

Responsible
Business
Conduct in

GEORGIA



Responsible Business Conduct in Georgia



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The OECD Guidelines for Multinational Enterprises are recommendations on responsible business conduct addressed by governments to multinational enterprises operating in or from adhering countries. They are the most comprehensive set of recommendations on responsible business conduct promoted by governments in existence today, covering all major areas of business ethics, including information disclosure, human rights, employment and industrial relations, environment, bribery and corruption, consumer interests, science and technology, competition, and taxation.

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About this Publication

This publication is a concise collection of basic information about responsible business conduct in Georgia. It is intended to be used as a resource document primarily by investors, their business partners and suppliers. Government agencies, Georgian enterprises, and civil society might also find it useful.

The thematic areas covered are based on the OECD Guidelines for Multinational Enterprises (OECD Guidelines) and the RBC chapter of the OECD Policy Framework for Investment (PFI). The OECD Guidelines are the leading international instrument on RBC and the PFI was updated in 2015 to reflect the experience and lessons learned from practice from a number of advanced, emerging, and developing economies on what makes up a good investment environment. Relevant Guidelines chapters, paragraphs, and commentary articles are mentioned in parenthesis where appropriate.

Responsible Business Conduct Matters

Responsible business conduct (RBC) is a key element of a healthy business environment - one that attracts quality investment, minimises risks for businesses, ensures stakeholder rights are respected and ultimately leads to broader value creation. Irresponsible business practices erode the overall quality of the investment and business environment; can result in large losses for businesses, environmental degradation, and poor working conditions; and, in the most serious of cases, loss of human life.

All businesses - regardless of their legal status, size, ownership structure or sector - should behave responsibly. As set out in the internationally recognised principles and standards on RBC, such as the OECD Guidelines and the UN Guiding Principles on Business and Human Rights (UN Guiding Principles), this entails making a positive contribution to economic, environmental, and social progress of the countries in which they operate, while at the same time avoiding and addressing adverse impacts of their activities. RBC principles and standards emphasise the integration and consideration of environmental and social issues into core business operations. Risk-based due diligence is a crucial component of RBC. It is a process through which businesses identify, prevent and mitigate actual and potential adverse impacts, and account for how these impacts are addressed. RBC expectations extend to business

activities throughout the entire supply chain and that are linked to business operations, products or services by a business relationship.

Businesses have a strong incentive to act responsibly aside from the expectations placed upon them and the baseline standards that they have to meet. Responsible businesses are more likely to obtain and retain the social licence to operate, a critical component of long-term business strategy. Responsible business practices are an efficient way to decrease risks associated with operating in challenging business environments. For example, environmentally friendly production processes can significantly decrease overall costs, while effective management of labour practices in supply chains can boost productivity and protect brand capital. RBC is about respecting the rights of stakeholders, creating new value, and protecting existing value through risk and reputation management.

It is the primary duty of governments to protect the public interest and ensure that stakeholder rights are respected. As such, governments have an important role in promoting and enabling RBC - the OECD Policy Framework for Investment and, in particular, the chapter on promoting and enabling RBC, is a useful reference for designing and implementing a strong RBC policy framework. This entails establishing and enforcing an adequate legal framework that protects the public interest and underpins RBC, while monitoring business performance and compliance with the law. Setting and communicating clear expectations on RBC and providing guidance on what those expectations mean is also important, as is encouraging and engaging industry and stakeholders and providing recognition to businesses that exemplify good practice. Governments should also ensure alignment of all policies relevant to RBC. Governments can also lead by example and ensure that RBC principles and standards are observed in the context of the government's role as an economic actor. Not only is this in the public interest, it also enhances the government's legitimacy in making recommendations on RBC to businesses (OECD, 2015d).

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

The OECD Guidelines for Multinational Enterprises are the most comprehensive set of government-backed recommendations on responsible business conduct. They express the shared views and values of 46 governments, including emerging and developing economies, which are the sources and the recipients of a large majority of the world's investment flows and stock and are also home to a majority of multinational enterprises (MNEs). More information about the countries that have adhered to the Guidelines can be found in Annex E.

The countries that adhere to the Guidelines aim to encourage the positive contributions businesses can make to sustainable development in both home and host countries and to minimise the difficulties to which various business operations may give rise. They clarify adhering government expectations on RBC and aid businesses in ensuring their operations are in harmony with government policies. The Guidelines are not substitute for domestic law nor are they a protectionist measure.

WHAT MAKES THE GUIDELINES UNIQUE?

✓ A COMPREHENSIVE GOVERNMENT-BACKED INSTRUMENT

The Guidelines are the only existing multilaterally agreed corporate responsibility instrument that adhering governments have committed to promoting in a global context, encompassing all major areas of business ethics. Their recommendations are set out in 11 chapters and cover topics such as information disclosure, human rights, employment and labour, environment, anti-corruption, and consumer interests. The Guidelines also cover three areas - science and technology, competition, and taxation - not as fully covered by any other international corporate responsibility instrument.

✓ UNIQUE IMPLEMENTATION MECHANISM

The way in which the Guidelines are implemented distinguishes them from other instruments. Each adhering country is required to set up a National Contact Point (NCP) tasked with undertaking promotional activities, handling inquiries, and providing a mediation and conciliation platform for resolving issues that arise from the alleged non-observance of the Guidelines. This makes the Guidelines the only international corporate responsibility instrument with a built-in grievance mechanism. The effective implementation of the Guidelines is also supported by sector specific work, which aims to promote the observance of the Guidelines by helping enterprises identify and respond to risks of adverse impacts associated with particular products, regions, sectors, or industries.

✓ VOLUNTARY BUT REFLECTING EXPECTATIONS

Observance of the Guidelines by enterprises is voluntary. Nevertheless, some matters covered by the Guidelines may be regulated by national law or international commitments. Businesses are expected to fulfil the recommendations set out in the Guidelines. The countries adhering to the Guidelines make a binding commitment to implement them. The underlying idea behind this approach is to focus on building an atmosphere of mutual trust between all stakeholders in order to address issues in global supply chains.

✓ **COMPREHENSIVE APPROACH TO DUE DILIGENCE AND RESPONSIBLE SUPPLY CHAIN MANAGEMENT**

The Guidelines integrate the expectation to respect human rights as set out in the UN Guiding Principles and incorporate the expectations on risk-based due diligence into other major areas of business ethics. The nature and extent of due diligence depend on the circumstances of a particular situation.

✓ **GOOD PRACTICE FOR ALL**

The Guidelines promote a more open investment climate and a global level playing field by encouraging the positive contribution businesses can make to sustainable development, while addressing actual and potential negative impacts of business operations. As such, they are of interest to all enterprises, wherever they originate or operate, including in non-adhering countries. Furthermore, small and medium-sized enterprises are encouraged to observe the Guidelines to the fullest extent possible even though they may not have the same capacities as larger enterprises.

✓ **REGULARLY UPDATED**

The Guidelines were originally adopted in 1976 as part of the OECD Declaration on International Investment and Multinational Enterprises, a policy commitment by adhering governments to provide an open and transparent environment for international investment and to encourage the positive contribution businesses can make to economic and social progress. The Guidelines have been reviewed five times since then, most recently in 2011, to ensure that they remain the leading tool and at the forefront of the global RBC agenda.

HOW ARE MULTINATIONAL ENTERPRISES DEFINED?

A precise definition of MNEs is not required for the purposes of the Guidelines. These enterprises operate in all sectors of the economy. They usually comprise companies or other entities established in more than one country and so linked that they may coordinate their operations in various ways.

While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one MNE to another. Ownership may be private, State or mixed. The Guidelines are addressed to all the entities within the MNE (parent companies and/or local entities).

According to the actual distribution of responsibilities among them, the different entities are expected to co-operate and to assist one another to facilitate observance of the Guidelines. (Guidelines I.4)

The Guidelines are not aimed at introducing differences of treatment between multinational and domestic enterprises; they reflect good practice for all.

Accordingly, multinational and domestic enterprises are subject to the same expectations in respect of their conduct wherever the Guidelines are relevant to both.

Importance of Responsible Business Conduct for SMEs

Worldwide, small and medium size enterprises¹ (SMEs) account for approximately 90% of enterprises and over 50% of employment. In developing economies such as Georgia, SMEs are the backbone of the economy and play a central role in job creation and economic growth (IFC, 2014). The importance of SMEs cannot be overstated even for advanced economies. In the European Union (EU), 99% of all enterprises are SMEs, providing for two out of three jobs in the private sector. More than half of the value-added created in the EU by the private sector comes from SMEs (European Commission, 2016).

Although the recommendations of the OECD Guidelines are directed to MNEs, adherent governments wish to encourage their widest possible observance. As such, while recognising that SMEs “may not have the same capacities as larger enterprises,” they are nevertheless encouraged to observe the Guidelines to the fullest extent possible (Guidelines, I.6). Many SMEs follow responsible business practices even if that is not explicitly stated. At the same time, because of their own due diligence and risk management efforts, a growing number of MNEs are looking at responsible business practices as criteria for selection of their suppliers.

As SMEs integrate into global value chains, their RBC practices are bound to materialise in more formal ways. MNEs can play a constructive role by building a common understanding of what RBC entails throughout their entire value chain, by setting out clear expectations, while sharing their knowledge and lessons learned. It should also be noted that financial institutions are increasingly taking into account responsibility in their financing decisions. Businesses that are unable to show they act responsibly might find access to finance more difficult.

Governments also have a role to play. Both national and international efforts have been made in recent years to promote RBC among SMEs. For example, the European Commission has provided different tools and resources to help SMEs better integrate social and environmental considerations into their activities, taking into account their specific circumstances and limitations. In particular, the CSR handbook for small business entitled *Tips and Tricks for Advisors: Corporate Social Responsibility for*

¹ No one definition of what an SME exists, although some countries define SMEs as registered businesses that have up to 250 employees (World Bank, 2011). The European Union, for example, defines SMEs as “enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro” (Extract of Article 2, Annex of Recommendation 2003/361/EC).

Small and Medium-Sized Enterprises (European Commission, 2013) and a guide to human rights entitled *My Business and Human Rights* (European Commission, 2012), although mainly intended for European SMEs, might be of interest to Georgian SMEs. Canada,² Chile,³ Italy⁴, and the Netherlands⁵ have also developed tools to promote responsible supply chains. Additionally, the UN Global Compact and Business for Social Responsibility have published a practical guide for sustainable supply chains that Georgian SMEs might find useful.⁶

In developing economies such as Georgia, it will be equally important for foreign investors to act responsibly as well as for SMEs to adopt good practices that will promote deeper linkages with MNEs. These two objectives are not mutually exclusive. The following sections explore some of the areas where the two may intersect.

Georgia At-A-Glance

Georgia has experienced a rapid transition of political, economic and social institutions since the 2003 Rose Revolution (CIA, 2014). Reforms since 2003 introduced free trade principles, deregulation of the economy and creation of a simplified and effective administration (OECD, et al., 2012e). The World Bank praised Georgia as one of the fastest reforming economies worldwide (IBRD/World Bank, 2013). According to the U.S. State Department (2015), Georgia's sweeping economic reforms have moved it from a near-failed state in 2003 to a relatively well-functioning market economy.

These general efforts resulted in fast GDP growth between 2004 and 2008, with sustained GDP growth exceeding 10% from 2006-07 (CIA, 2014; UNDP, 2013a: 18). In 2008, growth slowed down following the conflict with Russia over the regions of South Ossetia and Abkhazia⁷ and the global economic crisis. Real GDP growth picked up on average 5.8% from 2010-2013 (WTO, 2015a) and is forecast to accelerate to 3.4% in 2017, from 2.9% in 2016 (EIU, 2016).

Georgia 2020, the socio-economic strategy adopted in 2014, prioritises measures for ensuring rapid and more inclusive economic growth. These measures

² Doing Business the Canadian Way: A Strategy to Advance Corporate Social Responsibility in Canada's Extractive Sector Abroad

³ ChileGAP (Chilean Fresh Fruit Certification Program)

⁴ The Corporate Social Responsibility within the framework of the OECD Guidelines for Multinational Enterprises - A focus on Small and Medium Enterprises

⁵ International Corporate Social Responsibility Initiative

⁶ UN Global Compact-BSR: Supply Chain Sustainability, A Practical Guide for Continuous Improvement

⁷ Still disputed as of today, these regions represent 20% of the Georgian territory (CIA, 2014; OECD 2013d).

include increasing the competitiveness of the private sector, developing human capital, facilitating access to finance, and focusing on increasing the efficiency of public administration (EIU, 2013; Georgia Today, 2014; Government of Georgia, 2014a). A dedicated agency,

Georgia Development Indicators 2015	
- Population:	3.68 million
- GDP:	USD 13.96 billion
- GDP Growth:	2.8%
- Income level:	Upper middle
- Life expectancy:	74.7
- Poverty headcount ratio, \$1.90/day (2011 PPP), 2014:	9.8% population

Source: World Bank, 2016a

Entrepreneurship Development Agency (EDA), has also been established in order to facilitate private sector development. A specific programme *Produce in Georgia* was launched in 2015 with the aim to support domestic production capacity. Additionally, Private Sector Development Advisory Council on Private Sector Facilitation was established in 2016 within the Ministry of Economy and Sustainable Development.

Georgia has been fairly successful in creating an open investment environment. Specific measures adopted by the government for the purpose of attracting foreign investment include reducing regulations, lowering taxes and simplifying the tax regime (a new Tax Code entered into force in 2011), fighting corruption, reforming customs practices, making property registration easier, introducing insolvency legislation and investing in infrastructure development (WTO, 2015a; World Bank, 2014a; OECD 2013d; OECD, et al., 2012e: 237; U.S. Department of State, 2013a). Georgia ranks 16th in ease of Doing Business (2017) in the world and is second in its income group. Considered to be an attractive market due to rich natural resources (mainly hydropower, timber, manganese, iron ore, copper, minor coal and oil deposits), as well as its unique strategic location and proximity to international markets, Georgian government actively promotes the country's potential to be a regional transit and logistic hub for trade. Notable efforts to do so are the Baku-Supsa and Baku-Tbilisi-Ceyhan oil pipelines and the Baku-Tbilisi-Kars (BTK) railway (service expected to begin in 2017), which will connect the Caucasus and Europe (CIA, 2014; EIU, 2013; U.S. Department of State, 2013a; Agenda.ge, 2015). Other priority investment sectors are hydropower, agriculture, tourism and textiles/manufacturing sectors. The World Bank has provided support to Georgia to strengthen its banking sector and increase access to finance for SMEs, with a commitment of more than USD 357 million in lending and equity financing from IFC between 2009 and 2013 (World Bank, 2014a).

Invest in Georgia

In 2014, foreign direct investment (FDI) in Georgia was USD 1.76 billion, increasing from USD 914 million in 2013. Preliminary data for 2015 by GeoStat, the national statistics office, indicate a slight decrease from 2014 at USD 1.35 billion. Top direct investors in 2015 were: (1) Azerbaijan; (2) United Kingdom; (3) Netherlands; (4) Luxembourg; (5) Turkey; (6) China; (7) Russia; (8) International organisations; (9) United States. The largest share of FDI was in the transports and communications sector, followed by the financial and construction sectors (GeoStat, 2015b).

The Ministry of Economy and Sustainable Development established the Georgian National Investment Agency (GNIA) in 2002 to promote and facilitate FDI. GNIA has been also responsible for coordinating export promotion activities since 2010. [Invest in Georgia](#) website is a comprehensive resource for investors, which includes details on how to start a business in Georgia, and information about the relevant legal framework (e.g. tax, labour, and licenses and permits). Guidance on specific topics is also available. The relevant legislation that governs the activities of foreign businesses includes among others the Constitution, Civil Code, Tax Code, Law on Promotion and Guarantee of Investment Activity, Law on State Promotion of Investments, Law on Entrepreneurs, Bankruptcy Law, Law on Court and General Jurisdiction, and Law on Competition (U.S. Department of State, 2015; Invest in Georgia, 2015).

The government maintains a dialogue with the business community. For example, a Business Ombudsman (formerly tax ombudsman) was established in 2015. Private Sector Development Advisory Council on Private Sector Facilitation was established in 2016 within the Ministry of Economy and Sustainable Development.

