show the total imports and exports to Georgia from the rest of the world in volume terms.

Table 3.11 Total imports from World to Georgia 2011-2015 (tons)

Product label	2011	2012	2013	2014	2015
	Imported quantity	Imported quantity	Imported quantity	Imported quantity	Imported quantity
Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing ...	907873	915837	966408	1014012	1233563
Petroleum gas and other gaseous hydrocarbons	551655	522132	521644	611900	793929
Wheat and meslin		897580	654583	566827	538942
Cement, incl. cement clinkers, whether or not coloured	293776	523724	510451	332748	291617
Copper ores and concentrates	971	60	76287	219594	177834

Table 3.12 Total exports from World to Georgia 2011-2015 (tons)

Product label	2011	2012	2013	2014	2015
	Exported quantity	Exported quantity	Exported quantity	Exported quantity	Exported quantity
Mineral or chemical nitrogenous fertilisers (excluding those in pellet or similar forms, or ...)	453564	430011	435931	464279	454028
Petroleum oils and oils obtained from bituminous minerals, crude	48863	37341	57048	58161	240405
Copper ores and concentrates	48604	32454	123773	187224	239628
Ferro-alloys	199265	227737	222669	269781	219231
Waters, incl. natural or artificial mineral waters and aerated waters, not containing added ...	71797	88589	127724	147303	102119

Source: ITC calculations based on UN COMTRADE statistics.

43. Table 3.13 shows the volume of imports into Georgia over period 2011 to 2015. Petroleum oils predominate.

Table 3.13 Imports from Kazakhstan to Georgia 2011-2015 (tons)

Product label	Quantity in 2011	Quantity in 2012	Quantity in 2013	Quantity in 2014	Quantity in 2015
Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing ...	683	412	4299	8246	13238
Petroleum oils and oils obtained from bituminous minerals, crude	-	-	-	-	9182
Mineral or chemical nitrogenous fertilisers (excluding those in pellet or similar forms, or ...)	-	-	536	10514	7162
Wheat and meslin	-	517174	138584	58984	7081
Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, hot-rolled or cold-rolled ...	7017	60	4236	2150	5129

44. Table 3.14 shows Georgia's exports to Kazakhstan in volume terms with mineral waters, alcohol and wine being the most significant.

Table 3.14 Georgia's Exports to Kazakhstan 2011-2015 (tons)

Product label	Quantity in 2011	Quantity in 2012	Quantity in 2013	Quantity in 2014	Quantity in 2015
Waters, incl. natural or artificial mineral waters and aerated waters, not containing added ...	11633	13732	17016	11417	9548
Wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an actual ...	2230	3222	3516	4095	3622
Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening ...	1077	2244	1997	16376	2978
Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous ...	4842	4620	1745	1153	712
Other vegetables, fresh or chilled (excluding potatoes, tomatoes, alliacious vegetables, edible ...)		10	1769	887	597

Source: ITC calculations based on UN COMTRADE statistics.

45. Georgia's imports from Azerbaijan are largely resource-based with petroleum dominating in terms of volume and building products such as cement, clinker and gypsum playing a major role.

Table 3.15 Georgia's imports from Azerbaijan 2011-2015 (tons)

Product label	Quantity in 2011	Quantity in 2012	Quantity in 2013	Quantity in 2014	Quantity in 2015
Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing ...	356082	341219	295737	285927	282537
Cement, incl. cement clinkers, whether or not coloured	310	3499	6674	15364	94061
Gypsum; anhydrite; plasters consisting of calcined gypsum or calcium sulphate, whether or not ...	110725	128115	128627	157809	89375
Iron ores and concentrates, incl. roasted iron pyrites		13350		23300	28500
Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, ...	16471	15163	19782	9307	10796

46. Exports to Azerbaijan in volume terms are shown in Table 3.16 below. Mineral water dominates, together with ammonia, ferro-alloys and bars and rods as well as live animals.

Table 3.16 Exports from Georgia to Azerbaijan, 2011-2015 (tons)

Product label	Quantity in 2011	Quantity in 2012	Quantity in 2013	Quantity in 2014	Quantity in 2015
Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening ...	8931	10778	11351	14907	12424
Bars and rods, of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn ...	50246	51033	64474	92481	10293
Live bovine animals		12980	19088	12112	9528
Ammonia, anhydrous or in aqueous solution	451	198	178	2220	8947
Ferro-alloys	4086	4617	4134	4135	4231

Source: ITC calculations based on UN COMTRADE statistics.

3.4 Trade with the European Union

47. Georgia and the European Union signed an Association Agreement on 27 June 2014 and entered into force on 1 July 2016. As a result of this, a Deep and Comprehensive Free Trade Area (DCFTA) was established between the EU and Georgia.
48. As a result of this agreement, the EU has become Georgia's major trading partner amounting to almost 32.6% of its total trade. EU exports amounted to some €1.84 billion in 2015 with the main exports being mineral products, machinery and appliances, chemical products and transport equipment.
49. Imports to the EU from Georgia amounted to some €742 million in 2015 mainly including agricultural products, base metals and chemicals.

4. Transport Network

Figure 4.1 shows the major transport networks in Georgia.



Ministry of Economy, Transport Department (2017)

4.1 Major Ports

50. **Poti** is operated by APM Terminals, which is a subsidiary of MAERSK Shipping of Denmark and was purchased from the RAK Investment Authority of the UAE in 2011. About 50% of its cargo is transit traffic and it has a container handling capacity of 450,000 TEU. Its major constraint, however, is its limited draft, which is 13 metres and this has severe limitations on the size of vessels that cannot enter the port.
51. **Batumi** is owned and operated by Batumi Industrial Holdings, which is a subsidiary of KAZTRANSOIL of Kazakhstan and has a 49-year agreement signed with the Government in 2008. The agreement is that they handle 6 million tons of cargo annually. However, Batumi Industrial Holdings has now leased two container berths and one ferry berth to Batumi International Container Terminals, a subsidiary of Manila-based International Container Services. The oil berths have been leased to Batumi Oil Terminals until 2019. The port has similar problems to that at Batumi with a draft of only 11.7 metres and this is exacerbated by the location of the port which conflicts with tourism development in the city itself.
52. **Supsa** is an offshore oil terminal owned and operated by British Petrol Petroleum and was opened in 1999. (BP). Opened in 1999, Supsa is the terminus of the 833 km Baku–Tbilisi–Supsa pipeline, also known as the Western Route Export Pipeline or the Western Early Oil Pipeline, from BP’s Sangachal terminal south of Baku.
53. **Kulevi**, constructed in 2000, is an oil- exporting terminal owned and operated by a consortium comprising the State Energy Company of Azerbaijan Republic (51%), Middle East Petroleum (34%), and various Georgian investors (15%). The port has two berths (13.6 metres and 6.13 metres deep).

4.2 Highways

54. Georgia's road network amounts to some 22,000 kms with the road density at 318 km per thousand km, which is higher than Azerbaijan (223 km). There are 5 international roads, which total 859 km and are used mainly for transit traffic. Some 95 km are four lane and two of these, the E60 and E70 are part of the European network and form the East-West Highway (EWH) and is part of the Europe-Asia corridor through the Caucasus.
55. They start in the north of Turkey with the border at Sarpi which serve the two Black Sea ports of Batumi and Poti and then traverse through Kutaisi to Tbilisi and then move southeast to the border with Azerbaijan at Red Bridge.
56. Other international routes run south from Tbilisi to Armenia with the border at Sadakhlo, Guguti and Ninotsminda.
57. The E60 carries some 60% of international freight movements by road and there are numerous road improvement schemes on this route funded by the ADB, European Investment Bank, World Bank and the Japan International Cooperation Agency.

4.3 Railways

58. The rail network in Georgia amounts to some 1,326 km of which 293 km is double tracked and 1,251 km is electrified. Some 80% of the network is in mountainous terrain. Most is designed for an axle load of 23 tons and for speeds of 100 km per hour for passenger trains and 80 km for freight trains.
59. A wide range of projects have been undertaken which are discussed below to provide a strategic link to Turkey from Azerbaijan, to upgrade rolling stock and rehabilitating track.

