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in Georgia

BUSINESS PERCEPTION SURVEY ON POLICY REFORMS

FINAL REPORT

USAID GOVERNING FOR GROWTH (G4G) IN GEORGIA

15 DECEMBER 2016

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

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USAID GOVERNING FOR GROWTH (G4G) IN
GEORGIA

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

DELOITTE CONSULTING LLP

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DATA

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ACRONYMS

ACT	Analysis and Consulting Team
CAPI	Computer Assisted Personal Interviewing
CATI	Computer Assisted Telephone Interviewing
NACE	Statistical Classification of Economic Activities
DK	Do not Know
GEOSTAT	National Statistics Office of Georgia
GOG	Government of Georgia
G4G	Governing for Growth in Georgia
NGO	Non-governmental organization
RA	Refused to Answer
R&D	Research and Development
SME	Small and Medium Enterprise
USAID	United States Agency for International Development

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1. EXECUTIVE SUMMARY

Governing for Growth (G4G) in Georgia is a five-year, USAID funded project implemented by Deloitte Consulting LLP since August 2014.

The purpose of the project is to support the Government of Georgia (GoG) to create a better enabling environment in which legal and regulatory reforms are fairly and transparently conceived, implemented and enforced providing a level playing field for small and medium size enterprise growth. G4G will strengthen capacity of both the public and private sectors to effectively cooperate on identified reforms through an inclusive consultative process.

In order to acquire information about the perception and attitudes of businesses operating in Georgia on the existing policy environment, G4G decided to implement a study on business perceptions of policy reforms. The business perception survey aimed to accurately assess the perceptions of businesses on the policy environment and reveal the areas where G4G interventions could be most valuable.

The research methodology involved 1000 Computer Assisted Personal Interviewing (CAPI) interviews with senior-managers of medium and large businesses throughout Georgia and aimed at examining their views and opinions on various topics.

As the research results suggest, the majority of senior-managers of medium and large enterprises **are aware of economic reforms** undertaken in Georgia (77%). Of those, tax reform (90%), land registration reform (80%) and pension reform (70%) are the areas with the most awareness.

Access to information about ongoing economic reforms is evaluated as easily accessible (54%) or relatively accessible (38%). Only six percent of inquired businesses have concerns with the accessibility of information.

The primary source for information on current affairs is the **internet** (59%). Comparison of the current survey results to the previous business survey in 2014 shows a considerable increase of internet as a primary source for information.

A quarter of interviewed companies stated that they have **no hindrances in their day-to-day operations**. Quite a large number of companies state that their major challenge is the high interest rates for loans (31%). Almost the same number of companies considers high taxes (30%) as a hindrance.

More than a half of interviewed business representatives stressed the importance of improvement of **taxation policy and rates** (57%). The second on the priority list is **access to affordable finance** (48%).

The majority of inquired top-managers think that **anti-monopoly legislation** is not ensuring fair competition among businesses operating in Georgia (49%).

Accuracy and reliability of the data from the National Statistics Office of Georgia (GEOSTAT) is evaluated positively by the majority of interviewed companies. However, almost a third (27%) of businesses have some doubt in relation to accuracy and reliability of GEOSTAT data.

The majority of businesses think that more investment on Research and Development (**R&D, technology adoption and innovation**) can be promoted by providing **tax incentives** (48%), as well as **co-funding R&D activities** (38%).

The top three measures to increase **management capacity and business sophistication of Georgian businesses** identified were: (1) Creation of entrepreneurship/management schools (35%), (2) bringing foreign expertise to educate and train Georgian companies (32%), and (3) funding overseas courses (28%).

A large share of respondents assess the **process of the audit** as quite simple (5%- very simple; 35% - simple; 31% - more or less simple). The tax audit process does not represent a major hindrance in business operations for the majority of businesses.

A large share of companies state that **submitting tax declarations** and **obtaining tax refunds** are simple or very simple.

According to businesses who have been exporting/importing during last year, the majority (74%) claim that currently **customs fees** are reasonable. Customs procedures are evaluated by the majority of the survey participants as **transparent** (94%) and **convenient for their company** (92%).

The large share of interviewed companies agreed that sufficient information is available on **customs regulations** to ensure compliance during import or export (90%). Also, the majority of companies state that they have sufficient information on **changes to customs regulations** (87%).

The absolute majority of interviewed companies use **computers** (97%) as well as **internet** (97%) in their business. Also, quite a large amount of businesses state that they use **information systems** in their business (76%).

Half of the interviewed businesses have a dedicated **website** for their business (50%) for more than 5 years. Only four percent of companies have launched their website quite recently, i.e. in the last year.

Usage of **social media** is also quite widespread practice among medium and large businesses. Fifty-three percent of interviewed companies state that they are using social media (Facebook, Twitter, Instagram, etc.) for their business.

Fifteen to sixteen percent of companies are using **e-commerce for purchases** countrywide as well as cross border. E-commerce is less frequently used for selling of goods and services – 14 percent of companies report to use e-commerce for sales countrywide, whereas only eight percent use e-commerce for selling goods or services cross-border.

Quite a small share of companies uses internet or online platforms for **loans or investment attraction** (7%).

Quite a large number of companies (38%) state that they have increased their **use of information and communication technologies** over the last six months.

For half of the interviewed companies, **transportation costs** remained the same over the last six months (50%). Almost a quarter of businesses state that their expenses have increased (23%), whereas for 13 percent of companies the transportation costs decreased.

The majority of interviewed companies (88%) think that the information and available documentation during the **state procurement/bidding process** is sufficient. Businesses evaluate the state procurement process as faster (91%) as well as easier (87%).

Only a very small share of businesses uses **capital market instruments** (2%). The vast majority of businesses do not report usage of capital market instruments. As for the willingness to use **capital market instruments** in the future, almost every fifth business representative expresses a desire to use financial market instruments in the next 10 years. Among businesses who express willingness to use capital market instruments, the majority states that they prefer to use equities (66%), whereas a smaller share of businesses are willing to use corporate bonds (29%).

Most businesses evaluate the **Pension Reform** positively. Fifty-eight percent of respondents agree to the proposed concept of the Pension Reform, 18 percent has neutral attitude, whereas 14 percent disagrees with the proposed concept.

Every fourth interviewed business representative is aware of **upcoming changes of Water Law** in Georgia. However, 63 percent of respondents states that they are not informed about the upcoming changes. Among informed businesses, more respondents are aware of changes in **water-use tariffs** (92%), compared to **water abstraction or discharge licenses** (48%).

2. BACKGROUND

Governing for Growth (G4G) in Georgia is a five-year USAID funded Project implemented by Deloitte Consulting LLP since August 2014.

The purpose of the project is to support the Government of Georgia to create a better enabling environment in which legal and regulatory reforms are fairly and transparently conceived, implemented and enforced providing a level playing field for small and medium size enterprise growth.

G4G will strengthen capacity of both, public and private sectors, to effectively cooperate on identified reforms through an inclusive consultative process.

To achieve the goal, G4G will be supporting inclusive and constructive dialogue among government, private sector, and civil society stakeholders for the effective formulation of reforms to drive economic development nurtured through transparent and accountable oversight of the state.

G4G is comprised of five components: (1) Support inclusive public-private dialogue, (2) Strengthen the capacity of the GOG to develop, implement and enforce reforms, (3) Improve water resource management across multiple competing interests, (4) Improve economic governance and leadership of energy trading policy, including cross-border trading of electricity, and (5) Strengthen the capacity of private sector and civil society actors to advocate for reforms.

G4G is designed to support creation of a better enabling environment in which legal and regulatory reforms are fairly and transparently conceived, implemented and enforced through consultative process. To achieve this goal G4G focuses on strengthening capacity of both, public and private sectors, to effectively cooperate on policy and legislation of key reforms. G4G also supports GoG in making informed policy decisions through increasing the role of data and evidence.

In order to acquire information about the perception and attitudes of businesses operating in Georgia on the existing policy environment, G4G decided to implement a study on business perceptions of policy reforms. The business perception survey aimed to accurately assess the perceptions of businesses on the policy environment and reveal the areas where G4G interventions could be most valuable.

The similar studies were implemented by USAID Economic Prosperity Initiative (EPI) in 2011, 2012 and 2014. The surveys captured a snapshot of Georgian businesses' perception on the business environment. The implementation of the current survey enabled comparison with the previous one.

During data analysis comparison of the current survey results was performed with similar EPI surveys in 2011, 2012 and 2014, based on the availability of similar questions in all surveys. The presented report reviews statistically significant differences between the abovementioned surveys. G4G plans to conduct another such survey in 2018.

3. METHODOLOGY

The business perception survey aims to identify the attitudes of the business community toward the policy environment. In particular, the study focused on issues such as general attitudes towards various policies or reforms, evaluations of new policy initiatives, etc.

The survey applied the **quantitative survey** method, in particular, the **CAPI** technique.

The **target group** of the survey represented medium and large enterprises¹.

In the scope of the survey, a total of **1000 interviews** were conducted with business/enterprise owner/directors or other individuals holding a senior position in the company.

The table below provides an overview of the Business Perception Survey design.

Table 1. Research Design

	STUDY DESIGN
Method	Quantitative
Technique	Computer Assisted Personal Interviewing
Target group	Medium and large enterprises throughout Georgia
Sample size	1000 completed interviews
Sampling method	Stratified random sampling
Sampling error	3% (for the total sample)
Research area	Georgia
Duration of interview	25-30 minutes

¹ According to the definition of GEOSTAT, the medium enterprise is an entity the average annual number employees of which is 20-100 and average annual turnover is from 0,5 million to 1,5 million GEL. As a large enterprise is classified an entity with annual turnover of more than 1,5 million GEL or on average more than 100 employees.

4. SUMMARY OF FIELDWORK OPERATIONS

4.1. RECRUITMENT AND TRAINING OF FIELD PERSONNEL

4.1.1. RECRUITMENT OF FIELD PERSONNEL

In order to implement the fieldwork, a detailed fieldwork implementation plan was developed. The fieldwork implementation plan included the logistical strategy and timing of the fieldwork.

Appropriate and experienced field team members were recruited to organize fieldwork and collect data.

In-office field team members included the fieldwork manager, responsible for the development of fieldwork logistics and monitoring the timely implementation of fieldwork; questionnaire revision and logical control specialists, responsible for revision and testing of the CAPI questionnaire and a coding specialist, responsible for coding open ended answers of the completed questionnaires.

The fieldwork team involved interviewers with extensive experience in social surveys. Based on the experience of the interviewers and project requirements, the fieldwork manager selected the appropriate number of interviewers for each region. After comprising the final list of recruited interviewers, the fieldwork manager contacted all interviewers to make sure that they were available during the fieldwork period. Recruited interviewers were informed about the date and time of the training.

In total, 52 interviewers were invited to the training. The table below provides an overview of field staff assigned to the project.

Table 2. Field Team

Position		Personnel
Field manager		1 person
Field control group coordinator		1 person
Quality control and revision specialists		4 persons
Coding specialist		1 person
Regional supervisors		9 persons
Interviewers	Adjara	6 persons
	Imereti	4 persons
	Kakheti	2 persons
	Shida Kartli	3 persons
	Kvemo Kartli	4 persons
	Samegrelo	2 persons
	Guria	3 persons
	Samtskhe-Javakheti	1 persons
	Mtskheta-Mtianeti	1 person

	Tbilisi	26 persons
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In addition to the interviewers, ACT involved call center operators in the fieldwork activities. Call center operators were responsible for scheduling interviews with potential respondents. In total, ACT involved 15 operators in the fieldwork. A special training on the survey theme and calling instructions were provided to the operators.

4.1.2. TRAINING OF FIELD PERSONNEL

TRAINING OF INTERVIEWERS

Training of field staff was performed by the Analysis and Consulting Team (ACT) Project Manager. ACT Fieldwork Manager also provided training regarding technical details and fieldwork logistics.

Training was delivered separately for Tbilisi interviewers and interviewers in the regions. In total, 61 interviewers participated in the trainings. The fieldwork manager, regional supervisors, head of fieldwork quality control and revision department and logical control specialists also participated in the trainings.

Training attendees were instructed on the following issues:

- Survey theme (objective and tasks);
- Survey instrument;
- Sampling design;
- Technical issues and fieldwork logistics.

ACT's Project Manager conducted both general training and detailed training on the questionnaire.

In the beginning, the Project Manager explained the goal and objectives of the survey and provided information about the G4G project.

The main part of the training focused on explaining questions from the survey questionnaire. During the training session, fieldwork team members were introduced to all materials/documents required for fieldwork implementation. The rules of completing each document were also discussed and exercised during the training.

In the final part of the training, the Project Manager and a fieldwork manager discussed sampling issues and fieldwork logistics with the team of interviewers.

All training participants were provided with materials needed for the fieldwork, such as:

- CAPI hardware;
- G4G information leaflet;
- Contact information of the companies and respondents.

TRAINING OF CALL CENTER OPERATORS

Training of call center operators was performed by the ACT Project Manager.

Trainings were delivered separately for three groups of operators. In total, 15 operators participated in the trainings.

Training attendees were instructed on the following issues:

- Survey theme (objective and tasks);
- Survey greeting texts;
- Technical issues (filling in the CATI form).

All operators were introduced to the greeting text developed by the ACT Project Manager. This greeting text involved all necessary information for ensuring informed consent of the respondents, such as the information

regarding the survey theme, aims of the study, timing of the interview, voluntary nature of participation, confidentiality of responses, etc.

4.2. FIELDWORK

4.2.1. FIELDWORK PROCESS

In the first phase, the Field Manager in cooperation with the Project Manager/Coordinator developed a detailed survey implementation plan for each region based on the sample distribution.

Fieldwork timelines were defined for each region and before launching the fieldwork were forwarded to every regional coordinator. These timelines involved submission dates of the completed questionnaires.

For scheduling interviews, ACT operators used the database of medium and large enterprises obtained by ACT from GEOSTAT. This database was fractured and prepared for the call center by the ACT Database Specialist.

The Call Center Coordinator submitted a list of scheduled interviews to the Fieldwork Manager on a daily basis. The Fieldwork Manager distributed information regarding the scheduled interviews to the Tbilisi interviewers as well as to regional coordinators.

Survey fieldwork included the following phases:

- Scheduling the interview by the call center operator;
- Delivery of the list of scheduled interviews to the Fieldwork Manager;
- Distribution of information regarding scheduled interviews among interviewers;
- Field visit – interview;
- Upload of the completed interview into the database.

During the fieldwork, ACT Fieldwork Manager and ACT Database Specialist controlled for numbers of completed interviews per stratification variables (the type of economic activity, 13 substrata according to Statistical Classification of Economic Activities (NACE), and size of enterprise) and per region as well.

Such an approach ensured the compliance of the collected data with predefined sampling design.

4.2.2. DATA QUALITY CONTROL

Data quality control involved fieldwork monitoring as well as logical control and revision of completed questionnaires.

Prior to launching the fieldwork, a schedule was developed which involved upload dates of the completed questionnaires. The head of the Data Quality Control department defined the quality control schedule based on questionnaire uploading dates.

As the quantitative survey fieldwork was implemented using CAPI technology, the quality control team performed the quality control process simultaneously. CAPI based quality control provided evidence on the fieldwork implementation process, registration and duration of the interview. In addition, quality control team members re-contacted some respondents in order to correct some data mismatches.

Results of quality control monitoring, logical control/revision were reviewed immediately. Any inaccuracies or errors discovered during data quality control were reported to the regional supervisors and interviewers in order to omit them during the rest of the fieldwork. As long as data quality control was performed simultaneously with the fieldwork, high quality of obtained data was ensured.

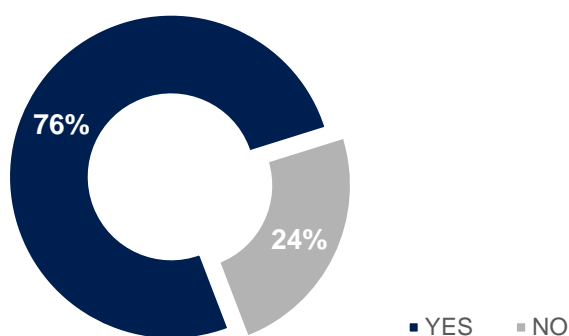
5. FINDINGS

5.1. AWARENESS OF REFORMS

One of the topics studied in the scope of the study was awareness of economic reforms initiated and implemented in Georgia.

