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BOSCH TO OPEN NEW WAREHOUSE IN TBILISI

German manufacturer Bosch is scheduled to open a new warehouse in Tbilisi in December, the Georgian government-run agenda.ge website reported.

The 1,600 square meter warehouse will start working on December 16 and will be operated by Austrian-based transportation and logistics company Gebruder Weiss. Up until now, clients had to wait “two or three weeks” for products to arrive from a warehouse in Germany, according to a quote on Bosch’s website from David Oker, Bosch commercial director in Georgia.

He added that Tbilisi would become a regional logistical hub.

“Tbilisi’s warehouses will ensure a good delivery performance as well as fast and cost-effective handling of Bosch products in the region,” he said.

“Bosch believes that Georgia’s construction sector is developing very fast; thus, establishing a warehouse in Tbilisi will further support the sector’s development.”

EU ALLOCATES THE GRANT OF 30 MILLION EUROS FOR GEORGIA

Brussels has earmarked 30 million euros for regional development in Georgia, Prime Minister Irakli Gharibashvili’s official website reported on November 18.

The funds will be used “support Georgian regional development strategy and implementation of economic and social support programs in the regions.”

The deal was announced during Gharibashvili’s official trip to Brussels.

IMF: ECONOMIC GROWTH IN GEORGIA COULD REACH 5 PERCENT IN 2015

The International Monetary Fund announced the Georgian economy could grow as much as five percent next year, the government-run agenda.ge website reported on November 27.

“The economic impact of geopolitical tensions has been contained so far, given Georgia’s growing (but still limited) trade links with Russia and increasing remittances from Southern Europe. All of the program’s quantitative targets for end-September were met,” IMF said.

“Overall spending has been broadly in line with expectations but its composition has shifted from capital to current expenditure, pointing to the need to strengthen project appraisal and procurement.”

The international financial body also noted that the budget deficit would be slightly below 3.7 percent of GDP.

GEOSTAT: GEORGIAN FOREIGN TRADE UP TEN PERCENT

Georgia’s foreign trade was $9.4 billion in the first ten months of 2014, ten percent higher than the same period last year, website DF Watch reported in November, quoting statistics published by the official statistics body, Geostat.

Exports were up five percent, the website noted, to $2.4 billion.

Trade turnover with Europe was $2.5 billion, up seven percent from last year.

Top trading countries for the first ten months of 2014 were: Turkey – USD 1.6 billion (20 percent of turnover), Azerbaijan USD 983 million (10 percent) and China USD 682 million (7 percent).

Russia, Ukraine, Germany, Armenia, US, Bulgaria and Japan also top of the list of trade partner countries, Democracy and Freedom Watch said.

“The most exported type of product is used cars, which accounts for 19 percent of all exports.

Next on the list is ferroalloys with 10 percent, and copper ores and concentrates 9 percent,” the website reported.

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Much has been written about the late reformer Kakha Bendukidze since his death was announced on November 13.

He has been credited with bringing libertarianism to Georgia and spearheading the reforms that helped catapult the country’s economy growth during the Saakashvili administration.

A LEGACY FOR GEORGIA’S “GRANDCHILDREN”

Bendukidze made a lasting impact on Georgia in the last decade of his life, Vato Lejava said.

Lejava - the chancellor of the Free University of Tbilisi - said: “Imagine if in 2004 Bedukidze would not have come to Georgia, would Georgia be a different country today? I think it would have been a different country for two reasons. First, for the reforms that have contributed to the economic performance and growth and second I think he has influenced how we think about economy and the state in general. He broke many taboos.”

But Bendukidze’s most lasting legacy could be the two universities he created after leaving public service, Lejava said.

Bendukidze, he said, first started speaking about creating a university in 2006 – at the height of his tenure in public service.”We have an expression in Georgian – sashvilshvilo – so something you do for your grandchildren, not for your children, but for your grandchildren,” he said. “He was referring to this project always like that. He was sure it was something that should last far beyond his life time.”

The Free University and the Agricultural University were a place for him to put his motto – knowledge, labor and liberty – into practice, Lejava said.

“His famous saying was knowledge, labor - toil - and freedom. I think the university was such a place that could combine these three and also give the students the possibility to get knowledge, to learn how to work or to labor, and to understand what freedom means,” he said.

PASSING THE TORCH

Even though Bendukidze passed away much earlier than anticipated, Lejava said he laid the foundation for his work at the universities to continue.

“Of course I cannot say it will be business as usual. It is not business as usual. But on the other hand, when he was talking about it – discussing the university and discussing his ideas about the university – this was always something which had the horizon longer than one man’s lifetime,” he said.”It was not made for the short period or medium term.”

Lejava added: “Of course, no one can replace Kakha and we will miss—
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Kakha Bendukidze was a large man who fit easily into superlatives.

He was the visionary who came home; the voice of Georgian libertarianism; the biologist who could see the potential in ruined things, whether they be the crumbling carcasses of an old university or the failing economy of his homeland.

He was also famous for his footwear, for always finding time for journalists, for saving the political cartoons that lampooned him, for appreciating a good joke – even if he was the subject.

He pushed Georgia out of its post-Soviet lassitude and was seemingly unscathed by the controversy and criticism his reforms generated.

Born in 1956, Bendukidze moved to Moscow for post-graduate studies in biology after he received his degree from Tbilisi State University in 1977. In 1993, he entered business, first purchasing Uralmash and then Izhora Plants. The two companies, merged into Objetdinennie Mashinostroitelnie Zavody (OMZ), became one of Russia’s largest heavy engineering companies.

But in 2003 he sold his holdings and, a year later, returned home to join the Rose Revolution government. At the time of his death, he was rumored to be a front runner for a cabinet position in Ukraine and he had been advising Kyiv for months. He had also advised other former Soviet and Eastern bloc countries; in July he was reportedly in Albania for meetings with the government.

Bendukidze, like many of the personalities that made up former Georgian President Mikheil Saakashvili’s cabinet, was a dividing figure. Under his watch, the country withstood over 70 reforms – many radical – at a dizzying pace, according to an obituary published in Tabula magazine on November 14.

Tabula magazine, a venture he supported, credited his reforms – however unpopular – with creating the Georgian middle class.

"By appointing Bendukidze, the government made a clear choice. This choice gave the country a yearly 9.3 percent economic growth in 2004-2007 and almost four times more foreign investments. Despite separate compromises and mistakes, the government managed to decrease the taxes fourfold, the number of licenses by 90 percent and liberalize the labor market," the editorial stated.

"The reforms, obviously, came at a price, which most distinctively showed on 7 November 2007. However, these liberal steps were what lead to the formation of the previously almost non-existent middle class."
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were to Indian professionals. The second largest share went to Chinese emigrants.

Georgia did not even make the 22-country list, which also includes the Philippines, Mexico, Nepal, Colombia, Turkey and Israel.

That, however, does not mean Georgian professionals are not being drawn to opportunities for better pay and advancement overseas: according to the United States Embassy in Georgia, up to 4,000 Georgians have participated in the over 20 educational exchanges currently offered by the Department of State.

Tea Kuchukhidze, who coordinates educational and professional programs at the United States Embassy in Tbilisi, noted that there is “a very low percentage of USG program participants who overstay their visas” from Georgia.

THE NEXT FRONTIER

- Developing The Georgian Work Force

THE GEORGIAN JOB MARKET OPERATES IN A STRANGE DICHOTOMY. THERE ARE NOT ENOUGH JOBS – BUT SIMULTANEOUSLY THERE ARE ALSO NOT ENOUGH QUALIFIED PERSONNEL FOR THE POSITIONS THAT ARE AVAILABLE. HUNDREDS OF CANDIDATES OFTEN APPLY FOR A FEW EXISTING OPENINGS, WHILE SEVERAL FIRMS COMPETE FOR A HANDFUL OF TOP EMPLOYEES EVERY YEAR.

AS A DEVELOPING, EMERGING-MARKET ECONOMY, THE COUNTRY HAS MADE GREAT STRIDES IN CREATING A FAVORABLE BUSINESS ENVIRONMENT. NEVERTHELESS, CHALLENGES IN CREATING A WORKFORCE THAT CAN KEEP UP WITH AND GARNER THE BENEFITS OF THE COUNTRY’S GROWING COMMERCIAL SUCCESS STILL LINGER.

INVESTOR.ge SET OUT TO EXPLORE HOW THE CORPORATE SECTOR, NON-PROFIT ORGANIZATIONS AND THE STATE INVEST TOGETHER AND SEPARATELY IN THE COUNTRY’S HUMAN CAPITAL. ULTIMATELY, WE FOUND THAT, LUCKILY, UNLIKE IN OTHER DEVELOPING MARKETS, GEORGIANS OVERSEAS JUMP AT OPPORTUNITIES TO COME BACK HOME, DECREASING THE COUNTRY’S RISK OF BRAIN DRAIN.

KETI KHUKHUNASHVILI

A GEORGIAN EXODUS?

D eveloping countries often lose skilled workers to their more developed counterparts, where professionals find better employment conditions and higher pay. India, for example, is the prime example of destructive brain drain. According to Bloomberg Rankings published in 2013, in 2012, two-thirds of the H-1B visas for skilled workers the U.S. issued were to Indian professionals. The second largest share went to Chinese emigrants.

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Tea Kuchukhidze, who coordinates educational and professional programs at the United States Embassy in Tbilisi, noted that there is “a very low percentage of USG program participants who overstay their visas” from Georgia.
“From what we hear from program participants, they are highly motivated to bring their experience and expertise back to Georgia, and to contribute to the development of Georgia’s economy, democratic institutions and civil society,” she explains, adding that many alumni of U.S. embassy exchange programs chose prominent leadership roles in Georgia.

“Davit Usupashvili, Chairman of the Parliament, (Muskie and IVLP participant) and Davit Lordkipanidze, General Director of Georgian National Museum (Fulbright Visiting Scholar Program participant) are examples of bright minds staying in Georgia to lead the way.”

Despite these encouraging stories, a significant number have found better working conditions elsewhere as relative to the size of the total population. For example, TBC Holding – a company building the American Hospital in Tbilisi (AHT) in partnership with Dima Tvildiani and the Conti Group – has identified many successful Georgian doctors licensed and working in the US.

The project is taking advantage of this pool of highly advanced personnel to bring approximately 40 leading doctors back to the country.

As the CEO of TBC Holding, Levan Akhvlediani, explains, “the concept behind this $80 million project is different from the hospitals and clinics operating in the city currently. The key advantages for the hospital will be high-quality healthcare services, international accreditation and American-licensed Georgian medical personnel.”

He noted that the group is in talks with doctors who are interested in returning to Georgia after successful careers in the U.S.

“Locally accredited doctors will have the chance to receive additional training abroad and, upon successful completion, to join the hospital’s medical staff. The hospital will focus on providing services that are most frequently sought abroad by Georgians and residents of neighboring countries,” Akhvlediani said. “As a second phase, the hospital will have a teaching facility that will host students for their residency studies.”