4.4 Airports

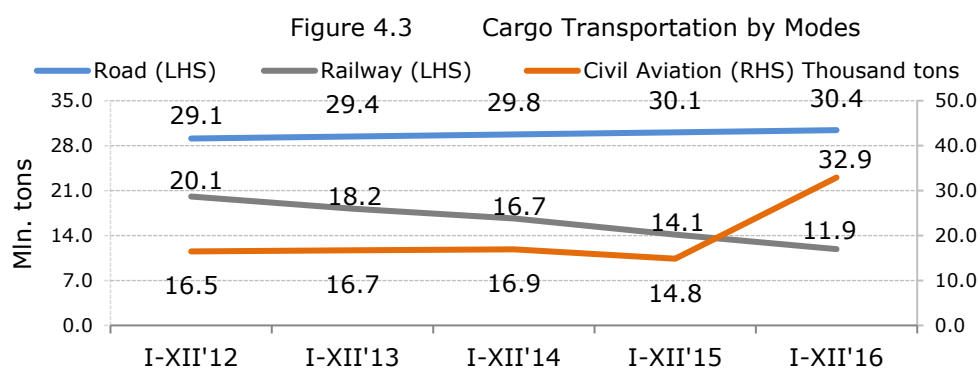
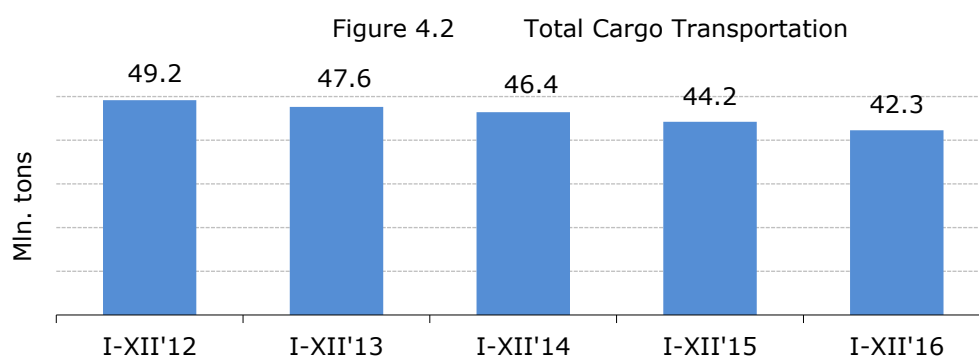
60. All the airports in Georgia are state-owned by United Airports of Georgia, but the two international airports at **Tbilisi** and **Batumi** have been outsourced to TAV Airports Holding, which has a long-term concession.
61. **Kutaisi**, which was previously a regional airport, was upgraded to international standards in 2012 and is 14 kms from Georgia's second largest city. It is scheduled to have direct flights to the UK by April of this year.
62. Queen Tamar Airport in **Mestia** only has a limited number of flights per week, but Poti is to be re-developed.
63. Table 4.1 shows passenger numbers through the 4 airports from 2014 to 2016 with Tbilisi handling by far the largest number of passengers.

Table 4.1 Major Airport Passenger Counts 2014-2016

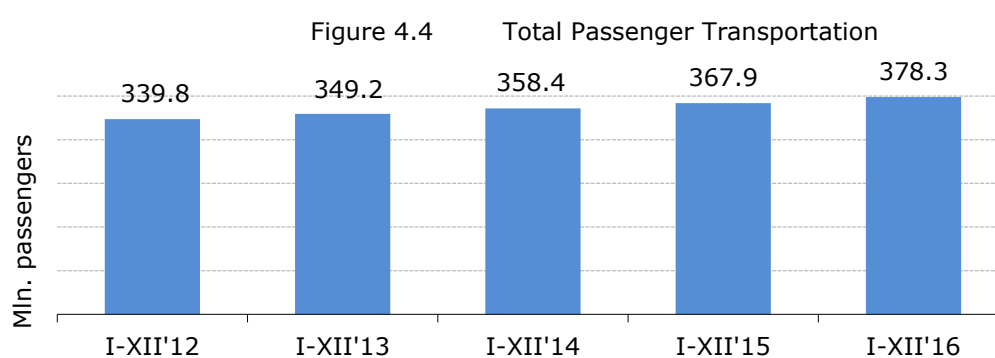
Rank	Airport	City	IATA / ICAO	2014	2015	2016
1.	Tbilisi Airport	Tbilisi	TBS / UGTB	1,575,386	1,847,111	2,252,535
2.	Kutaisi Airport	Kutaisi	KUT / UGKO	218,003	182,954	271,363
3.	Batumi Airport	Batumi	BUS / UGSB	213,439	226,476	312,343
4.	Queen Tamar Airport	Mestia	— / UGMS	1,343	4,465	4,214
TOTAL				2,008,171	2,261,006	2,840,455

4.5 Modal Split

64. Figures 4.2 to 4.9 shows the modal split of transportation in Georgia for the period 2012-2016.



Ministry of Economy, Transport Department (2017)



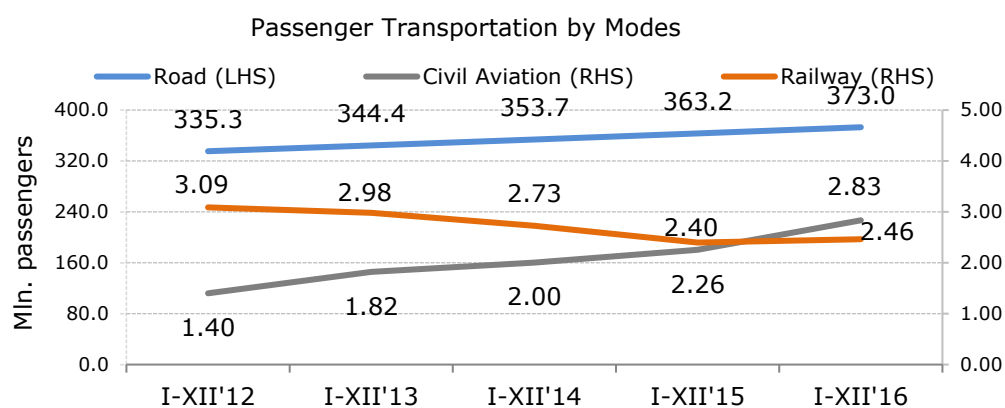


Figure 4.6 Total Cargo handled by Sea Ports and Sea Terminals

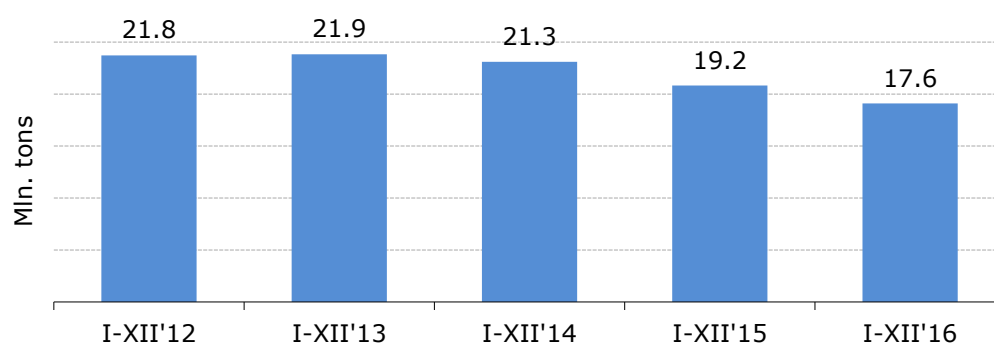
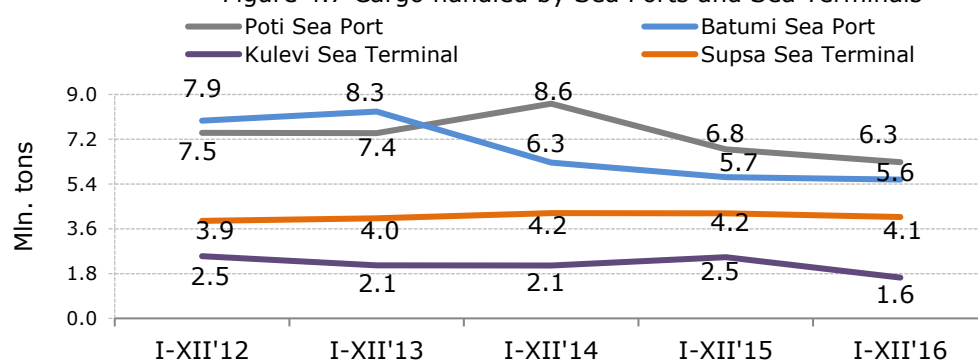
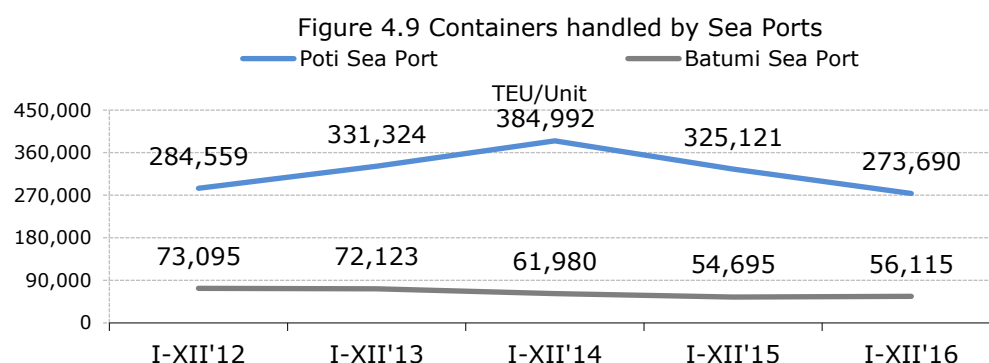
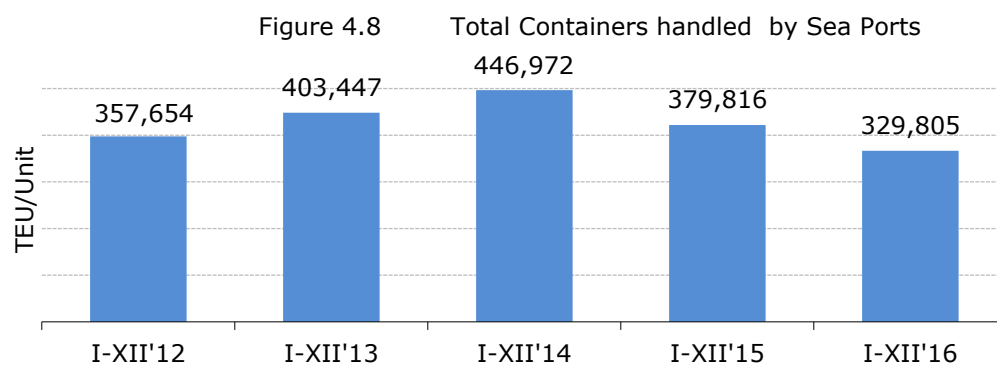