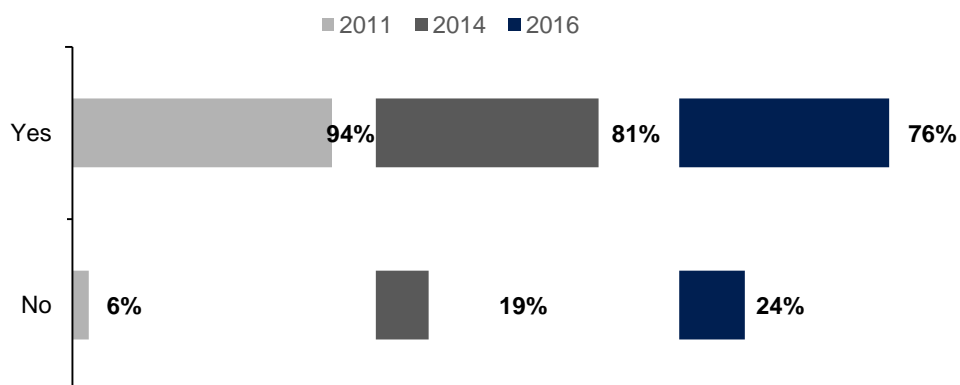
Representatives of the interviewed companies were inquired about the awareness of various economic reforms undertaken in years 2014-2016. Research results suggest that the majority of top-managers of medium and large enterprises are aware of economic reforms undertaken in Georgia (77%).

Diagram A1: Awareness of economic reforms undertaken in 2014-2016 - Are you aware of any economic reforms undertaken in 2014 and 2016 in Georgia? N=1000



Comparison of the current survey results to the previous business surveys in 2014 and 2011 shows that awareness of undertaken economic reforms has decreased (94% in 2011, 81% in 2014 and 76% in 2016).

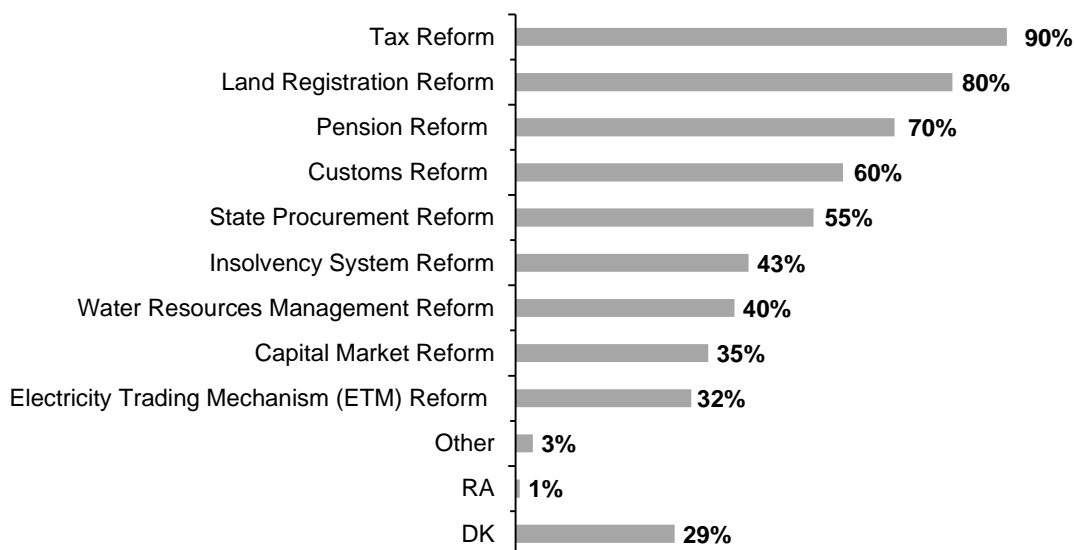
Diagram A1.1: Awareness of economic reforms / 2011 (N=1002) 2014 (N=1012) 2016 (N=1000)²



When inquired about particular reforms, representatives of business organizations in most of the cases named Tax Reform (90%), Land Registration Reform (80%) and Pension Reform (70%). These top three reforms in terms of awareness were followed by customs reform (60%) and State Procurement Reform (55%).

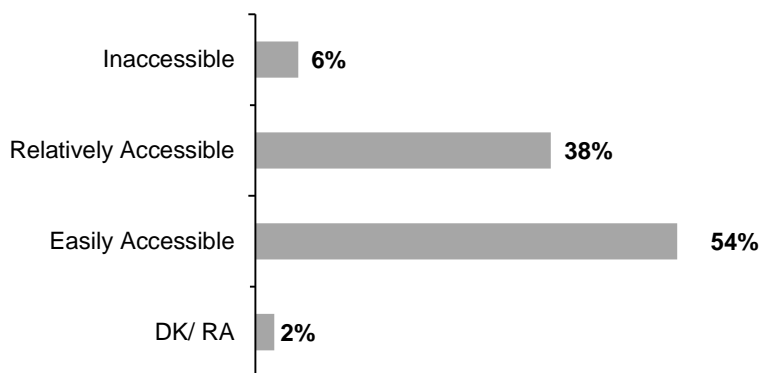
² Note: Comparison of the current survey data is performed with similar EPI surveys in 2011 or 2012, based on the availability of similar questions in both surveys.

Diagram A2: Awareness of Particular Reforms - Are you aware of the following economic reforms? N=768



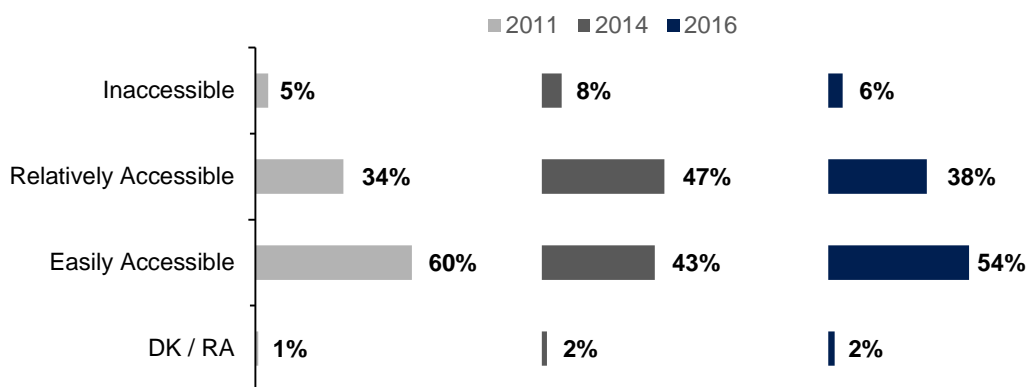
Representatives of business organizations evaluated the availability of the information about ongoing economic reforms in Georgia. According to the majority of respondents information about ongoing economic reforms is easily accessible (54%) or relatively accessible (38%). Only six percent of inquired businesses have concerns with the accessibility of information.

Diagram A3: Availability of Information on Economic Reforms in Georgia - Personally, or for your business, how accessible is information on economic reforms in Georgia? N=1000



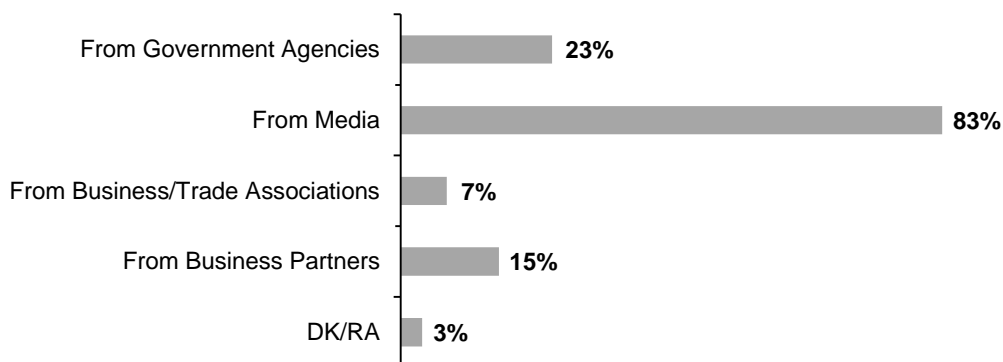
Comparison of the current results with the 2014 survey shows that currently more companies consider the information on the economic reforms as easily accessible (43% in 2014 VS 54% in 2016). Current evaluation stands closer to the evaluation provided by business leaders in 2011 (60%).

Diagram A3.1: Availability of Information on Economic Reforms in Georgia / 2011 (N=1002) 2014 (N=1012) 2016 (N=1000)



The main source of information on economic reforms is media (television, internet, newspapers, etc.). Government agencies are also used by almost every fourth business for obtaining information about economic reforms. Business networks can also be considered as an important source of information – 15% of respondents state that they acquire information about reforms from their business partners.

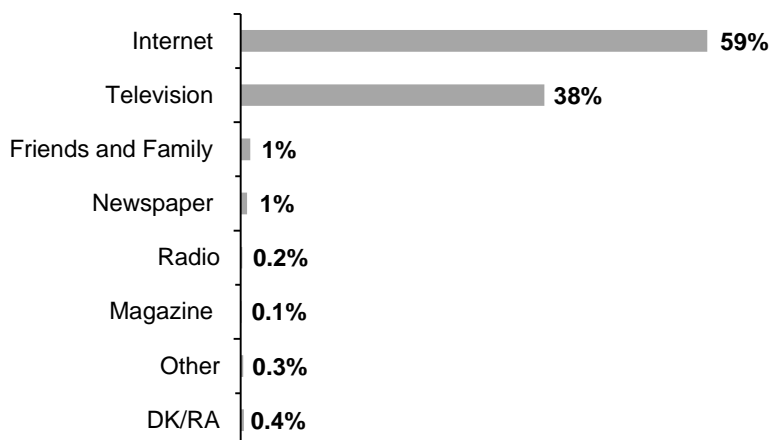
Diagram A4: Sources of Information about Economic Reforms - Personally, or for your business, where do you find information on economic reforms? N=1000



5.2. MEDIA CONSUMPTION

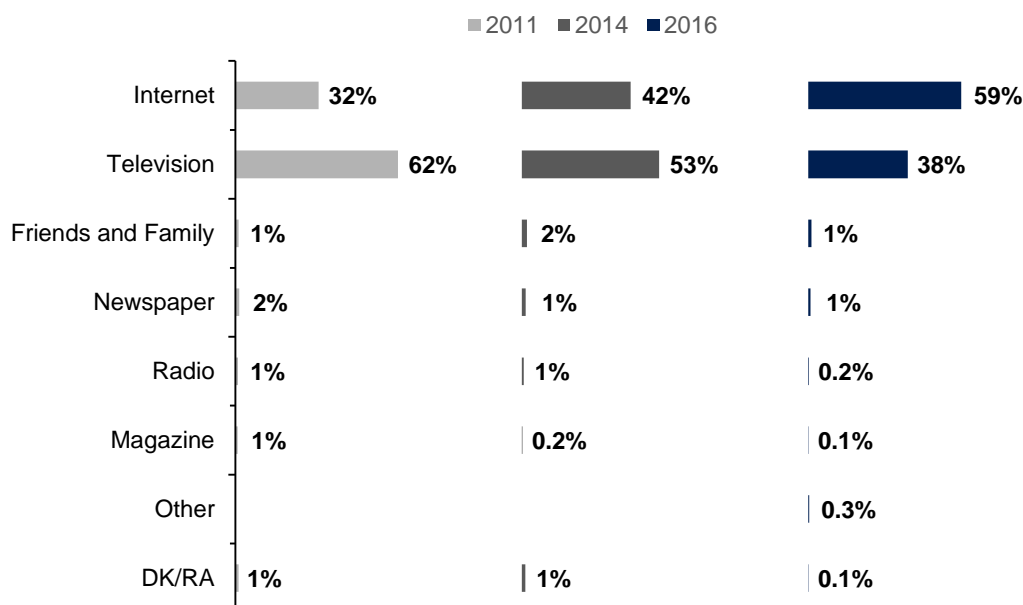
According to the study results, the primary source of information on current affairs in Georgia in case of the majority of large and medium businesses is internet (59%). Television is named as a primary source of information by 38 percent of inquired business representatives. Other sources of information are considered as primary by a very small share of survey participants.

Diagram C1: Primary Source of Information on Current Affairs in Georgia - Please indicate your primary source of news and information on current affairs in Georgia? N=1000



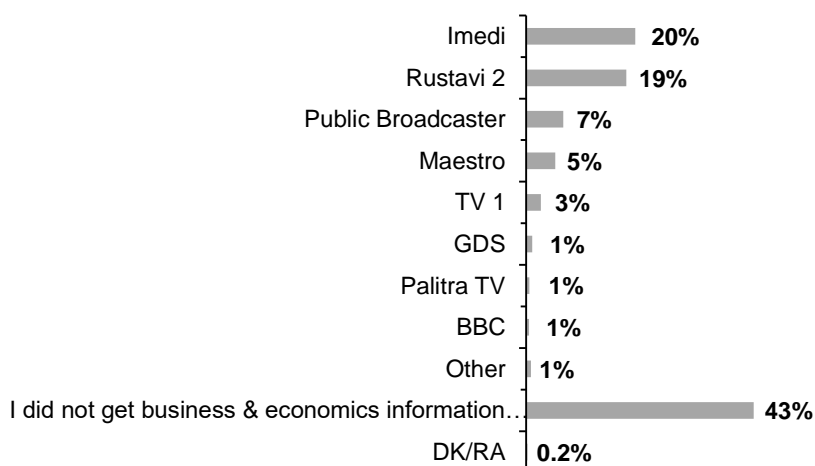
Comparison of the current survey results to the previous business surveys in 2011 and in 2014 shows a considerable increase of internet as a primary source for information on current affairs (32% in 2011, 42% in 2014 and 59% in 2016). Correspondingly, television is indicated less frequently as a primary source of information for business representatives (62% in 2011, 53% in 2014 and 38% in 2016).

Diagram C1.1: Primary Source of Information on Current Affairs in Georgia / 2011 (N=1002) 2014 (N=1012) 2016 (N=1000)



As for particular media outlets, the most frequently watched TV station by business leaders “in the past week” was Imedi (20%), followed closely by Rustavi 2 (19%). These two TV stations are followed by Public Broadcaster and Maestro, however the share of business representatives naming these channels is considerably smaller.

Diagram C2: Most Frequently Watched TV station for Obtaining Business & Economics Information - Which TV station did you watch most frequently last week to obtain business & economics information? N=1000



Newspapers and magazines are used as primary sources of information less frequently. More than 80% of inquired businesses state that they did not get information from these media outlets in the last week.

Among newspapers, *Kviris Palitra* is named by most respondents as a source of information in the last week, whereas in case of magazines the leader is *Forbes Georgia*.