Ultimately, the AHT will create 400 new jobs for Georgian medical professionals who return from abroad or stay in Georgia to work.

**EDUCATION ABROAD, BETTER EMPLOYMENT AT HOME?**

Untapped opportunities remain for developing more capable business personnel as well. Both DLA Piper and Deloitte, two companies active in workforce development in Georgia, find it challenging to recruit qualified employees. Deloitte, along with other top business employers (auditors and banks), often compete with each other for a few candidates, typically from the one or two leading educational institutions or who have foreign degrees. DLA, on the other hand, looks to hire staff who have had some sort of exchange experience in the U.S. or in English-speaking countries.

“Historically [with over 20 years of legal practice experience], the smartest Georgian lawyers with best English did not have LLMs. Good English does not come from doing LLM, it comes from getting educated in the US, especially at a high school level. So, LLM is not a decisive factor [for DLA Piper when hiring lawyers], how smart they are is decisive,” noted Ted Jonas, the managing partner at DLA Piper.

More top employers tend to fill their most lucrative executive-level positions with staff that boast impressive educational and professional credentials, but choose to come to Georgia as soon as appropriate opportunities arise. At Bank of Georgia, 75 percent of executives have foreign education from well-known institutions, such as the Cass Business School, Cornell, and John Hopkins – as well as working experience at prominent foreign financial institutions. TBC Bank has recruited its top managers and directors from leading managerial positions at such institutions as Barclays, Deutsche Bank, and Unicredit; three deputy CEOs hold top-20 MBA degrees.
Overseas qualifications seem to provide a competitive edge to job seekers in Georgia, although employers are hesitant to describe this as the key criterion for hiring.

Some companies are opting to invest in developing locally trained human resources: Deloitte and DLA Piper are providing good working schemes for internal workforce development programs. ProCredit Bank also has developed an extensive overseas training program for its employees.

However, foreign-educated personnel provide useful perspectives and important interpersonal skills and experiences for the locally sourced professionals, explains Deloitte Managing Partner, John Robinson. “[Audit companies] have a snowball effect. Our workforce gets qualified here and goes off to other companies,” enhancing the country’s human capital.

**PROGRAMS FOCUS ON KEEPING TALENT AT HOME**

At the Open Society Georgia Foundation (OSGF), a special project aimed to develop Georgian academia and to staff Georgian universities with highly qualified scholars. Tinatin Bregvadze, the South Caucasus Coordinator for the Academic Fellowship Program at OSGF, notes that one sphere that suffers from the brain drain problem is the academia.

The commonly cited challenges of an underdeveloped working environment, inadequate pay, and shortfalls at the policy level still apply. To remedy these obstacles, Bregvadze said that the Academic Fellowship Program worked with over 550 scholars who have already transformed Georgian academic life through their work in this sector.

Although this program has run its course with the Open Society Institute, it has left rich material for investment from businesses and the government.

DLA offers its lawyers regular trainings from its wider company network. “DLA trainings are very distinguished from other local law firm alternatives,” noted managing partner Ted Jonas. These include webinars and on-site training at the company’s offices around the world with topics varying from general skills to group trainings for different fields of legal practice. DLA lawyers are also invited to professional knowledge-sharing conferences, where they have excelled in the past as well.

The Georgian government has also invested in several exchange programs. One such interesting program, delivered in partnership with U.S. Embassy in Tbilisi, aims to provide best-in-class education to students pursuing careers in the military sphere. Students have an opportunity to continue their bachelor level studies at the...
More top employers tend to fill their most lucrative executive-level positions with staff that boast impressive educational and professional credentials, but choose to come to Georgia as soon as appropriate opportunities arise.

Additionally, Chelidze explains that the IEC is crucial for “paving the way for highly qualified human resources and ensuring access to high-quality education abroad, which have strategic importance for Georgia’s economic and social development.” Although, in order to retain these qualified new resources in the country, expectations of employers, as well as employees, must be adjusted and matched.

That, however, can be difficult. If job makers aim to find fresh, top-school graduates with 12 years of experience in a specific field, they are unlikely to find their dream candidates. At the same time, foreign-educated young people cannot expect to land top management jobs fresh out of college.

INVESTMENT FOR FUTURE PROFESSIONALS

Businesses in Georgia have started to invest in initiatives to create a workforce that matches their demands. Bank of Georgia is now working with the U.S. Embassy to expand the Fulbright Graduate Student Program for students interested in pursuing degrees in business, information technology, and engineering.

According to Kenneth Walsh, the dean of the new school in Georgia, was quoted by the university’s press service as saying: “The government of Georgia determined that trained engineers and scientists are critical to their economic development,” he said. “Engineers and scientists build innovation economies and the infrastructure of a modern society — both things that Georgia really needs to take the next step.”

Keti Khukhunashvili is the Investor Relations Manager of TBC Bank. She graduated with a double major in Economics and International Relations from Simmons College (Boston, MA) and has worked on a number of educational projects, including those at the GuiyvZaldastanishvili American Academy in Tbilisi and the European School.
There are 20 public and 37 private universities in Georgia, while about 62 percent of all students are enrolled in the five largest public universities (Tbilisi State University, Georgian Technical University, Ilia State University, Tbilisi State Medical University, and the Agricultural University of Georgia).

Currently public HEIs (higher education institutions) rely on two sources of income – tuition fees and state subsidies. Tuition fees are payments by students, while state subsidies represent grants awarded to students. Public and private universities have different income sources. Private HEIs’ only funding from the government is via state-funded grants awarded on the ability test to qualified students. Private universities’ annual tuition fees are at least twice as high, and therefore grants can only partially cover student costs.

Tuition fees comprise 90 percent of university funding, while subsidies account only for 10 percent. For the 2014-2015 academic year, grants allocations are 12.6 million lari, meaning that, roughly, total funding for both HEIs is 126 million lari.

Another difference between private and public universities is annual enrollment. On average, each of the top five private institutes accepts about 250 students per year. Nevertheless, competition is stiff and has helped to increase the quality of

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<td>Estonia</td>
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education over the years. Major private HEIs follow modern Western-style curriculums, applying methodology and study materials used in Europe and the US. Well-organized programs and modern facilities have helped them win the market.

**TEACHING STAFF**

The number of university lecturers has increased by 25 percent since last year. It should be noted that the private sector holds an advantage over the public sector, demonstrating 32 percent versus 20 percent growth in the number of professors, respectively. Furthermore, the number of total students in private universities has grown by 18 percent, versus 11 percent in public ones. Private HEIs offer higher salaries with smaller student classes and more resources devoted to research, therefore providing more favorable working conditions.

According to Geostat, there are about 1,844 professors, 2,996 associate professors and 1,296 assistant professors in Georgia; total teaching staff is 6,136. Women comprise about 50 percent of academic staff.

The average number of students per teacher is 19, the same as in the Czech Republic, Belgium, Italy and New Zealand.

Despite having a large pool of academic staff, the lack of research funding from the government, coupled with the lack of work experience among lecturers, contributes to the problem of modernizing outdated teaching methods in public universities.

In 2009 about 0.2 percent of GDP (21.5 million USD), was spent on research in Georgian universities. Compared to some Eastern European countries, that means that research is underfunded in Georgia. For example, in Estonia, Latvia and Lithuania state funding of research is 1.41 percent ($273.6 million), 0.46 percent ($119 million) and 0.84 percent ($311.2 million), respectively.

The figures for some other European countries are as follows: Bulgaria – 0.53 percent ($257.4 million), Czech Republic – 1.35 percent ($2.66 million), Croatia – 0.85 percent ($528.7 million), and Poland – 0.67 percent ($2.88 million).

**STUDENTS’ CHOICE**

The most popular degrees are well-known, even without official statistics. In 2013, 14,542 students entered social science, business, and law faculties, which is about 45 percent of the total number of new entrants in that year.

The figure has been the same for more than six years, and it is unlikely that trend will change.

Such a large percentage of students prefer the social science, business, and law faculties because their graduates may be potentially employed in financial services or the public sector, which offer the highest remuneration (1,505 GEL and 1,152 GEL, respectively) and...
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By introducing Unified National Examinations, university exams have become transparent, and the grant system has made education more affordable. However, a lack of funding, outdated teaching methods and old facilities in some universities are still unresolved problems. The following is a summary of strengths, weaknesses, opportunities and threats of important issues relating to higher education.

**Strengths** – High level of literacy, transparent grant distribution, competition among universities offering curriculums based on Western standards.

**Opportunities** – Introduction of new mixed technical faculties and certificate programs, adoption of new information and communications technologies, developing closer relationship with potential employers for internship programs and permanent employment.

**Weaknesses** – Underfunding of education and R&D, inadequate library facilities and infrastructure, lack of research-intensive universities, undeveloped research culture, out-of-date teaching methods, lack of practical experience among teachers and students, few opportunities for continuing education and lifelong learning.

**Threats** – Lag behind education, research and innovation in Europe, lack of a special strategic development program, excess of need in specialists with business education.

The least in demand is agriculture, chosen by only 147 (0.45 percent) students in 2013. Modest growth of the agriculture sector, in which the average salary is the 3rd lowest in the country by sector (495 GEL) and the lack of modern teaching practices are the reason for its unpopularity.

After these popular faculties, humanitarian, engineering and construction faculties are the most popular. While humanitarian, and engineering and construction faculties had shares of 16 percent (5,157 students) and 10 percent (3,326 students), respectively, the number of new students in the engineering and construction faculties has more than doubled, rising from last year’s 1,576 to current 3,326 students.

The picture is different in Eastern Europe, where on average at least 2 percent of students opt for a career in agriculture. In addition, compared with Georgia, where 45 percent of students live in rural areas, 31 percent of students in Eastern European countries live in rural areas. The slow development of these fields is linked to the fact that their respective industries have been experiencing slow growth for the last several years, as well as the fact that they require more investment.

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LEGAL NEWS

Immigration Law

Substantial amendments have been introduced to the Law of Georgia on the “Legal Status of Aliens and Stateless Persons.” As of December 25, 2014, foreign citizens will be able to obtain Georgian visa locally by applying to the consular department of the Ministry of Foreign Affairs.

Foreign citizens, who entered the country before 17 March 2014 and stayed in Georgia until December 25, 2014, may obtain a Georgian immigration visa even after his/her lawful stay in Georgia expires, until 1 March 2015 (except when he/she was refused a Georgian residence permit). Period of unlawful stay, before granting visa, shall be considered legal and will not trigger any sanctions.

Tax

Proposed Bill on amending the Tax Code of Georgia aims at reinstating the possibility of tax settlements, including decreasing sanctions and penalties, with the taxpayers involving the assessments with regards to the use of natural resources.

Important Court Practice on Labor Issues

By its decision rendered on 16 September 2014 on a labor dispute, Tbilisi Court of Appeals interpreted the current Labor Code and the applicable international standards, at the same time demonstrating the pro-employee considerations underlying the judicial practice. The court pointed out that the burden of proof in labor disputes rests upon the employer. It is the employer who has to prove that the dismissal was legitimate. The court further stressed out that the dismissal of an employee should be a remedy of a last resort and must be applied only when the grave nature of a misconduct or breach of employment leaves the application of less onerous sanctions futile. Yet waiting for the final decision of the Supreme Court, the similar practice is becoming more of a trend important to consider in the employment relations.