Figure 4.7 Cargo handled by Sea Ports and Sea Terminals



Ministry of Economy, Transport Department (2017)



4.6 Key Infrastructure Projects

65. Georgia has played a very active role in regional infrastructure projects and is a member of TRACECA, the Europe-Caucasus-Asia Transport Corridor and participates actively on key corridors such as LAPIS LAZUULI, the Baltic Sea –Black Sea International Transport Corridor and the Persian Gulf -Black Sea Corridor. It became a member of the ADB's CAREC programme in October 2016.

4.6.1 Construction and development of the Anaklia New Deep Water Black Sea Port

66. The construction of a deep water port in Anaklia in the North West of the country on the Black Sea is one of the cornerstones of Georgia's strategy to become a major international transit hub linking the European Union via the Black Sea to the Caucasus and the Central Asian countries and CAREC. This project is of vital importance since it will overcome the depth limitations at the port of Poti (13 metres) and enable Post-Panamax container vessels to enter the country, thereby reducing transport and handling costs. It is also a key element in the development of the Silk Road Corridor linking the PRC with the West following its One Belt, One Road Strategy (OBOR).

67. The contract for the award of the contract was made by the Ministry of Economy and Sustainable Development and was awarded to the Anaklia Development Corporation in October 2016. This is a joint venture between Georgian and US companies (TBC Holdings and Conti International) and other key partners include Moffat and Nichol and Maritime and Transport Business Solutions from the Netherlands.

68. The overall cost of the project is \$2.5 billion with the Georgian Government committing \$100 million. Construction was scheduled to start at the end of 2016 and initially forecast

for completion by 2020. When operating at full capacity, it will be able to handle 100 million tons of cargo annually and contribute almost 0.5 % of Georgia's GDP by 2025.

Figure 4.10 Port of Anaklia, Georgia



4.6.2 Baku-Tbilisi-Kars Railway

69. This is a crucial project in terms of developing the railway network in Georgia and providing a key international link between Georgia, Azerbaijan and Turkey. It will also provide a key component in developing the Silk Road route.
70. The project has included the rehabilitation and construction of a 154 km railway line on the Marabda to section and the construction of a new 25-km line from Akhalkalaki to Kartsakhi at the Turkish border. The project commenced in 2008 and was completed in 2016 and will provide a strategic link between the Caspian Sea to Europe via Turkey and will carry mainly container cargo. Its initial capacity will be 5 million tonnes and this will increase to 15 million tons with passenger traffic forecast to rise to 1 million per year.
71. Figure 4.11 below shows the route of the railroad.

Figure 4.11 Baku-Tbilisi-Kars Railroad



4.6.3 Construction and rehabilitation of the East-West Highway

72. The construction and rehabilitation of the East-West Highway is one of the major projects in Georgia designed to provide a key, strategic link between the Caspian Sea and the Black Sea linking Europe and the EU with Central Asia.
73. Initial construction commenced in 2006 and to date some 150 kms of highway are already completed. The project has been funded by Central Government and by major donors including the ADB, European Investment Bank, Japan International Cooperation Agency and the World Bank.
74. Once completed the highway will have 4 lanes with a capacity of 50,000 vehicles per day. This will substantially improve the capacity of the E-60 and E-70 corridor. Cargo transport will also increase substantially from the Black Sea to the CAREC countries and beyond.

4.6.4 Georgian Railway Modernisation Project

75. A contract was signed between Georgian Railway JSC and a Chinese company (China Railway 23rd Bureau Group Co., Ltd) in 2011 with the focus on the construction of the Tbilisi-Makhinjauri section of the rail network and this is almost 50 per cent completed. Once finished by 2019/20 it will substantially improve freight capacity and speeds along this strategic link.

4.6.5 Creation of Logistics Centres

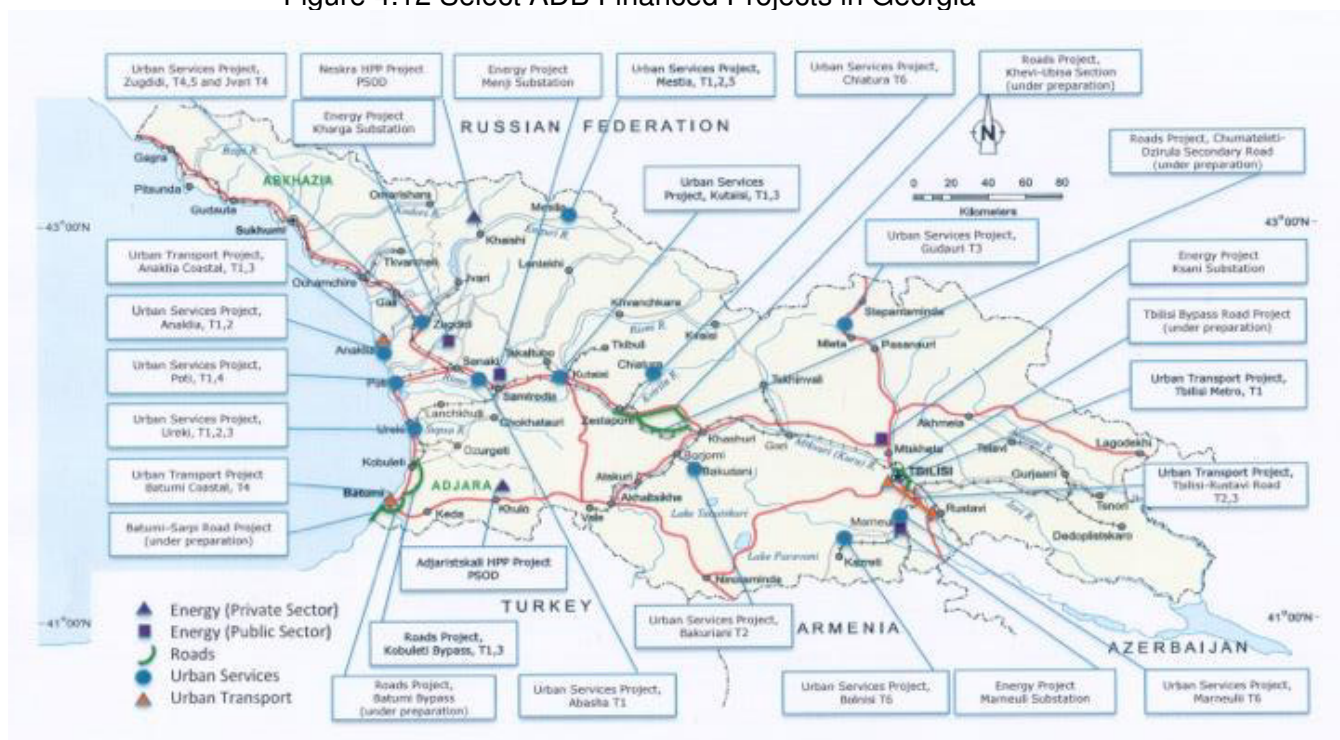
76. A contract has recently been signed with Dornier Consulting international of Germany to undertake a major feasibility study for the development of logistics centres along the East-West Highway Corridor Improvement Project. This will play a pivotal role in optimising the transportation and distribution links along the corridor.

4.7 ADB Projects in Georgia

77. Figure 4.12 provides a list of projects funded by ADB in Georgia. in terms of those relevant to the transport sector, these include the following:

- a) Roads Project. Khevi-Ubisa Section (Under preparation) East –West Highway (\$1 million, 2016).
- b) Roads Project. Chumateleti-Dzirula Secondary Road (Under preparation)
- c) Tbilisi Bypass Road Project (Under preparation)
- d) Urban Transport project (Tbilisi-Rustavi Road)
- e) Roads Project, Batumi bypass (Under preparation)
- f) Roads Project, Kobuleti bypass.
- g) Batumi-Sarpi Road project (Under preparation)
- h) Urban Transport Project, Batumi Coastal
- i) Urban Transport Project, Anaklia Coastal

Figure 4.12 Select ADB Financed Projects in Georgia



4.8 Other Donor Projects

78. The World Bank has invested heavily in the transport sector in Georgia with the focus very much on the East-West Highway. Funding has been as follows:

Year	Amount (\$million)
2006	19
2007	55
2009	147
2012	43
2013	75
2015	164
Total	503

79. The EIB has also invested heavily in the EWH with €170 million, €30 million and €49.45 million provided in 2012, 2013 and 2016 respectively. They are also part of a consortium with ADB and JICA providing a framework loan of €1 billion for the Transport Connectivity Project.