Diagram C3: Most Frequently Read Newspapers for Obtaining Business & Economics Information - Which newspaper did you read most frequently last week to obtain business & economics information? N=1000

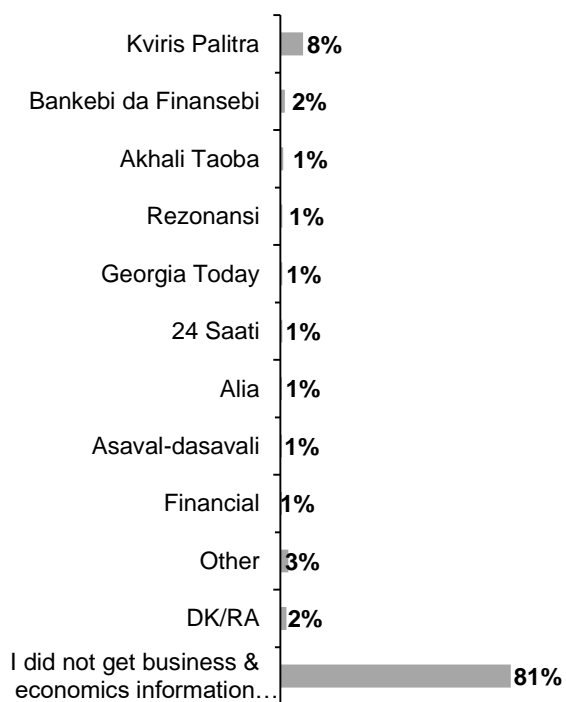
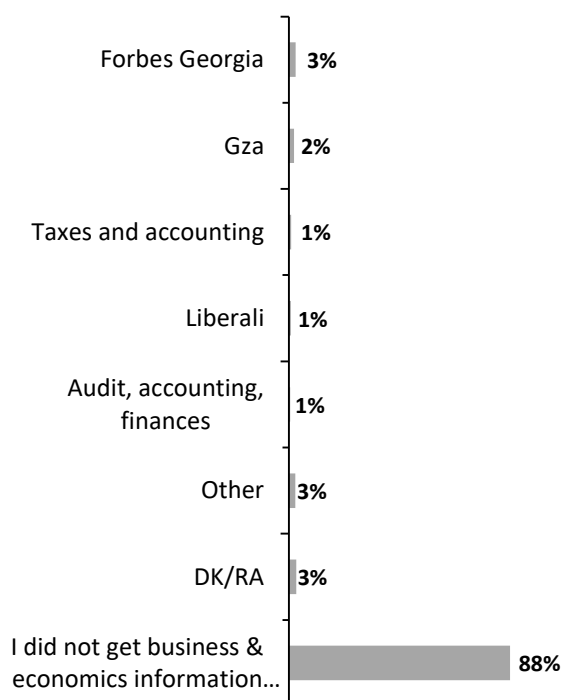


Diagram C4: Most Frequently Read Magazines for Obtaining Business & Economics Information - Which magazine did you read most frequently last week to obtain business & economics information? N=1000



According to survey results, almost a third of interviewed business representatives use internet for obtaining information on business & economics on a daily basis. Seventy-five percent of businesses used internet at least once a week or more often for obtaining information about Georgian business and economics during last week.

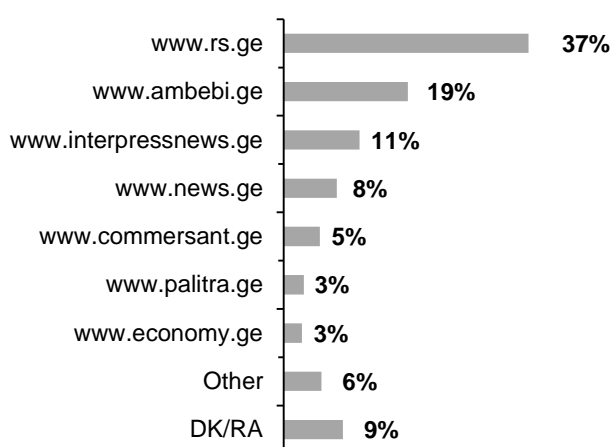
Table C5: Number of Days of Internet Access for Obtaining Business & Economics Information in Georgia (last week) - Please recall, in the past week, how many days you accessed the internet to obtain Georgian business & economics information? 2011 (N=1002) 2014 (N=1012) 2016 (N=1000)

Number of Days of Internet Access for Obtaining Business & Economics Information in Georgia (last week)	2011	2014	2016
0 days	45,6%	37,8%	24,7%
1 days	3,5%	3,3%	7,5%
2 days	5,8%	5,9%	11,2%
3 days	6,7%	7,6%	8,9%
4 days	3,9%	2,2%	4,6%
5 days	7,8%	6,7%	10,8%
6 days	3,6%	2,6%	3,5%
7 days	22,2%	33,7%	28,8%

As mentioned above, internet is indicated as a primary source of information more frequently in 2016 compared to 2014. Correspondingly, the number of companies who indicate that they have not accessed internet for obtaining business & economics related information in Georgia during last week is considerably smaller.

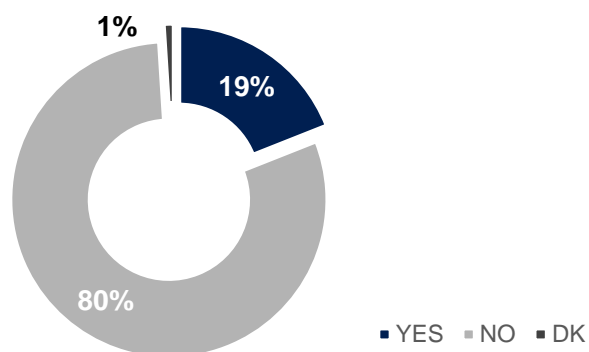
Among the most frequently used web-sites for obtaining information on business & economics are named www.rs.ge (37%), www.ambebi.ge (19%), www.interpressnews.ge (11%), www.news.ge (8%), www.commersant.ge (5%).

Diagram C6: Please tell me, which website you used most frequently last week to obtain such information? N=753



When asked about the G4G project, 19% of businesses stated that they were familiar with G4G before the survey.

Diagram C7: *Prior to this survey, have you heard or read anything about the Governing for Growth in Georgia / G4G Project?* **N=1000**



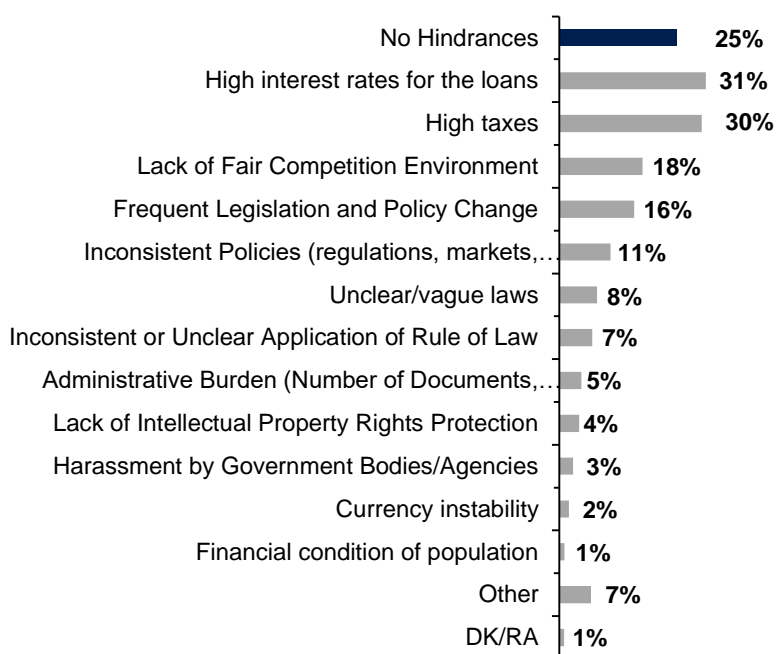
5.3. GENERAL ATTITUDES

Managers of sampled business enterprises were naming the factors which, in their opinion, hinder business in their day-to-day operations.

The quarter of interviewed companies state that they have no hindrances in their day-to-day operations. Quite a large number of companies state that their major challenge is high interest rates for the loans (31%). Almost the same amount of companies consider high taxes as a hindrance (30%).

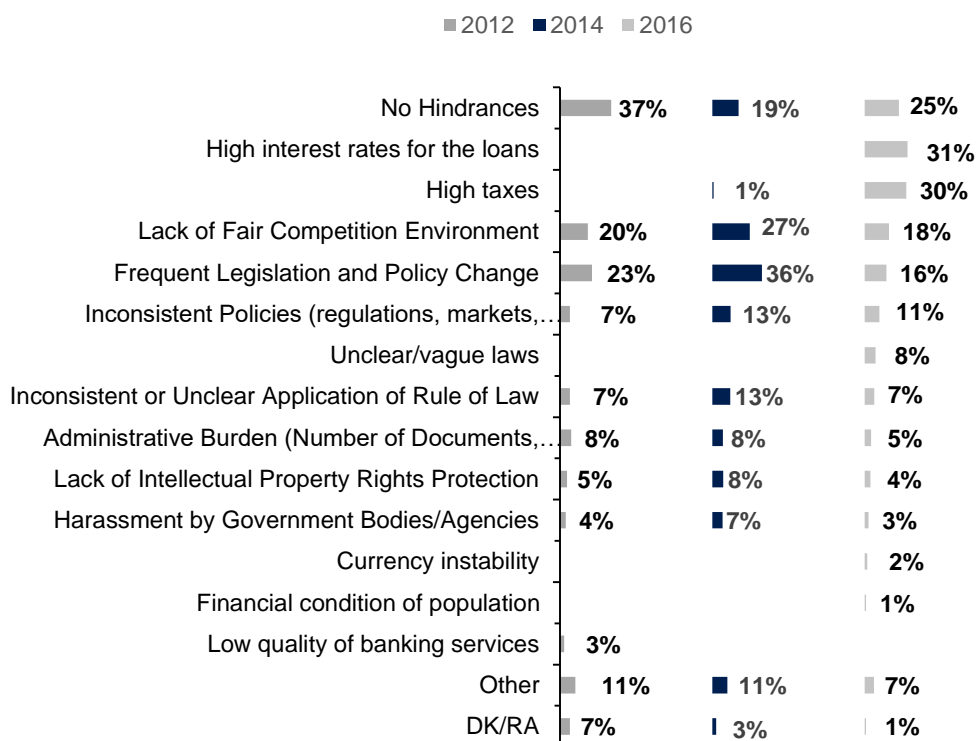
Also, the most frequently named obstacle for operation of business on a daily basis is the lack of fair competition (18%). Frequent legislation, policy changes (16%) and inconsistent policies (11%) are also named as challenges by some of the interviewed companies.

Diagram D1: Factors hindering business in day-to-day operations - What factors hinder businesses in their day-to-day operations? N=1000



Comparison of the current survey with 2014 responses shows that slightly more businesses think that there are no hindrances in day-to-day operations of businesses (19% in 2014 VS 25% in 2016); however, comparison with the survey results in 2012 shows a decrease in number of businesses who report no hindrances (37% in 2012 VS 25% in 2016). As survey data reveals, in 2016 as a hindrances are more seldom named frequent legislation and policy changes (36% in 2014 VS 16% in 2016), as well as lack of fair competition environment (27% in 2014 VS 18% in 2016).

Diagram D1.1: Factors hindering business in day-to-day operations / 2012 (N=1013) 2014 (N=1012) 2016 (N=1000)



While speaking about the issues to be supported by the government, more than a half of inquired business representatives stress the importance of improvement of taxation policy and rates (57%). The second on the priority list is access to affordable finance (48%). Almost a third of interviewed companies (28%) consider it necessary to provide assistance to small and medium enterprises (SMEs) in adoption of technology. Support of skills development is also considered as one of the important issues the government should support in order to increase productivity of businesses.

Table D2: Issues to be Supported by the Georgian Government - In what areas could the Government of Georgia best support businesses and increase productivity? N=1000

Issues to be Supported by the Government	
Improve Taxation Policy & Rates	56.7%
Access to Affordable Finance	48.1%
Provide Assistance to SMEs in terms of Technology Adoption	27.6%
Support Skills Development	15.2%
Development of Joint Public/Private Sector Strategies for Development of Targeted	10.6%

Issues to be Supported by the Government	
Sectors	
More independence of business	0.6%
To create right, respective regulations and laws	0.5%
Low interest rate on loans	0.5%
Instability of currency	0.5%
More investments	0.5%
Other	7.5%
Refused to Answer	0.4%
Don't Know / Difficult to Answer	2.8%

Interviewed companies were asked to evaluate the extent to which Georgian government is inclined to involve the private sector in discussions on various issues. The issues of inquiry were: (1) New legislation, (2) revisions of existing legislation, (3) country vision and strategic development, (4) policy changes and developments and (5) trade agreements. In case of all these issues, around a quarter of interviewed companies think that government engages the businesses in related discussions. However, more than a half of businesses think that government does not involve businesses in discussions sufficiently and adequately.

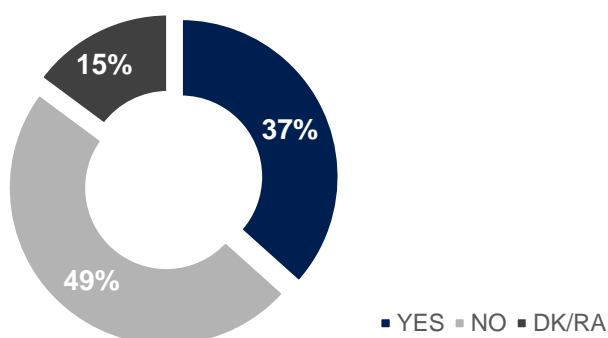
Table D3: Engagement of Private Sector in Discussions by the Government - Does the Government of Georgia sufficiently/adequately engage the private sector in discussions on following issues? N=1000

Does the Government of Georgia sufficiently/adequately engage the private sector in discussions on:	
NEW LEGISLATION	
Yes	26.1%
No	59.4%
Refused to answer	0.8%
Don't know / Difficult to answer	13.7%
REVISING EXISTING LEGISLATION	
Yes	24.1%
No	59.4%
Refused to answer	1.1%
Don't know / Difficult to answer	15.5%
COUNTRY VISION AND STRATEGY DEVELOPMENT	

Does the Government of Georgia sufficiently/adequately engage the private sector in discussions on:	
Yes	20.3%
No	63.9%
Refused to answer	1.1%
Don't know / Difficult to answer	14.7%
POLICY CHANGES AND DEVELOPMENTS	
Yes	17.0%
No	65.6%
Refused to answer	1.5%
Don't know / Difficult to answer	16.0%
TRADE AGREEMENTS	
Yes	23.8%
No	58.5%
Refused to answer	1.1%
Don't know / Difficult to answer	16.7%

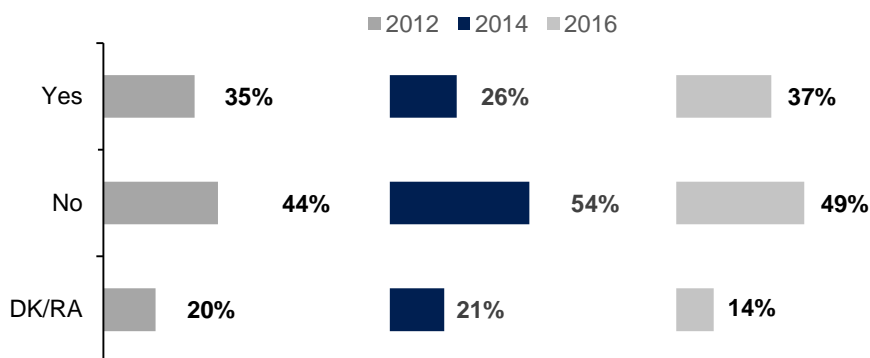
The majority of inquired top-managers think that antimonopoly legislation is not ensuring fair competition among businesses operating in Georgia (49%).

Diagram D4: Assessment of Antimonopoly Legislation - Is Georgia's current antimonopoly legislation sufficient to ensure fair competition within the country? N=1000



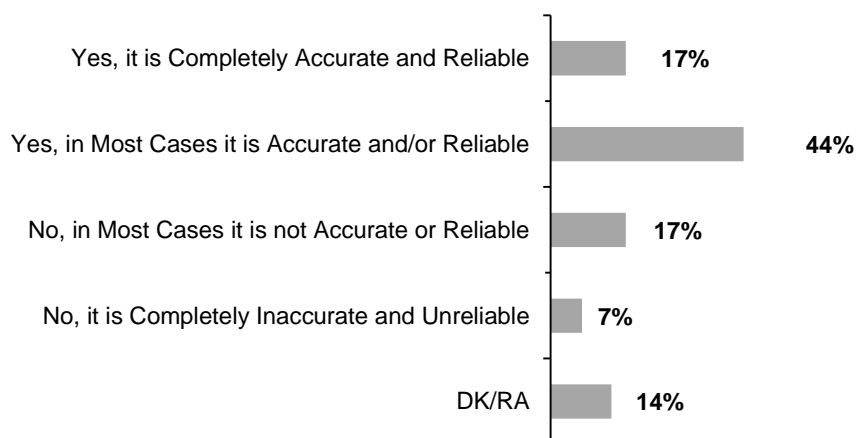
Comparison with 2012 and 2014 survey results shows that businesses assess antimonopoly legislation more positively in 2016 (35% in 2012, 26% in 2014 and 37% in 2016).