Law on Entrepreneurs

Although the on-going work on the new set of the corporate rules has not finished, certain amendments have been effected to the current law on Entrepreneurs. The amendments authorize the shareholder to submit the claim to the Court on behalf of the company if the company fails to do so within 90 days after receiving such request from the shareholder. The company has to substantiate its refusal on submitting the claim against the third party. The shareholder is authorized to claim reimbursement of expenses, reasonably incurred due to submission of the claim on behalf of the Company.

In addition, according to the proposed amendments to the Law on Entrepreneurs, a consent of a shareholder shall no longer be required in case of dilution of its shares. According to the recent provisions of law, consent of the shareholder is required if amendment to the charter or resolution adopted by the shareholders of the company affects its registered rights. This rule, in theory, enables minority shareholders to block respective financial decisions of the shareholders (including increase of the capital) important for the business operations of the Company and act in bad faith.

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TBILISI, TRAFFIC AND URBAN DESIGN

FROM TRAFFIC WOES TO PRESERVATION CONUNDRUMS, MANAGING A CAPITAL CITY HAS NEVER BEEN EASY. INVESTOR. GE LOOKS AT HOW TBILISI’S CURRENT CITY HALL ENVISONS THE CITY’S FUTURE – AS WELL AS HOW SPECIALISTS BELIEVE IT SHOULD DEVELOP, AND WHAT IS ACTUALLY HAPPENING ON THE GROUND – IN THIS SERIES OF ARTICLES.
TBILISI MAYOR DAVIT NARMANIA: The Capital is Open for Business


HEATHER YUNDT

TBilisi’s new mayor has a message for investors: the city is open for business.

Elected in June, Davit Narmania acted as the Georgian Dream coalition’s Minister of Regional Development and Infrastructure until he was handpicked for the mayoral candidacy by billionaire and former Prime Minister Bidzina Ivanishvili.

Mayor Davit Narmania lists economic development as among his top priorities for the city.

“When economic development is at a higher level, when most of the population is employed, it means we will have fewer problems in protecting the socially vulnerable,” Narmania said in Georgian in a recent interview with Investor.ge. “That’s why economic development and creating new work places is very important.”

ENGAGING CITIZENS

But it’s not only businesses Narmania intends to engage as mayor. He says he

“We are ready to cooperate with any investors; we are ready to welcome any investors to come to Tbilisi and invest money in our country.”
encourages citizens, as key stakeholders, to get involved in decision-making processes.

As one of Narmania’s campaign promises, in August, City Hall began holding meetings with the city’s residents every Monday afternoon.

The idea was so popular that hundreds of citizens showed up outside City Hall to speak with the mayor during the first few sessions. Local media reported that a scuffle broke out as residents pushed their way into line. City Hall now requires interested residents to register in advance.

“People have a big interest (in the sessions) and we are solving most problems,” he said. “We use the instruments of citizen engagement in decision-making process.”

Based on these weekly sessions, as well as public surveys, Narmania says Tbilisi’s residents’ have two main concerns: finding jobs and improving housing.

To tackle the latter, Narmania said the municipality will be rehabilitating damaged homes. For residents living in particularly rundown houses, the city will rent a flat for them until the work is done. Narmania said flats for 1,000 families have been rented already.

He also hopes to engage Tbilisi’s residents in implementing another one of his campaign promises: the planting of one million trees.

“We would like to plant trees together with the citizens, and we also would like to give them the possibility to plant trees on their own property.”

The mayor stressed that his government works “very transparently and openly.”

To emphasize this, City Hall recently required all employees to take a competency exam, followed by interviews. Narmania said representatives of non-governmental organizations participated as observers throughout the process.

Yet, when 60 percent of employees failed the exams, opposition politicians claimed the testing was not objective. Employees who failed the initial tests will have an opportunity to re-write them in December. Those who fail the testing process will be replaced.

PRIORITY DEVELOPMENT
The mayor’s focus on development, however, has not been popular with everyone. Guerilla Gardeners, an active citizens group, rallied in front of City Hall in October to protest a series of construction projects it sees as problematic. Vice Mayor Nina Khatiskatsi responded by agreeing to meet with the group to discuss the projects.

Among the developments the group was protesting was the Panorama Tbilisi project, a $1 billion construction project of hotels, apartments, offices, and conference halls connected by a series of cable cars.

Narmania says the project will ultimately have to be approved by the Ministry of Culture as it affects areas of Tbilisi’s historical Old Town.

“It’s a very important project for the city because it implies huge investment,” he said.

“Lots of people would be employed in the development of the project for the construction process.”

Ultimately, Narmania says his government is ready to do what it can to facilitate further investment.

“We are ready to cooperate with any investors; we are ready to welcome any investors to come to Tbilisi and invest money in our country.

We don’t intend to suspend any previous projects; on the contrary, we are ready to support any kind of projects, ongoing projects and forthcoming projects as well. We have a wide number of new projects, which might be very interesting for them.”

“We have very simplified procedures and we would like to make these procedures even simpler.

To remove these bureaucratic barriers, we would like to introduce one-stop-shop services for investors to make it easier for them to come to invest money, to invest in projects. We are ready for cooperation.”
The 2014 Tbilisi In Your Pocket guide put it aptly: “On the face of it, Georgians don’t seem the most disciplined motorists. Driving speeds are often fast and lane changes can be erratic. At rush-hour the experience is further intensified by heavy city traffic.”

With the number of vehicles on Georgia’s roads increasing at about 10 percent per year — compared to about one percent per year in the United States — traffic is becoming an increasing concern in the country’s capital. Yet residents’ shared frustration with driving and walking in the city cannot be explained by the number of vehicles alone.

Gela Kvashilava, chairman of Partnership for Road Safety, says Tbilisi’s traffic problem is strongly linked to culture. “The major problem is that road users... they don’t respect each other. They behave in a way as though they have priority and the road belongs only to them. This is a culture of not sharing roads,” he said. “The road has become (about) social status.”

Kvashilava says traffic congestion and flow ultimately matters because it affects residents’ well-being in terms of health, business and tourism.

Lado Vardosanidze, an urban planner specializing in sociocultural aspects of urban development, says Georgia is a rural culture that has become urban in geography only recently. He says that this contributes to the average Georgian’s self-centered pattern of spatial behavior. “[Georgians] don’t pay attention to the surrounding situation, to other people. We see many examples of this, particularly in the behavior of drivers and in competition between drivers and pedestrians,” Vardosanidze said.

Culture is also tied to Georgia’s rapid increase in car ownership. “For the statistical Georgian, it’s very important to have a car. It’s prestige,” he said. “I’m not sure that all owners of those big black jeeps need to drive. Many cars are driven from home to the office, and they stay all day by the office and only in the evening are they coming back.”

Vardosanidze argues that there are two other important elements that affect Tbilisi’s traffic congestion: the construction and the running of the transportation system. He points to the example of Heroes Square, the intricate traffic circle built by Mikheil Saakashvili’s government, where the lanes wind around one another like spaghetti.

“The problem is that no preliminary study was made,” Vardosanidze said. “And you notice in rush hour, some of the directions are free, others are overloaded. (For) the transportation system, it’s absolutely necessary to make a calculation before starting with concrete.”

“It means that, unfortunately, the profession of urban planners was forgotten. Politicians took decisions without any consultation with professionals, city planners, engineers, and so on.”

But Vardosanidze emphasizes that fixing one trouble spot isn’t enough. Congestion will simply be created in another place.

“It’s like a blood system,” he said. Kvashilava says the lack of car inspections aggravates the problem. While car inspections were eliminated due to corruption entrenched in the inspection process, without them many vehicles are polluting at rates above international standards.

As for the functioning of the system, Kvashilava stresses that crosswalks and sidewalks must be respected by drivers in order to protect pedestrians. Kvashilava’s Partnership for Road Safety is currently trying to convince companies to sign a pledge that their drivers will stop for pedestrians at crosswalks.

Transparency International Georgia took aim at the city’s tolerance of cars parking on sidewalks in a September blog post written by Erekle Urushadze. “If the City Hall aspires to transform Tbilisi into a civilized, modern city and if it does not consider pedestrians and people with disabilities to be second-rate citizens, it should immediately start removing cars parked in violation of the law from the city’s sidewalks,” he wrote.

Added to all of this is the fact that data are lacking. Investor.ge could not locate any data on traffic jams in Tbilisi, and while Georgia is currently undergoing a census that will clarify the current population of Tbilisi, it will not reveal how many commuters enter the city every day.

Data provided by the interior ministry, however, indicates that there are over a...
million cars in the country – 368,873 registered in Tbilisi alone.

Vardosanidze calls this latter number essential. “The transportation system serves not only the stable population, but also commuters,” Vardosanidze said. “The transportation system should respond to this additional kind of population. So it also should be calculated.”

Attempts to manage Tbilisi’s traffic have taken a variety of forms over the years. During the Soviet Union, city plans were used to organize traffic flows by focusing on buses and electric transport, but this system fell apart in the 1990s. Private operators began to fill the gap in public transportation through marshrutkas. After the Rose Revolution, the European Bank for Reconstruction and Development (EBRD) helped the city purchase 150 municipal buses, among other things, to reform the public transit system.

According to a 2008 report from Green Alternative, an environmental NGO, it was assumed that the modernization of the bus fleet “would decrease traffic congestion, increase traffic safety, improve air quality and reduce emissions.” But Green Alternative says this did not happen. In 2006, the government banned minibuses from main avenues and discontinued the trams and trolleys. These moves overloaded the public transit system and, according to Green Alternative, made the environmental situation in Tbilisi worse.

Now Tbilisi’s City Hall is trying again to improve the situation. Mayor Davit Narmania says the city is cooperating with the EBRD to develop a feasibility study to examine traffic flows.

“Once the feasibility study is over, we’ll have a clearer picture of the problems and what aspect needs to be improved,” Narmania said to Investor.ge through a translator. “Some streets might be widened, some might be narrowed. It means not only change of traffic flow but also infrastructure projects.”

Narmania says that the study should be completed by the spring.

However, many of Tbilisi’s residents are not waiting for the government to take action. Some have created an online buzz by putting stickers on cars parked on sidewalks. Facebook pages and websites have been set up to help shame drivers not following the rules. A group of entrepreneurs even recently held a Saturday session to brainstorm ideas to address the city’s parking problem.

Kvashilava says there is one concept that will definitely help: implementing a park and ride system, which allows drivers to park outside of the city center and take public transportation for the rest of their journey.

“(The city is) thinking of building a new road inside the small Old City. A new road means new cars. This is not a solution,” said Kvashilava.

Elene Margvelashvili, of Iare Pekhit, a pedestrians’ rights organization, says in addition to improving public transportation, society should treat driving like North America treats smoking, by limiting the spaces drivers can occupy.