4.9 Border Crossing Points

4.9.1 Location

80. The 3 international border crossings between Georgia and Azerbaijan are shown in Table 4.2 below. The key one is Red Bridge.

81. Table 4.2: International Border Crossing Points between Georgia and Republic of Azerbaijan

Table 4.2 Border Crossing Points (Azerbaijan-Georgia)

	Name of Crossing Points in Georgia	Location in Georgia	Name of Crossing Points in Azerbaijan	Operating regime
1	Red Bridge (Tsiteli Khidi)	Kvemo-Kartli region, Mughanlo village	Red Bridge	24 hours
2	Vakhtangisi	Kvemo-Kartli region, Vakhtangisi village	Sadikhli	Daylight
3	Tsodna	Kakheti region, Lagodekhi	Tsodna	24 hours

4.9.2 Border Crossing Transit Times

82. Currently the border crossing related control is under the responsibility of Georgia Revenue Service and the Patrol Police Department of the Ministry of Internal Affairs of Georgia. While Georgia Revenue Service conducts the whole customs procedures including Phytosanitary control on the border, the Patrol Police Department conducts the passport control and is in charge of migration issues. It should be noted that drivers of means of transport are served using a one-stop shop principle, so they do not need to get out of their vehicles.

83. A Time Release Study carried out in 2016 indicated that the customs crossing points in Georgia are effectively and efficiently processing transit traffic with a minimum time of 2 minutes, a maximum time 24 minutes with an average time of 7 minutes.

84. This shows that Customs officers spend the minimum time for the registration of documents and the examination of goods, although impediments may occur if the customs office decides to send the vehicle for additional examinations (weighing, scanning, physical inspection, correction, sealing etc.).

5. Customs Administration in Georgia

5.1 Customs Procedures

5.1.1 Measures in place to expedite transit

i. Pre-arrival clearance

85. Refer point ii. Below.

ii. Trusted Trade Schemes (AEOs)

86. Since 2009 the Georgia Revenue Service has operated a “Golden List” which provides a range of ‘trusted trader’ benefits to large importer and exporter companies. These benefits include:

- Preliminary declaration – Prior to goods crossing Customs border (not earlier than 45 calendar days).
- Import duties (Import duty, VAR, excise) payment extended with maximum period of 30 days after Customs clearance.
- Opportunity to deliver goods to privately owned warehouse.
- Customs declaration submitted electronically via the ASYCUDA system.
- Documents defined by Article 23 of Tax Code submitted electronically or presented upon request.
- Clearance of goods 24/7 without payment of extra service fees.

87. There are presently 174 companies on the “Golden List”.

88. The “Golden List” was created on the basis of the AEO concept, but there are differences. The most significant difference is that the “Golden List” does not allow for all the players in the supply chain (transport carriers, importers, exporters, freight forwarders, warehouse keepers etc.) to become ‘trusted traders’ and therefore benefit from Customs simplifications.

89. However, as part of the Deep and Comprehensive Free Trade Agreement with the European Union (EU), the Georgia Revenue Service is in the process of implementing a fully-fledged AEO program. This program is envisaged to replace the “Golden List” scheme in January 2018 and will be closely aligned with the EU’s AEO model.

iii. Mutual Recognition for Trusted Traders

90. At the present time, there are no Mutual Recognition agreements with other countries. However, when the full AEO program is launched in 2018, it is the intention of the Georgia Revenue Service to pursue and implement such agreements with the EU and other countries.

iv. Other simplified procedures

91. Georgia Revenue Service provides a service to assist importers complete their customs declarations.

5.1.2 Risk Management systems in place

92. It is clear that the Georgia Revenue Service utilise a compliance and risk management approach that combines the provision of trade facilitation through a partnership approach with legitimate businesses, with maintaining control over high-risk movement of cargoes. It uses the customs automated processing system ASYCUDA WORLD to manage the cargo selectivity system and set risk profiles and random selectivity criteria. Levels of Custom control interventions are in-line with international best practice – Red Channel (Import 8% / Export 5%), Yellow Channel (Import 8% / Export 8%), Green Channel (Import 83% / Export 86%), Blue Channel (Import 1% / Export 1%).

5.1.3 Guarantee Mechanisms Operational

i. Systems already in place

93. The Georgia Revenue Service undertook a review of their transit irregularities in 2011/2012 and decided that the risk of default did not warrant the continued administrative burden of lodging a guarantee for transit movements. Since that date no monetary guarantees have been required for customs transit on the territory of Georgia. This innovative approach to Customs guarantees fully reflects the risk approach reflected in CATS and is very progressive for a Customs Service to adopt.

ii. Responsibilities and controls

94. Not applicable.

6. Legal and Regulatory Framework

6.1 International Legal Instruments

95. Georgia is a party to a number of global/multilateral, regional/plurilateral, and bilateral legal instruments governing or affecting transit, a number of which were discussed in Section 2 of the Report on the Legal and Regulatory Framework prepared in this TA:

- (i) Global legal instruments: the TIR Convention (Geneva, 1975, acceded to by Georgia on 24 March 1994), the General Agreement on Tariffs and Trade (1994, Article V on Freedom of Transit), the Customs Convention on Containers (Geneva, 1972), the Trade Facilitation Agreement of the World Trade Organization (acceded to by Georgia on 4 January 2016, and entered into force on 22 February 2017; Article 11 on Freedom of Transit)¹;
- (ii) Multilateral/plurilateral/regional legal instruments: the Transport Corridor Europe Caucasus Asia (TRACECA) Basic Multilateral Agreement on International Transport for Development of the Europe – the Caucasus – Asia Corridor (1998; Azerbaijan is the depository of this instrument), the Agreement on Establishment of a Free Trade Area between the GUUAM [Georgia, Ukraine, Uzbekistan,² and Moldova] Participating States (2002), and the Protocol between the Customs Administrations of GUAM Member States on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of GUAM Member States (2015)³; and
- (iv) Bilateral legal instruments (with CAREC member countries): with Azerbaijan (road transport – 1993, railway transport – 2004, maritime transport – 1996, trade – 1996), customs – 2014), Kazakhstan (road transport – 2007 and customs – 2014), the Kyrgyz Republic (road transport – 1997 and customs – 1997), Turkmenistan (customs – 1993), and Uzbekistan (road transport – 1995).

96. Also worth noting is the Georgia-EU Association Agreement,⁴ entered into force on 1 July 2016, providing for a Deep and Comprehensive Free Trade Areas (DCFTA), and which among other things includes a Chapter 5 on Customs and Trade Facilitation (e.g., Article 67, with provisions on the single administrative document, risk assessment, and authorized economic operators).

¹ Among other relevant conventions, Georgia has acceded to: (i) the Convention on Road Signs and Signals (1968), (ii) the Convention on the Contract for the International Carriage of Goods by Road (CMR)(1956), (iii) the International Convention on the Harmonization of Frontier Controls of Goods (1982), (iv) the United Nations Convention on Law of the Sea (1982; Part III, Section 2, on Transit Passage); (v) the Convention on Temporary Admission (Istanbul, 1990), and (vi) the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR, from the French acronym; 1957).

² Uzbekistan withdrew from the organization in 2005.

³ In this protocol, member states agreed to exchange advance information received by parties through handling customs procedures with goods leaving one member state's territory and moving toward another member state's territory for transit or export purposes. The parties agreed to use advance information for risk management and the simplification of procedures. The parties agreed to inform each other if any discrepancy in advance and actual information is identified. All technical details – including technical specifications, datasets, classifiers and communication channels, and information security – were to be defined. The protocol was based on a similar protocol between Georgia and Ukraine. See Inter-regional Expert Group Meeting on the United Nations Development Accounts Project 1212AA, *Gap Analysis of Current Legal and Technical Framework for Electronic C2C Exchange of Transit Information between Georgia and Neighboring Countries*, October 2014, p. 16 [downloadable from <https://www.unece.org/fileadmin/DAM/trans/doc/themes/UNDAC2C/UNDA1213AA-02e14.pdf>].

⁴ Formally known as the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part.