Diagram D4.1: Assessment of Antimonopoly Legislation / 2012 (N=1013) 2014 (N=1012) 2016 (N=1000)



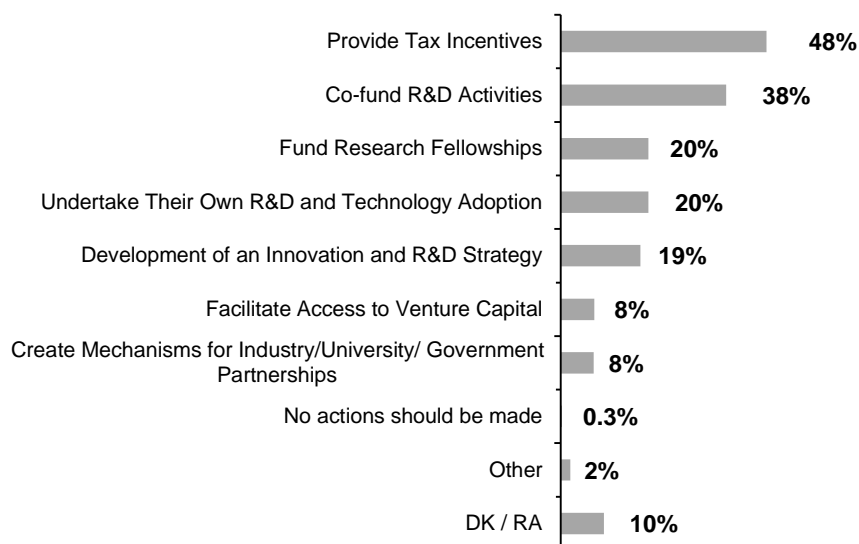
Accuracy and reliability of the data from GEOSTAT is evaluated positively by the majority of interviewed companies (17% - completely accurate and reliable and 44% - in most cases accurate and reliable). However, 27% of businesses have some doubts in relation to accuracy and reliability of GEOSTAT data.

Diagram D5: Evaluation of Accuracy and Reliability of GEOSTAT Data - Do you believe the quality of the data collected and presented by the National Office of Statistics of Georgia is accurate and reliable? N=1000



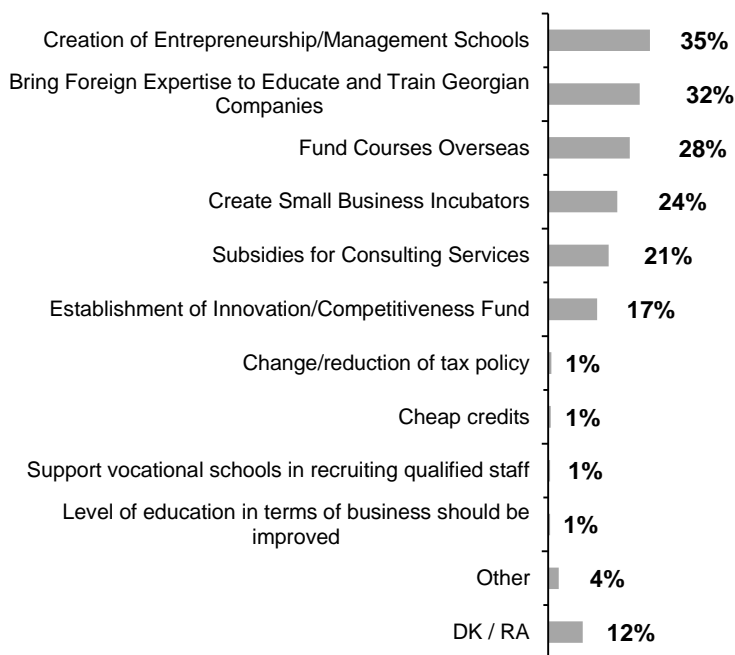
Interviewed top-managers were asked to discuss the measures to be adopted by the Georgian government in order to increase business spending on R&D, technology adoption and innovation. The majority of businesses think that more investment can be promoted by providing tax incentives (48%). As a reasonable measure is considered co-funding R&D activities (38%) funding research fellowships (20%) or undertaking their own R&D and technology adoption (20%). Some business leaders consider it necessary for the government to develop innovation and R&D strategy (19%), which will assist enterprises to increase their budgets devoted for development.

Diagram D6: Measures to Increase R&D, Technology Adaptation and Innovation - What measures should the Government of Georgia adopt to increase business spending on R&D, technology adoption and innovation? N=1000



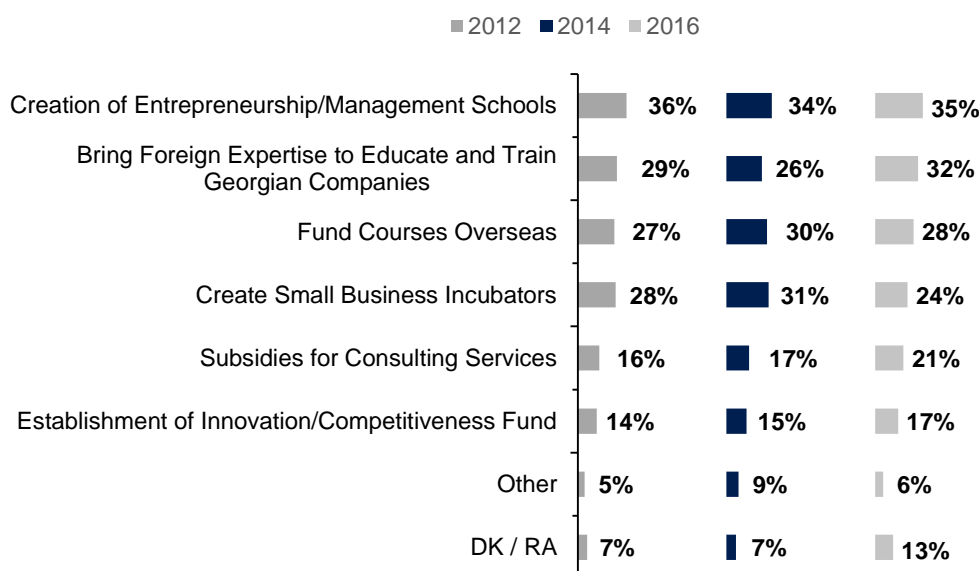
Survey participants discussed measures to increase management capacity and business sophistication of Georgian businesses. Among top five measures named were: (1) Creation of entrepreneurship/management schools (35%), (2) bringing foreign expertise to educate and train Georgian companies (32%), (3) funding overseas courses (28%), (4) creation of small business incubators (24%) and (5) subsidizing consulting companies (21%).

Diagram D7: Measures to Increase Management Capacity and Business Sophistication - What measures should the Government of Georgia adopt to increase management capacity and business sophistication? N=1000



As comparison of current survey results with studies in 2012 and 2014 shows, more businesses in 2016 think that in order to increase management capacity and business sophistication, the government should bring foreign expertise to educate and train Georgian companies (29% in 2012, 26% in 2014 and 32% in 2016). On the other hand, less businesses think that the government should create small business incubators (28% in 2012, 31% in 2014 and 24% in 2016), however, a share of the companies who think that this would be reasonable is still quite large – almost a quarter of interviewed businesses are supporting this idea.

Diagram D7.1: Measures to Increase Management Capacity and Business Sophistication / 2012 (N=1013) 2014 (N=1012) 2016 (N=1000)



Business representatives assessed the effectiveness of various business associations. It is worth mentioning that 40-50% of companies were not able to provide their evaluation due to lack of awareness of particular associations, whereas also large number of respondents could not provide their opinion due to lack of information. The percentage of the respondents that consider that the business associations are effective is also very low.

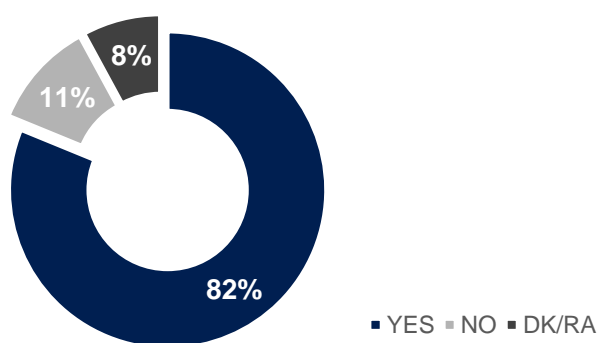
Table D8: Assessment of Effectiveness of Business Associations - How effective are each of the following Georgian Business Associations in advocating to the Government of Georgia the interests of your specific business or sector (whether you are a member of the association or not)? N=1000

Effectiveness of Business Associations	Very Effective	Somewhat Effective	Not Really Effective	Ineffective	I have not heard about this association	Refused to Answer	Don't Know/ Difficult to Answer
BUSINESS ASSOCIATION OF GEORGIA							
	3.6%	14.4%	9.2%	18.2%	9.1%	4.0%	41.5%
GEORGIAN SMALL AND MEDIUM ENTERPRISES ASSOCIATION							
	1.7%	11.6%	8.4%	15.6%	17.9%	3.2%	41.6%
AMERICAN CHAMBER OF COMMERCE							
	1.7%	9.6%	5.7%	15.5%	12.9%	4.0%	50.5%
GEORGIAN CHAMBER OF COMMERCE AND INDUSTRY							

Effectiveness of Business Associations	Very Effective	Somewhat Effective	Not Really Effective	Ineffective	I have not heard about this association	Refused to Answer	Don't Know/ Difficult to Answer
	3.1%	11.6%	7.8%	17.3%	9.3%	3.8%	47.0%
INTERNATIONAL CHAMBER OF COMMERCE AND INDUSTRY							
	1.8%	7.8%	5.4%	16.5%	13.8%	4.9%	49.8%
GEORGIAN EMPLOYERS' ASSOCIATION							
	2.1%	9.9%	8.6%	16.7%	14.2%	4.6%	43.9%
EU – GEORGIA BUSINESS COUNCIL							
	1.8%	8.0%	4.8%	12.9%	18.1%	4.9%	49.6%
ECONOMIC POLICY ADVOCACY CENTER							
	0.8%	4.8%	5.1%	9.7%	29.0%	3.5%	47.0%

The interviewed businesses were asked whether the GoG should establish a permanent coordination body comprising of the public sector, private sector and non-governmental organizations (NGOs) to discuss, debate and reach a consensus on country strategy, policy and legislation prior to adoption. The vast majority of the respondents were positive about this initiative (82%).

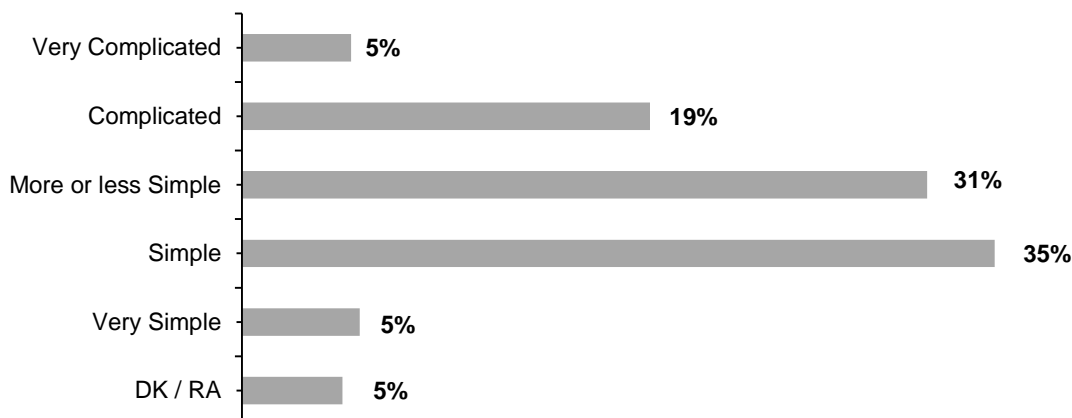
Diagram D9: Attitude toward the Establishment of a Permanent Coordination Body - *Should the Government of Georgia establish a permanent coordination body comprising the public sector, private sector and NGOs to discuss, debate and reach consensus on country strategy, policy and legislation prior to adoption?* N=1000



5.4. TAX ADMINISTRATION

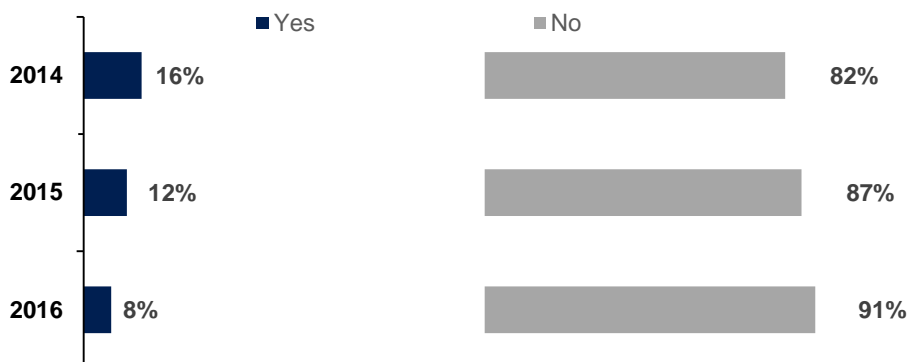
In the scope of the survey, respondents were asked to assess the simplicity of the audit process. As research results show, a large share of respondents assess the process of the audit as quite simple (5% - very simple; 35% - simple; 31% - more or less simple).

Diagram G1: Assessment of Tax Audit Process - How simple is the process of tax audit? N=854



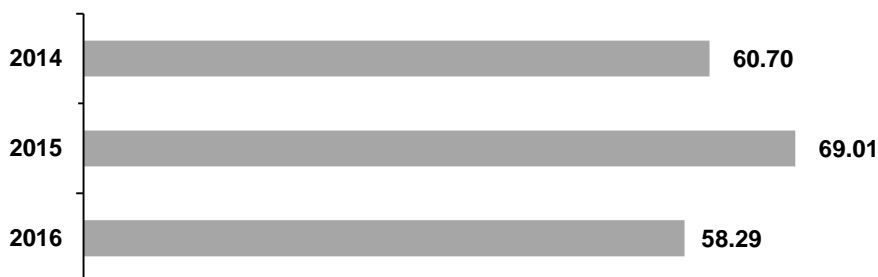
As research results revealed, in the case of quite a large number of businesses, the audit has not been conducted in recent years. In 2016, the smallest share of sampled respondents reports an audit in their company (8%).

Diagram G2: Share of Organizations where Audit has not Been Conducted - Has a tax audit(s) been conducted in your company? N=1000



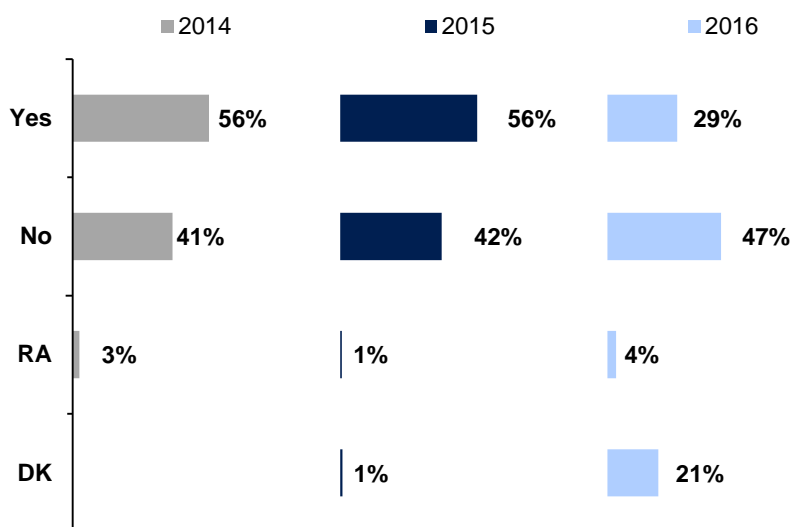
As for average duration of tax audit in the company, the number of days is not very different by three inquired years. According to respondents, tax audit takes on average 60-65 days.

Diagram G3: Average Duration of Audit in Organizations (days) - How long did the tax audit take, on average, in your company? N(2014)=155 N(2015)=120 N(2016)=77



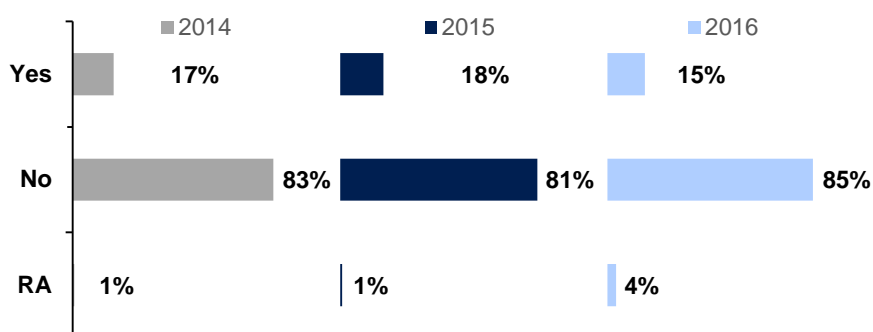
As survey results show, the number of companies, who were penalized as a result of audit were larger in 2014 and 2015 (56%). In 2016, the share of companies receiving penalties is smaller (29%).