“We need to start making these people feel uncomfortable, feel ashamed, feel uncool, and feel, you know, just silly,” Margvelashvili said. “If a person doesn’t feel cool owning this big jeep, why would they pay so much for petrol? Why would they put so much effort into sustaining this big jeep and sitting in this traffic jam and never having a parking space?”

Margvelashvili noted that Georgians need to make the connection between their quality of life and their everyday decisions.

She says drivers don’t seem to realize that they are contributing to the problem: “They think they’re sitting in the traffic jam, but they don’t understand that they’re one of the people creating this traffic jam.”

“People don’t even understand — even the young people — what it is that they like in the foreign countries that they go to,” she said.

“They just feel good, and you know this is not something that you can prove mathematically, that a sidewalk should be this wide or that wide. This is something that you feel with your heart or soul, that you are respected by your government. You can have this in your own country too, but you have to work for it.”
THE FUTURE OF OLD TBILISI

THE CAPITAL’S HISTORIC DISTRICT IS FACING A MYRIAD OF PROBLEMS, NOT THE LEAST OF WHICH IS THE LACK OF A CLEAR STRATEGY FOR ITS FUTURE – OR THE LEGAL BASIS FOR RESIDENTS TO ADVOCATE FOR ITS PRESERVATION.

BY MONICA ELLENA
Russian poet Mikhail Lermontov loved Tbilisi. He savored its spirit, used it as the setting for his 823-line poem Mtsyri (The Novice), and portrayed it in a small painting in 1837. The house he resided in during the 1820s became one of the city’s most famous buildings. That, however, did not stop the city from tearing it down 180 years after its famous resident left. The iconic wooden balconied house in Gudashvili Square was destroyed in May 2012, sparking a wave of condemnation and stoking concerns about the future of Tbilisi’s Old Town.

Tbilisi’s Old Town is today a mosaic of colorful wooden balconies, tin roofs, crumbling façade, and rubble of collapsed buildings. Past interventions attracted criticism, as they failed to properly address both the cultural heritage and the community’s needs.

“The historic district falls under the law on the protection of cultural heritage of Georgia, which was last amended in 2009,” explains Nato Tsitsabadze, conservation architect and secretary general of the Georgian National Committee of the International Council on Monuments and Sites (ICOMOS). “The district has specific boundaries and is subject to strict regulations to develop and restore it. So far, lack of political will and transparency in the decision-making process has failed to protect it and the result is the current vulnerable state.”

Lack of accountability is another issue. According to the Tbilisi Heritage Group, an advocacy group, “no permission had been granted to demolish [the Lermontov house] building.” The destruction was classified as “research” by the company in charge of the restoration, which has now pulled out, leaving the rubble behind.

The 2009 amendments shifted responsibility for the Old Town from the Ministry of Culture to the city council.

“The Old Town is an asset for Tbilisi, and we want to save it,” says Otar Nemsadze, the recently appointed head of the urban planning department by Tbilisi’s city council. An architect with a specialization in urban planning and management acquired in the Netherlands, Nemsadze has worked on conservation of cultural heritage in the past, like in Dartlo village, Tusheti.

“In the past, the approach was to do things very fast, to see the results immediately, but you preserve your cultural heritage balancing conservation, infrastructure, and the role it plays in the city development strategy,” he told Investor.ge.

In 2007, a building classification map was published; red-listed buildings are national monuments, and hence cannot be touched, while yellow-listed buildings require at least that the façade must be
preserved. The map, currently valid, is predominantly red.

“We are working with the Ministry of Culture to update the map and carry out an assessment,” explains Nemsadze. “With that we can plan the conservation, the infrastructural intervention, and the financial support we need.”

The Georgian Parliament has proposed a draft law on cultural heritage that has the potential to remove the protected status of 6,300 historical sites across the country.

“The public outcry forced the parliament to postpone the hearing, but the bill is still standing; it hasn’t been revoked,” stresses Tsitsabadze.

THE ENEMY BELOW

Sololaki’s chief enemy though comes from within.

“The area is gradually sliding down towards the river, mainly due to major water inflows underneath the old district,” explains Nemsadze “and the assessment would show which houses are in urgent need of drainage.”

The situation probably got worse after the 2005 earthquake, a relatively mild shock, which seems to have affected the 2005 earthquake, a relatively mild

need of drainage.”

Eurekos’ study aimed at mapping the underground facilities’ network, so it was limited to a maximum of 5m deep, and a clear vision of the downward movement would require going down to 15-20m deep.

“Reinforcing the houses makes little sense, as what is moving is the whole pack underneath, even Sioni Cathedral has an inclination of about 10cm,” adds Piccolo. A reorganization of the water system would be a first step to tackle the problem, either through the existing channels or a new drainage network. However, any intervention needs a previous thorough assessment and constant monitoring.

“A modern technology like Lidar, a remote sensing technology used to map terrain movements, matched with Soviet surveys and data, would already illustrate where and how much the hills have moved, as the sliding is not homogeneous in one single direction.”

Piccolo said that the municipality has drilled and installed instruments to detect the level of water in the soil near Sioni Cathedral. More extensive work, however, would require more intensive investment – and there is no clear indication from the city that it has allocated the funds for modern methods like Lidar.

TIME, MONEY, AND COMMUNITY

Preservation doesn’t come cheaply, or swiftly. But it pays back.

“The Old Town is an asset for Tbilisi, and we want to save it,” says Otar Nemsadze, recently-appointed head of the urban planning department by Tbilisi’s city council.

The Betlemi micro-quarter in the Old Town is an example of how conversation can, and should, be done. ICOMOS, based in that same neighborhood, started a preliminary study in 2000, and the first work there in 2005.

“There are two main elements in Betlemi,” explains Tsitsabadze. “One is the methodology used during the rehabilitation, which followed strict rules set internationally, the other was the community-based mobilization. The inhabitants became part of the project, they were consulted; they worked on the houses and the monuments, like the restoration of Ateshgah, the ancient fire-worship temple.”

The program lasted over 10 years, included training on traditional craftsmanship, and also set up a homeowner association in the form of a non-registered union. Funds and technical assistance were largely provided by Norway’s Ministry of Foreign Affairs through the Directorate of Culture Heritage of Norway.

Best practices abroad can provide additional guidelines. In November, the U.S. Embassy invited to Tbilisi two American experts in conservation and preservation of cultural heritage.

“I have always had a fondness for older buildings. They contain your history; they tell stories,” said Peg Breen, president of the New York Landmarks Conservancy, one of the United States’ oldest and largest preservation organization.

Since its establishment in 1973, it has loaned and granted over $40 million and provided extensive technical assistance.

Breen thinks that a strong landmark law is paramount, just as it is to bring together residents, city representatives and developers.

The latter are the key for new construction.

“Appropriateness is an elastic term,” says Breen. “If you are in an area where all the buildings are at a particular height, pretty consistently, does [your new building] fit in? Obviously you are building a [new one], but there are ways to echo windows or echo lines in the buildings. We often support new development, but something that respects the character of the buildings that are there.”
SAVE A BUILDING, CREATE A JOB

In the tug a war between development and preservation, the fight in Tbilisi goes, nearly always, to development.

Two top preservationists from New York City, however, came to Tbilisi with a different message: preserving the city’s historic architecture can also bolster the economy, attract investment and create jobs.

In New York City – undoubtedly not a city that is shy about building new high-rise buildings or unfamiliar with the 21st century attraction of the glass office complex – preservation has brought tourism, investment, employment and higher property values.

The city’s tourism sector has been a clear winner when it comes to preserving the jewels of the city, noted Tara Kelly, the executive director of Friends of the Upper East Side Historic Districts. Property values have also benefited, she noted – making it more attractive for responsible investment.

“People come to New York because it is New York. People come for its historic landmarks; for the Empire State Building; for the Chrysler Building; for our museums; for Central Park, which is landmarked, too,” she said.

Kelly added that while there is “tension” between the real estate community and the preservation community in New York City, statistics have shown that “neighborhoods that have been preserved actually have higher property values than comparable neighborhoods that are unprotected.”

Peg Breen, the president of The New York Landmarks Conservancy, noted that unique architecture also attracts investors. For New York City, preserved brownstone buildings and historic neighborhoods have been a magnet for the city’s budding tech industry.

“People want to live in historic districts; in New York City the tech industry has become much more important. They are not going into glass office buildings. They are going into funky old buildings in interesting neighborhoods,” she said.

“It affects the quality of life of the citizenry; it certainly draws tourism.”

Breen stressed that historic architecture is a resource – one that should be promoted just like every other resource the city is using to build up the economy. Preservation creates jobs for architects, craftspeople, historians and scores of other professionals who are necessary components of the process, she noted.

“When you lose an old building, it is just gone. You want people who are going to protect your history, not destroy it,” Breen said.

“It can be very important to Tbilisi’s economic future if they promote the needed resources in buildings that they have, let alone that it is going to be a nicer city just to live in.”

She noted that while there is a “Shanghai complex” at the moment in international urban development where “everyone thinks ‘oh, we need giant glass towers.’”

“Nobody comes to a city to see a giant glass tower. I don’t think there are many people who are going to go home and say ‘you know, you have got to go to
**DECEMBER-JANUARY/2014-15**

“Tbilisi to see the giant glass bridge,” she said.

“It is the uniqueness and the character and the history that really draws people.”

**GETTING THE LAW RIGHT**

To make the economic argument for preserving a building, however, citizens have to have the proper tools to advocate and protect the city’s architecture and green spaces.

Both Breen and Green stressed the importance of having a strong legal basis to anchor the argument for preservation. In New York, it is the Landmark Law, which was passed in response to public outrage of the city’s decision to tear down the historic Pennsylvania Station building in 1963.

The law is one of the strongest in the nation and provides residents and policy makers with the tools to advocate for and protect the buildings, landmarks, green spaces, and neighborhoods that are a vital part of the city.

Breen noted that in Tbilisi, in addition to a “good law that talks about the importance of protecting historic architecture and an agency that focuses on that, you need a place where the public can have a say.”

The first step forward for Tbilisi, noted Green, should be making the case for preservation.

“Buildings are the our most tangible evidence of our history and our past. They should be celebrated. Even parts of our past that are difficult. It is important to maintain the memories for the future, for future generations,” she said.

“Once they are gone, they are gone. So any activity to alter any aspect of historic Tbilisi should be considered very carefully and thoughtfully.”

**Tbilisi’s Outlying Neighborhoods and Adjacent Villages Are Primed for a Major Shift from Soviet-Apartment Block Planning to Posh New Residences and Businesses.**

**Developing Tbilisi’s Suburbs**

Tbilisi’s “concrete canyons” and congested roads are driving new demand for suburban housing, say urban specialists and developers.

In the past, living in a suburb – Varketili, Vazisubani, Gldani, Temka, Mukhiani and Didi Dighomi – was widely looked down upon, but now moving to a suburban area is coming into fashion, according to urban planner Lado Vardonasindze.