97. Relevant international legal instruments currently under consideration by the Republic of Georgia include: (i) the Convention on a Common Transit Procedure (1987)⁵; (ii) the International Convention on the Simplification and Harmonization of Customs Procedures (the Revised Kyoto Convention, 1999); and (iii) a draft Intergovernmental Framework Agreement between the Republic of Kazakhstan, Republic of Azerbaijan, Georgia and Republic of Turkey in the Direction of People's Republic of China-Republic of Kazakhstan-Caspian Sea-Black Sea.⁶
98. Georgia's legal system is monist, i.e., international legal texts are self-executing.⁷

6.2 National Legal Instruments

99. The most relevant primary national (domestic) legal text of the country is the Tax Code of Georgia, enacted on 17 September 2010, entered into force on 1 January 2011, and amended several times since then. Notably, it integrated the tax and customs codes (the latter dating back to 1997).⁸ The EU's DCTFA with Georgia provides that Georgia must align its customs regulations with those of the EU, which may lead to adoption of a new customs code.⁹ However, substantial changes in the customs legal and regulatory framework are not envisaged because recent customs reforms in Georgia have been driven by the EU approximation agenda.¹⁰
100. Pertinent provisions of the Tax Code include the following:
- (i) Article 230, paragraph 1, updated by the Law of Georgia No. 5942 of 27 March 2012, covers transit, and among other things provides that "[u]nder a transit customs procedure, foreign goods may move through the customs territory of Georgia without application of tariff measures, under customs control" (paragraph 1 of Article 230).
 - (ii) Article 251, paragraph 1, of the Tax Code provides that "[t]o secure payment of import and export duties, the Minister for Finance of Georgia may define the cases for providing a guarantee, using a guarantee and releasing from providing a guarantee, and determine the amount of such guarantee"; no guarantee is to be required in the case of certain types of transport (e.g., railway transport).

⁵ Accession to the Common Transit Convention and implementation of a computerized system, compatible with the New Computerized Transit System (the NCTS, which was designed to replace a paper-based system and provide better management of internal community transit and international transit across EU borders), was identified as one of the obligations of the Georgia Revenue Service (Georgia's combined tax and customs administration, which is based on similar successful services in several EU states) under the EU-Georgia Association Agreement. A working group consisting of specialists from different departments was established to analyze differences between Georgian law and the requirements of the convention.

⁶ Draft text may be downloaded from http://www.traceca-org.org/uploads/media/DRAFT_AGREEMENT_ENG.pdf.

⁷ Constitution of Georgia of 24 August 1995, Article 6(2): "The legislation of Georgia shall correspond to universally recognised principles and rules of international law. An international treaty or agreement of Georgia *unless it contradicts the Constitution of Georgia, the Constitutional Agreement*, shall take precedence over domestic normative acts" [emphasis added]; also see Anne Peters, "Supremacy Lost: International Law Meets Domestic Constitutional Law", *Vienna Journal on International Constitutional Law*, Vol. 3, 2009, p. 187.

⁸ While unification of the tax and customs codes is considered preferable from the viewpoint of administrative efficiency, it has been suggested that customs legal instruments may be "shallow" as a result. Putting too much in secondary regulations may lead to more frequent changes, with consequent instability for the private sector. "Customs Needs Stable Law and Skilful[] Customs Officers", *Georgian Journal*, 25 April 2012 [citing Bondo Bolkvadze, customs expert]. For the general legal background of the Georgia Revenue Service, see Order No. 2742 of the Director General of the Georgia Revenue Service, 2 June 2011.

⁹ Georgia agreed to use the EU Customs Blueprints as reference guidelines and a basis for its modernization. European Commission, High Representative of the Union for Foreign Affairs and Security Policy, *Association Implementation Report on Georgia*, Joint Staff Working Document, November 2016, p. 17. See European Commission, *Customs Blueprints: Pathways to Better Customs*, 2015.

¹⁰ Bondo Bolkvadze (Deloitte Georgia), *Explainer: How does the EU Agreement Affect Customs*, 2016 (from www.investor.ge).

- (iii) Article 224 – as amended by the Law of Georgia No. 97 of 16 December 2016 – provides for a Golden List of qualified importers and exporters – with simplified procedures for importing and/or exporting goods into/from the customs territory of Georgia.
- (iv) Article 224 – also as amended by the Law of Georgia No. 97 of 16 December 2016 – covers authorized economic operators (AEOs), which are to benefit from “simplified customs control and/or simplified customs regulations” (paragraph 1), i.e., from a “lighter regulatory touch”. Conditions for AEO status include (a) compliance with the tax laws of Georgia, (b) use of a commercial and/or transportation accounting management that ensures implementation of appropriate customs control, (c) solvency, and (d) compliance with appropriate safety and security standards (paragraph 3). A working group is preparing legislative amendments and instructions for traders and auditors, for implementation of the program, to be completed in March 2017.¹¹ Implementation with “live AEOs” is expected in the beginning of 2018; the Golden List may be replaced by the AEO system, but this has not been finally decided.
- (v) Article 39, paragraph 2(d), of the Tax Code provides that personally identifiable information on taxpayers may be disclosed to a competent body of a foreign state – under an international agreement of Georgia.¹²

101. Also relevant at the primary level are: (i) the Law of Georgia on [the] Revenue Service and the Administrative Code of Georgia, the latter of which regulates the general procedures of public entities; (ii) the Law of Georgia on Protection of Personal Data (enacted in 2011 and effective since 2012), which establishes standards for the protection of personal information, applies to both the public and private sectors, and states that information collection is permissible only for explicitly stated legal reasons permitted to the extent necessary for reaching the stated legal aim¹³; and (iii) the Law of Georgia on

¹¹ While Golden List companies can only be importers or exporters, AEOs can be any company with procedural contact with the customs administration (i.e., other enterprises in supply chain). Also, while Golden List companies must be large scale, AEOs can also be small and medium size firms. Bondo Bolkvadze (Expert in Customs and Trade Facilitation Issues), *Trade Facilitation Related Measures and Approximation of Georgia's Customs System with EU Standards*, July 2016.

¹¹ It had been suggested that while audits are already provided for in the existing legal framework, further details may need to be elaborated following *WCO Guidelines for Post-Clearance Audits*. USAID Caucasus, *Customs Post-Clearance Audit Needs Assessment*, USAID Governing for Growth in Georgia (G4G) [prepared by Deloitte Consulting LLP], September 2015, pp. 10-11 [downloadable from http://pdf.usaid.gov/pdf_docs/PA00KTZK.pdf]. Some recent changes have included (i) an amendment that provides the post-clearance audit division with the authority to conduct periodic audits, (ii) an amendment regarding non-fiscal issues, and (iii) amendments that give the division the authority to conduct joint audits with the tax audit department. Also, the audit division is being restructured and an audit plan is being developed, with changes in legislation to make it active. Email of Mr. Keto Bitsadze, Auditor, Post-Clearance Audit Division, Customs Department, Revenue Service, 13 March 2017.

¹¹ The law regulates in detail the rights and duties of the party processing the information and the rights and duties of the authorized person (whose data is being processed). The law allows processing and dissemination of personal information that is submitted to customs in the form of declarations if required by customs procedures; also, the law establishes rules for disseminating personal information to foreign state authorities and international organizations. See Inter-regional Expert Group Meeting on the United Nations Development Accounts Project 1212AA, *Gap Analysis of Current Legal and Technical Framework for Electronic C2C Exchange of Transit Information between Georgia and Neighboring Countries*, October 2014, p. 19 [downloadable from <https://www.unece.org/fileadmin/DAM/trans/doc/themes/UNDAC2C/UNDA1213AA-02e14.pdf>].

¹¹ This law leaves significant freedom for interpretation, which creates issues when creating and using electronic communications. To avoid misunderstanding, the practice has been to define the framework for recognition of electronic information in secondary laws and international agreements. See source in previous footnote, pp. 19-20.

Electronic Signature[s] and Electronic Document[s] (effective since 2008), which sets out the general framework for the legal recognition of electronic documents and electronic signatures.¹⁴

102. The most relevant secondary legal instrument governing transit is the Instruction on [the] Movement and Clearance of Goods across the Customs Territory of Georgia, approved by Order No. 290 of 26 July 2012 of the Minister of Finance of Georgia. It defines the functioning of core customs operations and basic rules, restrictions, and requirements for processing operations. Including requirements for operations under transit regimes. This instruction also sets out the framework for processing information and performing operations electronically through information systems.¹⁵ Of particular relevance, Article 33 indicates that a guarantee is not required for transit.¹⁶
103. Another relevant secondary legal instrument governing transit is the Instruction for Implementation of Procedures Related to Entering Goods into the Customs Territory of Georgia / Leaving the Customs Territory of Georgia and Declaration, approved by Order No. 12858 of 1 August 2012 of the Director General of the Georgia Revenue Service. It specifies details for submitting and processing information, datasets, and information classification; it also sets out detailed rules for the submission of different customs documents (i.e., declarations and internal transit documents) and data processing.¹⁷
104. Appendix 1 presents an Assessment of Legal Changes Required to Implement the Proposed CAREC Advanced Transit System (CATS) in Georgia in the same format as used for the ten other CAREC countries. Generally, the conclusion is that while implementation of the pilot project may require amendment of primary laws and/or secondary regulations, these may be effected relatively easily. Notably, a well-developed AEO system is being developed, and guarantees are not required for transit.

¹⁷ See source in previous footnote, p. 15.