Diagram G4: Additional Taxes or Penalties as a Result of Audit - Was your company charged with some additional taxes or penalized as a result of your last tax audit? N(2014)=155 N(2015)=120 N(2016)=77



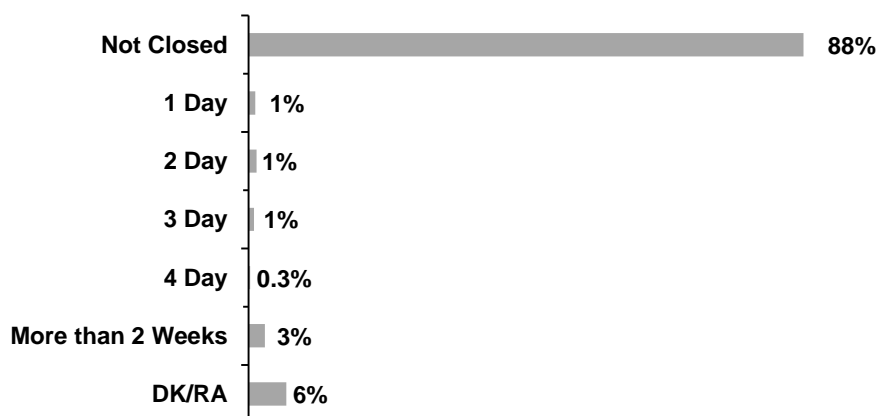
Tax audit process does not represent a major hindrance in business operations for majority of businesses. The majority of interviewed companies do not report any hindrances during the audit process.

Diagram G5: Operations Hindered During Last Audit - Was your company's operations hindered during your last tax audit? N (2014) =155 N (2015) =120 N (2016) =77



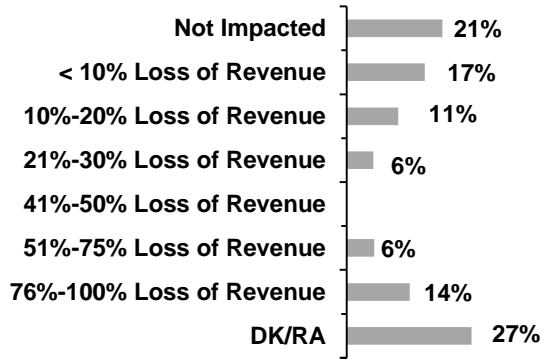
According to survey results, some companies were closed during the tax audit process. Three percent of inquired companies report that their company was closed for more than two weeks due to tax audit.

Diagram G6: Business Closed as the Result of an Audit - For how many days was your business closed as a result of the last tax audit? N=300



The majority of those companies that had to stop operating for a certain period of time during the audit, state that their revenues were not impacted (21%). Three interviewed company representatives noted that their company had lost less than 10 percent of revenue, whereas also three companies mentioned that they had 76-100 percent revenue loss.

Diagram G7: Revenues Impacted for the Period of Closure During Last Audit - By how much (in terms of percentage) were your revenues impacted for the period of closure during your last tax audit? N=19
 [Companies which were closed during tax audit]³



In the scope of the survey, respondents were asked to evaluate the simplicity of submitting tax declarations and obtaining tax refunds. A large share of companies state that these processes are simple or very simple.

Diagram G8: Simplicity of Process of Submitting the Tax Declarations - How simple is the process of submitting tax declarations? N=300

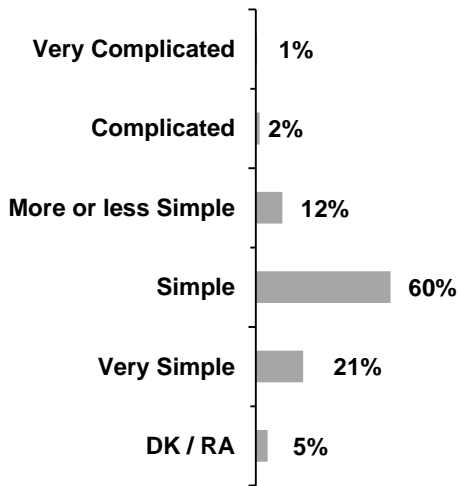
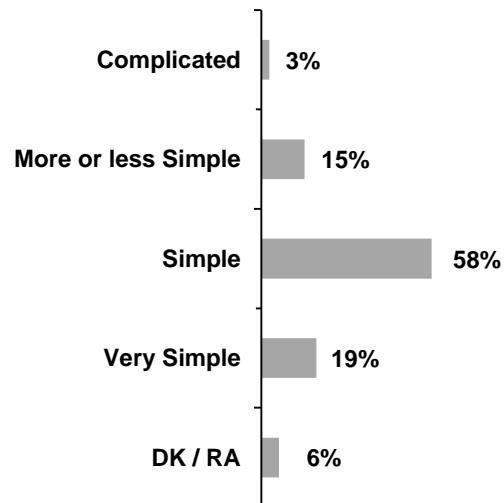


Diagram G.9: Simplicity of Obtaining Tax Refunds - How simple is it to obtain tax refunds? N=300



³ Not statistically significant. Chi-Square=0.121

As for the comparison with the 2011 and 2014 survey results, in 2016 more companies consider the process of submitting tax declarations as simple or very simple (79% in 2011, 71% in 2014 and 81% in 2016). Similarly, more companies in 2016 state that obtaining tax refunds is simple or very simple (71% in 2011, 70% in 2014 and 77% in 2016).

Diagram G8.1: Simplicity of Process of Submitting the Tax Declarations / 2011 (N=1002) 2014 (N=1012) 2016 (N=1000)

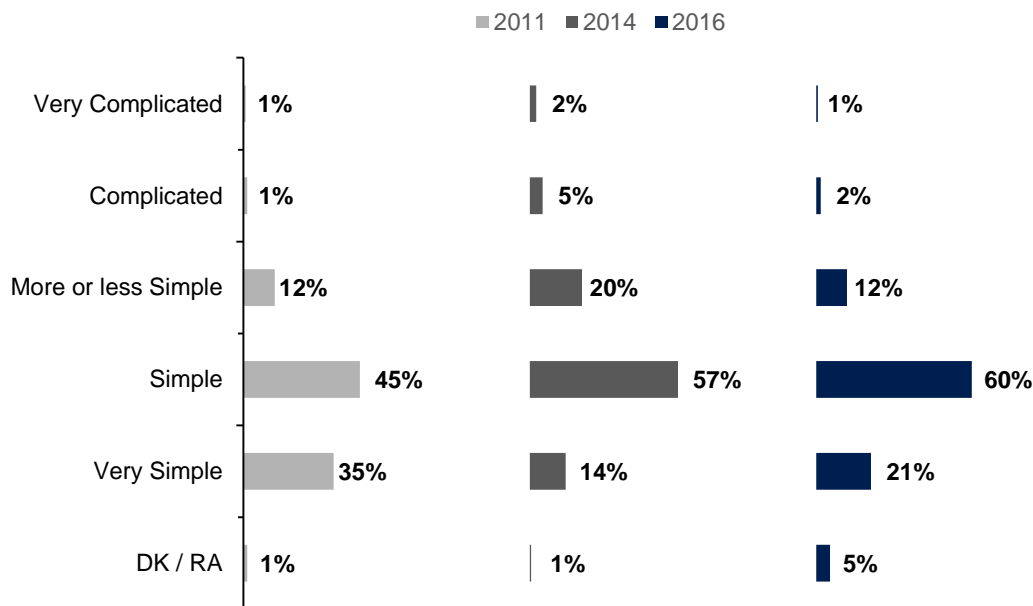
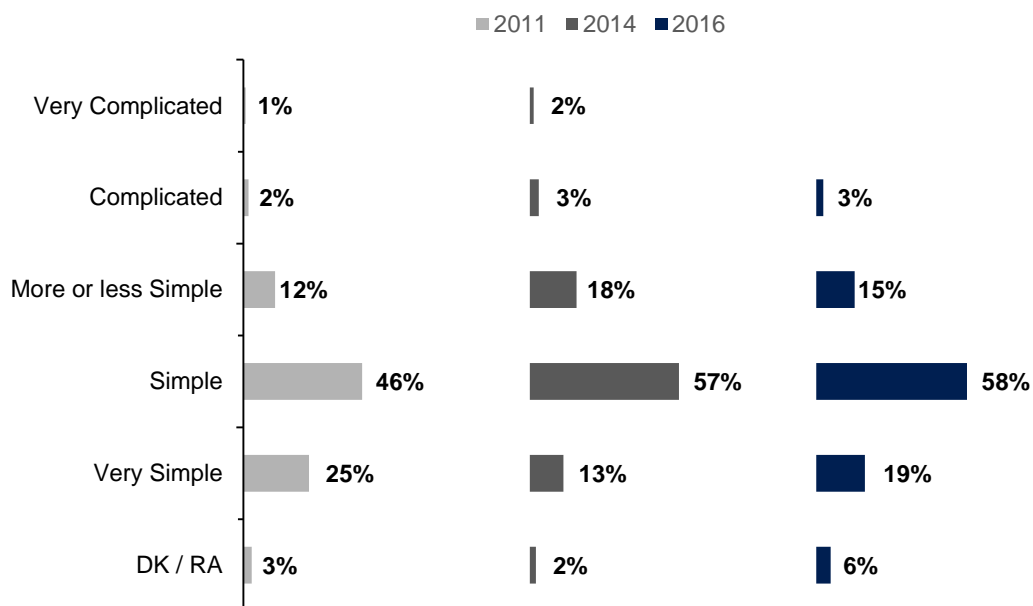


Diagram G.9.1: Simplicity of Obtaining Tax Refunds / 2011 (N=1002) 2014 (N=1012) 2016 (N=1000)

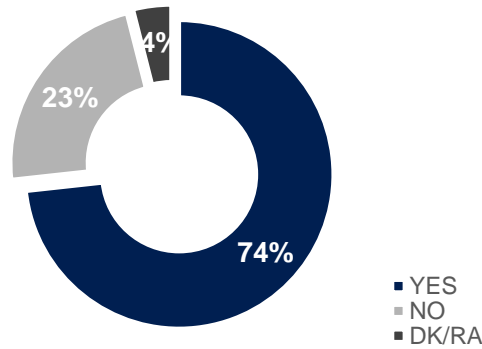


5.5. CUSTOMS PERCEPTIONS

Research participants were asked about their attitudes toward various topics concerning Customs. Generally, among interviewed businesses a half (49%) report to have imported or exported items during the last year. The share of businesses who report import or export of goods did not change significantly since 2014 – in 2014 survey 48 percent of companies reported to have exported or imported their goods.

According to businesses who have been exporting/importing during the last year, the majority (74%) claim that currently customs fees are reasonable.

Diagram H2: Perception of tax fees being reasonable - *Do you feel that customs fees are currently reasonable?* N=500



Customs procedures are evaluated by the majority of the survey participants as transparent (94%) and convenient for their company (92%).

Diagram H3.1: Transparency of the Customs Procedures - *Do you feel that customs procedures are transparent?* N=500

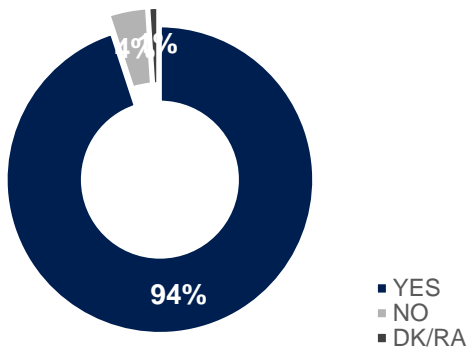
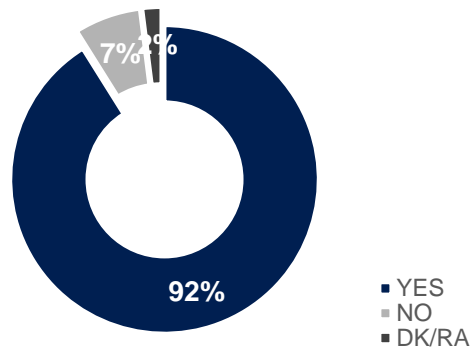


Diagram H3.2: Convenience of the Customs Procedures - *Do you feel that customs procedures are convenient for your company?* N=500



The large share of interviewed companies agree that sufficient information is available on customs regulations to ensure compliance during import or export (90%). Also, the majority of companies state that they have sufficient information on changes to customs regulations (87%).

Diagram H4: Sufficiency of the Available Information during Export/Import - *Is sufficient information on customs regulations currently available to ensure compliance when importing/exporting goods?* **N=500**

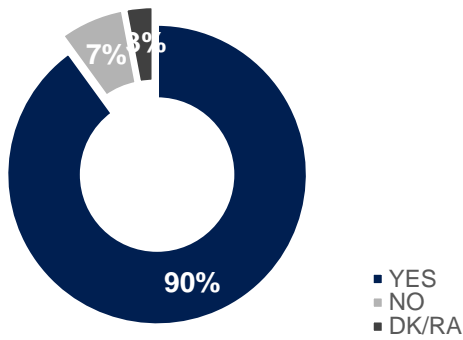
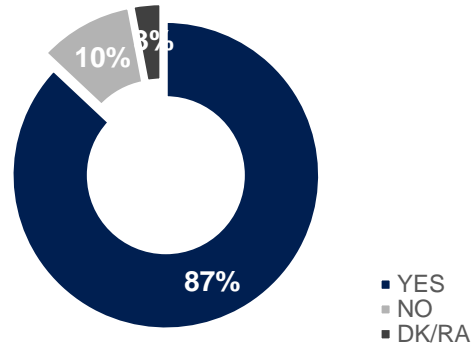


Diagram H5: Access to information on changes to regulations - *Do you currently have access to information on changes to regulations?* **N=500**

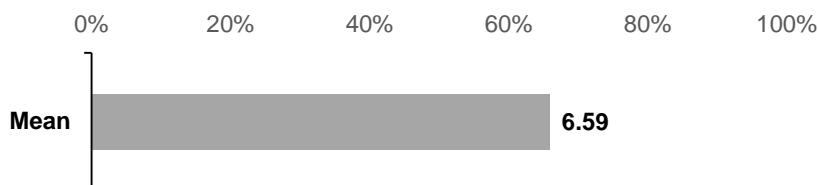


5.6. INFORMATION AND COMMUNICATION TECHNOLOGIES

As survey results show, the absolute majority of interviewed companies use computers (97%) as well as internet (97%) in their business. Also, quite a large amount of businesses state that they use information systems in their business (76%).

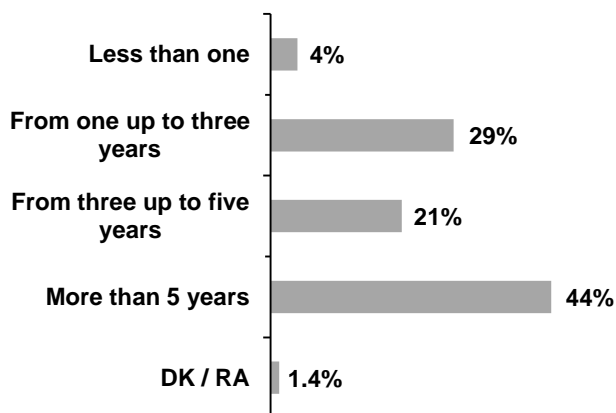
Survey respondents were asked to evaluate the advancement of the adoption of innovation and technology in their sector among businesses in Georgia. Respondents were asked to provide their evaluations on a 10-point scale, where “1” indicated “not advanced at all” and “10” indicated “very advanced”. According to the survey data, business representatives provide quite positive evaluations (mean value equals 6.59).