“We are witnessing a suburbanization, where many economically strong households prefer living in ecologically clean areas surrounded by nature and beautiful landscapes, and this process shows also the economic differentiation of our population,” believes Vardonasindze, a professor at Georgian Technical University. According to Vardonasindze, this trend is a response to overpopulation in Tbilisi’s prestigious central districts – Vake, Vera and Saburtalo. “Concrete canyons have occupied these districts,”

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**Maia Edilashvili**

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- IOS
- Android
- Windows Mobile

Logos: SAP, Microsoft, Oracle, VMware, Cisco, HP, McAfee
and as a consequence, we will see that, first, high-income populations will be moving to suburban areas, while later, middle-class households will follow suit,” he told Investor.ge in an interview.

DEVELOPMENT IN THE ‘BURBS

The Georgian government changed Tbilisi’s boundaries in 2006, a move that has helped foster suburban development. The new borders expanded the capital from 380 square km to 500 square km to encompass several adjacent villages – Tskneti, Kiketi, Kodjori, Betania, Tabakhmela, Shindisi, Tsavkisi, and Oqrokan - previously considered recreation zones.

And businesses were quick to respond. Georgian investment company Delta Invest, established in 2010, has developed a project for a gated community called Atrium on a road connecting Tbilisi and the village of Kodjori. The complex unites 30 two-story houses with a green terrace, while on the inner area – a 2,500 square meter space – parks and recreation facilities will be arranged.

SunCity Tskneti, a Georgian-American Village located approximately seven km away from Tbilisi center, illustrates this trend. The residence complex unites 41 privately owned, luxury residences, complete with a parking area, private roof-top terraces and balconies with a panoramic view of Tbilisi’s skyline.

According to Georgian businessman Vasil Tsotadze, who is in charge of the project, this is a “different-concept” settlement. “When you get here exhausted and stressed driving from Tbilisi, you will have a rest and unwind,” he told Rustavi 2’s Business Courier. Future residents of these townhouses, who will buy both space and a new lifestyle image here, have to buy at least a 150 square meter space, with a starting price of $1,000 per square meter, which is close to the price as one typically finds in central Tbilisi districts.

Expanding to the East: A New Logistics Center and Shopping Mall

Tbilisi’s suburbs are attracting investors not just for developing residential space, but also for commercial activities. Such territories, when used wisely, can generate both capital and trust for the country, government representatives say.

Opened in September 2013 by Austrian transport and logistics company Gebrüder Weiss (GW), a modern logistics center near the Tbilisi International Airport, with about 10,000 square meters of transhipment and logistics space, has already started to serve as a central hub for the Caucasus. The company offers multiple services including overland transport, air and sea freight and logistics solutions. GW invested approximately
Untapped Potential?

Prof. Vardosanidze, who has participated in infrastructure projects implemented by the World Bank, believes that the best thing the Georgian government can do to help the natural development of the city is to continue the Tbilisi Bypass project, which the previous government launched in 2010 to construct a new railway route bypassing central Tbilisi. The goal of the project was to move hazardous freight away from the center of the city and open space for new urban development.

“This project, among many other benefits, has a business angle: we will get free territory of up to 80 ha which can be rationally used to arrange a CBD (commercial business district) area as well as parks and boulevards, which we currently so badly lack,” Vardosanidze said. “This is a historical chance and $10 million in this project.

In 2015, again in the eastern suburb of the city, Tbilisi will see the inauguration of yet another grand project. CBD Development, a Georgian subsidiary of Quadrum Property Group, an international development company, will open an 85,000 square meter shopping and entertainment center called East Point.

East Point Tbilisi will feature a 27,000 square meter outdoor fashion mall on the Kakheti Highway, connecting the city center with Tbilisi International Airport, and will cost approximately $90 million.

A deal has already been reached with one of the large retail companies of the Kingdom of Saudi Arabia, Al Hokair, which will be present with 16 brands at the opening, the marketing director Teiko Lominadze told an online portal, Marketer.ge.

Olympic Preparations Accelerate Another Large-Scale Development

Another development at the Tbilisi Sea reservoir is the Chinese Hualing Group project, located on a territory of 420 ha between two suburban districts of the capital – Vazisubani and Varketili.

The project envisions construction of an Olympic village that will host the Tbilisi 2015 European Youth Olympic Festival scheduled to start on July 26, as well as building of a shopping center on a 110,000 square meter territory, with the plan to make it a leading shopping center in the Caucasus.

Under the agreement, the village – which encompasses nine residential blocks, and includes a five-star hotel – will be handed over to the state for a three-month period in March 2015 – after which it will be sold as private property.
we cannot miss it. Let’s move beyond politics, because city development is a phenomenon which has nothing to do with party interests.”

Vardosanidze told Investor.ge that he has voiced his recommendation at a recent meeting on modern challenges facing urban development and during a series of consultations with the field’s experts that was initiated by city hall.

MORE PLANNING, NEW STRATEGY

“We will identify where the loopholes are in this area and come up with concrete decisions,” Tbilisi Mayor Davit Narmania told Investor.ge before the meeting. “Previously, there was no plan for spatial development of Tbilisi. In December, we will launch work on that and submit it for consideration next year.”

Nino Gogoberidze, chief of the Tbilisi architecture service, told Investor.ge that the architectural plan of Tbilisi’s suburbs is not currently on the agenda but will be detailed in the capital’s strategic plan. According to Gogoberidze, by the end of December two tenders will be announced for a strategic plan for the city and on the general plan for land use, where “the capital’s future development will be outlined, including cooperation with the private sector.”

However, Vardosanidze maintains that there is no need for new tenders and no need for spending money because such plans were developed just a few-years ago “at a pretty high level.” What is needed now “are just corrections.” Instead, he believes that the most important thing for Georgia in terms of urban development is to introduce the United Nations’ City Development Index.

The Urban Indicators Programme of the UN Human Settlement Programme (UN Habitat) ranks cities according to their level of development.

“We need these indicators to be able to measure the city’s ‘temperature,’ and this will largely benefit potential investors, too, in the decision-making process,” Vardosanidze said.

A BETTER TBLISI

THERE ARE A MULTITUDE OF PROBLEMS FACING TBLISI – THERE IS TRAFFIC, UNEMPLOYMENT, OVERCROWDING, DIMINISHING GREEN SPACE, INCREASED POLLUTION… THE LIST IS LONG AND, WHILE PROBABLY NOT UNIQUE FOR CITIES ACROSS THE GLOBE, IT IS CONCERNING FOR THOSE WHO CALL TBLISI HOME. INVESTOR.GE SPOKE WITH FOUR TBLISIANS – ONE EXPAT AND THREE LOCALS – WHO HAVE BEEN VOCAL ADVOCATES FOR ACTION TO HELP OUR CITY BE ITS BEST.

PLANNING FOR SUCCESS

t can be difficult to pinpoint exactly what makes a city great. Is it the culture? The public transportation? The night life? The cost of living? Accessibility of housing? It can be one – or a combination – of a thousand little things that make citizens’ lives easier or better or more enriched.

But one common denominator is good planning. Before a city can boast of its great cultural events or its modern, accessible metro line, or even its cost of living, there has to be the will – and the policy – to get there.

“You cannot expect things to just change on their own. That is the whole point of governance…to ensure that the city is a livable city, that strives towards a
high quality of life,” said Eric Barrett, the executive director of the non-government organization JumpStart.

“A high quality of life can mean different things for different people but it is one of those things that people know it when they have it,” he added.

Under the Soviet Union, everything was planned. The city of Tbilisi had an official master plan that dictated all development in the city, top down, from the number of apartments to the quantity of green space. But developing a city in the 21st century is not about five year plans or government dictates.

It requires, noted architect Lena Kiladze, an open, professional and public discussion about what the city needs, as city is a live organism.

“What the city needs to think about is the vision – the city concept for Tbilisi,” and strategic planning,” she said.

While the city – like the rest of the country – has struggled for the past two decades in the face of constantly changing situations, Kiladze said there comes a time when “it is necessary to put everything together into a sort of vision we have for the city – what will be the message of the master plan development and the zoning?”

To do that, however, Barrett stressed, the authorities at city hall have to be committed to be “good leaders.”

“They need to be good leaders; they need to make decisions based on the people instead of special interests and themselves. They need to understand that they themselves are not representative of the population, and they need to understand that the majority of the population in Tbilisi does not have cars; they use public transportation,” he said.

“They need to understand that public transportation in Tbilisi is terrible. And until they can accept that, why will they prioritize it? They need to understand the problem.”

Traffic, transportation, green space – a triad of problems that require more planning and more strategy, noted Nata Peradze, the leader of Tbilisi Guerrilla Gardeners.

Today, she said, the city thinks it can build everywhere – even the city’s official recreation areas have been opened up for development.

Without proper planning, this is creating problems with air pollution, traffic, parking, the loss of green space and diminishing property values, noted Nika Davitashvili, an activist with the Tbilisi Guerrilla Gardeners.

“They should understand that by destroying the park in the neighborhood, they are hurting themselves because the prices of their own apartments and houses go down,” he said.

What is happening in Tbilisi has happened in countless cities around the world, Davitashvili said – the difference is that Tbilisi can learn from others’ mistakes.

“All the people that I speak to from Europe are saying we [made these] mistakes and then we learned from the mistakes... But here you can stop it before you go that far. You just need people who understand how things should work and learn from them,” he said.

USING TECHNOLOGY

Tbilisi does not have to reinvent the wheel – cities in Europe and the United States are turning to technology to give policymakers and residents the information necessary to make good decisions for their city and their quality of life.

“The technology is there, it just takes a bit of investment on the part of the government and then they can [use it]. I don’t think that [Tbilisi Mayor Davit] Narmania doesn’t want to improve the situation, he just doesn’t have the right tools, and he doesn’t have access to the right information,” Davitashvili said.

“If they do even half of what is being done [internationally], or even one third of that, it will be a great thing.”
By linking the central hub of Tbilisi to other booming sectors, Georgia vastly diversifies its options for investment prospects and makes itself a more tantalizing choice for potential business. Now the challenge is to provide the infrastructure to link its destinations together seamlessly. In the past, the ride between Tbilisi and Batumi—or Tbilisi and Telavi—was no joyride. It takes hours. It involves much nail biting, the occasional colorful metaphor, and perhaps a cow or two in the road.

But all that is changing.

Compare Georgia’s ambition to its reality: in the past decade it has gone from one international airport to three (with the possibility of a fourth). These airports see high traffic—the number of passengers rose from 1.3 million in 2008 to 5.4 million in 2013. Tourists and businesses want to be in Georgia; the trick is getting them to their destination in a quick and stress-free way.

INFRASTRUCTURE IS THE TIE THAT BINDS

In November, World Bank Vice President for Europe and Central Asia Laura Tuck embarked on a three-day journey through Georgia.

Tuck met with both Prime Minister Irakli Gharibashvili and President Giorgi Margvelashvili. During her visit, Tuck represented the World Bank as an agency willing and ready to collaborate with Georgia on its goals—like its ambition to become a regional hub.