7. ICT systems

7.1 Georgia – ICT Development

105. The utilisation of ICT in the governmental sector is one of the priorities of the Georgian government. It has supported several e-government initiatives, including the creation of the Data Exchange Agency (DEA) in 2010. The primary goals of DEA are: e-governance development, the development of the data exchange infrastructure and information security. A number of on-going projects have been developed in cooperation with private ICT companies, both national and global.
106. In 2014, Georgia improved its rating in the UN e-Government Development Index by 16 points by moving from position 72 to 56 within just two years; however, the country lost 5 points in 2016, and the current position in the Index is 61.
107. The ICT industry in Georgia is subject to control by the Georgia National Communications Commission (GNCC), which is the regulatory authority for broadcasting and electronic communications and is within the Ministry of Economy and Sustainable Development.

7.2 Georgia – Customs Information System

108. Overall responsibility for ICT systems for customs is with the GRS, which is part of the Ministry of Finance. As the Customs Department is a structural unit of GRS, it does not have its own development team but uses GRS's resources instead. The ICT development of the Customs is a part of the general GRS ICT development plan.
109. Customs uses the ASYCUDA WORLD information system, as well as some sub-systems and stand-alone solutions developed in-house. The ICT system covers all the business process. Appendix 4 includes a communication diagram of the Customs ICT sub-systems.
110. Georgia has developed strong collaboration with Kazakhstan regarding the Customs ICT development. In terms of the implementation of CATS or the CATS pilot, this will permit the re-use of technical solutions or even ASYCUDA modules in the countries.
111. Customs does not use any kind of GPS-tracking for transit, but has an advanced video monitoring system, which covers all sea and land transportation crossing points. The Control Center in the Customs HQ provides full control coverage over the Customs day-to-day entry/exit operations at these locations.

7.2.1 Customs Data exchange

112. From all the countries visited during the field mission, Georgia shows the most impressive progress regarding data exchange with bordering countries. For the most of the data exchange interfaces, Customs uses web services with SOAP-based protocol, through VPN or/and https connections, secured by authentication parameters. Data exchange with other countries includes the following:
 - Customs started the full-scale data-exchange with Turkey in 2013, covering 100% of customs declarations and transit T1 forms and persons crossing the border. Georgia and Turkey mutually recognise the data. Georgia also

maintains a bilateral exchange of TIR data with Turkey, as a part of a UN-backed regional project.

- Georgia and Azerbaijan have the full bilateral data exchange, although the data is not mutually recognised yet.
- Since 2011, Georgia and Armenia exchange customs data on a regular basis, once per day, and are currently working together to establish a real-time data exchange.
- Under GUAM (Organisation for Democracy and Economic Development - a regional organisation of four post-Soviet states: Georgia, Ukraine, Azerbaijan, and Moldova), four countries signed a formal protocol on data exchange in June 2015, following the data exchange agreement in 2016. The agreement is expected to be implemented in 2017.
- Currently, Georgia has a data exchange project with the PRC, which now includes a certificate of origin; Customs plans to start a wider scale data exchange in 2018.
- In the next one or two years, Customs expects to initiate the data exchange with the New Computerised Transit System (NCTS) – an EU-wide system, based upon electronic transit declaration.

7.2.2 Risk management

113. Customs uses risk management and risk assessment, post-clearance audits, pre-arrival declaration. The ASYCUDA WORLD system, which the Customs Administration uses, incorporates a transit risk management module based on the T1 form, which is in use in case of point-to-point transit operations. However, for cross-border risk management, the risk-management team prefer using a customised, in-house solution based on Oracle, sharing some of the risk profiles with the Department of Public Safety. These risk profiles include information on cargoes, drivers and vehicles.

7.2.3 Online services

114. Customs provide numerous on-line services available on the integrated Georgia Revenue Service e-governmental portal (rs.ge), including online customs declaration. Currently, 99.9% of customs declarations are being submitted and processed in electronic form. Appendix 5 includes a list of the services available on the portal.

7.2.4 Conclusion

115. Taking into account the intensity and the amount of current data exchange flows in Georgian Customs, Georgia would be an excellent participant in the proposed CAREC Advanced Transit System (CATS), and in the pilot project. The high level of both available ICT technologies and human resources will minimise the implementation risks for the pilot.
116. As a new CAREC member, Georgia offers an opportunity to not only implement the CATS but, potentially - to help interface the CATS with other transit systems, such as NCTS.

Appendix 1: Assessment of Legal Changes Required To Implement the Proposed CAREC Advanced Transit System (CATS) in Georgia

Country	Proposed Element of Mechanism	Issues to be Covered	Current/Proposed Legal Provisions in Country	Required Changes in Multilateral/Bilateral Agreements	Required Changes in Primary Laws	Required Changes in Secondary Laws (Regulations)
GEO	Exemption from guarantee requirement for AEOs	Provisions for AEO scheme, mutual recognition, and provisions covering exemption from the requirement to furnish a transit guarantee	Article 224 – as amended by the Law of Georgia No. 97 of 16 December 2016 – covers authorized economic operators (AEOs), which are to benefit from ‘simplified customs control and/or simplified customs regulations’ (paragraph 1), i.e., from a “lighter regulatory touch”. Conditions for AEO status include (i) compliance with the tax laws of Georgia, (ii) use of a commercial and/or transportation accounting management that ensures implementation of appropriate customs control, (iii) solvency, and (iv) compliance with appropriate safety and security standards paragraph 3). A working group is preparing legislative amendments	For other CAREC countries, requirement for provision(s) in a regional agreement for the CAREC RTGM Also, consideration may be given to amending applicable regional (plurilateral) agreements, e.g., the TRACECA Basic Multilateral Agreement	While implementation of the pilot project may require amendment of primary laws in this area, these may be effected relatively easily.	Secondary laws/regulations to implement an AEO system are now under preparation.

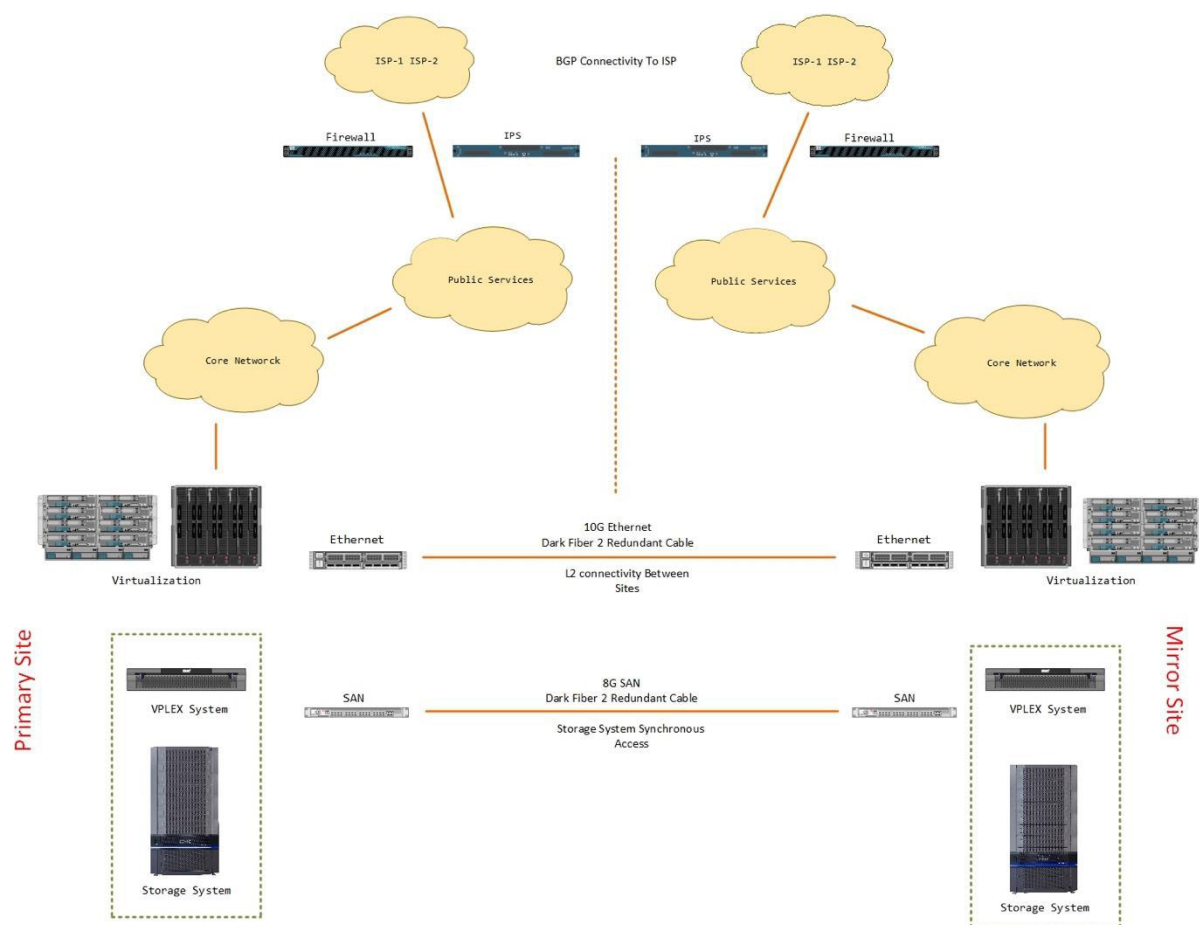
Country	Proposed Element of Mechanism	Issues to be Covered	Current/Proposed Legal Provisions in Country	Required Changes in Multilateral/Bilateral Agreements	Required Changes in Primary Laws	Required Changes in Secondary Laws (Regulations)
			<p>and instructions for traders and auditors, for implementation of the program, to be completed in March 2017. Implementation with “live AEOs” is expected in the beginning of 2018.</p> <p>The Instruction on [the] Movement and Clearance of Goods across the Customs Territory of Georgia, approved by Order No. 290 of 26 July 2012 of the Minister of Finance of Georgia, indicates that a guarantee is not required for transit.</p> <p>Mutual recognition of AEOs will require agreements with partner states.</p>			
GEO	Multiple/comprehensive guarantees	Provisions for multiple/comprehensive guarantees, a range of guarantors (surety providers), and guarantor approval processes	As noted above, the Instruction on [the] Movement and Clearance of Goods across the Customs Territory of Georgia, indicates that a guarantee is not required for transit.	As above	Little or no change required	Little or no change required
GEO	Risk-based setting of	Provisions for	As above	As above	Little or no change	Little or no change