In addition, there are a number of business associations in Georgia that represent interests of both foreign and domestic businesses: the Georgian Chamber of Commerce and Industry, the Business Association of Georgia, Georgian Small and Medium Business Enterprises Association, Women in Business, the Employers' Association of Georgia, the International Chamber of Commerce, the American Chamber of Commerce and the EU-Georgia Business Council.

Georgia has consistently stated the intention to integrate deeply with EU structures and markets. The EU block is Georgia's top trading partner (WTO, 2015b; TE, 2015). The Partnership and Cooperation Agreement (PCA) is the foundation of EU-Georgia relations, covering cooperation in many areas such as politics, trade, investment, economics, legislation and culture. Georgia has also been a part of the EU Neighbourhood Policy (ENP) framework since 2004. Through the ENP, the EU collaborates with Georgia on reforms in areas of democracy, local governance, rule of law, sustainable economic development, environment and sustainable use of natural resources and the energy.

The EU-Georgia Association Agreement (AA), a bilateral framework for cooperation on political, security, economic, and social issues, was signed on 27 June 2014. Notably, Article 231 of the AA states:

(e) The Parties agree to promote corporate social responsibility, including through exchange of information and best practices. In this regard, the Parties refer to the relevant internationally recognised principles and guidelines, especially the OECD Guidelines for Multinational Enterprises.

The AA includes a Deep and Comprehensive Free Trade Agreement (DCFTA) (EU Delegation to Georgia, 2014).

Georgia also participates and engages on an international level. It has been a member of the World Trade Organization (WTO) since 2000 and has undergone two trade policy reviews in 2010 and 2015. It is active with the North Atlantic Treaty Organization (NATO) and contributes to NATO-led operations, notably in Afghanistan. The NATO-Georgia Commission, established in 2008 following the conflict with Russia, offers a platform for dialogue and cooperation in support of Georgia's reforms and future aspirations to join NATO (NATO, 2014).

Georgia also engages regularly with the OECD. It participates in the OECD-Eurasia Competitiveness Programme, which works with countries in the region to help unleash their economic and employment potential through boosting country and regional competitiveness, capturing more and better investment, and developing SMEs. It participates in the OECD Anti-Corruption Network for Eastern Europe and Central Asia, which provides a regional forum for promotion of anti-corruption activities, exchange of information, elaboration of best practices and donor coordination. It is a member of the Task Force for the Implementation of the Environmental Action Programme (EAP Task Force), which aims to address the heavy environmental legacy of the Soviet model of development. Additionally, Support for Improvement in Governance and Management (SIGMA) programme, a joint initiative of the EU and the OECD, is providing assistance to Georgia since 2008 to strengthen public governance systems and public administration capacities. Georgia participates in the OECD Committee on Fiscal Affairs on the Base Erosion and Profit Sharing (BEPS) Project.

Despite impressive reforms and economic growth over the last decade, Georgia still faces challenges related to poverty and employment. Official data cite that 11.5% of Georgian population still lives under the international poverty line of USD 1.90 a day

(World Bank, 2015). Internally displaced persons (IDPs),⁸ persons with disabilities, and high-mountain population involved in agriculture activities are at most risk groups for poverty, with limited access to assets, basic services such as health and education, and lower opportunities to engage in social, political and economic activities (UNDP, 2013a). Economic growth of the last decade has not been accompanied by a proportionate increase in employment opportunities (WTO, 2015a). Official unemployment is reported at 12% in 2015 and at around 32% for youth, down from 12.4% in 2014 and from 16.3% in 2010. However, unofficial reports stand at a much higher percentage, particularly in rural areas since subsistence farmers are counted as employed in the official statistics. World Bank reports that subsistence agriculture accounts for 75% of rural employment and 45% of rural income (World Bank, 2016b: 12). The government is taking measures to address these specific challenges and has reported to the OECD that the 2015 Law on Development of High Mountains Region and subsequent launch of the Micro and Small Business Support as part of the *Produce in Georgia* project are aimed at addressing rural inequalities and supporting development, including women entrepreneurs. The Ministry of Agriculture has set out a

Official Development Assistance to Georgia

The OECD Development Agency Committee (DAC) List of ODA Recipients shows all countries and territories eligible to receive official development assistance (ODA). These consist of all low and middle income countries based on gross national income (GNI) per capita as published by the World Bank. The list also includes all of the Least Developed Countries (LDCs) as defined by the UN (OECD, 2014b). In 2014, Georgia received USD 675 million in net ODA. The top ten donors of gross ODA for 2013-2014 (average) were – in USD million:

1. EU Institutions – 197
2. United States – 165
3. Asian Development Bank Special Funds – 82
4. World Bank International Development Association – 61
5. Japan – 54
6. Germany – 38
7. Sweden – 20
8. Switzerland – 12
9. UN Global Fund – 12
10. France – 11

Source: OECD DAC; World Bank

⁸ Georgia counts 258 595 IDPs for a population of 4.5 million (UNDP, 2013a).

Strategy for Agricultural Development in Georgia 2015-2020. Planned reforms in the agricultural sector to improve agricultural productivity and increased public funding are also aimed at strengthening economic opportunities in rural areas.

GLOBAL RANKINGS: GEORGIA
<p>World Economic Forum, <i>Global Competitiveness Report 2016-2017</i></p> <p>In this report that assesses the competitiveness landscape of 139 economies through insight into the drivers of their productivity and prosperity, Georgia ranked 59th, an increase from the 66th place in 2015-2016.</p>
<p>World Bank, <i>Doing Business 2017</i></p> <p>Georgia ranks 16 out of 190 countries for the overall ease of doing business, an increase from 2016 when it was 24. It ranks second in its income group.</p>
<p>UNDP, <i>Human Development Report 2015</i></p> <p>This composite statistic of life expectancy, education, and income indices ranks countries on human development. Georgia ranks 76 out of 188 countries.</p>
<p>Transparency International, <i>Corruption Perception Index 2015</i></p> <p>Georgia ranks 48 out of 168 countries in this index that measures the perceived level of corruption in the public sector. It is the best performing country in the region.</p>
<p>World Economic Forum, <i>Global Gender Gap Report 2016</i></p> <p>Georgia ranks 90 out of 144 countries in this index which benchmarks national gender gap based on criteria such as economy, politics, education and health.</p>
<p>World Bank, <i>Gini Index</i></p> <p>The Gini Index measures the equal distribution of income or consumption within an economy. 0 represents perfect equality in distribution while 100 suggests perfect inequality. Georgia's index was 40 in 2014.</p>
<p>Global Innovation Index 2016</p> <p>Published by the World Intellectual Property Organisation, this index looks at the key role of innovation in driving economic growth and prosperity. Georgia ranked 64 out of 128 countries.</p>

Responsible Business Conduct in Georgia

RBC is a relatively new concept in Georgia. As Georgia integrates into the global market, promoting increased awareness and common understanding around the international principles and standards that govern business activity, including as related to human rights, labour and environment, will be beneficial for increasing competitiveness.

A number of RBC initiatives have emerged in the recent years. In 2012, specific recommendations on RBC, aligned with global frameworks, were presented to the government in a document developed by the Centre for Strategic Research and Development of Georgia. *The Role of Government and Public Policies in Promoting Corporate Social Responsibility-An Analytical Overview and Recommendations to the Georgian Government* is to-date one of the most comprehensive efforts to engage the government on RBC issues.

The UN Development Programme (UNDP) has also launched a series of activities to support the promotion of responsible business practices. The local UN Global Compact Network, which brings together businesses to share experiences and report on their activities, was re-launched in April 2016. The Civil Development Agency (CiDA) was designated as the Secretariat. Originally launched in 2006, the network undertook some activities; however, it has largely been inactive in the recent years. As part of the network's activities, a public dialogue on opportunities for the private sector in the development of Georgia was carried out in 2009, resulting in the publication of a series of discussion papers (UNDP, 2010a). These efforts culminated with the publication of a Corporate Social Responsibility Handbook, which features case studies from Georgia and other parts of the world. It provides guidance to Georgian enterprises and other relevant stakeholders on how to translate RBC principles into daily operations and gives an overview of best practices by domestic enterprises (UNDP, 2010b). The first activity of the re-launched Network was a two-day conference on *Promoting Corporate Social Responsibility in Georgia* held in April 2016.

The Eurasia Partnership Foundation has also launched a programme on corporate social investment to promote "greater engagement of private companies in addressing Georgia's development needs" (EPF, 2014). Most activities under that programme were conducted between 2008 and 2009. Other notable initiatives include the American Chamber of Commerce Working Group on CSR and the Student for Social Changes Project, developed by the British Council, the Eurasia Partnership Foundation

and the Center for Strategic Research and Development of Georgia to promote RBC in business schools. In 2012, as a result of efforts under this project, a Corporate Social Responsibility Manual was published to serve as a textbook on CSR for business faculties (CSR DG, 2014). Finally, a CSR Club was established in 2015 by an NGO CiDA and a company GePRA to raise awareness of CSR among Georgian enterprises and provide a platform for experience sharing, advocacy, and encouragement of social projects (CSR Club, 2016).

The UN Entity for Gender Equality and the Empowerment of Women (UN Women) has also introduced joint UN Women and UN Global Compact *Women's Empowerment Principles* (WEPs) in Georgia in late 2014. In 2016, UN Women conducted three trainings for private sector representatives in collaboration with the CSR Club, the International Chamber of Commerce in Georgia and the Georgian Microfinance Association. Trainings focused on skills development to understand and identify gender inequalities and sex-based discrimination in the workplace, as well as to strengthen capacities to plan and implement policies and actions that empower women in the workplace, the marketplace and the community (UN Women, 2016).

These developments represent a positive step in Georgia for promoting the role of RBC in building a healthy business environment. The government has also taken measures since 2014 to promote and enable RBC. These are discussed in more details in the following sections.

Opportunities and Challenges

The following sections describe in more detail how promoting and enabling RBC can contribute to sustainable development and inclusive growth of Georgia and list some of the challenges. Information on practical tools and ways that both the government and enterprises can use to increase their positive impact is also provided. Although this publication is not a policy review, recent initiatives by the government are referenced where appropriate.

Creating Opportunities - Contribution to Development

The importance of close collaboration among all stakeholders, including the private sector, is essential in building a more resilient economy and addressing development issues. This has been re-confirmed in the recent global agreements such as the Sustainable Development Goals and the Paris agreement on climate change (see section I on RBC expectations in global value chains). Sustaining rapid economic growth

while decreasing income inequality, reducing poverty, and increasing job opportunities is a significant challenge in any economy. Supporting growth and competitiveness in Georgia will entail improving “[...] skills and employment and a deployment of workers that would support employment generation and more inclusive growth going forward” (World Bank, 2014a: 29). It will be important for any such efforts to promote economic growth that is both more sustainable and also inclusive. This means less pronounced income gaps between the rich and the poor, but also reduced gaps in other dimensions, such as health, environment, job opportunities and skills, and community support⁹ (OECD, 2014a).

Skills

As mentioned in the previous section, fighting unemployment and poverty have been a challenge in Georgia despite impressive economic growth over the last decade. The share of self-employed, notably in the agriculture sector, has been significant compared to formal employment (Government of Georgia, 2014a; UNDP, 2010a). Salaries remain low, averaging at 900 Lari (USD 342) in 2015, although they are going up from 818 Lari in 2014 and 598 Lari in 2010 (Geostat, 2015b). More inclusive growth will support both an increase in wages and higher levels of formal employment (OECD, 2014a).

Weak demand for labour is one of the main causes of high unemployment. Businesses in Georgia tend to focus more on short-term profits, which can have negative effects on long-term considerations necessary for any sustained increases in employment. Some businesses have informally cited the absence of a comprehensive sustainable economic development strategy in Georgia and the lack of confidence in the rule of law as reasons for not investing more resources in innovation, transfer of technology, and support for creating a more skilled and competitive labour force (UNDP, 2010a-b; World Bank, 2014a). The government published a medium-term strategy, Georgia 2020, in early 2014 outlining economic policy priorities in order to create more predictability in the business environment. The strategy is based on three main principles for economic growth, focusing on reforms that address efficiency, inclusiveness, and the protection of the environment (Government of Georgia, 2014a).

⁹ Creating an enabling policy environment for inclusive growth has also been on the agenda of international organizations. The OECD for instance treats inclusive growth as part of the New Approaches to Economic Challenges (NAEC) project, an ambitious and multi-dimensional initiative which aims to revisit actual economic models, draw lessons from the economic crisis and ensure that markets benefit to all.

Responsible Agricultural Supply Chains

Investing in agriculture is recognised as one of the most effective strategies for economic growth and poverty reduction for rural areas. GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture (World Bank, 2008).

However, agri-business investments can also have adverse social and environmental impacts, particularly in countries with weak governance frameworks. Conflicts between investors and affected stakeholders can lead to social polarisation and political instability, and translate into reputational, operational and, thus, financial risks for investors.

Businesses have a key role to play in ensuring that their operations do not have adverse impacts and benefit local communities. Their observance of responsible business conduct standards, as outlined in the 2016 OECD-FAO Guidance for Responsible Agricultural Supply Chains, can ensure their contribution to sustainable development. The guidance calls on companies to:

- Ensure that their operations contribute to food security and nutrition and sustainable and inclusive rural development;
- Continuously assess and address the actual and potential impacts of their operations, processes, goods and services over their full life-cycle;
- Disclose timely and accurate information related to risk factors and their responses to particular environmental, social and human rights impacts;
- Respect human rights and core labour standards and strive to increase employment opportunities;
- Establish and maintain an appropriate environmental and social management system and continuously improve their environmental performance; and
- Prevent and abstain from any form of corruption and fraudulent practices.

On the supply side, skills¹⁰ mismatch, particularly as related to technical skills in sectors such as transport, extractive, energy or construction, can also be a significant obstacle (UNDP, 2010b; World Bank, 2014a; U.S. Department of State, 2015). Foreign enterprises often need to employ skilled foreign workers even if this generates additional costs. This practice has notably been reported to be the case in infrastructure projects and real estate, where foreign construction staff has been hired for the apparent lack of local qualified workers.

¹⁰ The OECD defines skills as “[...] the bundle of knowledge, attributes and capacities that can be learned and that enable individuals to successfully and consistently perform an activity or task and can be built upon and extended through learning. The sum of all skills available to the economy at a given point in time forms the human capital of a country.” For more information, see the OECD Skills Strategy (OECD, 2012f :12).

An adequately skilled work force is a critical element for competition in the global economy and it also ensures that workers are resilient and flexible enough to adapt to changing market requirements. It also spurs innovation, competition and entrepreneurship (OECD, 2014a). The government has taken concrete steps to improve the education system (UNDP, 2010b). In 2013, the Ministry of Education and Science put forth a Vocational Education and Training Development Strategy 2013-2020 and an Action Plan to address the skills gap.

Investing in the capacity of the local workforce is an element of RBC. In addition, it can also reduce operational costs, for example by avoiding the costs related to expatriation of staff, and ease access to supply of goods and services, while facilitating meaningful engagement with communities based on creating shared value with host communities. The government and private sector could work together in designing and delivering curricula and training programmes that correspond to the needs of the labour market. Businesses can support young workers to gain a competitive advantage in the labour market, notably by ensuring that their human resource practices have a focus on skills development (OECD, 2012f).

Small and Medium Size Enterprises

SMEs are increasingly being integrated in global value chains. In developing economies like Georgia, growth in overall employment is generally connected with the development of SMEs. SMEs already make a relatively significant contribution to Georgia's economy, representing 94.1% of enterprises, 42.7% of employment, and 20.6% of value-added in 2013, a slight improvement from 19.3% of value added in 2010 (OECD/European Union/EBRD/ETF, 2015a; OECD, et al., 2012e).

SMEs in Georgia face challenges with entering global markets due to capacity constraints. Foreign enterprises operating in Georgia depend on imported goods as an alternative to local production, due to cited issues with quality and security standards. Available technology, production facilities and environmental requirements often do not entirely meet international standards (OECD, et al., 2012e; UNDP, 2010a). World Bank has reported that local Georgian "businesses lack business and financial management skills, have scarce knowledge of markets and products, and generally do not benefit from technology and innovation investments" (World Bank, 2014a; 9). Access to finance has also been identified as a significant challenge in Georgia. These constraints are particularly acute for SMEs in rural areas and agribusinesses (OECD/European Union/EBRD/ETF, 2015a) and may hinder the ability of SMEs to move up the value chain and be involved in higher value-added activities.