“We continue working with Georgia to further develop our strong partnership in infrastructure and to assist the country in its efforts to become a logistics hub in the region,” she said, according to a press release from the World Bank.

“Georgia has several comparative advantages, such as its geographic location, agriculture and tourism potential, and, most of all, its talented people. Developing and using these assets will create further opportunities for growth and make the country’s economy more inclusive.”

One such project that Tuck visited was the joint Georgia-World Bank Third East-West Highway Improvement Project. Approved in 2009, its completion is anticipated in June 2015. The cost is projected at $184.12 million and is co-financed by the International Bank for Reconstruction and Development and the Georgian government.

The goal is to link one end of Georgia seamlessly to the other. This is a necessary project, and part of a larger theme as Georgia moves to spread the prosperity of success beyond its capital and into periphery regions.

Gharibashvili stressed the road’s importance for development in western Georgia during a special address on November 19 to mark the 88 kilometers of new highway bridging the country’s economic center in Tbilisi to the western regions.

The new road will help bolster economic growth and create new jobs, he said, adding that the EU is going to provide Georgia with 30 million euros for regional development.

There are plenty of projects geared to attracting business interest to cities and rural communities beyond the capital.

The Georgian National Investment Agency (GNIA), the government-run Partnership Fund and the World Bank itself, to name a few, have a long list of potential investment projects that stretch across the country, ranging from the ports, shipping and tourism centers on the Black Sea coastline to the country’s rich hydroelectric potential.

But roads—highways, byways and the railway—are a crucial part of turning potentials into profits.

PAVING THE WAY FOR INVESTMENT

Currently, the fastest growing regions in Georgia are hundreds of kilometers away from the capital: Georgia’s western coast and eastern towns have become
investment magnets.

Kutaisi, home to one of Georgia’s two parliament buildings and a gateway to the country’s ports and coastline, is already benefiting from the East-West highway. On November 19 Gharibashvili opened a new hotel, Bagrati Plaza, in the city.

More hotels, spas and other investments are opening across the country in areas that have been touched by new road and infrastructure projects. The government’s Partnership Fund is developing new hotels in Imereti and Kakheti – both areas where new roads have been completed.

In the eastern Kakheti region, towns like Telavi are seeing an uptick in wine production projects, tourism, and manufacturing following significant infrastructural renovations and government- and privately sponsored public relations projects.

The World Bank estimates there has been $8 million in private sector investments in Kakheti alone that were “spurred by the [the World Bank’s] development project’s renovations.”

The “Batumi miracle” and investments along the coastline – including the Partnership Fund’s plan for a new deep sea port – are also a result of the same ambition: Georgia’s steady efforts to modernize and promote its greatest assets. These assets include – as Tuck reinforced during her trip – Georgia’s competitive geographic location, its strength in tourism and agriculture, and untapped human capital.

THE ROAD TO GROWTH

Georgia offers opportunities in the largest growing sectors of the country: tourism, manufacturing, agriculture and energy. Another perk: while the eastern regions represent Georgia’s homegrown export potential, the western coast is an excellent opportunity for re-export via the Black Sea or Turkey.

In the west, an excellent example is Batumi, whose flourishing tourist trade has harnessed the energy of budding hospitality workers, café owners, and even local Batumi designers who are ready to cater to the summer crowds. Anaklia, further north on the Black Sea coast, is yet another. Recently built spa and wellness centers, along with charming boutique B&Bs, offer a unique experience for tourists in a spectacular location.

In the east, cities like Telavi have witnessed a rise in tourists after government projects contributed to its historic charm: tourists discover renovated cobblestone streets and refurbished heritage sites. Investors can find inspiring stories in local residents who transformed ruins into well-run shops and cafes – havens for tourists.

The rise of tourism has brought jobs and created a mini-ecosystem of markets, which in turn spur development of further sectors, like manufacturing (someone has to build those hotels).

In his public address to mark the new East-West Highway reaching Kutaisi, Gharibashvili urged businesses and investors to take advantage of the new opportunities the road offers.

“Soon we will present to the public the concept of regional development, which will be a long-term strategy tailored to a particular region,” he said.

“I encourage businesspeople to be involved in this important project. Now it is necessary to unite the public and private sectors in order to implement projects for the regions.”

Cordelia Ponczek is an analyst for a Warsaw-based think tank. She is conducting research with the Kościuszko Foundation for the 2014-15 academic year.
During one very cold winter evening I made a phone call to my friend Ketty Kvinikadze asking her to attend the “Tbilisi Fashion Week” show with me. Ketty has a very good fashion sense but was never a fan of high fashion shows featuring catwalks and designer brands.

After some cajoling, she finally relented and reluctantly agreed to join me for this show. It was going to be a decisive evening for both of us. We took our designated seats in the carnivorous white tent, giggling and joking about our opinions on fashion and what we expected to view that night, but nothing could have prepared us for what we were just about to see.

The fashion designer who was putting the show together was George Shaghashvili. George is one of the first Georgian designers who meant business without any hidden agendas. He doesn’t seek mass production; he doesn’t seek just the acknowledgment of the elite avant-garde society; nor does he try to confuse the public with garments that are not going to...
be worn just once after the purchase. My friend Kethy was in love with his creations immediately — and not just her — judging by the excited reaction from the packed audience.

I spoke with George later. “Why black?” I asked the artist of these creations. The 42-old designer tells me: “Black doesn’t count as a color, and it is at the same time, according to various theories around the world: there is this huge argument about it — kind of like grey, and I love it!”

George is not your conventional, reserved designer; he believes that the color black deserves the right of existence along with all others. In various cultures this color has a different acceptance, like Yin and Yang: it represents birth and the beginning of life in one culture, while other cultures embrace this color as a symbol of death.

Only a year ago, lovers of George’s creations were visiting his small apartment. Now these wonderful creations are hanging proudly in his still small but crowded shop in Tbilisi, where black reflects and enhances every other color in the room.

“Look, pay attention, just how many black shades are out there. They feel differently when you touch; they all look different,” George said while he rushed to open the door for ladies who came in for personalized tailoring. They seemed happy with what they saw.

“I made a green dress for this girl, imagine that!” he smiled.

George is a doctor by education, but found his fame very suddenly during the dark, poor and post-civil war times in Georgia: he was invited to attend a fashion show, and that was when George decided to have a go at designing his own style of fashion. He opted to use paper-mâché for this new style of dress, made mostly by medical plaster material — which Andrew Logan, an English sculptor, performance artist, jewelry-maker, portraitist and painter named the best innovative idea of the year.

“I had to sit down and decide for myself, what did I want to do with my life? Soon marriage came and my pregnant wife showed me the picture of our first baby’s ultrasound, giving me more inspiration than ever, turning me completely to fashion.”

His marriage took him abroad, first to Denmark, then Kenya, where he did not sit idle: he used a website to market his creations to find a larger clientele and to find buyers. He was also inspired by the colors of Africa. Local tribal accessories found a warm home in George’s collection, although black and white remain a common theme in George’s designs.

I still wear a thick knitted sweater I saw in his last collection and one of his grey dresses, while his tribal, ceremonial, multi-colored bustier is eye-catching when one first sees it. This is the secret of George Shaghasvili.

Before I say farewell to him in his packed shop, my last question is how he handles his difficult Georgian surname abroad. “I am not going to change my hard-to-pronounce name either,” he laughed. “I am not staying abroad forever and at least I can make them remember my Georgia and myself by that, at least.”

Helena Bedwell is the Bloomberg correspondent for Georgia.
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The AmCham Board of Directors hosted Principal Deputy Assistant Secretary of State for Economic and Business Affairs (PDAS) Kurt Tong and his delegation for a private business lunch meeting on October 29th. AmCham and PDAS Kurt Tong and his team discussed medium- and long-term business issues in relation to US trade and investment in Georgia. The meeting took place one day before bi-lateral meeting of the Economic Working Group, within the US – Georgia strategic partnership commission.
NEW CHAIRS FOR CLT, CSR, AND AGRIBUSINESS COMMITTEES

AmCham is pleased to announce new chairs for the CSR and Agribusiness Committee, as well as for the legal side of the Commercial Law and Tax Committee. The Chamber thanks all the past and current committee chairs for the instrumental contribution they have made during their tenures.

Committees drive AmCham’s successful lobbying efforts with the government; the invaluable work, time and energy that member companies and their representatives put into committee work plays a vital role in defining AmCham’s position – and crafting AmCham’s response – to the laws, amendments and tendencies that affect the country’s business environment.

AGRIBUSINESS COMMITTEE:

Dr. h.c. Sascha Ternes, Deputy Chief Executive Officer at JSC Bank of Georgia;

Prior to joining Bank of Georgia in 2014, Sascha was a Member of the Management Board of ProCredit Bank Georgia since April 2007, where he initially served as Chief Financial Officer and then as General Director. Prior to joining ProCredit, he held executive positions for 13 years in a German Technology Group.

George Welton, Founder, GeoWel Research;

George Welton came to Georgia in 2004 as a university lecturer. He founded GeoWel Research in 2009. His company conducts analysis work for large international organisations, including Asian Development Bank, KfW, GIZ, USAID, CARE International, Mercy Corps and Oxfam as well as for private investors and companies. George served as AmCham Georgia’s executive director in 2011-2012.

COMMERCIAL LAW & TAX (LEGAL SECTOR):

Lasha Gogiberidze, founding partner of BGI Advisory Services Georgia/director of BGI Legal;

Lasha Gogiberidze is a founding partner of BGI Advisory Services Georgia and the director of BGI Legal. Previously, Lasha worked at Ernst & Young’s Georgian office. Lasha graduated from Tbilisi State University, has a LL.M. from the University of Illinois, and is licensed to practice law in NY state.

CSR COMMITTEE:

Paul Clark, founder TBSC;

Paul Clark is the Director and President of TBSC. He has been helping boards of directors and governments develop new strategies and methods for more than 25 years. He has worked in Georgia for both business and government for nine years. His industry experience includes manufacturing, real estate, food production and secondary processing, logistical parks and light industry.

Rusudan Kbilashvili, Wissol Group;

Rusudan Kbilashvili has a Master’s degree in Public Administration. She attended the Georgian Institute of Public Affairs (GIPA) Tbilisi and holds a Bachelor’s Degree in Western European Languages and Literature, State University. She has worked for the Georgian Times, Daily Tribuna, Georgian Business Week and Sakhelebi since 2001. She is co-founder and PR Director of NGO Social Care International Organization (SOCIO).
On November 20, the AmCham Tourism Committee was invited to engage in the development of the national tourism strategy that the World Bank, Ministry of Economy and Sustainable Development of Georgia, and Georgian National Tourism Administration (GNTA) are working on, which will be finalized in spring of 2015. Deputy Head of GNTA Rusudan-Mamatsashvili and the World Bank’s Sustainable Development Sector Leader in the South Caucasus Region Ahmed Eiweida met with the committee to present industry trends, and to discuss to methodology of the tourism strategy currently underway. AmCham will engage as a partner in the consultative process to give input on identifying and marketing successful tourism products for Georgia, prioritizing current and future challenges facing the industry, identifying and addressing skills needs, and streamlining efficient and effective private sector input toward tourism development. Over the coming weeks, the Tourism Committee will develop comments and input on the draft strategy.