Diagram Z4: *In your view, how advanced is the adoption of Innovations and Technologies in the sector you are operating (among businesses in Georgia)? N=1000*



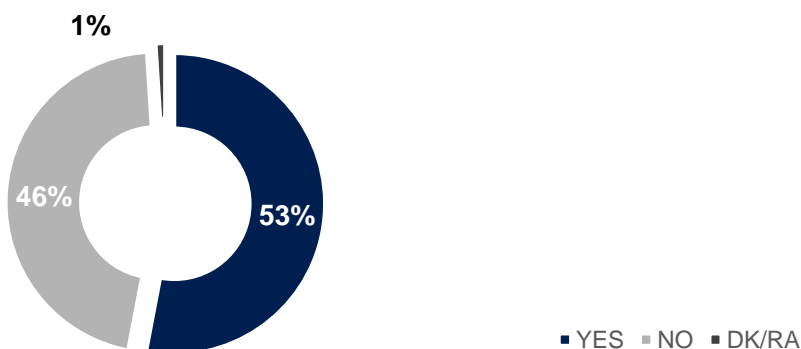
As survey results show, the half of interviewed businesses have a dedicated website for their business (50%). The majority of businesses having their own website have it already for more than five years. Only four percent of companies have launched their website quite recently, i.e. in the last year.

Diagram Z5.1: *For how many years do you have the website already? N=512*



Usage of social media is also quite widespread practice among medium and large businesses. Fifty-three percent of interviewed companies state that they are using social media (Facebook, Twitter, Instagram, etc.) for their business.

Diagram Z6: *Are you using social media (Facebook, Twitter, Instagram, etc.) for your business? N=1000*



According to the survey results, 15-16% of companies are using e-commerce **for purchases** countrywide as well as cross border. As it is evident, the companies using e-commerce in Georgia tend to use it also cross-border. E-commerce is less frequently used for selling of goods and services – 14% of companies report to use e-commerce for sales countrywide, whereas only eight percent use e-commerce for selling goods or services cross-border.

Diagram Z7: Are you using e-Commerce for purchases (Countrywide and cross border)? N=1000

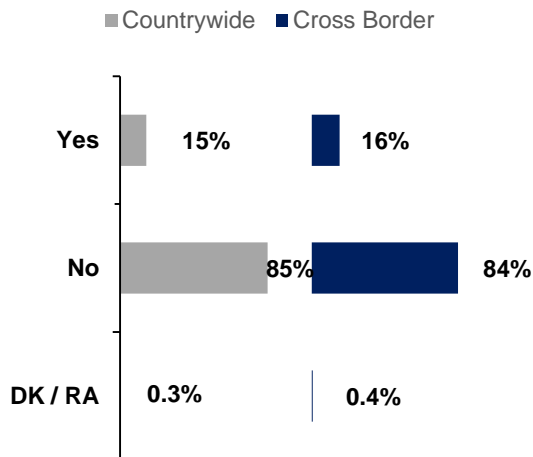
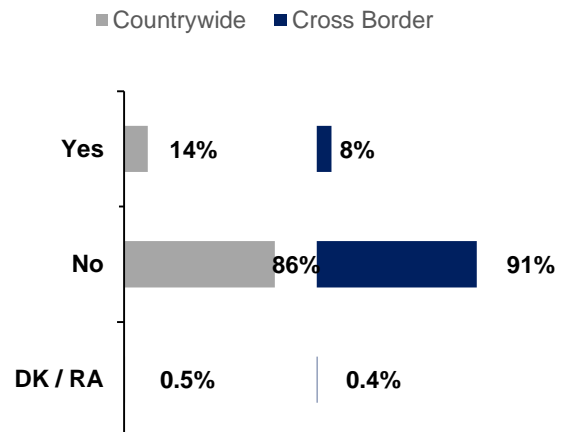


Diagram Z8: Are you using e-Commerce for selling goods or services (Countrywide and cross border)? N=1000



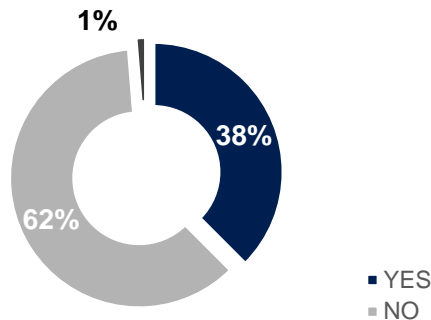
Quite a small share of companies uses internet or online platforms for loans or investment attraction (7%), while the vast majority (92%) state that they do not attract loans or investments through internet or online platforms.

Diagram Z9: Do you use internet or online platforms for loans or investment attraction? N=1000



Quite a large number of companies (38%) state that they have increased their use of information and communication technologies over the last six months.

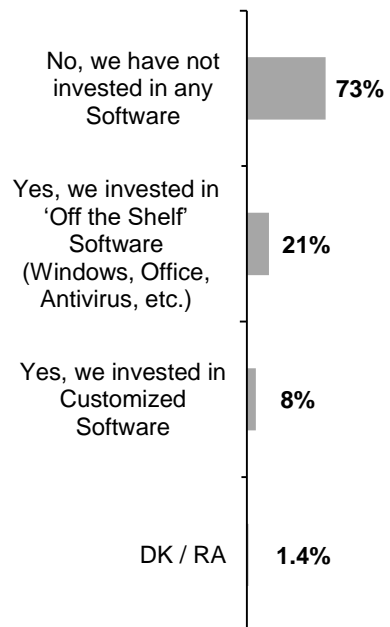
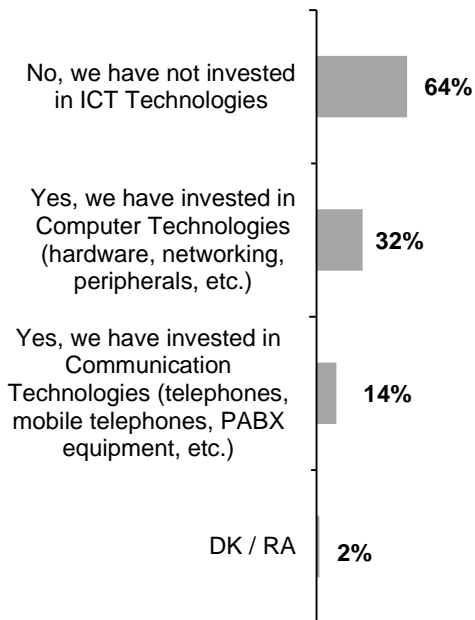
Diagram Z10.: Increase in Use of Information and Communication Technologies - Have you increased your use of information and communication technologies over the last six months? N=1000



Almost a third of interviewed business representatives (32%) state that they have invested in computer technologies such as hardware, networking or peripherals, whereas 14% of respondents state that they have invested in communication technologies such as telephones, mobile phones, etc.

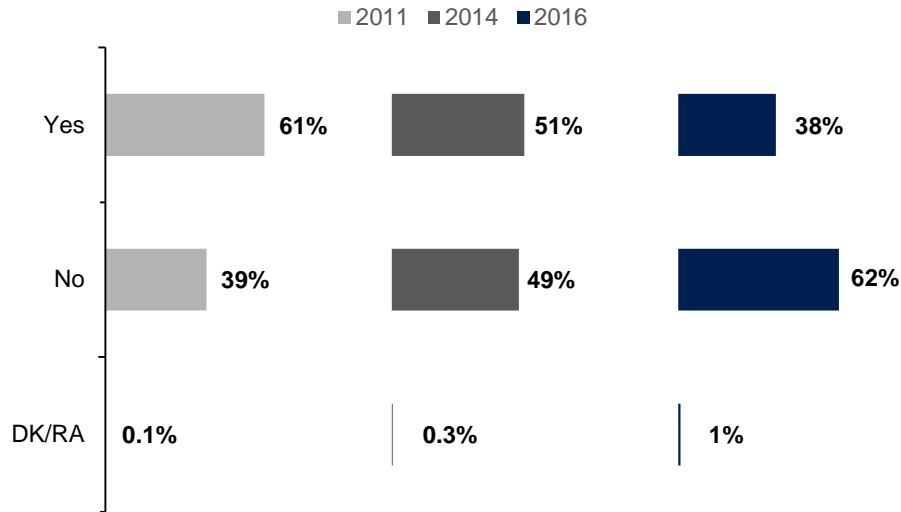
Diagram Z11: Investment in Information and Communication Technologies - Have you invested in information or communication technologies (hardware, telecom equipment) over the last six months? N=1000

Diagram Z12: Distribution of Investment in Software/computer Programs - Have you invested in Software/Computer Programs over the last six months? N=1000



Comparison of current survey results with the business surveys in 2011 and in 2014 reveals that there was no increase in use of information & communication technologies between 2014 and 2016, (51% - reported increase in 2014 VS 38% reported increase in 2016) however, increase is evident between 2011 and 2014. Closer look reveals that there is no increase between 2014 and 2016 in case of hardware (44% no investment in 2011, 53% - no investment in 2014 and 64% no investment in 2016) as well as software (59% - no investment in 2011, 68% - no investment in 2014 and 73% no investment in 2016), however, increase is evident between 2011 and 2014.

Diagram Z10.1: Increase in Use of Information and Communication Technologies 2011 (N=1002) 2014 (N=1012) 2016 (N=1000)



5.7. TRANSPORT AND LOGISTICS

As survey results suggest, for half of the interviewed companies transportation costs remained the same over the last six months (50%). Almost a quarter of businesses state that their expenses have increased (23%), whereas for 13% of companies the transportation costs decreased.

As for the amount of transported goods, similarly to transportation costs, half of interviewed business representatives state that the amount of transported goods did not change over the last six months.

As for the cost of one transportation unit, again, half of respondents state that this amount did not increase (50%), for 16% of businesses report increase in price, whereas 12% report decrease.

Comparison of current survey results with the 2014 study does not show any major changes in terms of transportation costs or amount of transported goods. Slightly less businesses report increase in transportation costs in 2016 compared to 2014.

Diagram K1.1: Changes in transportation costs - Did your business transportation costs increase, decrease or stay the same over the last six months? N=1000

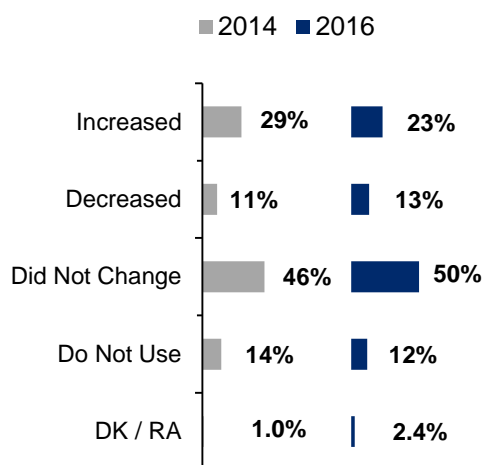
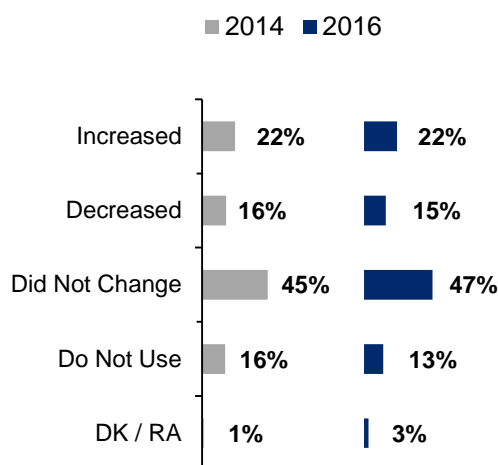
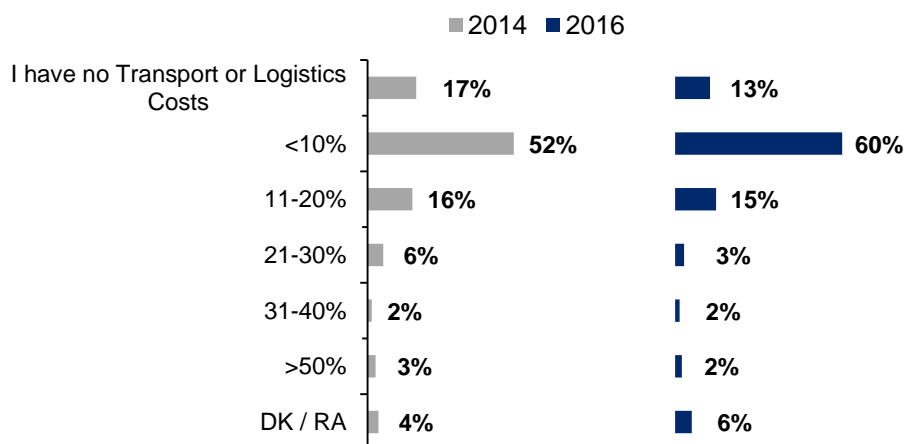


Diagram K1.2: Changes in amount of transported goods - Did your volume of transported goods increase, decrease or stay the same over the last six months? N=1000



According to 2016 survey results, for the majority of companies (60%), only 10% or less of total company expenses are represented by transportation and logistics. The share of such companies in 2014 was 52%. Only two percent of interviewed business leaders state that the proportion of their total company expenses are represented by transportation and logistics.

Diagram K2: Proportions of the Transportation and Logistics - What proportion of your total company expenses is represented by transportation and logistics costs? N=1000

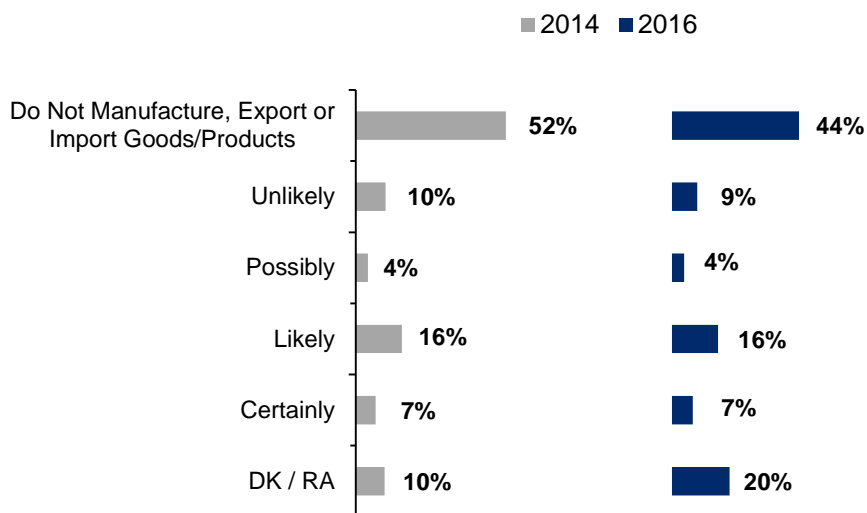


Interviewed businesses were asked about the need to utilize the services of logistics center in Georgia within the next three years.

A large part of companies stated that they do not manufacture, export or import goods, so the usage of logistics services are not relevant for them (44%). Twenty-three percent of respondents expressed a willingness to use the above mentioned services in the future (7% - certainly; 16% - likely).

Comparison with the survey results in 2014 do not show any significant changes in attitudes of businesses towards services of logistics center.

Diagram K3: Forecast of Utilization of Logistics Service Provider - *If your business manufactures, exports or imports goods/products, do you foresee the need utilize the services of a logistics center and service providers in Georgia within the next three years? N=1000*

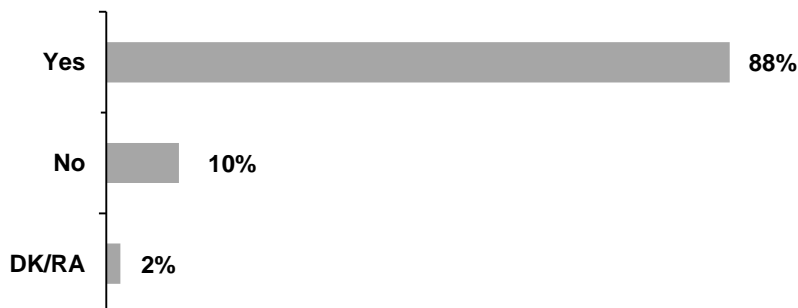


5.8. STATE PROCUREMENT

Survey participant companies were asked about participation in state procurement during the last year. As evident from the survey results, 30% of companies took part in state procurement last year.

The majority of interviewed companies (88%) think that the information and available documentation during the state procurement/bidding process is sufficient.