In an effort to address these issues, Georgia set out a medium-term strategy *SME Development Strategy 2016-2020* for SMEs in February 2016, in collaboration with the OECD, aimed at creating the right conditions for technology and knowledge transfer as Georgian businesses integrate into global value chains. A priority action to promote RBC has been identified in the 2016-2017 action plan for implementation of the strategy. In addition to the establishment of EDA and launch of *Produce in Georgia*, a specialised agency Georgian Innovation and Technology Agency (GITA) was launched in order to promote SME development, which is a priority action under Georgia 2020. Technical assistance to promote and upgrade entrepreneurial skill is under the scope of EDA and GITA activities.

Better connecting Georgian SMEs with MNEs will be important for Georgia's economic development. MNEs are a source of employment, transfer of know-how, skills and innovative capacity. SMEs participation in global value chains can bring expanded operations and scope of activities; a more secure place in the world market; greater specialisation in the supply of products or services; access to new financial resources; increased competitiveness; efficiencies from cooperating with upstream and downstream partners; and increased opportunities for innovation and access to new technologies (OECD, 2008, UNDP, 2010a).

Integrating RBC into SME operations is an opportunity for Georgian SMEs to better integrate in global value chains. A growing number of MNEs are looking at responsible business behaviour in the selection of their suppliers for reasons of their own due diligence process and risk management systems. Businesses that do not implement RBC principles and standards risk exclusion from the supply chain. The below section on the due diligence explains these expectations in more detail. SMEs may find it useful both for their own activities, but also to understand the extent of responsibilities in global value chains in order to be better able to respond to those needs.

SUMMARY OF RECOMMENDATIONS TO ENTERPRISES

Enterprises can support skills and SMEs development in Georgia. In particular, enterprises should:

- ◆ Encourage local capacity building through close co-operation with the local community, including business interests, and develop enterprise's activities in domestic and foreign markets, consistent with the need for sound commercial practice (Guidelines II.A.3);

- ◆ In their operations and to the greatest extent possible, employ local workers and provide training with a view to improving skill level, in co-operation with worker representatives and, where appropriate, relevant government authorities (Guidelines V.5);
- ◆ Promote awareness and compliance by workers with respect to company policies through appropriate dissemination of these policies, including through training programmes (Guidelines II.A.8);
- ◆ Contribute to the development of local and national innovative capacity (Guidelines IX.1);
- ◆ Adopt, where practicable, practices that permit the transfer and rapid diffusion of technologies and know-how (Guidelines IX.2);
- ◆ Support SMEs in their efforts to access global value chains and better adjust to the global market.

These recommendations are highlights from the OECD Guidelines, which contain more details in general and for each recommendation. For more information, please refer to Guidelines Chapters II, V, and IX.

USEFUL INITIATIVES – SUPPLY CHAINS

- OECD Guidelines, Chapter II: General Policies;
- EU Portal for Responsible Supply Chain Management
- Global Reporting Initiative (GRI) Boundary Protocol and Gantsch Program: Global Action Network for Transparency in the Supply Chain
- International Chamber of Commerce (ICC) Guidance on Supply Chain
- Supply Chain Sustainability: A Practical Guide for Continuous Improvement

Addressing Challenges

As is the case of most countries that experience rapid reforms, there can be a lag between adopting and promoting relevant principles at a conceptual level and implementing them on the ground. With institutions being in a continuous state of development and evolution, agencies that can credibly monitor and report on business activities often do not exist or do not function effectively. Although many

businesses operating in such circumstances respect and often even advance appropriate standards of business conduct, some might be tempted to gain undue competitive advantage by neglecting them. In an economy like Georgia, where regulatory, legal and institutional frameworks are still evolving, active government promotion of and setting out clear expectation that all business practices align with internationally accepted principles and standards can be the deciding factor.

I. Increasing Awareness and Common Understanding

Governments have a clear role in promoting and enabling RBC. Although no RBC policy or a body in charge of RBC exists yet in Georgia, the on-going economic and social reforms that aim to reduce the gap with international standards in fields such as human rights, labour relations and the environment, can go a long way in promoting and ensuring RBC. Broadly speaking, there appears to be no common understanding among businesses and their stakeholders on what RBC should entail and stakeholders seemingly have a low level of awareness as to what their rights are and how they can be protected. The government can play an important role in bridging this gap and promoting multi-stakeholder engagement in its role as a convener.

Moving forward: a national action plan

The government of Georgia could consider building on existing efforts and working with stakeholders to develop a National Action Plan (NAP) on RBC, in line with international good practice and based on the OECD Guidelines. The UN has strongly encouraged all States to develop a NAP on business and human rights as part of the State responsibility to disseminate and implement the UN Guiding Principles. A number of OECD governments, notably the United States, have decided to broaden these efforts and include all RBC issues, based on the OECD Guidelines, in their NAPs. The UN Working Group on Business and Human Rights has set up a dedicated webpage on NAPs to provide easy access to existing plans, as well as key public information and analysis on the various stages of NAP development, implementation and follow up (UN OHCHR, 2015b).

The government has reported to the OECD a NAP on business and human rights is envisioned under the 2016-2017 Action Plan on Human Rights (see section IV. Human Rights). The process of developing a NAP would be a good way for the government to engage with stakeholders and the wider public on a range of issues related to RBC, to promote the OECD Guidelines, as well as policy coherence and alignment on RBC. The process of developing the NAP would also be a good way for the government to understand and eventually remove barriers that influence RBC, as well as to facilitate

collective initiatives to promote RBC among industry and other stakeholders. Additionally, the NAP would be a useful mechanism to demonstrate the economic and social reforms the government has undertaken or plans to undertake in areas related to RBC. For example, the NAP could help fulfil the commitments made by Georgia in the EU Association Agreement.

Experience sharing and peer learning

Governments and enterprises also participate in international events to share their experiences. Notably, the OECD launched a Global Forum on Responsible Business Conduct (GFRBC) in 2013 to bring together government representatives, businesses from all sectors, trade unions and civil society to discuss the core challenges and opportunities in advancing responsible business practices. A special event was held at the 2014 GFRBC to discuss the role of RBC in building healthy business environments in Central Asia and South Caucasus and the role investors can play in sustainable and inclusive development. The UN also organises a global gathering to discuss the promotion and implementation of the UN Guiding Principles. Launched in 2012, the Forum on Business and Human Rights provides a global platform for discussing issues around human rights.

Enterprises can also benefit from participating in working groups or other local initiatives on RBC. For example, the American Chamber of Commerce has established a CSR Working Group, which aims to be a platform for enterprises to share best practices on RBC (AmCham, 2014). Furthermore, local organisations, such as the Eurasia Partnership Foundation and the Centre for Strategic Research and Development of Georgia, have for many years been active in raising awareness in the region and are also a good resource for businesses due to their access to a variety of stakeholders. Civil society organisations in Georgia are in general strong and politically influential and are free to operate. These organisations can be a critical partner for the private sector, while also playing a central role in ensuring accountability (UNDP, 2010b; OECD, 2013d).

Many MNEs in Georgia have developed their own codes of conduct in which they set out how they identify, prevent, mitigate, and account for their actual and potential adverse impacts, as well as how they positively contribute to sustainable development of host countries. These codes of conduct are often based on the principles and standards set out in main international instruments, such as the OECD Guidelines, the UN Guiding Principles, the UN Global Compact Principles, ILO Conventions and the Universal Declaration of Human Rights.

In addition, international financial institutions often have RBC-related expectations related to development loans they provide. One example is the Baku-Tbilisi-Ceyhan oil pipeline (BTC), which the International Finance Corporation (IFC) funded in part. One important pillar of IFC risk management is its strategic commitment to sustainable development, articulated in the IFC Sustainability Framework. IFC Sustainability Framework consists of the 1) Policy on Environmental and Social Sustainability, 2) Performance Standards, and 3) Access to Information Policy. IFC Performance Standards define client responsibilities for managing their environmental and social risks in eight main areas: Assessment and Management of Environmental and Social Risks and Impacts; Labour and Working Conditions; Resource Efficiency and Pollution Prevention; Community Health, Safety, and Security; Land Acquisition and Involuntary Resettlement; Biodiversity Conservation and Sustainable Management of Living Natural Resources; Indigenous Peoples; and Cultural Heritage. Enterprises should note that other financial institutions may also require their clients to apply the IFC Performance Standards (IFC, 2012).

RBC expectations in global value chains

Expectations related to RBC are prevalent in global value chains and can also include legal obligations for some investors. The agreement on Sustainable Development Goals (SDGs) and the historic Paris agreement on climate change have recognised and given renewed attention to the role of the private sector in development. A number of SDGs refer to responsible production patterns, inclusive and sustainable economic growth, employment and decent work for all, while the Paris agreement underlines the critical role of business in tackling climate change, including through reducing greenhouse gas emissions and improving environmental performance.

G7 Leaders pledged in June 2015 to lead by example to promote international labour, social and environmental standards in global supply chains; to encourage enterprises active or headquartered in the G7 to implement due diligence; and to strengthen access to remedy (G7, 2015). Specific encouragement was given to international efforts and promulgating industry-wide due diligence standards in the textile and ready-made garment sector. The need to help SMEs develop a common understanding of due diligence and responsible supply chain management was also highlighted. Furthermore, in 2016, under the Chinese G20 Presidency, G20 Trade Ministers recognised the critical role of RBC in investment through the new G20 Guiding Principles for Global Investment Policymaking, stating that “investment policies should promote and facilitate the observance by investors of international best

practices and applicable instruments of responsible business conduct and corporate governance” (G20, 2016).

More and more countries are also using RBC principles and standards to frame domestic law. In March 2015, the UK enacted the Modern Slavery Act, mandating that commercial organisations prepare an annual statement on slavery and human trafficking and report on their due diligence processes to manage these risks within their operations and supply chains (UK, 2015). France has introduced a similar but broader proposal to mandate supply chain due diligence in accordance with the OECD Guidelines, which, if enacted, would require all French companies with more than 5000 domestic employees or more than 10 000 international employees to publish a due diligence plan for human rights and environmental and social risks or face fines of up to EUR 10 million (France, 2016).

RBC criteria have also been included in economic instruments. The OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence was revised in April 2016 to strengthen RBC considerations in export credits and to promote policy coherence (OECD, 2016c). Canada has enhanced its strategy Doing Business the Canadian Way: A Strategy to Advance Corporate Social Responsibility in Canada’s Extractive Sector Abroad to allow for withdrawal of government support in foreign markets for companies that do not embody RBC and refuse to participate in the dispute resolution processes available through the Canadian government, including National Contact Points for the OECD Guidelines.

Due diligence requirements for minerals supply chains have been integrated into Section 1502 of the 2010 United States Dodd–Frank Wall Street Reform and Consumer Protection Act. More recently, the US Federal Acquisition Regulation was revised in 2015, establishing a number of new safeguards to protect against trafficking in persons in federal contracts (Government of the United States, 2015). Additionally, the 2015 Trade Facilitation and Trade Enforcement Act eliminated the exceptions to the prohibition on import of goods into the United States - it is now illegal to import goods made, wholly or in part, with convict, forced and indentured labour under penal sanctions. In March 2016, US border agents withheld goods tied to forced labour on the basis of the new Act (US Customs and Border Protection, 2016). An agreement on a framework to stop the financing of armed groups through trade in conflict minerals was also reached at the EU, with the aim that EU companies source tin, tantalum, tungsten and gold responsibly. These minerals are typically used in everyday products such as

OECD GUIDELINES: UNDERSTANDING ADVERSE IMPACTS AND RISK-BASED DUE DILIGENCE

ADVERSE IMPACTS

Enterprises should avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur. (Guidelines II.A.11)

Enterprises should seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship.

This is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship. (Guidelines II.A.12)

In addition to addressing adverse impacts in relation to matters covered by the Guidelines, enterprises should encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines. (Guidelines II.A.13)

DUE DILIGENCE

Enterprises should carry out risk-based due diligence, for example by incorporating it into their enterprise risk management systems, to identify, prevent and mitigate actual and potential adverse impacts, and account for how these impacts are addressed. The nature and extent of due diligence depend on the circumstances of a particular situation. (Guidelines II.A.10)

Due diligence is understood as the process through which enterprises can identify, prevent, mitigate, and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems.

It can be included within broader risk management systems, provided that it goes beyond simply identifying and managing material risks to the enterprise itself to include the risks of adverse impacts related to matters covered by the Guidelines. (Guidelines II.c.14)

Enterprises with large supply chains are encouraged to identify general areas where the risk of adverse impacts is most significant and, based on this risk assessment, prioritise suppliers for due diligence. (Guidelines II.c.16) The due diligence recommendation applies to those matters covered by the Guidelines that are related to adverse impacts.

WHAT ARE BUSINESS RELATIONSHIPS?

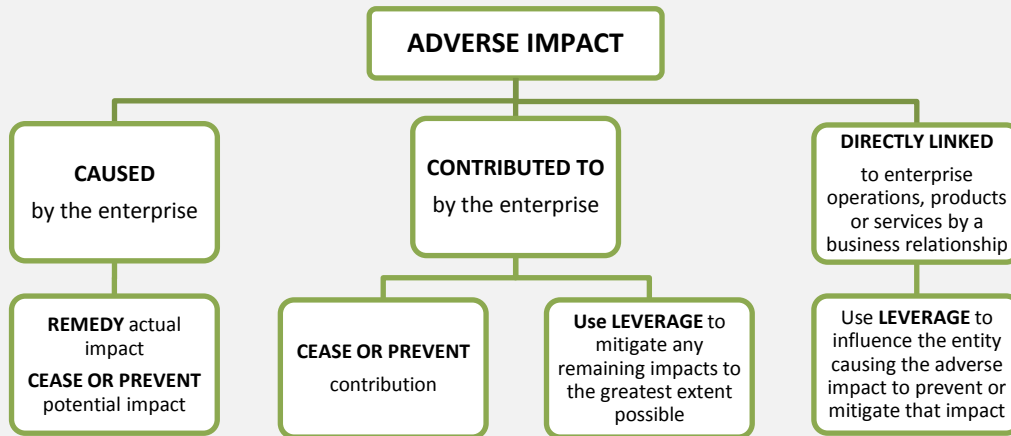
The scope of the application of the Guidelines encompasses an enterprise's own activities and activities linked to the enterprise by a business relationship.

Enterprises should seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. (Guidelines II.A.12)

Business relationships include relationships with business partners, entities in the supply chain and any other non-State or State entities directly linked to its business operations, products or services. (Guidelines II.c.14)

It should be understood that seeking to prevent or mitigate an adverse impact linked to an enterprise by a business relationship is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship. (Guidelines II.A.12)

ADDRESSING ADVERSE IMPACTS



More specific guidelines for addressing human rights adverse impacts are listed in Chapter IV.

UNDERSTANDING LEVERAGE

Leverage is an important tool that enterprises can use to influence behaviour to prevent or mitigate adverse impacts either contributed to by an enterprise or linked to an enterprise by a business relationship.

If the enterprise has the ability to effect change in the wrongful practices of the entity that causes the harm, then it has **leverage** over that entity. (Guidelines II.c.19)

There are **practical limitations** on the ability of enterprises to effect change in the behavior of their suppliers. These are related to product characteristics, the number of suppliers, the structure and complexity of the supply chain, the market position of the enterprise vis-à-vis its suppliers or other entities in the supply chain. Suppliers can, however, be influenced through contractual arrangements such as management contracts, pre-qualification requirements for potential suppliers, voting trusts, and license or franchise agreements. These factors, along with severity and probability of adverse impacts and how crucial that supplier is to the enterprise, will determine an **appropriate response**. (Guidelines II.c.21)

Appropriate responses may include: continuation of the relationship with a supplier throughout the course of risk mitigation efforts; temporary

suspension of the relationship while pursuing ongoing risk mitigation; as a last resort, disengagement with the supplier either after failed attempts at mitigation, or where the enterprise deems mitigation not feasible, or because of the severity of the adverse impact. The enterprise should also take into account potential social and economic adverse impacts related to the decision to disengage. (Guidelines II.c.22)

Enterprises may also engage with suppliers and other entities in the supply chain to improve their performance, in co-operation with other stakeholders, including through personnel training and other forms of capacity building, and to support the integration of principles of responsible business conduct compatible with the Guidelines into their business practices.