Ministry of Economy, AmCham Tourism Committee Discuss Tourism University, New Plans

The Georgian National Tourism Agency (GNTA) has a new director and a new agenda, including plans to build a convention center, open a tourism university and secure CNN advertising about Georgia in Eastern Europe and the wider, global audience.

AmCham Tourism Committee members and Executive Director Amy Denman met with Deputy Economy Minister Keti Bochorishvili on December 2 to discuss the agency’s plans.

Currently the Ministry of Economy and GNTA are working with the French embassy in Georgia on a feasibility study for a tourism university. The government is prepared to provide the building, according to the economy ministry, but sees the university as a private business that should be led by a well know, international school. A selection process for a school to help manage the university is scheduled for 2015.

Other plans include a new convention center for Tbilisi and a tourism-related conference in the capital.
IMF predicts 5 percent growth in Georgia

Growth in Georgia is expected to reach 5 percent in 2014-15, according to Azim Sadikov, IMF Resident Representative in Georgia, who presented the IMF’s latest Regional Economic Outlook to the AmCham membership on November 28 at the Sheraton Metechi Palace Hotel.

The Russia-Ukraine crisis has had limited economic impact so far given Georgia’s limited (but growing) trade links with Russia. However Georgia needs to step up efforts to maintain a revival of growth.

“Growth of economy is a challenge but the biggest challenge is [securing] growth that delivers jobs,” Azim said at the meeting.

Azim also spoke about the situation in the region.

He said that since Georgia is less exposed to the Russian economy than other countries in the Caucasus and Central Asia it helped the economy to cope better with the repercussions of the slowdown in Russia and the rouble’s depreciation.

AmCham Georgia attends OSCD’s Expert Seminar on Business Integrity

AmCham Georgia was represented at the OSCD’s first anti-corruption network (ACN) expert seminar on business integrity, that took place on November 10-12 in Istanbul.

The seminar provided a forum for learning and sharing good practices on business integrity through discussions on the role of the government, business associations and companies to promote business integrity, as well as the potential for collective actions for business integrity in the ACN region.

The seminar combined expert presentations, working in groups and round-table discussions.

The expert seminar brought together experts from the ACN public bodies dealing with business integrity, as well as representatives of business associations that are engaged in promoting business integrity among their members and representatives of companies promoting compliance and integrity measures in their operations.

AmCham Georgia and EUGBC Host Regulatory Impact Assessment Workshop

AmCham and EUGBC, in partnership with the support of the Ministry of Economy and Sustainable Development, hosted a two day Regulatory Impact Assessment workshop (Nov 11-12) for senior level policy makers at the Courtyard Marriott Hotel. The workshop was opened by Mikheil Janelidze, First Deputy Minister of Economy.

The goal of the workshop was to formalize and streamline the RIA process in Georgia.

The workshop was led by international expert Charles Montin, who trained participants on international best practices in RIAs, the purpose and justification of RIAs, and the importance of evidence-based smart regulation. AmCham Commercial Law and Tax Committee Chair and member of the Board of Directors Lasha Gogiberidze spoke on “Smarter regulations to support the business community.” He stressed that imposing regulations “only for the sake of regulating” will have a negative impact on business, employment and the economy.

A well-established practice in OECD countries, RIA has been implemented as a cornerstone of regulatory reform policies to sustain and improve national competitiveness by ensuring an optimal regulatory framework for business operation and growth. AmCham thanks member company JTI for the support for the workshop.

“AmCham Youth Leadership Program’s First Session on Lobbyism and Government Relations

On October 13 AmCham Youth Leadership Program participants attended the first mentorship session led by British American Tobacco’s Zviad Skhvitaridze who spoke about government relations, lobbying and its specificities in the Caucasus.

During his lecture, Zviad explained to students the peculiarities of lobbyism in the region, its history and companies’ efforts to achieve results. Zviad also discussed the importance of established contacts in the government for successful lobbying, using examples based on real-life experience.

NCDR’s Giorgi Chaladze Speaks with Students on ADR Strategies

“‘There are three apology strategies: strategic apology, compulsory or mechanical apology and real/genuine apology,’” Giorgi Chaladze, Founder of the National Center for Dispute Resolution told AmCham Youth Leadership Program participants on December 2 at his session on Conflict Psychology and Alternative Dispute Resolution.

Giorgi described a multiple-step framework that one should use when making a genuine apology - admitting the responsibility, expressing remorse, choosing the right time, saying I’m sorry and that it won’t happen again being the most important steps in apologizing.

“Never say ‘forget it’,” told Giorgi to students, stressing that it’s the worst word one could say as it doesn’t help conflicted parties to move on and apologize accordingly.
DELOITTE’S JOHN ROBINSON TRAINS STUDENTS ON PRESENTATION SKILLS

“Presentation skill is a life skill, as you do it every day,” said Deloitte’s John Robinson during his Presentation skills workshop with AmCham Youth Leadership Program participants on October 31.

In his workshop, Robinson gave students concrete tips on how to tailor presentations to meet the needs of the audience; the impact of visual, vocal, and verbal messages; and the necessary skills for improving their impact during presentations and many others.

The workshop was followed by a practical exercise where students were able to make short presentations about their chosen topic and receive mentor’s and students’ feedback.

MICROSOFT’S DAVID ASATIANI BRIEFS STUDENTS ON IPR ISSUES

Microsoft Georgia’s General Manager David Asatiani hosted the second mentorship session for AmCham Youth Leadership Program participants on October 23rd at Microsoft’s office.

Top students from the Free and Agricultural Universities, Caucasus University and GAU engaged in a very lively discussion on intellectual property rights and challenges Georgia faces with regard to their protection and enforcement. David believes that signing of the association agreement will speed up the process of protecting these rights, which are considered a key driver for innovation and economic growth worldwide.

David also spoke about the consequences of using unlicensed software and answered many questions about his vision of the solution of this problem in Georgia, reasons behind the existence of illegal software, as well as Microsoft’s expansion plans in the country, and many others.

GRANT THORNTON’S NELSON PETROSYAN SPEAKS WITH STUDENTS ON CONSULTATIVE SELLING

Grant Thornton’s Country Managing Partner Nelson Petrosyan shared best practices in Consultative Selling to future business leaders who are participants of the AmCham Youth Leadership Program on November 14.

“Trust is the art of consultative selling,” told Nelson to students while explaining the attributes of an effective consultative salesperson. “If you earn trust, you have the pole position,” he emphasized, adding that consultative selling is more about listening than offering, and that it’s a two-way communication.

Nelson also spoke about the shifted role of a leader who nowadays is no longer a shepherd, but rather a person who creates new leaders and pushes them out of their comfort zones.

The session was followed by a practical exercise during which students had to work in teams and come up with top three behaviors that work in favor of and three that work against, an effective consultative salesperson.

GAU’S PRESIDENT MICHAEL COWGILL SPEAKS WITH STUDENTS ON BUSINESS COMMUNICATIONS

“Don’t communicate by email anything that you don’t want to see on the front page of the newspaper the next day. Write in an email what you would write on a postcard,” told GAU President Michael Cowgill to AmCham Youth Leadership Program participants on November 20 at the Business Communication workshop.

Michael spoke about the creation of meaning stressing that it is the receiver’s mind that creates meaning, rather than a person who communicates to the receiver. He also stressed that communication is like a grapevine, especially in Georgia, where word of mouth far exceeds any form of marketing.

The business communication workshop also covered ethics, communication styles, interpersonal communication and many other topics.
AMCHAM’S AGRI-BUSINESS COMMITTEE: “MAXIMIZING” OPPORTUNITY IN EU ASSOCIATION AGREEMENT

Investor.ge asked the new co-chair of the Chamber’s Agribusiness Committee, George Welton, to outline the committee’s goals and priorities for 2015. The committee is chaired by Welton and Sascha Temes.

What is the top priority for the committee moving into 2015?

The priority of the committee is to help facilitate dialogue between business, government and the NGO sector. If government policy in this area better reflects market needs then it will have a stronger chance to increase outputs, incomes and employment across the country. Specifically, 2015 will be a huge year, as it will see the beginning of the implementation of the Association Agreement and this represents a huge opportunity for the country, but also includes some risks. We will try to work with members and the government to ensure that it is implemented in a way that will maximize business growth and agricultural output.

What are the biggest potential challenges for businesses investing in/working in agribusiness in Georgia today?

When thinking about the food sector, we need to distinguish between primary producers and everyone else. The agricultural sector has some huge potential upsides, with some primary producing sectors having returns of over 30%. The biggest challenge for investors in the sector, in my opinion, is management. It is hard to find managers who combine the right international expertise and the local sensitivities necessary to work in rural Georgia.

For processors the opportunity is also large. As the sector modernizes, more and more of it will move from home-production to products from branded outlets like big processors, restaurants, hotels and large retailers. For them the biggest challenge is reliability of quality and quantity of supply. As a result, instead of focusing on processing or selling, they are spending a lot of time ensuring quality of supply of inputs.

Who can benefit from being part of the committee?

Any member who is connected to the food sector can benefit from the committee. It is already facilitating exchange of knowledge and experience on issues connecting to sourcing and sanitary/phyto-sanitary standards, and in the new year, we will deepen dialogue with the National Food Agency to ensure that our members are able to engage in discussion about changes in that area. This, therefore, can include primary producers, processors, retailers, restaurants, hotels, farm input suppliers and rural-development-oriented NGOs.

CLT, CSR Committees Discuss Amendments to Tax Law to Ease Charitable Giving

The AmCham Commercial Law and Tax (CLT) Committee and Corporate Social Responsibility (CSR) Committee held joint meeting on October 17.

Members discussed legislative initiatives for the stimulation of charitable giving from corporations. Currently some legal initiatives from NGO side have been frozen from government, which will be further discussed by the CSR committee with member companies to identify problems which they have faced regarding charitable giving.

Members also discussed the most common concerns from foreigners regarding new visa regulations, including the fact that many foreigners who already are in Georgia, are forced to go back to their home country and to apply for long term Georgia visas. AmCham CLT Committee sent a letter to Government requesting a 6-month to one year moratorium which discussed “unintended consequences of the new law.”
The Sheraton Metechi Palace, Tbilisi’s iconic 5 star hotel, is to be dramatically transformed by a major investment that will allow the hotel to be restored to its full glory.

To facilitate the $25 million refurbishment program to take place, the hotel will close on December 1, 2014 and is scheduled to re-open again in early 2016.

The transformation of the hotel into a property offering top-tier facilities for well experienced travelers is being enabled by an investment by the government of Ras Al Khaimah, which has owned the Sheraton Metechi Palace Hotel since 2007.