Diagram L2: Sufficiency of Tender/Bidding Documentation - *Is sufficient information and documentation available during the state procurement tender/bidding process to enable you to make a decision on whether to participate?* **N=293**



According to study results, businesses evaluate state procurement process as faster (91%) as well as easier (87%).

Diagram L3: Evaluation of Procurement Process - *Is the electronic state procurement process faster⁴?* **N=293**

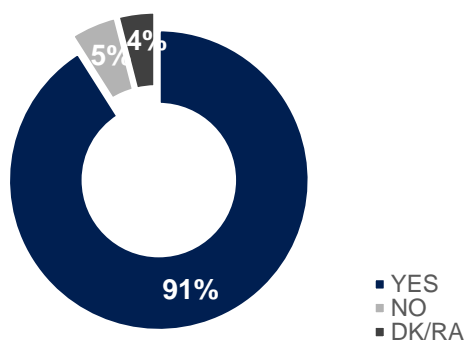
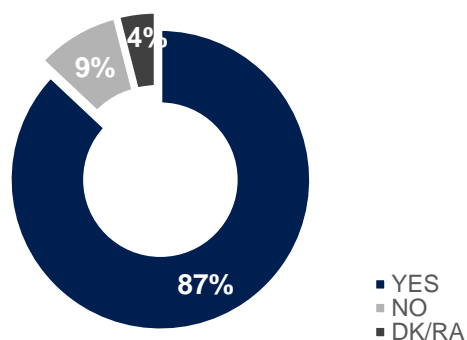


Diagram L4: Evaluation of Procurement Process - *Is the electronic state procurement process easier⁵?* **N=293**



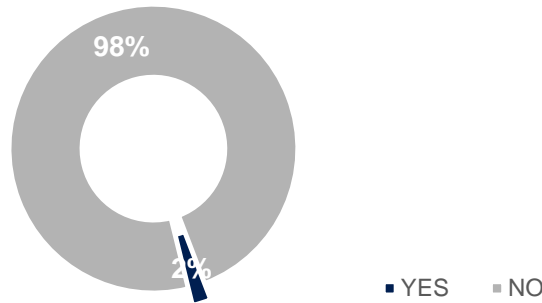
⁴ The faster refers with the previous practice.

⁵ The easier refers with the previous practice.

5.9. CAPITAL MARKET

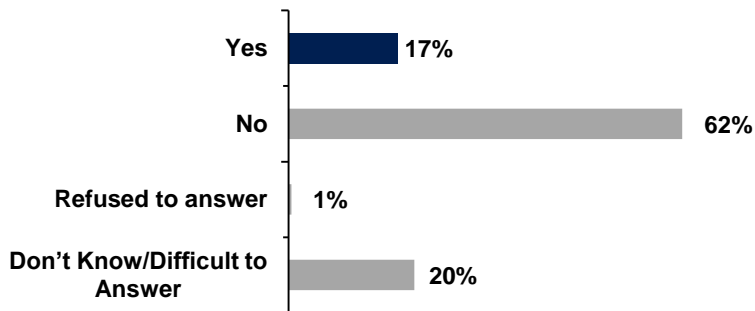
Survey participant businesses were inquired about usage of capital market instruments. As evident from the survey data, only very small share of businesses uses capital market instruments (2%).

Diagram N1: Utilization of Capital market Instruments - Do you use capital market instruments in financing your business operations? N=1000



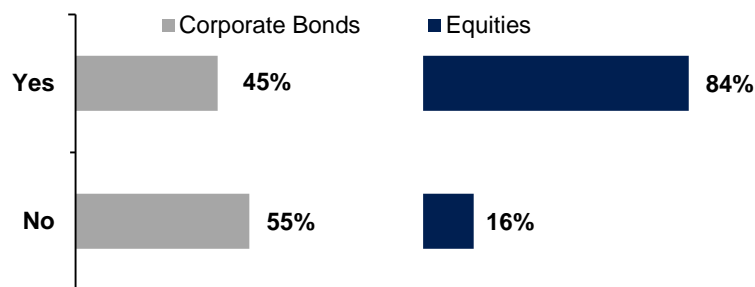
As for the willingness to use capital market instruments in the future, almost every fifth business representative expresses a desire to use financial market instruments in the next 10 years. Interestingly, the share of businesses who have not a formed opinion on this issue is quite large (20%).

Diagram N2: Willingness to Use Capital Market Instruments in the Future - Thinking about the future, will you be willing to use financial market instruments, in next 10 years? N=1000



Among businesses who express willingness to use capital market instruments, the majority states that they prefer to use equities (84%), whereas smaller share of businesses are willing to use corporate bonds (45%).

Diagram N2.1: Willingness to Use Particular Capital Market Instruments - Which instruments would you more likely use? N=172



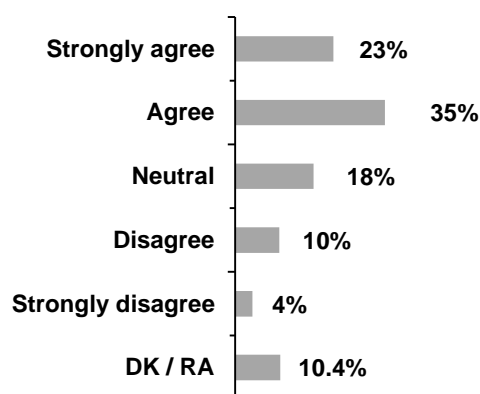
5.10. PENSION REFORM

Medium and large businesses were provided with the short description of the pension reform and were asked to evaluate it.

The description of the Pension Reform looked as follows: The GoG is working on the private retirement savings system model. According to this model, the monthly contribution to the pension fund is defined as 6%. The contribution will be distributed among employee (2%), employer (2%) and the State (2%). The employees will automatically become members of the pension system, however, the employee will have the right to withdraw from the system. In the case of the employer decides to stay in the system, 2% co-funding obligation of the State and employer emerge. Pension savings go to the non-commercial pension fund. The accumulated funds will be invested in local and international financial markets. The parameters for the pension assets will be subject to appropriate regulation.

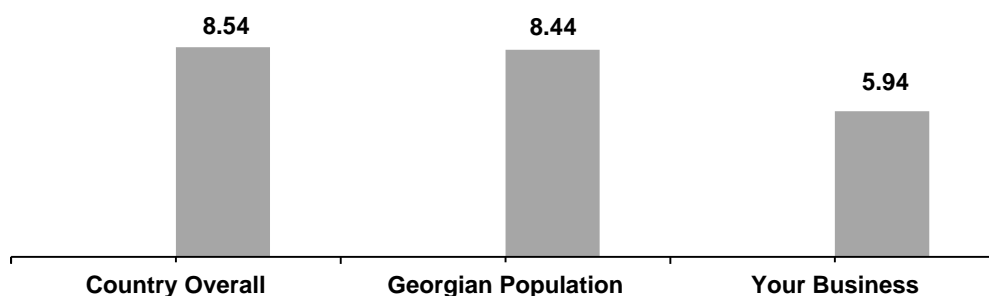
As survey results suggest, most businesses evaluate the Pension Reform positively. Fifty-eight percent of respondents agrees to the proposed concept of the pension reform, 18% has a neutral attitude, whereas 14% disagrees with the proposed concept.

Diagram O1: Evaluation of the Pension Reform - To what extent do you agree to the above proposed concept of the pension reform? N=1000



As evident from survey results, Pension Reform is considered as most important for the country overall (mean value of 8.54 on a 10-point scale). Importance of Pension Reform for the Georgian population also has a high average score (8.44). The Pension Reform is considered as least important for the businesses.

Diagram O2: Importance of the Pension Reform - In your opinion, how important is the implementation of pension reform for [1] your business, [2] for Georgian population, [3] for the country overall? N=1000



Business representatives were asked to evaluate their willingness to pay additional contribution (2%) to the employees. According to survey results, on a 10-point scale the average willingness to pay equals 6.23.

Diagram O2: Willingness to Pay Additional Contribution - *Could you please evaluate your willingness to pay this additional contribution?* N=1000



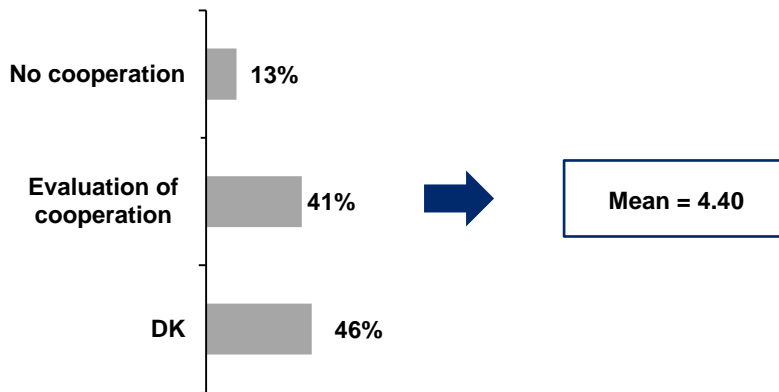
5.11. WATER ISSUES

One of the topics covered in the scope of the study was water supply. Representatives of businesses were inquired about collaboration of government and businesses on water policy development. Respondents were asked to evaluate the extent of cooperation on a 10-point scale, where “1” means that government and businesses cooperate very passively and “10” means that they operate very actively.

Thirteen percent of interviewed companies stated that, in their opinion, there is no cooperation between government and businesses on water policy, whereas 41% provided their evaluation. Almost a half of respondents (45%) could not provide their opinion on the abovementioned issue.

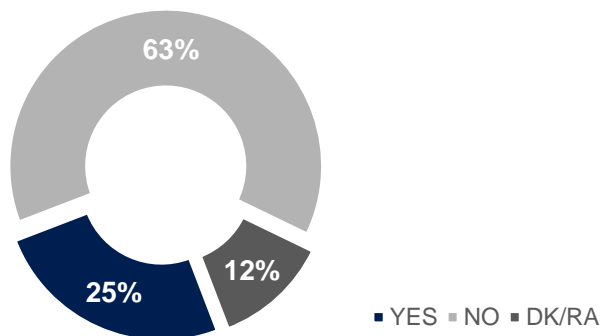
As survey results suggest, the cooperation of government and businesses is evaluated as not very active – on a 10-point scale the mean value for cooperation equals 4.40.

Diagram P1: Cooperation of Businesses and Government on Water Policy - *In your opinion, to what extent do businesses and government collaborate on water policy development?* **N=1000**



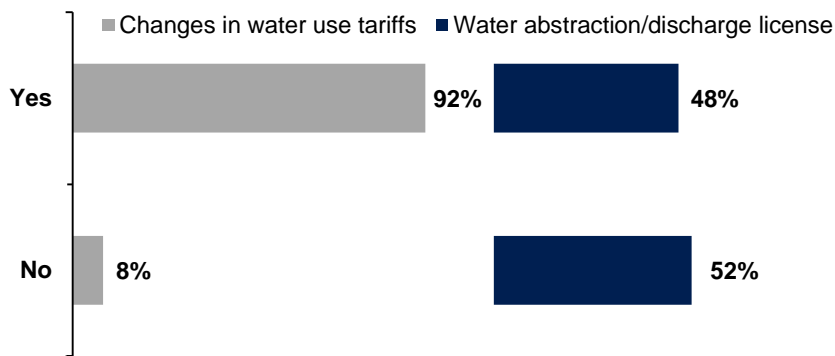
Every fourth interviewed business representative is aware of upcoming changes of Water Law in Georgia. However, 63% of respondents stated that they are not informed about the upcoming changes.

Diagram P2: Awareness of Changes in Water Law - *Are you aware of upcoming changes of water law (water use tariffs, water abstraction/discharge licenses)?* **N=1000**



As evident from the survey data, among informed businesses, more respondents are aware of changes in water use tariffs (92%) compared to water abstraction or discharge license (48%).

Diagram P2.1: Awareness of Changes in Water Law (Particular Changes) - Which changes in particular are you aware of? N=252



Business representatives were asked to evaluate new regulations related to the Water Law. Evaluation was made on a 10-point scale, where “1” means “very negative” and “10” means “very positive”. Overall, the new regulations are assessed as more or less positive – on a 10-point scale the average evaluation equals 5.38.

Diagram P3: Evaluation of the New Regulations related to the Water Law - Overall, how would you evaluate new regulations related to the water law? N=223



APPENDIX A: SURVEY QUESTIONNAIRE

Questionnaire Number

Questionnaire Coded:

Questionnaire Entered:



Governing for Growth in Georgia (G4G) Business Organizations Survey

September, 2016

READ THE TEXT BELOW TO EACH RESPONDENT

Good morning/afternoon/evening, my name is _____, (**TELL YOUR NAME**) from research company, ACT. On behalf of the USAID-funded Governing for Growth in Georgia (G4G) Project, I would be grateful if you could spare me a few minutes to answer some questions relating to Georgia's business environment. All answers will remain confidential and will be used solely to measure project performance and priorities for future activities. Your answers will be combined with those of 999 other business representatives interviewed throughout Georgia and will only be presented collectively. The survey should take around 25-30 minutes in total.

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

COMPLETE THE TABLE BELOW UPON COMPLETION OF INTERVIEW

Name of the company	
Address of the company	
Telephone number of the company	
Name and surname of the respondent*	
Respondent's position in the organization	
Respondent's telephone number	

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

NAME AND SURNAME OF THE INTERVIEWER: _____ **Code:**

GEOSTAT CODE:

ACT CODE:

DATE OF INTERVIEW:

DAY

MONTH

INTERVIEW START TIME: _____ / _____ **INTERVIEW COMPLETION TIME:** _____ / _____

HOUR

MINUTE

HOUR

MINUTE

USE THE FOLLOWING CODES IN THE QUESTIONNAIRE:

Refused to Answer	77
Not Applicable	88
Don't Know/Difficult to Answer	99

SECTION A – AWARENESS OF REFORMS

A1. Are you aware of any economic reforms undertaken in 2014 and 2016 in Georgia?

Yes	1	CONTINUE
No	2	GO TO A3
<i>Refused to Answer</i>	<i>77</i>	CONTINUE

A2. Which economic reforms are you aware of? Could you possibly list some? **(DO NOT READ - MULTIPLE ANSWERS ALLOWED)**

A2.1. Are you aware of the following economic reforms ... **(READ ALL REFORMS THAT WERE NOT NAMED IN A2)**

	A2. SPONTANEOUS AWARENESS	A2.1. PROMPTED AWARENESS
Tax Reform	1	1
Customs Reform	2	2
Pension Reform	3	3
Capital Market Reform	4	4
State Procurement Reform	5	5
Insolvency System Reform	6	6
Land Registration Reform	7	7
Electricity Trading Mechanism (ETM) Reform	8	8
Water Resources Management Reform	9	9
Other (SPECIFY)		
<i>Refused to Answer</i>	<i>77</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>	<i>99</i>

A3. Personally, or for your business, how accessible is information on economic reforms in Georgia?