Where suppliers have multiple customers and are potentially exposed to conflicting requirements imposed by different buyers, enterprises are encouraged, with due regard to anti-competitive concerns, to participate in industry-wide collaborative efforts with other enterprises with which they share common suppliers to coordinate supply chain policies and risk management strategies, including through information-sharing. (Guidelines II.c.23)

mobile phones, cars and jewellery (EC, 2016b). Furthermore, in 2014 the EU passed a directive on promoting disclosure of non-financial and diversity information (see section on Disclosure below) and the EU 2015 trade strategy *Trade for all: towards a more responsible trade and investment policy* explicitly states that the EU will support the implementation of RBC principles and standards and that it will encourage EU's trading partners to comply with them, in particular the OECD Guidelines. China is also increasingly incorporating RBC in its national initiatives. Notably, at the end of 2015, on the basis of OECD RBC instruments, China Chamber of Commerce Metals, Minerals & Chemicals Importers and Exporters adopted the Chinese Due Diligence Guidelines for Responsible Minerals Supply Chains.

I. SUMMARY OF RECOMMENDATIONS TO ENTERPRISES

Enterprises, therefore, can engage in different ways in order to contribute to increasing awareness and common understanding of RBC in Georgia. Enterprises are encouraged to:

- ◆ Effectively promote leading internationally recognised RBC principles and standards, such as those in the OECD Guidelines, the UN Guiding Principles, and the ILO Conventions, among all relevant stakeholders (including internal stakeholders like local executives and employees);
- ◆ At industry level, share best practices and experiences on RBC (for example, by actively participating in working groups on RBC established by business associations);
- ◆ Support civil society initiatives related to RBC;
- ◆ Engage in dialogue with the appropriate government agencies (for example, investment, trade or credit agencies) to share information about the principles and standards enterprises are expected to meet in their home countries;
- ◆ Support government efforts toward a coherent RBC policy, including the creation in the future of an RBC focal point that could serve as a coordination body on RBC both on regional and international levels;
- ◆ Support any government-based initiatives to create a RBC policy network that could coordinate common policy on a regional level;

- ◆ Engage in dialogue with local administrations to better understand their expectations and needs and to promote transparency in the allocation of enterprise contribution to social projects.

II. Transparency

Combating Bribery, Bribe Solicitation and Extortion

Enterprises have an important role to play in combating bribery and corruption practices, which damage democratic institutions and governance of corporations; discourage investment; and distort competition. Corrupt practices undermine attempts by citizens to achieve higher levels of economic, social and environmental welfare, and they impede efforts to reduce poverty (Guidelines VII.c.74).

Following the 2003 Rose Revolution, Georgia has introduced largely successful anti-corruption measures, resulting in suppression of low-level and administrative corruption. An Anti-Corruption Council was established in 2008 to manage anti-corruption activities, update action plans and strategy and supervise their implementation, inform the general public and ensure the implementation of recommendations by international organisations (OECD, 2013d; U.S. Department of State, 2013a). The government has taken concrete steps to create a more transparent environment through adherence to various international anti-corruption instruments, such as the legally-binding United Nations Convention Against Corruption (accession on 4 November 2008). Georgia also participates in the OECD Istanbul Anti-Corruption Action Plan for Eastern Europe and Central Asia (IAP), which provides a regional forum for promotion of anti-corruption activities, exchange of information, elaboration of best practices and donor coordination. Peer reviews, including the monitoring of implementation and recommendations, are an integral part of the work of this network. The fourth round of monitoring under IAP in 2016 showed major progress in Georgia in reducing corruption (OECD, 2016a).

A National Anti-Corruption Strategy and Georgia Action Plan were originally adopted in 2010. The second Anti-Corruption Action Plan 2014-2016 was adopted in 2014 and includes strategies for preventing corruption in the public sector, ensuring access to public information in anti-corruption activities and prevention of corruption in targeted sectors such as the judiciary, public finance, public procurement, customs and tax systems, private sector, health and social sector and in the political sphere (COE, 2015). For more information on the progress made in what has been an inclusive and comprehensive process, please refer to the October 2015 progress update on the

recommendations from the third round of monitoring of IAP (OECD, 2015e). The third action plan is currently being elaborated (OECD, 2016a).

Additionally, in 2014, the law on the *Conflict of Interests and Corruption in Public Service* was revised, guaranteeing the right to anonymity for whistle-blowers, expanding the scope of protection to their relatives and extending the available channels of reporting (Government of Georgia, 2014b). Progress has also been made in general to increase transparency and limit the opportunities for corruption. For example, the public procurement process was successfully made fully electronic, for which Georgia received the UN Public Service Award in 2012. These efforts have resulted in improvements in international rankings for Georgia, for example, gaining ten positions since 2010 on the Transparency International Perception of Corruption Index, to 48th place in 2015 - best in class among Eastern Europe and Central Asia countries (Transparency International, 2015).

Measures to promote business integrity in Georgia have advanced since 2014. Prevention of Corruption in Private Sector was included in the Anti-Corruption Strategy and 2015-2016 Action Plan, both positive developments. As outlined in the fourth round of monitoring (OECD, 2016a), more efforts would be warranted for studying business integrity risks, raising awareness and training companies and government officials about these risks and prevention measures. The Competition Agency, established in October 2014, started looking at risks; however, integrity risks were not included in the two sector assessments completed since 2014. Additionally, large infrastructure projects can carry risks of corruption. The current system for procurement for infrastructure projects, e-tendering, provides good safeguards against the risk of corruption for conventional routine maintenance contracts and small-scale development projects in infrastructure in Georgia. However, it appears that a relatively high proportion of infrastructure contracts is directly contracted without competition or is subject to exemptions from the law (OECD, 2016a). More measures on transparency and competition in a wider coverage of infrastructure would be warranted (see Chapter 4: Prevention and prosecution of corruption in a selected sector - procurement for infrastructure projects in OECD, 2016a).

Positive steps have been taken by the government to increase impartiality and independence of the judiciary, but further efforts are needed to make it more transparent and increase trust of the private sector and the population in the legal system, notably as it relates to ensuring judicial independence of judges (Public Defender of Georgia, 2014a-b).

Foreign business leaders and employees need to pay particular attention to the risk of bribe solicitation because, in addition to being potentially held liable in Georgia, they could also be held accountable in their home country if they fall under the jurisdiction of a government that has criminalized the bribery of foreign public officials in international business transactions. For example, the 41 States Parties to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-Bribery Convention)¹¹ are required to make it a crime for their companies and individuals to directly or indirectly, offer, promise, or give a bribe or other undue advantage to obtain or retain business or other improper advantage in the conduct of international business. In 2009, new measures were put in place to reinforce efforts to prevent, detect and investigate foreign bribery through the adoption of the OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions (2009 Recommendation). This recommendation highlights that enterprises should develop and adopt adequate internal controls, ethics and compliance programmes or measures for the purpose of preventing and detecting

USEFUL INITIATIVES - TRANSPARENCY

- OECD Guidelines, Chapter VII: Combating Bribery, Bribe Solicitation and Extortion
- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the 2009 Recommendation for Further Combating Bribery of Foreign Public Officials in Public in International Business Transactions
- Annex II of the 2009 OECD Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transaction: Good Practice Guidance on Internal Controls, Ethics, and Compliance
- UN Convention Against Corruption
- International Chamber of Commerce Rules of Conduct and Recommendations to Combat Extortion and Bribery
- Transparency International Business Principles for Countering Bribery (and Edition for SMEs)
- World Bank Integrity Compliance Guidelines
- World Economic Forum Partnering against Corruption Initiative (PACI) - Principles for Countering Bribery
- Asia-Pacific Economic Co-operation (APEC) Anti-Corruption Code of Conduct for Business

¹¹ The OECD Anti-Bribery Convention entered into force on 15 February 1999.

foreign bribery, taking into account Annex II of the 2009 Recommendation, the Good Practice Guidance on Internal Controls, Ethics, and Compliance (Good Practice Guidance). The Good Practice Guidance, which is the only guidance for enterprises of its kind to be adopted at an inter-governmental level, features good practices for ensuring the effectiveness of their internal controls, ethics and compliance programmes or measures to prevent and detect foreign bribery. The OECD Anti-Bribery Convention, along with the 2009 Recommendation, the 2009 Recommendation on Tax Measures for Further Combating Bribery of Foreign Public Officials in International Business Transactions, and the 2006 Recommendation on Bribery and Officially Supported Export Credits, are the core OECD instruments that target the supply side of the bribery transaction. They aim to eliminate the supply of bribes to foreign public officials, with each country taking responsibility for the activities of its enterprises and what happens within its own jurisdiction (Guidelines VII.c.76).

Good governance practices are an important element of addressing the demand side of bribery. Enterprises can support collective action initiatives on resisting bribe solicitation and extortion. Both home and host governments should assist enterprises confronted with solicitation of bribes and with extortion. The Good Practice Guidance on Specific Articles of the Convention, included as an Annex I in the 2009 Anti-Bribery Recommendation, states that the OECD Anti-Bribery Convention should be implemented in such a way that it does not provide a defence or exception where the foreign public official solicits a bribe. It should be noted that the United Nations Convention Against Corruption also requires the criminalisation of bribe solicitation by domestic public officials (Guidelines VII.c.80).

Disclosure and Reporting

Disclosure helps address the need for transparency in business conduct and increase mutual trust between enterprises and their stakeholders. More and more enterprises are also finding it increasingly important to disclose information about their efforts to integrate social and environmental aspects into their business operations. In Georgia, enterprises are required to account and report on their financial performance based on international accounting standards. This does not apply to SMEs, individual entrepreneurs and non-commercial legal entities who can use simplified standards.

Additionally, listed companies are expected to disclose on several issues, including stock ownership and voting rights, internally audited annual reports and related-party transactions. Nonetheless, conformity with international accounting standards is not yet wide-spread despite the legal requirements (U.S. Department of

State, 2015). Disclosure on non-financial information by Georgian enterprises, such as social and environmental performance, remains on a voluntary basis; however, some MNEs operating in Georgia do report on these issues.

There are a number of international principles and standards that address disclosure and reporting, including the OECD Guidelines. The OECD Guidelines encourage timely, accurate and material information to be disclosed by enterprises. Material information is defined as information whose omission or misstatement could influence economic decisions taken by the users of that information. Material matters include enterprises' activities, structure, financial situation, performance, ownership and governance. Enterprises are also encouraged to disclose information regarding their social and environmental performance, including how they manage risk in those contexts (Guidelines, III). In 2014, the EU passed a directive on promoting disclosure of non-financial and diversity information with the aim to promote more transparency on environmental and social issues across sectors and companies over a certain size incorporated in EU member states and listed on regulated EU exchanges (EC, 2014). It is currently in the process of being transposed into national law; first reports are expected in early 2018.

Disclosure and reporting frameworks offer an opportunity for companies to demonstrate compliance with international transparency standards. The most widely used framework around the world is the Global Reporting Initiative (GRI) Sustainability Reporting Framework which includes specific Reporting Guidelines. It is a comprehensive tool to measure and report on economic, environmental, social and governance performance. The OECD Guidelines recognise that such frameworks enhance enterprises' ability to communicate how their activities influence sustainable development outcomes and the GRI maintains strategic partnerships with international organizations in order to foster co-ordination of initiatives. An updated version of the Reporting Guidelines, G4, was launched in May 2013 emphasizing the concept of materiality and providing references to the OECD Guidelines. G4 also includes a complete list of the sections that are linked to the OECD Guidelines, which could be used in a practical way to report on how companies implement the OECD Guidelines. In parallel, an increasing number of enterprises are also developing firm-level disclosure policy and reporting system to outline their commitments to responsible business conduct.

Beyond disclosure and reporting, good corporate governance and RBC are intrinsically linked as, on the one hand, RBC impacts the company's decision-making

USEFUL INITIATIVES – DISCLOSURE AND REPORTING

- OECD Guidelines, Chapter III: Disclosure
- G290.OECD Principles of Corporate Governance
- Global Reporting Initiative (GRI) Sustainability Reporting Framework
- ISO 26000 Standard on Social Responsibility
- UN Global Compact Communication on Progress
- Carbon Footprint Reporting and Water Footprint Reporting
- United Nations-backed Principles for Responsible Investment Initiative (PRI)
- International Integrated Reporting Council (IIRC)
- Group of Friends of Paragraph 47

processes, risk management, disclosure and transparency, and relationships with investors and stakeholders; and, on the other hand, the actual process of undertaking due diligence is closely related to the corporate governance framework and the relationships between company management, board, shareholders and other stakeholders. The EU AA references corporate governance reforms (Articles 316-319), which includes a commitment to develop a corporate governance policy in Georgia in line with international standards, as well as a gradual approximation to the EU rules and recommendations in this area. The G20/OECD Principles of Corporate Governance, one of the main standard listed in the AA for these purposes, reflect the expectations set out in the OECD Guidelines, including the expectation that the corporate governance framework recognises the rights of stakeholders and encourages active co-operation with them, ensures timely and accurate disclosure on all material matters regarding the corporation, and reflects high ethical standards (G20/OECD, 2015).

More efforts to encourage companies to be more transparent in general, but also to disclose information on non-financial issues could help bring about more transparency around business conduct in Georgia. This could be done by promoting disclosure of information based on the Guidelines disclosure chapter, or through supporting dedicated campaigns and targeted programs, including support for multi-stakeholder initiatives, such as the GRI or the Integrated Reporting Framework. The government has a leading role to play in these efforts, particularly in terms of clarifying the requirements in this area.

II. SUMMARY OF RECOMMENDATIONS TO ENTERPRISES

Many international best practices, tools and guidelines exist to help enterprises combat and resist bribery, bribe solicitation and extortion, and to increase transparency.

Enterprises should:

- ◆ Not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage (Guidelines VII);
- ◆ Resist the solicitation of bribes and extortion (Guidelines VII);
- ◆ Not offer, promise, give, request, agree to or accept undue pecuniary or other advantage to and from public officials or the employees of business partners or use third parties for these purposes (Guidelines VII.1);
- ◆ Develop and adopt adequate internal controls, ethics and compliance programmes or measures for preventing and detecting bribery, developed on the basis of a risk assessment addressing the individual circumstances of the enterprise (Guidelines VII.2);
- ◆ Prohibit or discourage the use of small facilitation payments and, if such payments are made, accurately record them in books and financial records (Guidelines VII.3);
- ◆ Ensure properly documented due diligence in the hiring and appropriate and regular oversight of agents, as well as ensure that remuneration is appropriate and for legitimate services only (Guidelines VII.4);
- ◆ Enhance the transparency of their activities in the fight against bribery, bribe solicitation and extortion, for example through making public commitments and disclosing management systems and internal controls, and foster openness and dialogue with the public (Guidelines VII.5);
- ◆ Promote employee awareness of and compliance with company policies and internal controls through appropriate dissemination of information, as well as through training programmes and disciplinary procedures (Guidelines VII.6);
- ◆ Not make illegal contributions to candidates for public office or to political parties and other political organisations (Guidelines VII.7);

- ◆ Ensure disclosure of timely and accurate information on all material matters regarding their activities, structure, financial situation, performance, ownership and governance (Guidelines III.1) (enterprises are encouraged to disclose or communicate on their social and environmental performance (Guidelines III.3-4));
- ◆ Apply high quality standards for accounting, and financial and non-financial disclosure (Guidelines III.4);
- ◆ Comply with both the letter and spirit of the tax laws and regulations of the countries in which they operate (Guidelines XI.1).

These recommendations are highlights from the OECD Guidelines, which contain more details in general and for each recommendation. Please refer to Chapter III, VII and XI.

III. Labour Relations

Georgia ratified 17 ILO Conventions, including 8 fundamental conventions for protection of basic labour rights (ILO, 2015). The 2013 Labour Code and related legal acts regulating labour relations provide for the most basic and fundamental labour rights, including freedom of association and right to collective bargaining. The new labour code is more aligned with international labour standards than its predecessor, which was said to be the most liberal in the world, offering little legal protection to workers (U.S. Department of State, 2012, 2013b; EIU, 2013). It represents an important step for protecting workers in Georgia. New regulations prohibit interference in or discrimination related to union activities and mandate the re-establishment of the labour inspectorate. Role of the state in the collective dispute resolution process increased and regulations on termination of employment contracts and mass dismissals have been elaborated, among other important revisions (U.S. Department of State, 2015). However, although the new code represents a step forward in addressing issues with low-paid and insecure jobs with minimal social protection, implementation remains crucial.