The landmark hotel, which was opened in 1989, will be upgraded with state-of-the-art fitness and spa facilities, as well as new restaurants, bars and an exclusive club lounge. The hotel’s conference and events center will be further expanded, with its facilities being upgraded with the latest amenities and the signature services of the Sheraton brand. The hotel’s guest rooms will be completely re-configured so that, post-renovation, the hotel will feature a total of 220 luxurious guest rooms, club rooms and suites.

“Guests will still recognize the new Sheraton Metechi Palace Hotel by its signature lobby but apart from that it will be a completely new product,” said Mr. Thomas Willms, Svp, Regional Dir. East & Central Europe, Starwood Hotels & Resorts. “All hotel facilities, the rooms and public spaces will undergo an extensive transformation and will be upgraded. We highly appreciate this significant investment of the government of Ras Al Kaimah that enables Sheraton Metechi Palace to undergo this transformation into a hotel that will be a landmark for both them and the country of Georgia.”

On behalf of the Emirate’s ruler, His Highness Sheikh Saud bin Saqr Al Qasimi, James Buchanan, Chief Executive Officer of Ras Al Kaimah Development LLC, said: “The Sheraton Metechi Palace Hotel is a synonym for the hospitality of Tbilisi to many international visitors to Georgia, and we are delighted to invest in its future. “As one of the foremost overseas investors in Georgia, we are proud to enable the restoration of this landmark property. This investment demonstrates our continuing commitment to Georgia.”

In an interview with The Financial, the hotel’s general manager, Andreas Heidingsfelder, said that the rehabilitation of the hotel is a “top priority” for RAKIA Group Georgia. “Rooms, restaurants, modern technologies and additional facilities will perfectly representing the Sheraton brand in the future,” said Heidingsfelder.

SHERATON METECHI PALACE HOTEL

“Sheraton Metechi Palace Hotel was the first 5-star international hotel in the entire Caucasus region. An acclaimed leader of the international hotel scene in Georgia, the hotel is perched on 26 acres of pristine land, offering breathtaking panoramic views of the city and mountains, an environmentally clean location, high security, and it enjoys a solid reputation for service excellence. The Sheraton Metechi Palace Hotel is managed by Starwood Hotels & Resorts Worldwide, Inc., one of the world’s leading US-based hotel management companies.

SHERATON HOTELS & RESORTS

Sheraton helps guests make connections at more than 400 hotels in nearly 70 countries around the world. The brand recently completed a $6 billion global revitalization and is now in the midst of an $8 billion global expansion over the next three years, Sheraton is owned by and is the largest and most global brand of Starwood Hotels & Resorts Worldwide, Inc., one of the leading hotel and leisure companies in the world, and with close to 1,200 properties in 100 countries and 181,400 employees at its owned and managed properties.
Two years ago, the Chinese-owned Hualing Group Georgia took on a momentous task: turn the Tbilisi Sea into a sporting paradise in time for the 2015 Youth Games.

Before construction, the site was 420 hectares of empty land bordering two of Tbilisi’s largest suburbs, Vazisubani and Varketili.

The project, Tbilisi Sea New City is the biggest investment project launched by the company and includes “Tbilisi Sea Residence” where the Youth Olympic Village will take place and “Tbilisi Sea Plaza” as commercial and trading center.

The first stage, an investment of $150 million, will be complete by the end of March 2015 and will include a Youth Olympic Village for 3800 athletes for the Tbilisi 2015 Games.

At the end of Tbilisi 2015, Hualing Group will continue the management of the project, which will eventually include three developments: Tbilisi Sea Residence, 2 million sq.m. , with apartment and villa complexes, recreational zones, modern landscape design; Tbilisi Sea Plaza, 2 million square meters (the Plaza’s main, 110 000 square meter building, will be the biggest in the South Caucasus Region); and the 5 star Hotels & Preference Hualing Tbilisi, to be opened in the May of 2015.

The group is also involved in several other projects in Georgia. Since it was established in 2007, the company has launched five major projects and, by the end of this year, it would have invested $250 million in Georgia and created 2,500 jobs.

To date, Hualing Georgia has been involved in wood processing; a stone quarry and, in 2012, it became the 90 percent shareholder of Basisbank.

Its investments also include the Kutaisi Free Industrial Zone in western Georgia, an investment of $31.17 million on 35.92 hectares of land. At the free industrial zone, Hualing has set up timber and resource processing lines that produce furniture and construction materials, which is exported to neighboring countries. The site also includes a stone material processing plant and Hualing Hotel.

In nearest future, after obtaining FIZ status, this area will get more attractive for foreign companies and investors.

**BACKGROUND ON THE HUALING GROUP**

Hualing Group is the biggest Chinese investment company in Georgia. The Urumqi, Xinjiang-based company, a private enterprise group established in 1988, has about thirty years of experience in investment and management.

The company mainly operates in the field of building, managing and renting of trade centers and wholesale markets, as well as hotel construction and management.

The company is also engaged in foreign trade, modern livestock industry development, mining, and foreign resources project development, in addition to other projects.

Worth $3 billion, Hualing Group has four wholesale markets, more than 30 affiliated companies and around 3000 employees in Xinjiang, China.
CORPORATE B
AIR ASTANA
AIRLINES JSC

Founded in 2002, Air Astana is a joint venture between Kazakhstan’s national wealth fund Samruk Kazyna and BAE Systems, with respective shares of 51% and 49%.

Air Astana is endorsed with a prestigious 4-star rating by Skytrax in its world airline awards and it is proud to have been named best airline in Central Asia and India in 2012, 2013 and 2014.

A representative office in Tbilisi has been opened in 2011, and the company currently operates five flights per week between Tbilisi and Almaty in Kazakhstan.

For travelers to Kazakhstan, the company’s StopOver Holidays Program offers an easy way to experience the country.

www.airastana.com

CORPORATE B
ILF BERATENDE INGENIEURE ZT GMBH
BRANCH IN GEORGIA

ILF Beratende Ingenieure ZT Gmbh Branch in Georgia is a branch office of the reputable Austrian-German company, ILF is implementing the following projects in Georgia: Georgian Railway Modernization Project; Tbilisi Railway Bypass Project; Nenskra Road Project; Anaklia Seaport Development Study; Gardabani Combined Cycle Power Plant Project; Water Infrastructure Modernization Project in 17 cities of Georgia.

ILF has main offices in Innsbruck and Munich, and more than thirty subsidiary offices worldwide.

A permanent staff of over 1810 are employed to develop and execute project solutions for international customers.

All ILF companies are certified to ISO 9001.

www.airastana.com

www.illf.com

CORP B
RESOLUTION INSURANCE BROKERS, GEORGIA LLC

Resolution Insurance Brokers was originally founded in Armenia in 2000. Resolution Insurance Brokers, Georgia (RIBG) was established in 2011 as a separate registered insurance and reinsurance broker. Its business is founded on being able to deliver value, service and integrity to all its clients through meeting their insurance needs.

A core strength of the company is providing complex, bespoke, corporate-client insurance solutions to commercial and professional businesses, with a strong FDI focus.

RIBG has excellent long-term relationships with the principal domestic insurers and international brokers.

The company works in all direct and reinsurance classes.

www.rib.ge

CORP B
GEOMILL LLC

Geomill is one of the leaders of the wheat milling industry of Georgia, which is working to build a modern agrarian and industrial infrastructure to manufacture non-polluting foodstuffs from domestic raw materials, by using the advanced technologies. Geomill is expanding operations in different fields to assure high revenue growth and profitability. Long term growth plans include introducing a number of flour variations for specific purposes and a product development strategy to bring new product lines together for different use and diverse consumers.

Geomill’s transparency and a flawless reputation on the wheat market, which helps achieve its long-term goals.

www.geomill.ge
ON NOVEMBER 14, AMCHAM MEMBER COMPANY RIVERSIDE HOTEL HOSTED THE AMCHAM NETWORKING HAPPY HOUR AT THEIR NEWLY OPENED TIFFANY BAR. THE HAPPY HOUR WAS ATTENDED BY MORE THAN 60 BUSINESSPEOPLE. IN ADDITION TO SOCIALIZING, GUESTS ENJOYED SIGNATURE COCKTAIL OF THE TIFFANY BAR AND DELICIOUS CANAPÉS. AMCHAM FIRST VICE-PRESIDENT MICHAEL COWGILL AND RIVERSIDE HOTEL’S BUSINESS DEVELOPMENT MANAGER DIMITRI SHVELIDZE WELCOMED THE GUESTS, WHO INFORMED THE MEMBERS ABOUT THE PLANNED OFFICIAL OPENING OF THE TIFFANY BAR THAT WILL TAKE PLACE IN MID-DECEMBER. MICHAEL COWGILL THANKED THE HOTEL FOR HOSTING THE HAPPY HOUR AND HIGHLIGHTED THE IMPORTANCE OF SUCH NETWORKING EVENTS IN EXPANDING BUSINESS PARTNERSHIPS AND OPPORTUNITIES.
THE AMERICAN FRIENDS OF GEORGIA CELEBRATED ITS 20TH ANNIVERSARY WITH A CHARITY GALA AT THE RADISSON BLU IVERIA HOTEL IN TBILISI. FUNDS RAISED AT THE EVENT WENT TO BENEFIT TWO OF AFG'S HUMANITARIAN PROJECTS: THE PALLIATIVE CARE PROGRAM FOR NEEDY ELDERLY IN TBILISI AND THE ART REHABILITATION PROGRAM FOR CHILDREN SUFFERING WITH LEUKEMIA.
THE US EMBASSY IN GEORGIA HOSTED THE AMCHAM APPRECIATION COCKTAIL RECEPTION AT US AMBASSADOR RICHARD B NORLAND AND MARY HARTNETT’S RESIDENCE ON DECEMBER 8.
PROSPERO’S BOOKSHOP AND COFFEHOUSE CELEBRATED ITS 15TH BIRTHDAY ON OCTOBER 17 WITH A PARTY AND A BOOK PRESENTATION, “GEORGIA, THE LAND BELOW THE CAUCASUS” BY PETER F SKINNER.
NEWS

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PRESIDENT

R. MICHAEL COWGILL
FIRST VICE-PRESIDENT

IRAQLI BAIDASHVILI
VICE-PRESIDENT & TREASURER

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Mari Nakanimamasakhlisi (Lisi Development), page 36

Special thanks to the AmCham staff, the editorial board and all of our contributors. This magazine would not be possible without you.
The Banker
Bank of the Year 2014
GEORGIA

BANK OF
THE YEAR 2014
IN GEORGIA

The Banker magazine named TBC Bank Bank of the Year in Georgia 2014 during an Annual Awards ceremony in London on November 27. This is the seventh time TBC Bank has been awarded The Banker’s prize since 2002 and the fourth Best Bank award assigned to TBC by various publications throughout 2014.

www.tbcbank.ge

On your side
Expertise, Efficiency, Experience

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Bonne année!

¡Feliz Año Nuevo!

Gelukkig Nieuwjaar!

Wishing you a happy new year!

Frohes neues jahr!

Boldog új évet!

Бажаемо Щасливого Нового Року!

Благодарим за вашу поддержку.

Гелуккиг Ньювжир!

Wishing you a happy new year!

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