Country	Proposed Element of Mechanism	Issues to be Covered	Current/Proposed Legal Provisions in Country	Required Changes in Multilateral/Bilateral Agreements	Required Changes in Primary Laws	Required Changes in Secondary Laws (Regulations)
	guarantees	guarantee levels to be set at different rates, provisions for customs procedure for waiver or reduction in guarantee amount, provisions for liability for non-completion and notification, and provisions for settlement of claims process			required	required
GEO	Transit form	Provisions approving a standard transit form and provisions for electronic exchange of the transit form and associated data	The Instruction for Implementation of Procedures Related to Entering Goods into the Customs Territory of Georgia / Leaving the Customs Territory of Georgia and Declaration, approved by Order No, 12858 of 1 August 2012 of the Director General of the Georgia Revenue Service, specifies details for submitting and processing information, datasets, and information classification; it also outlines detailed rules for the submission of different customs documents (i.e., declarations and internal	Requirement for provision(s) in a regional agreement for the CAREC RTGM Also, consideration may be given to amending/adapting applicable regional (plurilateral) agreements, especially the Protocol between the Customs Administrations of GUAM Member States on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of GUAM Member States (2015).	While implementation of the pilot project may require amendment of primary and secondary laws in this area, these may be effected relatively easily.	While implementation of the pilot project may require amendment of primary and secondary laws in this area, these may be effected relatively easily.

Country	Proposed Element of Mechanism	Issues to be Covered	Current/Proposed Legal Provisions in Country	Required Changes in Multilateral/Bilateral Agreements	Required Changes in Primary Laws	Required Changes in Secondary Laws (Regulations)
			transit documents) and data processing.			

Abbreviations: AEO = authorized economic operator; CAREC = Central Asia Regional Economic Cooperation; GEO = Georgia; GUAM = Georgia, Ukraine, Azerbaijan, and Moldova; RTGM = regional transit guarantee mechanism; TRACEA = Transport Corridor Europe Caucasus Asia

Appendix 2: Communication diagram of the Customs ICT sub-systems



Appendix 3: List of the services available on e-portal (rs.ge)

Personal Data	General Information	Tax Calendar
DECLARATIONS	PAYMENTS	INVOICES
Declarations	Online Payments	Waybill
Individual Property	Postal Consignment Payments	Path
	Declaration Charged	
Applications	Accounting Reporting	Notifications
Complaints	Special Invoice	Medications
Seals	Customer Management	Warehouse Management
Trustees	Information on Organization	Balance
Duty Free	Oil Product Special Taxes Electronic Journal User	Terminal
Preliminary Phyto-Vet Notifications	Railway Registration Certificate	Humanitarian Load (Attach.2)
Form 222	Total Income	FATCA
Total Z Information from Cash Machines	Receipt Equivalent Document	Cash Machine Registration
Financial Report	Audit Page	Terminal – Seal
Leaving Customs Warehouse		Information Release
Document Circulation		

Appendix 4: Trade Statistics

Table 2.1 Georgia's Trade with CAREC countries – Indicators and Growth (2011-2015)

a) Imports (Value)

Exporters	Trade Indicators	Trade balance 2015 (\$thousand)	Share in Georgia's imports (%)	Growth in imported value between 2011-2015 (% p.a.)	Total exports growth in value of partner countries between 2011-2015 (% p.a.)
	Value imported in 2015 (\$thousand)				
World	7730082	-5525406	100	2	-2
Asia Aggregation	3231160	-2237215	41.8	NA	NA
PRC	587357	-461557	7.6	4	5
Azerbaijan	226401	14549	2.9	-16	-16
Turkmenistan	111805	-95753	1.4	25	7
Kazakhstan	22162	22801	0.3	-30	-13
Uzbekistan	7016	90940	0.1	-9	-1
Pakistan	4237	-3823	0.1	-7	-3
Kyrgyzstan	1716	4951	0	5	-3
Tajikistan	11	4420	0	-56	-9
Afghanistan	NA	329	NA	NA	13
Mongolia	NA	898	NA	NA	2

Source: ITC calculations based on UN COMTRADE statistics.

b) Exports (Value)

Importers	Trade Indicators				
	Value exported in 2015 (\$thousand)	Trade balance 2015 (\$thousand)	Share in Georgia's exports (%)	Growth in exported value between 2011-2015 (% p.a.)	Total imports growth in value of partner countries between 2011-2015 (% p.a.)
World	2204676	-5525406	100	2	-2
Asia Aggregation	995172	-2213242	45.1	NA	NA
Azerbaijan	240950	14549	10.9	-12	-2
China	125800	-461557	5.7	52	0
Uzbekistan	97956	90940	4.4	70	3
Kazakhstan	44963	22801	2	-19	-7
Turkmenistan	16052	-95753	0.7	32	-1
Kyrgyzstan	6667	4951	0.3	-1	-1
Tajikistan	4431	4420	0.2	8	1
Mongolia	898	898	0	-2	-13
Pakistan	414	-3823	0	17	1
Afghanistan	329	329	0	-44	4

Source: ITC calculations based on UN COMTRADE statistics.

Appendix 5: Mission Schedule

Day/Date 2017	Time	Name	Title	Venue	Note
Tuesday, 21 February	14:00–15:00	Archil Jorbenadze Marina Majagaladz`	ADB Project Coordinator/Contracts Monitoring Officer, Ministry of Regional Development and Infrastructure of Georgia Accountant and Financial Officer	ETCIC / TRRC 12 Al.Kazbegi avenue Tbilisi, 0160 Georgia Mob.: (+995 591) 403038, (+995 577) 906070	Archil62@yahoo.com
Wednesday, 22 February	09:15–10:15	Yesim Elhan-Kayalar	Country Director	Georgia Resident Mission 1, G.Tabidze Street, Freedom Square) 114 Tbilisi, Georgia 995 32 225 06 19	Kick off meeting velhan@adb.org
	10:30–11:30	Genadi Arveladze David Javakhadze	Deputy Minister MOESD, CAREC focal for Georgia Deputy Head of Transport and Logistics Development Policy Department	MOESD, 10a Chovelidze Street 9 th floor, room 905 995 32 299 1177 995 591 51 15 51 995 32 299 10 95 995 595 51 55 03	garveladze@economy.ge djavakhadze@economy.ge datojavakhadze@yahoo.com
	12:00–13:00	Giorgi Tabuashvili	First Deputy Minister of Finance	Ministry of Finance, 16 Gorgasali Street 14 th floor	Ministry of Finance
	13:00–14:00	Samson Uridia Vladimer Khundadze Nodar Kakriashvili Levan Tsitelashvili	Head of Department for International Relations Head of Customs Department Information Technology Centre Legal Department		Kick off meeting
	16:00–16:45	Irakli Matkava	Deputy Minister, Ministry of Regional Development and Infrastructure of Georgia	12a, Kazbegi Avenue, 0160 Tbilisi, Georgia 2 nd floor	l.matkava@mrldi.gov.ge

				995 32 251 07 09 995 591 74 47 74	
	17:00–18:00	Gia Tsipuria Alexander Chkheidze	Secretary General, GIRCA, Georgian International Road Carriers Association President	12a, Kazbegi Avenue, (+995 32) 222 39 87 2334 777, 2330342	girca@girca.org girca@girca.org
Thursday, 23 February	09:00–16:00	CAREC Trade Facilitation Workshop		Courtyard by Marriott	
	14:30–15:30	Nato Chikovani Dr. Giorgi Vekua	Deputy Director, Georgian Chamber of Commerce and Industry Head of International Relations department	25 Berdzenishvili Street, (+995 32) 269 47 47 995 577 50 77 26 995 557 2022 21	nato.ch@gcci.ge G.vekua@gcci.ge
	16:00–16:30	Yesim Elhan-Kayalar	Country Director	Georgia Resident Mission	Wrap up meeting
	17:00–18:00	Devi Khechinashvili Anna Tsintskaladze Irakli Dvali	Georgian Insurers Association, Chairman Account Manager, ALDAGI GPI, NLI Market Development Director	24 Mosashvili Street, (+995 32) 291 20 40 (+995 32) 291 11 63 3, Pushkin str. Tbilisi, Georgia 995 32244 808 995 577 433 403 88/15 Bochorishvili Str. Tbilisi 0160 99532 2 505 111 211 + 995 577 77 73 00	info@insurance.org.ge devi@insurance.org.ge atsintskaladze@aldagi.ge idivali@gpih.ge

Appendix 6: Workshop Agenda



CAREC Trade Facilitation Consultation Workshop for Georgia

23 February 2017

Ballroom 2, Courtyard by Marriott, Tbilisi, Georgia

A G E N D A

Objective: To introduce salient features of the CAREC Trade Facilitation Program to the government officials and other stakeholders, and identify technical cooperation possibilities with Georgia.