Ensuring safe working conditions and addressing notable concerns about health and safety (especially in the mining sector) will help address some of the most often cited issues in Georgia. Cases of employers taking advantage of the gaps in the weak enforcement of labour legislation had previously been reported. Furthermore, demonstrations for better working conditions have been held in recent years. In 2014, workers in the Kazreti village gold mines went on a strike for over a month to protest dangerous working conditions and low wages. They were joined by hundreds of supporters. An agreement granting a new insurance package to workers and guaranteeing better working conditions and improved safety standards was reached in

the end. In addition, the 80 workers (out of a total 180) that were fired before the strikes were given their jobs back (DFW, 2014a; Nikuradze, 2014). Another example is from 2013 when 6 000 railway workers went on a strike after their employer refused to comply with provisions in the new labour code, notably on overtime pay. The company threatened the workers that they would lose their jobs, but they ultimately came to an agreement. Sharan Burrow, Secretary General of the International Trade Union Confederation (ITUC), expressed concerns “[...] regarding the on-going pressure and defamation exerted by the management before and during the strike. Instead of negotiating, the management interfered in the union internal affairs and in particular its right of assembly” (ITUC, 2013).

Several important developments have taken place since 2014 with the aim to address some of these challenges. The government reported the establishment of two new state programmes on *Labour Conditions Monitoring* (Decree No. 38, 2015), with the aim to support employers in providing safe and health working environment, and on *Inspecting Labour Conditions* (Resolution No. 19, 2016), with the aim to ensure implementation of labour safety standards, raise awareness, prevent trafficking and identify institutional reform needs. The re-establishment of the labour inspectorate in March 2015 under the Ministry of Labour, Health, and Social Affairs has been one of the most important recent developments. The inspectorate has received a mandate to monitor workplace safety, as issued in the decree on Approval of the State Program for Monitoring Working Conditions (EY, 2015; Legislative Herald of Georgia, 2015a). The government has reported that the inspectorate has monitored labour conditions so far in 77 companies. The Public Defender and trade unions have noted, however, that the programme is not yet operational and that a properly functioning inspectorate still needs to be constituted (Public Defender of Georgia, 2015; GTUC, 2015).

Furthermore, steps have been taken to revive the Tripartite Social Partnership Commission, established in 2013 and comprised of government, private sector and trade union representatives. The *State Strategy of Labour Market Formation and its Implementation Action Plan for 2015-2018* envisions enhancing social partnership institutions and developing and supporting social dialogue on a regional level with the assistance of ILO. In January 2016, the government held a meeting of the social partners in order to discuss strengthening of the Tripartite Commission and its strategic approach. The government has reported that the commission met again in April and that a working group under the Tripartite Commission has been set up in order to assess labour legislation and elaborate possible amendments. Additionally, the government has reported that one full time mediator was hired by the Ministry of

Labour, Health and Social Affairs as part of the Labor Mediation Mechanism for collective dispute conciliation. NCPs for the OECD Guidelines could also be a resource for dealing with labour issues.¹² MNEs can also develop their own dispute resolution mechanisms.¹³

Enterprises have an independent responsibility to respect international labour standards and domestic law. It is all the more important that enterprises adopt good labour management practices and that they structure their relationships with workers to avoid supporting, encouraging or participating in violations of labour rights in light of low institutional capacity to implement the law.

For more information on international labour standards, enterprises can contact the ILO Helpdesk for Business, which provides information on a wide range of labour topics derived from the ILO MNE Declaration. Enterprises can also access NORMLEX, a new information system on international labour standards (such as ratification information, reporting requirements, comments of the ILO's supervisory bodies, etc.) and national labour and social security laws. As mentioned previously, enterprises should also be aware that the NCPs of the OECD Guidelines are useful resources. The OECD Guidelines and the ILO MNE Declaration refer to the behaviour expected from enterprises and are intended to parallel each other.

USEFUL INITIATIVES - LABOUR RELATIONS

- OECD Guidelines, Chapter V: Employment and Industrial Relations
- 1998 Declaration on Fundamental Principles and Rights at Work
- 1977 ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- ILO, Helpdesk for Business and NORMLEX
- ILO, Working Conditions of Contract Workers in the Oil and Gas Industries
- IFC Performance Standards, in particular Standard 2: Labour and Working Conditions
- Fair Labour Association Workplace Code of Conduct
- European Union, Employment Equality Framework Directive
- UN Global Compact, Women Empowerment Principles
- Business Social Compliance Initiative

¹² For more information on the NCPs of the OECD Guidelines and the added value of mediation please refer to Annex C.

¹³ For more information on available grievance mechanisms and complaint procedures, see Annex B.

III. SUMMARY OF RECOMMENDATIONS TO ENTERPRISES

Enterprises are encouraged to, within the framework of applicable law, regulations and prevailing labour relations and employment practices and applicable international labour standards:

- ◆ Respect internationally recognised labour rights and principles, in particular freedom of association and right to collective bargaining; effective abolition of child labour; elimination of all forms of forced or compulsory labour; and non-discrimination in employment and occupation (Guidelines V.1);
- ◆ Provide facilities as necessary to assist in development of effective collective agreements, including providing information needed for meaningful negotiations on conditions of employment and a true and fair view of enterprise performance (Guidelines V.2);
- ◆ Promote consultation and co-operation with workers and their representatives on matters of mutual concern (Guidelines V.3);
- ◆ Observe employment and industrial relations standards not less favourable than those observed by comparable employers in the host country and, if those comparable employers do not exist, provide best possible wages, benefits and conditions of work within the framework of government policies, which should be at least adequate to satisfy the basic needs of the workers and their families (Guidelines V.4);
- ◆ Ensure occupational health and safety in operations (Guidelines V.4);
- ◆ Provide reasonable notice of changes in their operations that would have major employment effects, in particular in the case closure, which may involve collective lay-offs or dismissals (Guidelines V.6);
- ◆ Enable authorised workers' representatives to negotiate on collective bargaining or labour-management relations issues (Guidelines V.8).

These recommendations are highlights from the OECD Guidelines, which contain more details in general and for each recommendation. Please refer to Chapter V.

IV. Human Rights and Discrimination

Discrimination based on race, gender, language, disability, or social status is prohibited by law in Georgia. Georgia has ratified all major international instruments on

human rights, as expressed in the International Bill of Human Rights, consisting of the Universal Declaration of Human Rights and the main instruments through which it has been codified: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights (UN OHCHR, 2015a). Georgia has also acceded to the UN Convention on the Elimination of All Forms of Discrimination against Women and the UN Convention on the Elimination of Racial Discrimination.

In 2014, the Georgian Parliament adopted an anti-discrimination law prohibiting all forms of discrimination. It is prohibited to create the conditions when one person is treated less favourably than another person in a comparable situation based on race, skin colour, language, sex, age, citizenship, origin, place of birth or residence, property or social status, religion or belief, national, ethnic or social origin, profession, marital status, health, disability, sexual orientation, gender identity and expression, political or other opinions, or other characteristics (Government of Georgia, 2015c: art. 1-2.1). The Public Defender has a mandate to monitor the implementation of the laws related to human rights.

A National Human Rights Strategy has been adopted for 2014-2020 and the Action Plan on Human Rights is renewed bi-annually. The Strategy addresses many aspects of human rights including gender equality, rights of minorities, work-related rights and environmental rights. The government has reported to the OECD that the 2016-2017 Action Plan adopted in June 2016 includes a separate chapter on human rights and business, focusing on promotion and awareness raising activities related to RBC. The planned concrete measurements are 1) a national baseline study on business and human rights; 2) elaboration of a national action plan on business and human rights; 2) translation of international standards in Georgian; 3) consultation processes with stakeholders on business and human rights; 4) awareness raising activities; and 5) organisations of conferences on RBC. The body responsible for effective coordination and the implementation of this Action Plan is the Secretariat of Human Rights Protection, established under the Administration of Government of Georgia in 2014 (Government of Georgia, 2016, 2015b-c).

Gender

Discrimination not only impacts individuals, but also the community as a whole. For instance, broad consensus exists on gender equality being a crucial element of sustainable growth and development, as well as poverty reduction, particularly in developing economies (OECD, 2014c). A Law on Gender Equality was adopted in 2010,

and various laws were amended in 2014 in order to harmonise Georgian legislation with the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence (Government of Georgia, 2015a). Additionally, a Gender Equality National Action Plan has been adopted since 2012, with its implementation monitored by the Gender Equality Council of the Parliament of Georgia. The 2014-2016 plan is aligned with the Council of Europe Gender Equality Strategy 2014-2017 and focuses on combatting gender stereotypes, violence against women, integrating gender into programs and policies, abolishing negative traditional gender stereotypes, guaranteeing equal access to justice and balancing the participation of women in decision-making positions. Women are increasingly viewed as part of the integral growth strategy (OECD/European Union/EBRD/ETF, 2015a).

These improvements notwithstanding, the quality of implementation of the action plans and strategies differs by area and the responsible agencies. Discrimination at the workplace, violence against women, concerns about intolerance and violence directed against minorities, notably based on religious beliefs, remain a concern (Public Defender of Georgia, 2014). Social prejudices, including in the job market, against the lesbian, gay, bisexual and transgender (LGBT) community are reported to be strong, and the wage gap and harassment in the workplace still are existing concerns (Public Defender of Georgia, 2014a; U.S. Department of State, 2014). The UN Committee on the Elimination of Discrimination against Women in the July 2014 concluding observations on Georgia noted the progress made, while recommending that measures be taken to increase the participation of women in employment and effectively address the concentration of women in low-paid jobs; implementing the principle of equal pay for work of equal value in order to narrow and close the gender wage gap, consistently reviewing the wages of men and women in all sectors; facilitating the reconciliation of professional and private life for women and men, including by expanding the number of childcare facilities and encouraging men to equally participate in family responsibilities, and ratify the Maternity Protection Convention, 2000 (No. 183), of the ILO; and strengthening measures to prevent and combat sexual harassment of women in the workplace by establishing labour inspectorates for effective labour law reporting and enforcement mechanisms (UN CEDAW, 2014). Based on the UNDP 2014 Gender Inequality Index, which measures gender inequalities in three important aspects of human development - reproductive health, empowerment, and economic status - Georgia ranked 76th in the world (UNDP, 2015). Some programmes, such as the already mentioned sub-programme of *Produce in Georgia* are aimed at addressing these inequalities.

Gender equality and protection of women's rights can be supported by all stakeholders, including the business community. The Women Empowerment Principles, a joint initiative by UN Women and UN Global Compact, is relevant in this regard. Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices and applicable labour standards, be guided throughout their operations by the principle of equality of opportunity and treatment in employment and not discriminate against their workers with respect to employment or occupation on the basis of sex (Guidelines V.1.E). More specifically, enterprises are expected to promote equal opportunities for women and men with special emphasis on equal criteria for selection, remuneration, and promotion, and equal application of those criteria, and prevent discrimination or dismissals on the grounds of marriage, pregnancy or parenthood (Guidelines V.c.54). An exception to this principle is to be made when selectivity concerning workers characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or related to the inherent requirements of a job (Guidelines V.1.E).

Minorities

The Constitution of Georgia grants equal status to all minorities. The main minorities identified in the 2002 census are Azeris (6.51%), Armenians (5.69%), Russians (1.55%), Ossetians (0.87%), Greeks (0.35%), Ukrainians (0.16%), Kists (0.16%) and Abkhazians (0.08%) (ECMIC-Caucasus, 2014). A National Concept and Action Plan for Civic Equality and Integration 2015-2020 was also adopted in 2015. Its implementation is monitored by the Council of National Minorities, which is under the supervision of the Public Defender of Georgia (Public Defender of Georgia, 2015; GDI, 2015).

Nevertheless, ethnical minorities face discrimination in access to education and in promotion of language and culture. In some regions that have a predominance of ethnic minorities, opportunities to learn Georgian, the state language, is limited, impeding fruitful employment and participation in public life.¹⁴ Religious minorities can also face discrimination. Local governments have been reported to interfere with free assembly and religious worship (Public Defender of Georgia, 2015; Coalition of NGOs, 2013; U.S. Department of State, 2013b).

Businesses operating in Georgia will have to be vigilant about discrimination, particularly when operating in areas with ethnic minorities. It is necessary, particularly related to recruiting staff, giving contracts, offering trainings or other kind of measures

¹⁴ It has also been reported that persons with disabilities face similar risks and are often excluded from society and the workplace.

that impact the community directly, to have a clear understanding of the ethnic realities in the areas in which they operate. Businesses should be sensitive to the possibility of contributing to existing conflicts through, for example, their employment practices.

The same can be said for the LGBT community, which is reported to be subject to notable discrimination in employment opportunities and workplace treatment. The principle of equality of opportunity and treatment in employment that is enshrined in international human rights law, including in the OECD Guidelines (Guidelines V.1.E), also refers to personal characteristics such as sexual orientation (Guidelines V.c.54). Enterprises are expected to be guided by this principle throughout their operations. This is independent of State ability and/or willingness to fulfil human rights obligations. Failure either to enforce relevant domestic laws, or to implement international human rights obligations or the fact that it may act contrary to such laws or international obligations does not diminish the expectation that enterprises respect human rights (Guidelines, IV.c.37-38).

Enterprises might find the 2012 booklet by the United Nations Human Rights Office of the High Commissioner, *Born Free and Equal, Sexual Orientation and Gender*

USEFUL INITIATIVES – HUMAN RIGHTS

- OECD Guidelines, Chapter IV: Human Rights
- International Bill of Human Rights
- UN Guiding Principles on Business and Human Rights which operationalize the UN Framework for Business and Human Rights ‘Protect, Respect and Remedy’
- Office of the High Commissioner for Human Rights, Interpretative Guide to the Corporate Responsibility to Respect Human Rights
- UN Women and UN Global Compact Women Empowerment Principles
- IFC Human Rights Impact Assessment Management
- Danish Institute for Human Rights, Human Rights Compliance Assessment
- Amnesty International, Human Rights Principles for Companies
- IPIECA Human rights due diligence process: a practical guide to implementation for oil and gas companies
- European Commission, Oil and Gas Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights

Identity in International Human Rights Law, useful. It examines LGBT rights in international human rights law, underscoring that:

“The legal obligations of States to safeguard the human rights of LGBT and intersex people are well established in international human rights law on the basis of the Universal Declaration of Human Rights and subsequently agreed international human rights treaties. All people, irrespective of sex, sexual orientation or gender identity, are entitled to enjoy the protections provided for by international human rights law, including in respect of rights to life, security of person and privacy, the rights to be free from torture, arbitrary arrest and detention, the right to be free from discrimination and the right to freedom of expression, association and peaceful assembly.” (OHCHR, 2012; 10)

IV. SUMMARY OF RECOMMENDATIONS TO ENTERPRISES

Enterprises should:

- ◆ Respect human rights, which means they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved (Guidelines IV.1);
- ◆ Within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur (Guidelines IV.2);
- ◆ Seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products or services by a business relationship, even if they do not contribute to those impacts (Guidelines IV.3);
- ◆ Have a policy commitment to respect human rights (Guidelines IV.4);
- ◆ Carry out human rights due diligence as appropriate to their size, the nature and context of operations and the severity of the risks of adverse human rights impacts (Guidelines IV.5);
- ◆ Provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts where they identify that they have caused or contributed of these impacts (Guidelines IV.6);

- ◆ Be guided throughout their operations by the principle of equality of opportunity and treatment in employment and not discriminate against their workers with respect to employment or occupation, i.e. on grounds such as sexual orientation (Guidelines, V.1.E. and V.c.54).

These recommendations are highlights from the OECD Guidelines, which contain more details in general and for each recommendation. Please refer to Chapter V and Chapter VI.

V. Environment

Following the Rose Revolution, reforms were primarily defined in terms of economic needs, often leading to removal of environmental safeguards, including also market-based mechanisms for environmental management such as environmental pollution charges. Generally, environmental safeguards were seen as obstacles to economic growth, not taking into account the complexity of the development (OECD, 2012b; UNDP, 2010a; UNECE, 2010). It is mostly unclear what actors should and can be held responsible or liable for causing environmental damages.