Inaccessible	1
Relatively Accessible	2
Easily Accessible	3
<i>Refused to Answer</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>

A4. Personally, or for your business, where do you find information on economic reforms? **(MULTIPLE ANSWERS ALLOWED)**

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

From Government Agencies	1
From Media	2
From Business/Trade Associations	3
From Business Partners	4
Other (SPECIFY)	
Other (SPECIFY)	
<i>Refused to Answer</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>

SECTION C– RELATIONS WITH MEDIA

C1. Please indicate your primary source of news and information on current affairs in Georgia? **(ONE ANSWER ONLY)**

Television	1
Radio	2
Newspaper	3
Magazine	4
Internet	5
Friends and Family	6
Other (SPECIFY)	
<i>Refused to Answer</i>	<i>77</i>

**C2. Which TV station did you watch most frequently last week to obtain business & economics information?
(ONE ANSWER ONLY)**

I did not get business & economics information from TV	0
Imedi	1
Rustavi 2	2
Public Broadcaster	3
Tabula	4
Palitra TV	5
Kavkasia	6
Sakartvelo	7
Maestro	8
Abkhazetis Xma	9
Patriarchy Television "Ertulovneba"	10
Artarea	11
GDS	12
Obiektivi	13
Adjara TV	14
CNN	15
BBC	16
Al Jazeera	17
Russian TV Channels	18
Other (SPECIFY)	
Refused to Answer	77

**C3. Which newspaper did you read most frequently last week to obtain business & economics information?
(ONE ANSWER ONLY)**

I did not get business & economics information from newspapers	0
Kviris Palitra	1
24 Saati	2
Alia	3
Alioni	4
Akhali Taoba	5
Bankebi da Finansebi	6
Imedi	7
Sitkva da sakme	8
Asaval-dasavali	9
Akhali versia	10
Georgian Times	11
Rezonansi	12
Sakartvelos Respublika	13
Georgia Today	15
7 Dge	16
Other (SPECIFY)	
Refused to Answer	77

**C4. Which magazine did you read most frequently last week to obtain business & economics information?
(ONE ANSWER ONLY)**

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

I did not get business & economics information from magazines	0
Forbes Georgia	1
Focus	2
Gza	3
Liberali	4
Tabula	5
Other (SPECIFY)	

Refused to Answer	77
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C5. Please recall, in the past week, how many days you accessed the internet to obtain information about Georgian business & economics? Name the number of days when you obtained such information. **(INDICATE NUMBER OF DAYS, IF THE ANSWER IS “NONE” INDICATE “0 DAYS” AND GO TO C7)**

C6. Please tell me, which website you used most frequently last week to obtain such information? **(ONE ANSWER ONLY) IN CASE RESPONDENT NAMES FACEBOOK, ASK TO PROVIDE THE LINK OF INFORMATIONAL WEBSITE WHICH WAS ACCESSED VIA FACEBOOK. IN CASE THE RESPONDENT DOES NOT REMEMBER THE LINK RECORD RESPONSE FACEBOOK.**

www.rs.ge	0
www.ambebi.ge	1
www.interpressnews.ge	2
www.news.ge	3
www.commersant.ge	4
www.presa.ge	5
www.palitra.ge	6
www.economy.ge	7
Other (SPECIFY)	
Refused to Answer	77

C7. Prior to this survey, have you heard or read anything about the Governing for Growth in Georgia / G4G Project?

Yes	1
No	2
<i>Refused to Answer</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>

SECTION D– GENERAL ATTITUDES

D1. What factors hinder businesses in their day-to-day operations? (MULTIPLE ANSWERS ALLOWED)

No Hindrances	0
Inconsistent Policies (regulations, markets, approaches, etc.)	1
Frequent Legislation and Policy Change	2
Harassment by Government Bodies/Agencies	3
Lack of Fair Competition Environment	4
Inconsistent or Unclear Application of Rule of Law	5
Lack of Intellectual Property Rights Protection	6
Administrative Burden (Number of Documents, Procedures, etc.)	7
High taxes	8
Unclear/vague laws	9
High interest rates for the loans	10
Other (SPECIFY)	
Other (SPECIFY)	
<i>Refused to Answer</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>

D2. In what areas could the Government of Georgia best support businesses and increase productivity? (MULTIPLE ANSWERS ALLOWED)

Access to Affordable Finance	1
Improve Taxation Policy & Rates	2
Support Skills Development	3
Development of Joint Public/Private Sector Strategies for Development of Targeted Sectors	4
Provide Assistance to SMEs in Terms of Technology Adoption	5
Other (SPECIFY)	
Other (SPECIFY)	
<i>Refused to Answer</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>

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

		Yes	No	<i>Refused to Answer</i>	<i>Don't Know/Difficult to Answer</i>
1	New Legislation	1	3	77	99
2	Revising Existing Legislation	1	2	77	99
3	Country Vision and Strategy Development	1	2	77	99
4	Policy Changes and Developments	1	2	77	99
5	Trade Agreements	1	2	77	99

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

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

D5. Do you believe the quality of the data collected and presented by the National Office of Statistics of Georgia is accurate and reliable?

Yes, it is Completely Accurate and Reliable	1
Yes, in Most Cases it is Accurate and/or Reliable	2
No, in Most Cases it is not Accurate or Reliable	3
No, it is Completely Inaccurate and Unreliable	4
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

D6. What measures should the Government of Georgia adopt to increase business spending on R&D, technology adoption and innovation? **(MULTIPLE ANSWERS ALLOWED)**

Provide Tax Incentives	1
Co-fund R&D Activities	2
Fund Research Fellowships	3
Development of an Innovation and R&D Strategy	4
Create Mechanisms for Industry/University/ Government Partnerships	5
Facilitate Access to Venture Capital	6
Undertake Their Own R&D and Technology Adoption	7

Other (SPECIFY)	
Other (SPECIFY)	
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

D7. What measures should the Government of Georgia adopt to increase management capacity and business sophistication? (**MULTIPLE ANSWERS ALLOWED**)

Creation of Entrepreneurship/Management Schools	1
Fund Courses Overseas	2
Create Small Business Incubators	3
Establishment of Innovation/Competitiveness Fund	4
Subsidies for Consulting Services	5
Bring Foreign Expertise to Educate and Train Georgian Companies	6
Other (SPECIFY)	
Other (SPECIFY)	
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

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

		Very Effective	Somewhat Effective	Not Really Effective	Ineffective	I have not heard about this association	<i>Refused to Answer</i>	<i>Don't Know/Difficult to Answer</i>
1	Business Association of Georgia (BAG)	1	2	3	4	55	77	99
2	Georgian Small and Medium Enterprises Association (GSSMEA)	1	2	3	4	55	77	99
3	American Chamber of Commerce	1	2	3	4	55	77	99
4	Georgian Chamber of Commerce & Industry (GCCCI)	1	2	3	4	55	77	99

		Very Effective	Somewhat Effective	Not Really Effective	Ineffective	I have not heard about this association	<i>Refused to Answer</i>	<i>Don't Know/Difficult to Answer</i>
5	International Chamber of Commerce	1	2	3	4	55	77	99
6	Georgian Employers' Association (GEA)	1	2	3	4	55	77	99
7	EU – Georgia Business Council (EUGBC)	1	2	3	4	55	77	99
8	Economic Policy Advocacy Center (EPAC)	1	2	3	4	55	77	99
9	Other (Specify)	1	2	3	4	55	77	99

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

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

SECTION G – TAX ADMINISTRATION

G1. How simple is the process of tax audit? Please base your answer on a 5-point scale, where 1 represents “Very Complicated” and 5 represents “Very Simple”

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

Not Applicable	0
Very Complicated	1
Complicated	2
More or less Simple	3
Simple	4
Very Simple	5
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

G2. Has a tax audit(s) been conducted in your company (1) in 2014? (2) in 2015? (3) in 2016? **(TAX AUDIT PERFORMED BY THE REVENUE SERVICE AND NOT A PRIVATE AUDIT FINANCED BY THE COMPANY)**

None	0			GO TO SECTION H
Indicate Number of Audits Performed	G2.1 2014	G2.2 2015	G2.3 2016	CONTINUE
<i>Refused to Answer</i>	77	77	77	GO TO SECTION H
<i>Don't Know/Difficult to Answer</i>	99	99	99	

G3. How long did the tax audit take, on average, in your company (1) in 2014, (2) in 2015 and (3) in 2016? **(INDICATE NUMBER OF DAYS)**

	G3.1 2014	G3.2 2015	G3.3 2016
Number of Days			
<i>Refused to Answer</i>	77	77	77
<i>Don't Know/Difficult to Answer</i>	99	99	99

G4. Was your company charged with some additional taxes or penalized as a result of the tax audit in (1) 2014? (2) in 2015? (3) and in 2016?

	G4.1 2014	G4.2 2015	G4.3 2016
Yes	1	1	1
No	2	2	2

	G4.1 2014	G4.2 2015	G4.3 2016
<i>Refused to Answer</i>	77	77	77
<i>Don't Know/Difficult to Answer</i>	99	99	99

G5. Was your company's operations hindered during the tax audit (1) in 2014? (2) in 2015? (3) and in 2016?

	G5.1 2014	G5.2 2015	G5.3 2016	
Yes	1	1	1	CONTINUE
No	2	2	2	GO TO G8
<i>Refused to Answer</i>	77	77	77	
<i>Don't Know/Difficult to Answer</i>	99	99	99	

G6. For how many days was your business closed as a result of the last tax audit? **(ONE ANSWER ONLY)**

Not Closed	1
1 Day	2
2 Days	3
3 Days	4
4 Days	5
5 Days	6
1-2 Weeks	7
More than 2 Weeks	8
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

G7. By how much (in terms of percentage) were your revenues impacted for the period of closure during your last tax audit? **(ONE ANSWER ONLY)**

Not Impacted	1
< 10% Loss of Revenue	2
10%-20% Loss of Revenue	3
21%-30% Loss of Revenue	4
31%-40% Loss of Revenue	5
41%-50% Loss of Revenue	6
51%-75% Loss of Revenue	7

76%-100% Loss of Revenue	8
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

G8. How simple is the process of submitting tax declarations? Please base your answer on a 5-point scale, where 1 represents “Very Complicated” and 5 represents “Very Simple”

Not Applicable	0
Very Complicated	1
Complicated	2
More or less Simple	3
Simple	4
Very Simple	5
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

G9. How simple is it to obtain tax refunds? Please base your answer on a 5-point scale, where 1 represents “Very Complicated” and 5 represents “Very Simple”

Not Applicable	0
Very Complicated	1
Complicated	2
More or less Simple	3
Simple	4
Very Simple	5
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

SECTION H – CUSTOMS PERCEPTIONS

H1. Have you imported or exported items during the last year?

Yes	1	CONTINUE
No	2	GO TO SECTION I
<i>Refused to Answer</i>	77	
<i>Don't Know/Difficult to Answer</i>	99	

H2. Do you feel that customs fees are currently reasonable?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

H3. Do you feel that customs procedures are 1) transparent and 2) convenient for your company?

	1) Transparent	2) Convenient
Yes	1	1
No	2	2
<i>Refused to Answer</i>	77	77
<i>Don't Know/Difficult to Answer</i>	99	99

H4. Is sufficient information on customs regulations currently available to ensure compliance when importing/exporting goods?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

H5. Do you currently have access to information on changes to regulations?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

SECTION I – INFORMATION AND COMMUNICATION TECHNOLOGIES

Z1. Are you using **computers** in your business?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

Z2. Are you using **internet** in your business?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

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

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

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

Not advanced at all									Very advanced
1	2	3	4	5	6	7	8	9	10

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

Yes	1	Go to Z5.1
No	2	Go to Z6
<i>Refused to Answer</i>	77	
<i>Don't Know/Difficult to Answer</i>	99	

Z5.1. For how many years do you have the website already?

Less than one	1
From one up to three years	2

From three up to five years	3
More than 5 years	4
Refused to Answer	77
Don't Know/Difficult to Answer	99

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

Yes	1
No	2
<i>Refused to Answer</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>

Z7. Are you using e-Commerce for purchases (Countrywide and cross border)?

	Countrywide	Cross Border
Yes	1	1
No	2	2
<i>Refused to Answer</i>	<i>77</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>	<i>99</i>

Z8. Are you using e-Commerce for selling goods or services (Countrywide and cross border)?

	Countrywide	Cross Border
Yes	1	1
No	2	2
<i>Refused to Answer</i>	<i>77</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>	<i>99</i>

Z9. Do you use internet or online platforms for loans or investment attraction?

Yes	1
No	2
<i>Refused to Answer</i>	<i>77</i>
<i>Don't Know/Difficult to Answer</i>	<i>99</i>

Z10. Have you increased your use of information and communication technologies (hardware, software, telecom services) over the last 6 months?

Yes	1
-----	---

No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

Z11. Have you invested in information or communication technologies (hardware, telecom equipment) over the last 6 months? **(MULTIPLE ANSWERS ALLOWED)**

No, we have not invested in ICT Technologies	0
Yes, we have invested in Computer Technologies (hardware, networking, peripherals, etc.)	1
Yes, we have invested in Communication Technologies (telephones, mobile telephones, PABX equipment, etc.)	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

Z12. Have you invested in Software/Computer Programs over the last six months? **(MULTIPLE ANSWERS ALLOWED)**

No, we have not invested in any Software	0
Yes, we invested in 'Off the Shelf' Software (Windows, Office, Antivirus, etc.)	1
Yes, we invested in Customized Software	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

SECTION K– TRANSPORTATION & LOGISTICS

K1. Did your business transportation costs and volume of transported goods increase, decrease or stay the same over the last 6 months? **(THE TRANSPORTATION COSTS IMPLY TRANSPORTATION OF GOODS INSIDE THE COUNTRY AS WELL AS FROM AND TO FOREIGN COUNTRIES).**

	Increased	Decreased	Did Not Change	Do Not Use	Refused to Answer	Don't Know/Difficult to Answer
Transportation Costs	1	2	3	0	77	99
Volume of Transported Goods	1	2	3	0	77	99
Costs of for one transportation unit	1	2	3	0	77	99

K2. What proportion of your total company expenses is represented by transportation and logistics costs?

I have no Transport or Logistics Costs	0
<10%	1
11-20%	2
21-30%	3
31-40%	4
>50%	5
Refused to Answer	77
Don't Know/Difficult to Answer	99

K3. If your business manufactures, exports or imports goods/products, do you foresee the need to utilize the services of a logistics center and service providers in Georgia within the next three years?

Do Not Manufacture, Export or Import Goods/Products	0
Unlikely	1
Possibly	2
Likely	3
Certainly	4
Refused to Answer	77
Don't Know/Difficult to Answer	99

SECTION L – STATE PROCUREMENT

L1. Has your company participated in state procurement during the last year?

Yes	1	CONTINUE
No	2	GO TO SECTION N

L2. Is sufficient information and documentation available during the state procurement tender/bidding process to enable you to make a decision on whether to participate?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

L3. Is the electronic state procurement process faster?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

L4. Is the electronic state procurement process easier?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

SECTION N – CAPITAL MARKET

N1. Do you use capital market instruments in financing your business operations?

Yes	1
No	2
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

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

Yes	1	Go to N2.1
No	2	Go to Section O
<i>Refused to Answer</i>	77	

<i>Don't Know/Difficult to Answer</i>	99	
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N2.1. Which instruments would you more likely use?

		YES	NO
1	Corporate Bonds	1	2
2	Equities	1	2

SECTION O – PENSION REFORM

O1. The government of Georgia is working on the private retirement savings system model. According to this model, the monthly contribution to the pension fund is defined as 6%. The contribution will be distributed among employee (2%), employer (2%) and the State (2%). The employees will automatically become members of the pension system, however, the employee will have the right to withdraw from the system. In the case of the employer decides to stay in the system the 2% co-funding obligation of the State and employer emerge. Pension savings go to the non-commercial pension fund. The accumulated funds will be invested in local and international financial markets. The parameters for the pension assets will be subject to appropriate regulation.

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

Strongly agree	1
Agree	2
Neutral	3
Disagree	4
Strongly disagree	5
<i>Refused to Answer</i>	77
<i>Don't Know/Difficult to Answer</i>	99

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

		Not important at all									Very Important
1	Your Business	1	2	3	4	5	6	7	8	9	10
2	Georgian Population	1	2	3	4	5	6	7	8	9	10
3	country overall	1	2	3	4	5	6	7	8	9	10

Q3. As you might already know, the new pension reform implies the obligation of paying additional contribution to the employees (2%). Could you please evaluate your willingness to pay this additional contribution on a 10-point scale where “1” means not at all willing and “10” means fully willing to pay.

Not willing at all									Very much willing
1	2	3	4	5	6	7	8	9	10

SECTION P – WATER ISSUES

P1. In your opinion, to what extent do businesses and government collaborate on water policy development? Please provide your evaluation on a 10-point scale, where “1” means that they cooperate very passively and “10” means that they operate very actively. **[Provide a Showcard] [If a respondent states that there is the full absence of cooperation circle “0”]**

No Cooperation	Very passive cooperation									Very active cooperation
0	1	2	3	4	5	6	7	8	9	10

P2. Are you aware of upcoming changes of water law (water use tariffs, water abstraction/discharge licenses)?

Yes	1	Go to P2.1
No	2	COMPLETE THE INTERVIEW
<i>Refused to Answer</i>	77	
<i>Don't Know/Difficult to Answer</i>	99	

P2.1. Which changes in particular are you aware of?

		YES	NO
1	Changes in water use tariffs	1	2
2	Water abstraction/discharge license	1	2

P3. Overall, how would you evaluate new regulations related to the water law? Please provide your evaluation on a 10-point scale, where “1” means “very negatively” and “10” means “very positively”. **[Provide a Showcard]**

Very negatively									Very positively
1	2	3	4	5	6	7	8	9	10

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