Participants: Representatives of ministries (Economy and Sustainable Development, Finance), agencies (customs, immigration, sanitary and phyto-sanitary, border security), and private sector (carrier and forwarding companies, related associations) of Georgia.

09:00 – 09:30	Registration
	Georgia government representative <i>Moderator for the morning sessions</i>
09:30 – 09:50	SESSION 1 Opening Remarks
09:30 – 09:40	Mr. Genadi Arveladze Deputy Minister, Ministry of Economy and Sustainable Development of Georgia, and CAREC National Focal Point
09:40 – 09:50	Ms. Yesim M. Elhan-Kayalar Country Director, Georgia Resident Mission, ADB
09:50 – 10:15	SESSION 2 CAREC Program Overview
09:50 – 10:05	Mr. Ying Qian Director, Public Management, Financial Sector and Regional Cooperation Division (EAPF), East Asia Department (EARD), ADB
10:05 – 10:15	Q&A
10:15 – 10:30	Group Photo, and Coffee and Tea Break

10:30 – 11:15

SESSION 3

Overview of Trade Facilitation Sector in CAREC

- **Customs Cooperation**
- **Integrated Trade Facilitation**

10:30 – 11:00

Mr. Yuebin Zhang

Senior Regional Cooperation Specialist, EAPF, EARD, ADB

Points to be discussed include:

- Overview of Trade Facilitation Program
- Customs Cooperation Committee (CCC)
 - Standardization/harmonization of customs procedures
 - Joint Customs Control (JCC)
 - Customs Risk Management
 - Regional Transit
 - ICT for Customs
- Integrated Trade Facilitation
 - Regional Improvement of Border Services (RIBS)
 - National/Regional Single Windows
 - Participation of the private sector (CFCFA, CPMM)
 - Coordinated Border Management

11:00– 11:15

Q&A

11:15 – 12:00

SESSION 4

Private Sector Participation

11:15 – 11:45

Mr. Khong Khie “Max” Ee

Principal Consultant, SCMi Group LLP

Points to be discussed include:

- Monitoring, data analysis, and policy planning through the CAREC Corridor Performance Measurement and Monitoring (CPMM)
- Private sector participation through the CAREC Federation of Carrier and Forwarder Associations (CFCFA)

11:45– 12:00

Q&A

12:00 – 14:00

Lunch – Restaurant La Brasserie, Courtyard by Marriott

Mr. Ying Qian, Director, EAPF, EARD, ADB
Moderator for the afternoon sessions

14:00 – 14:40 **SESSION 5**
Facilitation of Regional Transit Trade in CAREC

14:00 – 14:30 **Mr. Graham Walker**
 Trade Facilitation Specialist and TA Consultant Team Leader, PADECO

Mr. Nigel Moore
 Customs Modernization and Trade Facilitation Specialist

Points to be discussed include:

- Facilitation of regional transit trade in CAREC
- Proposed CAREC regional transit guarantee mechanism (CGM),
- Pilot test along CAREC sub-corridor 2A from Georgia through Azerbaijan to Kazakhstan

14:30 – 14:40 **Q&A**

14:40 – 15:10 **SESSION 6**
Sanitary and Phyto-Sanitary (SPS) Measures for CAREC

14:40 – 15:00 **Ms. Loreli de Dios**
 International Consultant, EAPF, EARD, ADB

Points to be discussed include:

- CAREC Common Agenda for SPS Modernization for Trade Facilitation
- Proposed regional technical assistance on SPS Measures

15:00 – 15:10 **Q&A**

15:10 – 15:25 **Coffee and Tea Break**

15:25 – 15:55 **SESSION 7**
Discussions: Implementing the Trade Facilitation Program in Georgia

Moderator: **Mr. Samson Uridia**
 Head of International Relations Department, Ministry of Finance, and
 Sector Focal Point – Trade Facilitation

- Representatives of the various government agencies are requested to comment on the TF program and how their agencies can participate in the various projects.
- Suggestions on how ADB may assist in the development of Georgia's trade facilitation

15:55 – 16:15	Closing Remarks
15:55 – 16:05	Georgia government representative
16:05 – 16:15	Mr. Ying Qian Director, EAPF, EARD, ADB

Appendix 7: Workshop Participants



CAREC Trade Facilitation Consultation Workshop for Georgia

23 February 2017

Ballroom 2, Courtyard by Marriott, Tbilisi, Georgia

LIST OF PARTICIPANTS

	Name	Agency	Position
1.	Genadi Arveladze	Ministry of Economy and Sustainable Development	Deputy Minister and CAREC National Focal Point
2.	Samson Uridia	Revenue Service	Head of Department for International Relations and CAREC Focal Point for Trade Facilitation Sector
3.	Merab Arakhamia	Revenue Service	Deputy Head of the Customs Department
4.	Otar Rikadze	Revenue Service	Adviser to the Head of the Customs Department
5.	Giorgi Kobeshavidze	Revenue Service	Deputy Head of the Customs Department
6.	Anzor Ergeshidze	Revenue Service	Deputy Head of Department Process Management, Evaluation and Development
7.	Mikheil Peikrishvili	Revenue Service	Department of International Relations
8.	Giorgi Vekua	Ministry of Industry and Trade Chamber	Head of International Department
9.	Davit Javakhadze	Ministry of Economy	Deputy Head of Transport and Logistics Development Policy Department
10.	Mikheil Paatashvili	Ministry of Economy	Transport and Logistics Development Policy Department
11.	Tinatin Goreziani	Ministry of Economy	Transport and Logistics Development Policy Department
12.	Mariam Gabunia	Ministry of Economy	Foreign Trade Policy Department
13.	Giorgi Chitadze	Ministry of Economy	Trade negotiations and the Deep and Comprehensive Free Trade Agreement Implementation Coordination Division
14.	Irakli Tsikodze	Ministry of Economy	Trade negotiations and the Deep and Comprehensive Free Trade Agreement Implementation Coordination Division

	Name	Agency	Position
15.	Thea Kunchulia	Ministry of Economy	Trade negotiations and the Deep and Comprehensive Free Trade Agreement Implementation Coordination Division
16.	Davit Kortava	Ministry of Economy	Adviser to Director LEPL Land Transport Agency
17.	Salome Totibadze	Ministry of Economy	LEPL Land Transport Agency of International Relations Specialist
18.	Gia Tsipuria	Georgian International Road Carriers Association	Secretary General
19.	Zurab Shengelia	Georgia Association	The Secretary-General
20.	Jaba Balakhashvili	Business Ombudsman	
21.	Bondo Bolkvadze	USAID (G4G)	
22.	Shota Komladze	Business Association	
23.	Avtandil Shavishvili	Lilo 1	
24.	Aleksandre Danelia	Transport Chamber	
25.	Giorgi Petriashvili	Georgian Railway	
26.	Albert Beriashvili	Lasare	
27.	Zhanibek Kuandikovi	Batumi Port	
28.	Graham Walker	PADECO	Trade Facilitation Specialist and TA Consultant Team Leader
29.	Nigel Moore	PADECO	Customs Modernization and Trade Facilitation Specialist
30.	Bruce Winston	PADECO	Legal and Regulatory Expert
31.	Konstantin Naumov	PADECO	Information Communication Technology Expert
32.	Khong Khie "Max" Ee	SCMi Group LLP	Principal Consultant
33.	Yesim M. Elhan-Kayalar	ADB	Country Director, Georgia Resident Mission
34.	Ying Qian	ADB	Director, EAPF
35.	Yuebin Zhang	ADB	Senior Regional Cooperation Specialist
36.	Loreli De Dios	ADB	Consultant
37.	Consuelo Javier	ADB	Project Analyst

	Name	Agency	Position
38.	Lyndree Malang	ADB	Consultant
39.	Nona Jajanidze		Interpreter
40.	Goga Askurava	Translation Equipment Plus Ltd	Interpreter
41.	Irma Machitidze	Translation Equipment Plus Ltd	Interpreter