Recent OECD research examined trade in manufactured goods between advanced and emerging economies and showed that countries that implement stringent environmental policies do not lose export competitiveness when compared against countries with more moderate regulations. This is compelling evidence against the hypothesis that regulations to curb pollution and energy use hurt businesses by creating new costs (Kozłuk and Timiliotis, 2016).

According to the 2016 Yale Environmental Performance Index, Georgia ranked 111 out of 180, the last place in Eastern Europe and Central Asia region (Yale EPI, 2016). The most important environmental issues in Georgia concern air and water quality, waste management, land use, chemical pollution, and nature conservation (UNECE, 2016). Air pollution, for example, is an increasingly serious problem according to UNECE, but the extent of the problem could be underestimated due to gaps and weaknesses in air-quality monitoring. In addition, there is a need for a more systematic approach in water management. The water supply sector is underdeveloped and the quality of drinking water is low. Wastewater treatment plants are generally too damaged to be rehabilitated. Used water and pollutants are dumped directly into the waters without being treated. Contributing to the poor water quality are mining and food industries, landfills and illegal dumpsites, as well as inadequate agriculture activities like the inappropriate use of fertilisers (UNECE, 2016).

The government is increasingly taking steps to protect the environment. In 2012, the second National Environmental Action Programme of Georgia 2012-2016 (NEAP-2) was developed, focusing notably on resources, waste, risk management, environmental protection and climate change. The NEAP-2 also recognises the need to balance economic growth with environmental protection and social progress (Government of Georgia, 2012b). Simultaneously, a national strategy and action plan to encourage environmental education for sustainable development has been developed (2012-2014). More generally, it should be noted that the right of citizens to live in a healthy environment is enshrined in the Constitution (article 37). The legal framework for environmental protection and resources management was established by the Law on Environment Protection (1996). Sector-specific laws are also in place, including a new water management law drafted in 2011 (Government of Georgia, 2012b; SIDA, 2013).

After NEAP-2¹⁵ was adopted, environmental policymaking in Georgia gained momentum. A new Waste Management Code was adopted in January 2015, based on the national waste management strategy 2016-2030 and its action plan (Legislative Herald of Georgia, 2015b; Deloitte, 2015a; Georgia Today, 2015). In order to ensure its successful implementation, there is a need to raise awareness, knowledge and experience at all levels of the government, as well as by enterprises and society at large, on recycling and waste management issues. There is also a need to ensure proper disposal of industrial waste, particularly in mining (Government of Georgia, 2015e).

The OECD policy manual for Eastern Partnership Countries on *Creating Incentives for Greener Products* could be a useful tool as its objective is to help the partnership countries address the heavy environmental legacy from the Soviet time through integration of environmental considerations in economic, social and political reform (OECD, 2015c). One notable economic instrument, described in this publication, is the extended producer responsibility (EPR) instrument prescribed in the Waste Management Code. The EPR imposes on producers, either individually or collectively, the recovery and recycling end-of-life products (Government of Georgia, 2015e).

Attention to the energy sector is expected to rise in Georgia. There is room to increase energy efficiency and savings for businesses, due in part to the growing costs and in part to the introduction of investment loans for energy efficiency measures (UNDP, 2010b; UNECE, 2016). In particular, according to the third UNECE environmental performance review of Georgia (2016), as well as previous UNDP

¹⁵ The development of the third National Environmental Action Programme 2016-2018 (NEAP-3) started in 2014 (UNECE, 2016).

reports, introducing energy efficiency standards in the Building Code and modernising or replacing old soviet-era equipment for producing and supplying energy, would improve the environmental footprint and lower costs for citizens, businesses and municipalities (UNDP, 2010a; UNDP, 2010b). In addition, the energy sector is facing challenges in both medium and long-term supply of electricity from secure and reliable source. There is a lot of potential to realise benefits from regional trade in electricity (World Bank, 2014a: 15; UNECE, 2016). There are also significant opportunities from renewable resources, notably hydro resources. Special attention to selecting suitable hydropower plants is warranted (UNECE, 2016; World Bank, 2014a; OECD, 2012b).

There has not been a general and proactive risk assessment, prevention and mitigation on the side of enterprises (SIDA, 2013; UNDP, 2010b; UNECE, 2010). Businesses should pay a particular attention to risk management in the mountainous regions of Georgia, due to the high risks of environmental disasters related to the geography. For instance, the Khudoni hydropower project had met with strong opposition and fears of irreparable environmental damages due to the fact that the project is located in the mountainous Svaneti region, a UNESCO World Heritage Site. Recent concerns have been raised by environmentalists about gold mining in the same region (DFW, 2014b; DFW, 2016).

A clear message and direction to the private sector about the expected responsible environmental practices is necessary. According to the 2016 UNECE review, although impact assessments are necessary for both new and existing facilities and infrastructure projects, they are performed on the basis of design documentation. The acceptability of the proposed site for the planned development is generally not evaluated and an alternative analysis is generally not undertaken. Furthermore, the quality of the reports tends to be poor, with some reports missing essential elements. The impact assessment procedures do not seem to follow international best practice and there is room for improvement as related to their scope and coverage, organisation and transparency of the procedures, clarity and enforceability of conditions, and compliance. Additionally, participation of the public seems to be limited (UNECE, 2016).

The government has reported to the OECD that the process to elaborate a code related to environmental protection assessments is ongoing. The code is expected to regulate the above mentioned issues and cover issues related not only to environmental impact assessments, but also a strategic environment assessment. This type of assessment is expected to define the obligation of public authorities to include

environment issues within preparation and adoption of strategic documents, programs and plans.

For enterprises, sound environmental management is both a responsibility and an opportunity. A proper environmental management system provides the internal framework necessary to control an enterprise's environmental impacts and to integrate environmental considerations into business operations. Having such a system in place should help assure all concerned parties that the enterprise is actively working to protect the environment from the impact of its activities (Guidelines VI.c.61).

Internal control system that relate to the environment may include targets for improved performance and regular monitoring of progress towards these targets (Guidelines VI.c.64). Business activity can involve the ex-ante assessment of the potential environmental impacts associated with the enterprise's activities. Enterprises often carry out appropriate environmental impact assessments, even if they are not required by law (Guidelines VI.c.67).

In all cases, enterprises should seek to prevent or mitigate an adverse impact where they have not contributed to that impact, but when their impact is nevertheless directly linked to their operations, products and services by a business relationship. Enterprises should also encourage business partners, including suppliers and sub-contractors, to act responsibly (Guidelines, II). Furthermore, international financial institutions now expect good environment practices in relation to development loans they might provide. Potential environmental risks are often part of banks' lending criteria. For Georgian businesses, including SMEs, adopting such good practices could increase their participation in the MNE supply chains and in their access to finance or/and investment. There is also scope to promote more private sector and government cooperation in the area of environmental protection. This could entail greater responsibility of the private sector for environmental outcomes; support for environmentally-friendly technologies; and increased consideration of climate change mitigation and adaptation. For example, the private sector could take an active role in designing and implementing industry-wide environmental standards. Foreign investors could help raise environmental standards by introducing advanced technology and supporting technology transfer.

V. SUMMARY OF RECOMMENDATIONS TO ENTERPRISES

With a view to contributing to broader sustainable development goals, enterprises should:

- ◆ Establish and maintain a system of environmental management, including collection and evaluation of information regarding their impacts, establishment of measurable objectives and targets, and regular monitoring and verification of progress (Guidelines VI.1);
- ◆ Provide public information on the potential impacts of their activities and engage in communication and consultation with the communities directly affected by enterprises' policies and by their implementation (Guidelines VI.2);
- ◆ Assess and address, in the decision-making, the foreseeable impacts associated with the processes, goods and services of the enterprise over their full life-cycle with a view to avoiding or mitigating them (Guidelines VI.3);
- ◆ Prepare an appropriate environmental impact assessment when the impacts are significant and where enterprise activities are subject to a decision of a competent authority (Guidelines VI.3);
- ◆ Not use the lack of full scientific certainty to postpone cost-effective measures to prevent or minimise damage (Guidelines VI.4);
- ◆ Maintain contingency plans and mechanisms for immediate reporting to the competent authorities for serious environmental and health damage that can result from their operations (Guidelines VI.5);
- ◆ Continually seek to improve environmental performance at both enterprise and supply chain levels, even where this may not be formally required by existing local practices (Guidelines VI.6);
- ◆ Provide adequate education and training to workers, including on the handling of hazardous materials and the prevention of environmental accidents, as well as in more general environmental management areas (Guidelines VI.7);
- ◆ Contribute to the development of meaningful and efficient public policy by, for example, partnerships or initiatives that enhance environmental awareness and protection (Guidelines VI.8).

These recommendations are highlights from the OECD Guidelines, which contain more details in general and for each recommendation. Please refer to Chapter VI.

USEFUL INITIATIVES - ENVIRONMENT

- OECD Guidelines, Chapter VI: Environment
- Rio Declaration on Environment and Development and the Rio+20 Declaration “The Future We Want”
- Agenda 21 (within the Rio Declaration)
- OECD Sustainable Manufacturing Toolkit
- Green Industry Initiative and Green Industry Platform (UNIDO)
- Partnership for Action on Green Energy (UNEP, ILO, UNIDO and UNITAR)
- EU Water Initiative
- EU Best Available Techniques Reference Documents (BREFs)
- Convention on Environmental Impact Assessment in a Transboundary Context (the Espoo Convention)
- Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (FAO)
- St Petersburg Ministerial Declaration on the Europe and Northern Asia Forest Law Enforcement and Governance Process (ENA FLEG)
- UNEP Guidelines for Strengthening Environmental Monitoring and Reporting by Enterprises in Eastern Europe, Caucasus and Central Asia
- Convention on Access to Information, Public Participation in Decision-Making, and Access to Justice in Environmental Matters (Aarhus Convention)
- ISO 1400 Standards on Environmental Management Systems
- World Bank Group Environmental, Health, and Safety Guidelines
- UNEP Finance Initiative
- Life Cycle Initiative, launched by UNEP and the Society of Environmental Toxicology and Chemistry (SETAC)
- IFC Performance Standards, in particular Standard 1: Assessment and Management of Environmental and Social Risks and Impacts; Standard 3: Resource Efficiency and Pollution Prevention; and Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Greenhouse Gas Protocol Initiative
- Equator Principles
- International Council on Mining and Metals (ICMM) materials

VI. Land and Communities

The right to property is recognised by Article 7 of the Constitution and by the Law on the Recognition of Property Rights regarding Land in Possession (Usage) of Natural and Legal Persons adopted in 2007 in the context of handover of state-owned land. Property rights can be recognised by permanent commissions for the recognition of property rights or the National Agency of Public Registry. In the World Economic Forum Global Competitiveness Index 2016-2017, Georgia ranks 43rd out of 138 for protection of property rights and 53th for the efficiency of the legal framework in settling disputes, with noted increases in ranking from 2013.

Although issues related to property rights have been raised in the past, mainly related to the “voluntary” transfer of private property for public purposes or seizure at low prices, the government has made efforts to address them. This is particularly true when it comes to registration issues, where an electronic registry system for recording land titles has been created and land cadastre is being continuously improved (Public Defender of Georgia, 2015, 2014a; U.S. Department of State, 2015, 2013b). Although these efforts are noted, it may still be difficult in some cases to establish who owns the land or has customary use of it and who should be properly consulted and eventually compensated. Large projects, notably in infrastructure and extractive and hydropower sectors also have more risks associated to them. Therefore, it is imperative that businesses conduct meaningful due diligence and stakeholder engagement.

More broadly, the use of land and natural resources in the course of carrying out business activities significantly impacts local communities, their health and livelihoods. Enterprises are therefore expected to engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities (Guidelines II.A.14).

Affected communities often lack confidence *vis-a-vis* enterprises due to past conflicts, notably related to land acquisition. This is a significant barrier for meaningful stakeholder engagement. Because effective stakeholder engagement is a two-way communication process, building mutual trust through a constructive dialogue should be a priority. An additional complicating factor is that the lack of involvement from civil society can limit the understanding of the true cost and impact of industrial activities.

Inadequate stakeholder engagement or an absence of it affects business operations. Conflicts between local communities and enterprises have economic,

reputational and human costs for enterprises in the form of administrative and legal proceedings, media campaigns, political pressure, protests and violence. These costs are often overlooked or underestimated by enterprises.

No or ineffective engagement with stakeholders can lead to adverse impacts and in certain situations cause violations of human rights. The potential costs arising from conflicts with local communities are often overlooked by enterprises. Stakeholder engagement involves interactive processes of engagement, through, for example, meetings, hearing, or consultation proceedings. Effective stakeholder engagement is characterised by two-way communication and depends on the good faith of the participants on both sides. This engagement can be particularly helpful in the planning and decision-making concerning projects or other activities involving, for example, the intensive use of land or water, which could significantly affect local communities (Guidelines II.c.25). An effective stakeholder engagement recognises the importance of building trust, fostering social acceptance and avoiding conflicts.

Having a stakeholder engagement strategy will help enterprises carry out their due diligence related to the risks and impacts of their activities, including from a human rights perspective. In Georgia, promoting participation of women at every stages of engagement will be of particular importance. Approaches regarding stakeholder engagement may vary from one enterprise to another depending on the local context and the enterprises' activities, although a number of common best practices for an effective stakeholder engagement have been developed already. Enterprises will need to enhance capacity and provide support for meaningful stakeholder engagement. This can mean providing the financial and technical means for communities to seek external advice and to participate in the dialogue on a more equal basis.

Enterprises can refer to the 2015 Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector for more information (OECD, 2015f). The guidance provides a practical framework for identifying and managing risks with regard to stakeholder engagement activities to ensure companies play a role in avoiding and addressing adverse impacts as defined in the OECD Guidelines. The guidance also includes an assessment framework for industry to evaluate their stakeholder engagement performance and targeted guidance for specific stakeholder groups such as indigenous peoples, women, workers and artisanal and small scale miners.

Main recommendations include:

- Integrating stakeholder engagement into project planning and regular business operations through sharing of decision-making power with interested and affected parties;
- Practising stakeholder engagement that is driven by stakeholders through ongoing consultation and follow-through;
- Developing a stakeholder engagement strategy which prioritises engagement with most severely affected rather than most influential stakeholders.

VI. SUMMARY OF RECOMMENDATIONS TO ENTERPRISES

Enterprises should:

- ◆ Carry out risk-based due diligence, for example by incorporating it into their enterprise risk management systems, to identify, prevent and mitigate actual and potential adverse impacts, and account for how these impacts are addressed (Guidelines II.A.10);
- ◆ Avoid causing or contributing to adverse impacts on matter covered by the OECD Guidelines, through their own activities, and address such impacts when they occur (Guidelines II.A.11);
- ◆ Seek to prevent or mitigate adverse impacts where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship (Guidelines II.A.12);
- ◆ Encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the OECD Guidelines (Guidelines II.A.13);
- ◆ Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that significantly impact local communities (Guidelines II.A.14).

Please refer to Chapter II for more information about the Guidelines provisions on stakeholder engagement and risk-based due-diligence and the 2015 OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector.

USEFUL INITIATIVES – STAKEHOLDER ENGAGEMENT

- OECD Guidelines, Chapter II: General Policies
- 2015 Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector
- IFC, Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets (2007);
- IFC Performance Standards, in particular Standard: 7 Indigenous Peoples
- AA1000 Stakeholder Engagement Standard
- International Association of Public Participation - IAP2, Public Participation Toolbox
- ICMM materials
- International Petroleum Industry Environmental Conservation Association (IPIECA) materials
- Prospectors and Developers Association of Canada, E3 Plus Framework
- Mining Association of Canada, Towards Sustainable Mining-Guiding Principles
- European Commission, Oil and Gas Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights

Moving Forward

Building a healthy business environment in Georgia requires an effort by all actors. The government has a responsibility to protect internationally recognized fundamental rights and to improve the functioning of markets through good governance, fair regulations, and transparency. Businesses have a responsibility to adopt responsible business practices that take into account both the bottom line and the impact of their activities on society. Labour and civil society have to be involved proactively and constructively and have a key role to play in ensuring accountability.

Increased political stability, an open business environment, abundance of natural resources and Georgia's strategic location, particularly in terms of transport links, are all expected to be positive contributing factors for increasing foreign investments in Georgia (EIU, 2013). Foreign investors have a real chance to adopt, from the start, behaviours that lead to Georgia's sustainable development and social progress. The opportunity to embed RBC principles in operations from the beginning

should not be missed – doing so would be costly to both investors and Georgian society beyond the short-term.

One notable challenge identified in this report is the need to increase awareness and common understanding among all stakeholders about what RBC actually entails. A better understanding of international and national RBC expectations would benefit all stakeholders by creating a dialogue on RBC at the national, but also regional level. In that context, the government of Georgia is encouraged to make its expectations on what RBC entails for Georgia known. Private initiatives like the ones undertaken by Eurasia Partnership Foundation, Centre for Strategic Research and Development of Georgia, and the American Chamber of Commerce, and CSR Club can also significantly contribute to increasing awareness and common understanding around RBC.

The OECD and other international organisations can contribute in promoting and supporting RBC by providing a platform for dialogue, peer learning, standard setting, analysis, and best policy recommendations. The *Responsible Business Conduct in Central Asia and South Caucasus* project and this report serves that purpose. Additionally, the OECD and other partner organisations can support raising awareness and capacity building efforts through events, working sessions, meetings and other kind of supporting activities. Eventually, a focal point on RBC at the government level, inspired by the National Contact Points for the OECD Guidelines, could facilitate RBC promotion and capacity building efforts and ensure policy coherence. Enterprises should participate in and support those efforts, while also ensuring that they meet their responsibilities in Georgia.

Annex A: Useful RBC-Related Resources in Georgia

Government and National Agencies

- Ministry of Economy and Sustainable Development: www.economy.ge/en/home
- Ministry of Finance: www.mof.ge/en/
- Ministry of Foreign Affairs: www.mfa.gov.ge/?lang_id=ENG
- Ministry of Energy: www.energy.gov.ge/index.php?lang=eng
- Ministry of Environment and Natural Resources Protection: http://moe.gov.ge/index.php?lang_id=ENG
- Ministry of Regional Development and Infrastructure: www.mrdi.gov.ge/en/main
- Georgian National Investment Agency:
- Invest in Georgia: www.investinggeorgia.org/
- Trade with Georgia: www.tradewithgeorgia.com
- Georgian Oil and Gas Corporation: www.gogc.ge/en/home
- Eurasian Transport Corridor Investment Center: www.trrc.ge/worldbank/us.html
- National Statistics Office of Georgia (GeoStat): www.geostat.ge/index.php?action=0&lang=eng
- National Intellectual Property Center “Sakpatenti”:
http://sakpatenti.org.ge/index.php?lang_id=ENG&sec_id=259
- National Agency of Public Registry (NAPR): <http://napr.gov.ge/>
- Public Defender of Georgia: www.ombudsman.ge/en/home
- Business Ombudsman: www.businessombudsman.ge/?action=page&p_id=5&lang=eng
- Tripartite Social Partnership Commission

Business Associations/Chambers of Commerce

- EU-Georgia Business Council: <http://eugbc.net/>
- American Chamber of Commerce in Georgia: www.amcham.ge/
- Chamber of Commerce and Industry France – Georgia: www.ccifg.ge/
- German Business Association Georgia: <http://georgien.ahk.de/>
- ICC Georgia - International Chamber of Commerce: www.icc.ge/
- Georgian Chamber of Commerce and Industry: www.gcci.ge/?lan=en
- Business Association of Georgia: <http://bag.ge/?lng=eng>
- Georgian Employers’ Association: www.employer.ge/Default.aspx?lang=en

International Institutions/Initiatives

- Asian Development Bank - Georgia: www.adb.org/countries/georgia/main
- Austrian Development Agency - Black Sea Region/South Caucasus:
www.entwicklung.at/en/countries-and-regions/black-sea-regions-south-caucasus/

- Delegation of the European Union to Georgia: http://eeas.europa.eu/delegations/georgia/index_en.htm
- European Bank for Reconstruction and Development - Georgia: www.ebrd.com/pages/country/georgia.shtml
- Food and Agriculture Organization of the United Nations (FAO) - Georgia: www.fao.org/countryprofiles/index/en/?lang=en&ISO3=GEO
- German Agency for International Cooperation (GIZ) - Georgia: www.giz.de/en/worldwide/359.html
- Global Compact Local Network Georgia: www.globalcompact.ge/
- International Finance Corporation (IFC) - Georgia: www.ifc.org/wps/wcm/connect/region_ext_content/regions/europe+middle+east+and+north+africa/ifc+in+europe+and+central+asia/countries/georgia+country+landing+page
- International Labour Organisation - Georgia: www.ilo.org/public/english/region/eurpro/moscow/countries/georgia.htm
- Millennium Challenge Corporation (MCC) - Georgia: www.mcc.gov/pages/countries/overview/georgia
- Organization for Security and Co-operation in Europe (OSCE) – Georgia: www.osce.org/odihr/elections/georgia
- Swedish International Development Agency (SIDA) - Georgia: www.sida.se/English/Countries-and-regions/Europe/Georgia/
- Swiss Agency for Development and Cooperation (SDC) – South Caucasus: www.swiss-cooperation.admin.ch/southerncaucasus/
- United Nations Development Programme (UNDP) - Georgia: www.ge.undp.org/content/georgia/en/home.html
- United Nations High Commissioner for Human Rights - Georgia: www.ohchr.org/en/countries/enacaregion/pages/geindex.aspx
- United Nations High Commissioner for Refugees (UNHCR) - Georgia: www.unhcr.org/cgi-bin/texis/vtx/page?page=49e48d2e6
- UN Women: <http://georgia.unwomen.org/en>
- U.S. Agency for International Development (USAID) - Georgia: www.usaid.gov/where-we-work/europe-and-eurasia/georgia
- World Bank - Georgia: www.worldbank.org/en/country/georgia

Embassies

- British Embassy: www.gov.uk/government/world/organisations/british-embassy-tbilisi
- Embassy of France: www.ambafrance-ge.org/
- Embassy of Germany: www.tiflis.diplo.de/
- Embassy of Japan: www.ge.emb-japan.go.jp/english/
- Embassy of the Kingdom of the Netherlands: <http://georgia.nlembassy.org/>
- Embassy of the United States: <http://georgia.usembassy.gov/>

- Embassy of Turkey: www.turkish-embassy.net/tbilisi.html

Law and Consulting Firms

Law Firms

- Business Legal Bureau: www.blb.ge/
- Begiashvili & Co. Limited: <http://bco.ge/>
- BGI Legal: www.bgi.ge/
- BLC Professional Legal Services: www.blc.ge/
- DLA Piper Gvinadze & Partners LP:
www.gvinadzeandpartners.ge/wm.php?page=home&lng=en
- Kordzadze Law Office: www.kordzadzelawoffice.ge/
- Mgaloblishvili, Kipiani, Ziziguri Law Firm: www.mkd.ge/

Consulting Firms

- Alexandre Consulting: www.alexandre.ge/index.php?incl=homeen
- Booz, Allen, Hamilton: www.boozallen.com/
- Deloitte Georgia: www.deloitte.com/view/en_GE/ge/index.htm
- Ernst & Young: www.ey.com/GE/en/
- PKF Accountants and Business Advisers: <http://pkfgeorgia.com/about%20us.htm>
- PricewaterhouseCoopers: www.pwc.com/ge/en/
- Tbilisi Business Service Center (TBSC) Consulting: www.tbsc.ge/

General RBC

General

- Business Research Centre, Ilia State University: <http://beri.iliauni.edu.ge/index.php/en/>
- Centre for Strategic Research and Development of Georgia:
www.csrhg.ge/index.php?lang=eng
- CSR Working Group- AmCham in Georgia: www.amcham.ge/committees.php?pg=3002
- Eurasia Partnership Foundation: www.epfound.org/
- Georgian Trade Unions Confederation: www.eng.gtuc.ge/
- Georgian Young Lawyers' Association: <http://gyla.ge/eng/news>
- Georgian Democracy Initiative: <http://gdi.ge/?lang=en>
- Georgian CSR Club: <http://csrclub.ge/index/en>
- Global Compact Local Network Georgia: www.globalcompact.ge/

Environment

- Caucasus Environmental NGO Network: <http://w3.cenn.org/wssl/>
- Commission on the Protection of the Black Sea Against Pollution: www.blacksea-commission.org

- Environment and Security Initiative:
www.envsec.org/index.php?option=com_content&view=article&id=60&Itemid=176&lang=en
- Green Alternative: <http://greenalt.org/home/>
- International Union for Conservation of Nature (IUCN):
http://iucn.org/about/union/secretariat/offices/europe/resources/country_focus/georgia/
- Regional Environmental Centre for the Caucasus: www.rec-caucasus.org/
- WWF in the Caucasus:
http://wwf.panda.org/what_we_do/where_we_work/black_sea_basin/caucasus/

Human Rights

- Analytical Centre for Interethnic Cooperation:
<http://acicc.ge/home.php?option=home&lang=en>
- CARE International in Georgia: www.care-international.org/where-we-work/georgia.aspx
- Human Rights Centre: www.humanrights.ge/
- Human Rights House: <http://humanrightshouse.org/>
- Human Rights Watch: www.hrw.org/eurocentral-asia/georgia
- Identoba: <http://identoba.com/>
- Public Movement Multinational Georgia: www.pmmg.org.ge/?lang=Eng
- Women Initiatives Supporting: <http://women.ge/en>
- Anti-Violence Network of Georgia: <http://www.avng.ge/>

Transparency

- Democracy and Freedom Watch: <http://dfwatch.net/>
- Transparency International Georgia: <http://transparency.ge/en>

Annex B: Grievance Mechanisms and Complaint Procedures

International

OECD National Contact Points (NCPs)

- Government-backed unique grievance mechanism – specific instance facility – to examine all alleged non-observances of the OECD Guidelines
- Applies to all sectors and covers multiple themes that are covered in the OECD Guidelines
- <http://mneguidelines.oecd.org/>

Thematic

National Human Rights Institutions (NHRIs)

- Complaint procedures against enterprises on alleged human rights violations included in some NHRIs
- Thematic (human rights)
- <http://nhri.ohchr.org/EN/Pages/default.aspx>

ILO Complaint Procedure

- Complaint procedures against non-compliant member states
- Thematic (labour relations)
- www.ilo.org/global/standards/applying-and-promoting-international-labour-standards/complaints/lang--en/index.htm

UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention): Compliance Committee

- Complaint procedures concerning the provisions of the Aarhus Convention
- Thematic (environment and disclosure)
- www.unece.org/env/pp/cc.html

International Framework Agreements (IFAs)

- Complaint procedures regarding non-compliance with IFA agreement terms
- Thematic (labour relations)
- www.global-unions.org/

UN Global Compact: Integrity Measures

- Measures to help participants align with commitments undertaken with regard to the Global Compact principles
- www.unglobalcompact.org/aboutthegc/IntegrityMeasures/

Financial Institutions

World Bank: Compliance Advisor Ombudsman (CAO)

- Complaint procedures for people affected by projects funded by International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA)
- All sectors

- www.cao-ombudsman.org/

World Bank: Inspection Panel

- Complaints procedures for people affected by World Bank-funded projects
- All sectors
- www.worldbank.org/inspectionpanel

Asian Development Bank (ADB): Accountability Mechanism

- Complaint procedures for people affected by ADB-funded projects
- All sectors
- www.adb.org/site/accountability-mechanism/main

European Bank for Reconstruction and Development (EBRD): Project Complaint Mechanism

- Complaint procedures for people affected by EBRD-funded projects
- All sectors
- www.ebrd.com/pages/project/pcm.shtml

National level: Georgia

Business Ombudsman

- Complaint procedure for businesses against government bodies
- Thematic (taxation)
- www.businessombudsman.ge/?action=page&p_id=5&lang=eng

Dispute Resolution Board (procurement)

- Complaint procedure related to procurement related disputes
- Thematic (procurement)
- http://procurement.gov.ge/index.php?lang_id=ENG&sec_id=10&info_id=209

National Center of Dispute Resolutions

- Dispute resolution mechanism working closely with the Government and Parliament of Georgia
- <http://ncdr.ge/>

Public Defender of Georgia

- Complaint procedure for discrimination and inequality issues
- Thematic (human rights)
- www.ombudsman.ge/en/home

Tripartite Social Partnership Commission

Multi-stakeholder Initiatives - Industry Level

Ethical Trading Initiative (ETI): ETI Alleged Code Violation Guidelines

- Complaint procedures related to breach of ETI Base Code by ETI members or their suppliers

- www.ethicaltrade.org/resources/key-eti-resources/eti-alleged-code-violation-investigation-guidelines

Fair Labour Association (FLA): Third Party Complaint Procedure

- Complaint procedure for violations of labour rights in facilities used by companies committed to FLA's codes or principles
- Manufacturing sector, Thematic (labour relations)
- www.fairlabor.org/third-party-complaint-process

Social Accountability International: Social Accountability Accreditation Services (SAAS)

- Complaint and appeal procedures against the accreditation process and resultant decisions made by SAAS in relation with the SA8000 standard
- Thematic (labour relations)
- www.saasaccreditation.org/complaints.htm

Voluntary Principles on Security and Human Rights (VPs): Participation Criteria

- Complaint procedures for non-compliance with the Principles by a member
- Extractive sector
- http://voluntaryprinciples.org/files/VPs_Participation_Criteria_Final_-_127000_v1_FHE-DC.PDF

Workers' Rights Consortium: WRC Investigative Protocols

- Complaint procedures for alleged breaches of the member codes of conduct in factories
- Textiles Sector
- www.workersrights.org/

Corporate level in Georgia: Selected examples

British Petroleum (BP)

- Georgia Pipelines Complaints Management Procedure
- Extractive Sector
- www.bp.com/content/dam/bp/pdf/sustainability/group-reports/BP_Georgia_sustainability_review_2013.pdf

Clean Energy Group

- Grievance Form- Adjaristsqali Hydropower Project
- Hydropower
- www.adjaristsqali.com/public.php?id=1

Other

IFC: Addressing Grievance from Project-Affected Communities

- All sectors
- www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_grievances

CSR Initiative: Embedding Rights Compatible Grievance Processes for External Stakeholders within Business Culture

- All sectors
- www.hks.harvard.edu/m-rcbg/CSRI/publications/report_36_sherman_grievance.pdf

CSR Initiative: Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and their Stakeholders

- All sectors
- www.reports-and-materials.org/Grievance-mechanisms-principles-Jan-2008.pdf

CRS Initiative: Grievance Mechanisms for Business and Human Rights: Strengths, Weaknesses and Gaps

- All sectors
- www.hks.harvard.edu/m-rcbg/CSRI/publications/workingpaper_40_Strengths_Weaknesses_Gaps.pdf

ICMM: Human Rights in the Metals and Mining Industry: Handling and Resolving Local Level Concerns and Grievances

- Extractive sector
- www.unglobalcompact.org/docs/issues_doc/human_rights/Resources/HR-Concerns-and-Grievances.pdf

Annex C: National Contact Points of the OECD Guidelines and the Added Value of Mediation

It is only through collaborative and multi-stakeholder action that the true intent and purpose of the OECD Guidelines can be realised. Although enterprises are ultimately responsible for observing the OECD Guidelines in their day-to-day operations, governments and stakeholders also have a vested interest in enhancing the OECD Guidelines profile and effectiveness. In addition, governments adhering to the OECD Guidelines have specific obligations.

NATIONAL CONTACT POINTS

The adhering governments are obliged to set up National Contact Points (NCPs) whose main role is to further the effectiveness of the OECD Guidelines by undertaking promotional activities, handling inquiries, and contributing to the resolution of issues that arise from the alleged non-observance of the OECD Guidelines in specific instances.

Adhering countries have flexibility in how they organise their NCPs as long as such arrangements provide an effective basis for dealing with the broad range of issues covered by the OECD Guidelines and enable the NCP to operate in an impartial manner while maintaining an adequate level of accountability to the adhering government. To ensure that all NCPs operate in a comparable way, the concept of “functional equivalence” is used – see box for the core criteria. NCPs report to the OECD Investment Committee and meet regularly to share their experiences.

NCPs rely on multi-stakeholder input and are committed to developing and maintaining relationships with representatives of the business community, worker organisations, NGOs and other interested parties that are able to contribute to the effective implementation of the OECD Guidelines.

SPECIFIC INSTANCES

The Guidelines are the only government-backed international instrument on responsible business conduct with a built-in grievance mechanism – specific instances. Under this mechanism, NCPs provide a platform for discussion and assistance to stakeholders to help find a resolution for issues arising from the alleged non-observance of the Guidelines. NCPs must do so in a manner that is impartial, predictable, equitable, and compatible with the principles and standards of the Guidelines. Specific instances are not legal cases and NCPs are not judicial bodies. NCPs focus on problem solving - they offer good offices and facilitate access to consensual and non-adversarial procedures (ex. conciliation or mediation).

CORE CRITERIA FOR NATIONAL CONTACT POINTS

Visibility. Adhering governments should inform the business community, worker organisations, NGOs and other interested parties about the availability of facilities associated with NCPs. Governments are expected to publish information about their NCP and to take an active role in promoting the Guidelines (i.e. by hosting seminars and meetings, which could be done in co-operation with different stakeholders).

Accessibility. Easy access to NCPs is important to their effective functioning - facilitating access to the NCP is important. NCPs respond to all legitimate requests for information and also deal with specific issues raised by different parties in an efficient and timely manner.

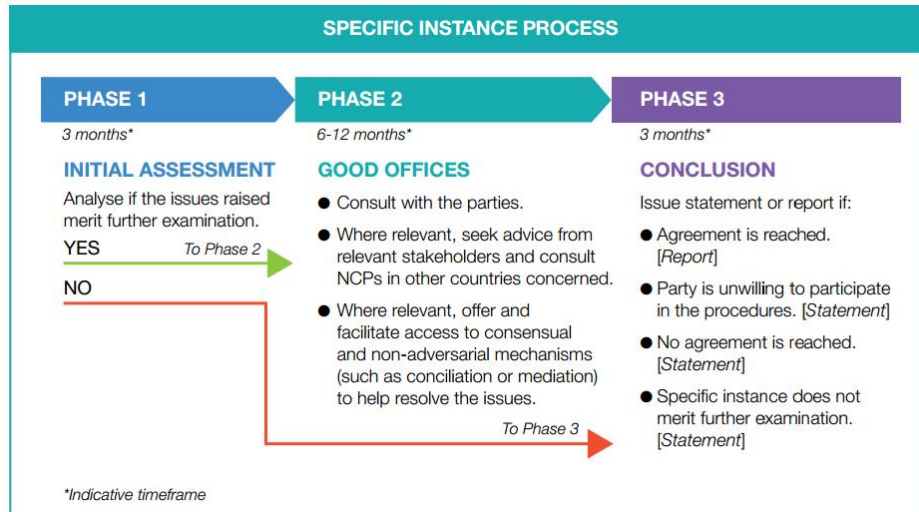
Transparency. Transparency contributes to the accountability of the NCP and is important for gaining the confidence of the general public. Activities of NCPs should be transparent, although it is recognised that in specific instances NCPs might take appropriate steps to establish confidentiality of the proceedings. Outcomes of specific instances, however, will be transparent unless preserving confidentiality is in the best interests for the effective implementation of the Guidelines.

Accountability. A more active role in enhancing the profile of the Guidelines – and their potential to aid in the management of difficult issues between enterprises and the societies in which they operate – puts the activities of NCPs in the public eye. Nationally, parliaments could have a role to play. Annual reports and regular meetings of NCPs provide an opportunity to share experiences and encourage best practices. The OECD Investment Committee also holds exchanges of views, where experiences are exchanged and the effectiveness of the activities of NCPs could be assessed.

Any interested party can submit a specific instance to an NCP regarding the alleged non-observance of the Guidelines. Once the specific instance has been submitted, its consideration is composed of three phases:

- **Phase 1 - Initial Assessment:** to determine if the issues raised merit further examination.
- **Phase 2 - Offer of Good Offices:** to seek advice and facilitate access to consensual and non-adversarial means to resolve the issues.
- **Phase 3 - Conclusion:** to issue statements or reports.

It is understood that good offices can only proceed upon agreement of the parties concerned. The parties' commitment to participate in good faith is a crucial element to a successful resolution of issues. NCPs will take appropriate steps to protect sensitive information and the interests of stakeholders involved. Confidentiality of the proceedings will be maintained during good offices. If the parties involved have not agreed on a resolution at the conclusion, they are free to communicate about and discuss these issues. However, information and views provided during the proceedings



by another party involved will remain confidential, unless that other party agrees to their disclosure or this would be contrary to the provisions of national law.

Identifying different ways in which NCPs can use informal problem-solving methods in specific instances and improving mediation skills have been identified as high priority for NCPs following the 2011 Update of the Guidelines. NCPs of the Netherlands, Norway, and the United Kingdom have sponsored a Mediation Manual by the Consensus Building Institute that clarifies whether, when, and how NCPs could use mediation and other informal problem-solving methods to resolve claims in specific instances.

More than three hundred specific instances have been considered since 2000. Most originated from NGOs and trade unions, with employment and industrial relations, human rights, and environment as predominant issues. These specific instances concerned activities in both adhering and non-adhering countries and across diverse sectors, most notably in the extractive and manufacturing sectors. In the first year of implementation of the updated Guidelines, one out of three specific instances raised cited the new human rights chapter.

ADDED VALUE OF MEDIATION

Since 2010, more attention is being given to the use of informal problem-solving methods in NCP specific instance procedures. A compelling case can be made for the added value of mediation due to its nature and flexibility. Informal problem-solving processes allow the parties to exert a better level of control over the process of reaching an agreement than the more formal ones, such as arbitration or legal measures in which a third party final decision is binding.

Mediation can be a useful tool for NCPs in bringing the disagreeing parties to the table. Furthermore, mediation can often address a wider range of issues than formal processes, which is quite helpful since it allows for flexibility to tackle issues that might be easier to agree on in order to start building an environment of trust and partnership between the parties. Confidentiality is an important aspect in this formula. By ensuring confidentiality, the mediator can explore possibilities without asking either party to change its official public position.

In addition to focusing on all-important constructive problem solving, based upon mutual trust and respect between the parties, mediation offers a significantly more expeditious and cost saving alternative to prolonged litigation.

Annex D: Georgia's Adherence to International Agreements/Conventions

Name of convention/agreement	Accession/ratification Status
HUMAN RIGHTS	
Universal Declaration on Human Rights	Adopted by the UN General Assembly on 10 December 1948
Convention against Torture and other Cruel Inhuman or Degrading Treatment and Punishment	Accession on 26 October 1994
International Covenant on Economic, Social and Cultural Rights	Accession on 3 May 1994
International Covenant on Civil and Political Rights	Accession on 3 May 1994
Convention on the Rights of the Child	Accession on 2 June 1994
International Convention on the Elimination of all Forms of Racial Discrimination	Accession on 26 October 1994
Convention on Political Rights of Women	Accession on 6 July 2005
Convention on the Elimination of All Forms of Discrimination against Women	Accession on 26 October 1994
Convention on the Rights of Persons with Disabilities	Signature on 10 July 2009; Ratification on 13 March 2014
Convention on the Prevention and Punishment of the Crime of Genocide	Accession on 11 October 1993
International Convention on the Suppression and Punishment of the Crime of Apartheid	Accession on 21 March 2005
Protocol no. 15 of the European Convention on the Protection of Human Rights and Fundamental Freedoms, 2013	Ratification on 4 March 2015
Protocol no. 16 of the European Convention on the Protection of Human Rights and Fundamental Freedoms, 2013	Ratification on 4 March 2015
LABOUR	
ILO Forced Labour Convention, 1930 (No. 29)	Ratification on 22 June 1993
ILO Holidays with Pay Convention, 1936 (No. 52)	Ratification on 22 June 1993

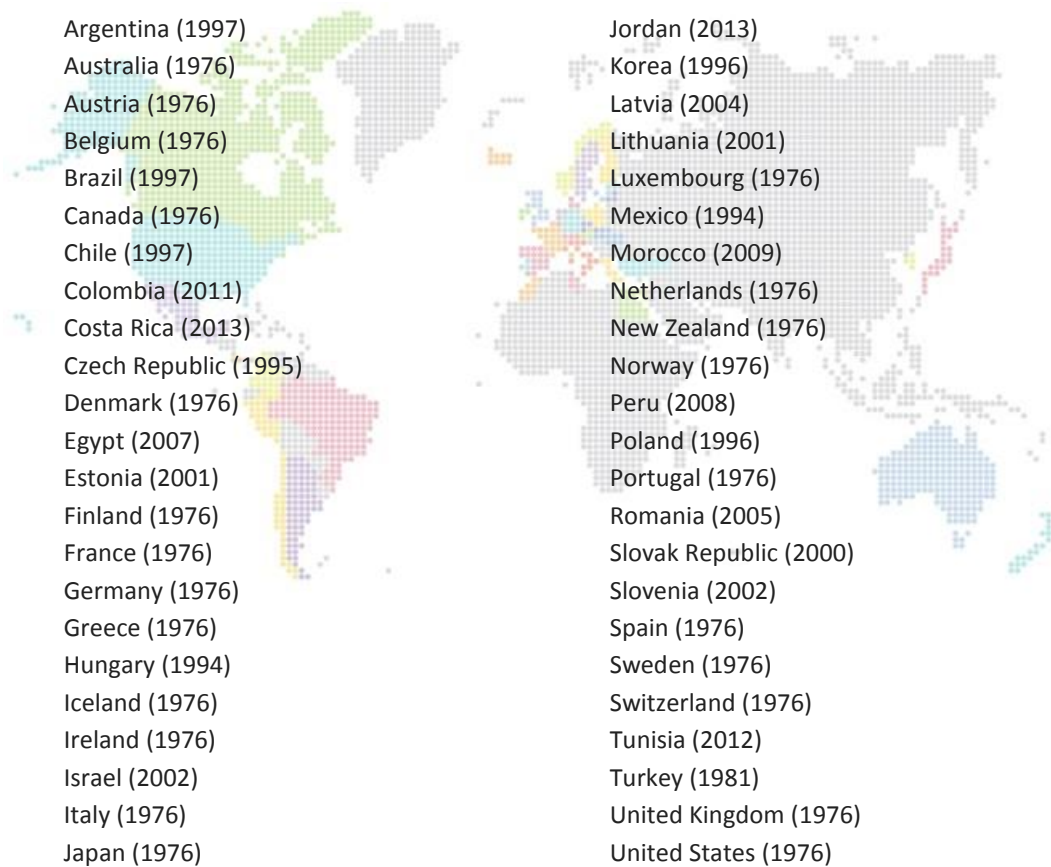
ILO Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)	Ratification on 3 August 1999
ILO Employment Service Convention, 1948 (No. 88)	Ratification on 11 September 2002
ILO Right to Organize and Collective Bargaining Convention, 1949 (No. 98)	Ratification on 22 June 1993
ILO Equal Remuneration Convention, 1951 (No. 100)	Ratification on 22 June 1993
ILO Abolition of Forced Labour Convention, 1957 (No. 105)	Ratification on 23 September 1996
ILO Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	Ratification on 22 June 1993
ILO Social Policy (Basic Aims and Standards) Convention, 1962 (No. 117)	Ratification on 21 October 1997
ILO Employment Policy Convention, 1964 (No. 122)	Ratification on 22 June 1993
ILO Minimum Age Convention, 1973 (No. 138)	Ratification on 23 September 1996
ILO Human Resources Development Convention, 1975 (No. 142)	Ratification on 22 June 1993
ILO Labour Relations (Public Service) Convention, 1978 (No. 151)	Ratification on 10 October 2003
ILO Seafarers' Welfare Convention, 1987 (No. 163)	Ratification on 22 June 2004
ILO Private Employment Agencies Convention, 1997 (No. 181)	Ratification on 27 August 2002
ILO Worst Forms of Child Labour Convention, 1999 (No. 182)	Ratification on 24 July 2002
ILO Declaration on Social Justice for a Fair Globalization 2008	Adopted unanimously by the International Labour Conference, Ninety-Seventh Session, in Geneva on 10 June 2008
ILO Seafarers' Identity Documents, 2003 (No.185)	Ratification on 30 October 2014
ENVIRONMENT	
Rio Convention on Biological Diversity (Biodiversity Convention), 1992 <ul style="list-style-type: none"> • Cartagena Protocol on Biodiversity 	Accession on 2 June 1994 Accession on 4 November 2008; Entry into force on 2 February 2009
United Nations Framework Convention on Climate Change (UNFCCC), 1992	Accession on 29 July 1994; Entry into Force on 27 October 1994

Montreal Protocol on Substances that Deplete Ozone Layer, 1987 <ul style="list-style-type: none"> • London Amendment • Copenhagen Amendment • Montreal Amendment • Beijing Amendment 	Accession on 21 March 1996 Accession on 12 July 2000 Accession on 12 July 2000 Accession on 12 July 2000 Accession on 8 April 2011
Vienna Convention for the Protection of the Ozone Layer, 1985	Accession on 21 March 1996
Convention on the Long-Range Transboundary Air Pollution, 1979	Accession on 11 February 1999
Aarhus Convention on Access to Environmental Information, 1998	Signature on 25 June 1998; Ratification on 11 April 2000
United Nations Convention to Combat Desertification (UNCCD), 1994	Signature on 15 October 1994; Ratification on 23 July 1999
Convention on Wetlands of International Importance (Ramsar Convention), 1971	Entry into force on 7 June 1997
Stockholm Convention on Persistent Organic Pollutants (POPs), 2001	Signature on 23 May 2001; Ratification on 4 October 2006
Rotterdam Convention on Prior Informed Consent (on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade), 1998	Accession on 27 February 2007
Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and Their Disposal, 1989	Accession on 20 May 1999
Bonn Convention on Conservation of Migratory Species of Wild Animals, 1979	Entry into force on 1 May 2000
Convention on International Trade in Endangered Species (CITES), 1973	Accession on 13 September 1996; Entry into force on 12 December 1996
Energy Charter Treaty , 1994	Ratification on 22 February 1995; Entry into force on 16 April 1998
Convention Concerning the Protection of the World Cultural Heritage and Natural Heritage, 1972	Notification of succession on 4 November 1992
Protocol of 1978 relating to the International Convention for the Prevention of Pollution from Ships, 1973 (MARPOL PROT 1978)	Accession on 8 November 1994; Entry into force on 8 February 1995
International Convention on Civil Liability for Oil Pollution Damage, 1969	Accession on 19 April 1994; Entry into force on 18 July 1994

UN Framework Convention on Climate Change, 1997	Accession on 29 July 1994; Entry into force on 27 October 1994
Protocol on Civil Liability and Compensation for Damage Caused by the Transboundary Effects of Industrial Accidents on Transboundary Waters, 2003	Signature on 21 May 2003
Convention on the Protection of the Black Sea Against Pollution	Ratification on 1 September 1993; Entry into force on 15 January 1994
Convention on the Conservation of European Wildlife and Natural Habitats (Berne Convention), 1979	Ratification on 19 November 2009; Entry into force on 1 March 2010
Joint Convention of the Spent Fuel Management and on the Safety of Radioactive Waste Management, 1997	Accession on 22 July 2009; Entry into force 20 October 2009
The European Landscape Convention (Florence Convention), 2000	Ratification on 15 September 2010; Entry into force on 1 January 2011
Convention for the Establishment of the European and Mediterranean Plant Protection Organization	Ratification on 24 July 2015
UNECE Amendments to the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters regarding Genetically Modified Organisms	Ratification 18 September 2015
CORRUPTION	
United Nations Convention Against Corruption	Accession on 4 November 2008
United Nations Convention against Transnational Organized Crime	Signature on 13 December 2000; Ratification on 5 September 2006
OTHER	
OECD Global Forum on Transparency and Exchange of Information for Tax Purposes	Georgia is one of the 122 members of the Global Forum.
Convention against Discrimination in Education	Notification of succession
UN Millennium Declaration	Adopted unanimously by resolution A/RES/55/2 at the General Assembly on 8 September 2000.

Annex E: Adherent Countries to the OECD Declaration on International Investment and Multinational Enterprises

First adopted in 1976, the OECD Declaration on International Investment and Multinational Enterprises (the Declaration) is a policy commitment by adhering governments to provide an open and transparent environment for international investment and to encourage the positive contribution multinational enterprises can make to economic and social progress. The OECD Guidelines for Multinational Enterprises are one of four major components of the Declaration. As of June 2016, 34 OECD countries and 12 non-OECD countries have adhered to the Declaration:



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