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Determining the specific level of economic liberalization of different countries’ economies has recently arisen as necessary and an important value for investors, politicians and others.

The American thinktank Heritage Foundation, in collaboration with the Wall Street Journal, has developed a unified Index of Economic Freedom that examines countries in the context of 50 different parameters, which are grouped into 10 major categories: 1) Trade Freedom; 2) Fiscal Freedom; 3) Government Spending; 4) Monetary Freedom; 5) Investment Freedom; 6) Financial Freedom; 7) Labor Freedom; 8) Property Rights; 9) Freedom from Corruption; and 10) Business Freedom. The index is an overall score, which is derived by averaging equally weighted scores in each of the foregoing categories. Based on its average score, each country falls within one of five degrees of economic freedom: 1) Free (80-100); 2) Mostly Free (70.0-79.9); 3) Moderately Free (60.0-69.9); 4) Mostly Unfree (50.0-59.9); 5) Repressed (0-49.9), which clearly conveys information about a country’s freedom.

MOVING AHEAD OR FALLING BEHIND?

In 2014, the Heritage Foundation published an analysis of 186 economies throughout the world – a report that sent a clear signal for post-Soviet countries about their progress.

For example, results from the South Caucasus and Eastern Europe show that countries, where there are significant institutional reforms and where the government is creating a favorable environment for investment, are more effectively transitioning to modern, mobile economies compared to those struggling to implement reforms.

As for post-Soviet countries, the clear leader is Estonia, which is ranked 11th in the world and is included in the list of countries having “Mostly Free” economies.

Estonia’s high score reflects years of reforms, including the country’s linear income tax reform, which has contributed to the rapid growth of the economy. Estonia “linear income tax” experience was so successful that other countries – Lithuania, Latvia and then Russia - copied it in 2001. Ukraine and Georgia also introduced flat income taxes in 2004, as did Slovakia and Romania in 2005.

Georgia’s scores reflect the country’s mixed success at reforms; it scores higher than its neighbors, but still has room for improvement.

The country is ranked 22nd in the 2014 index. Georgia’s highest score is for labor freedom at 91.2. The country also received high marks for business freedom, 87.8, which is an important indicator for investors.

Georgia’s score is based on its easy business-incorporation policy, which allows entrepreneurs to register a business
with just two procedures in two days. There is no minimum capital requirement. Completing licensing requirements typically take just two months to complete.

The country also boasts several other advantages, like flexible working hours, that have helped its score.

Unfortunately Georgia has low scores in Property rights, at 40.0 and Freedom from Corruption at 42.8. But ranked between Luxembourg and Sweden, Georgia’s score earned accolades from officials. The country improved in several areas, like business freedom and monetary freedom – and its overall score was higher than the 2013 ranking, continuing its trend of year on year improvement.

REGIONAL TRENDS

Interesting trends are also observed in Georgia’s neighboring countries: Armenia is ranked 41st; Azerbaijan is in the 81st position, and Turkey is ranked 64th.

The improvement of Azerbaijan’s ranking is due to the state’s policy to promote trade, encourage investments and establish a moderate tax system. The report found, however, that the country needs institutional and systemic reforms for property rights (the country scored 20), as well as anti-corruption measures (the country scored 22.7).

Turkey’s ranking was an improvement over past years. But the report makes it clear that despite reforms implemented in recent years, the government still interferes in the economy, and dynamic entrepreneurial activity requires liberalization of regulations and taxes.

According to the 2014 data of the Heritage Foundation, Russia ranked 140 out of 186 countries of the world due to issues concerning property rights and corruption.

ECONOMIC LESSONS

The Economic Freedom index can be used as a guide for Georgia as it choose the best road to economic growth. Georgia should use the reports published by the Heritage Foundation and the annual edition of the Wall Street Journal on the Index of Economic Freedom to assess reforms aimed at improving economic freedom that are planned for each year.

If one analyzes Georgia’s score for Economic freedom for 2014, one sees that its overall score is 0.4 point higher than 2013, with improvements in six of the ten categories of economic freedom, including government spending, investment freedom and monetary freedom.

“Georgia is ranked 12th out of 43 countries in the Europe region and its score is well above the regional average,” the report noted.

Over the 19 years that Georgia has been included in the Index, its economic freedom has advanced over 28 points, the third best of any country.

“The impressive growth of Georgia’s economic freedom has been propelled by broad-based score improvements in such critical areas as regulatory efficiency and market openness,” the report stated.

From a “repressed” economy almost 19 years ago, Georgia has gradually advanced to the ranks of the economically “mostly free,” achieving its highest score ever in the 2014 Index.

But there is still more to do. The report’s authors found that “deeper institutional reforms to eradicate lingering corruption and increase judicial Independence are critical to ensuring greater economic freedom in Georgia.” Dynamic positive changes occurred with Georgia’s with property freedom score from years 2007 to 2013, but unfortunately now Georgia’s property freedom score is 5 points lower than last year.

If one assumes that property freedom is one of the determinant factors for investment, then one will come to see a certain correlation between the two: FDI as a percentage of the national GDP has also decreased since 2011.

The Index of Economic Freedom is proof that economic growth is not an isolated event, but rather a consequence of economic freedom. Without it, no country can overcome poverty and further its development – a lesson the Georgian government should take to heart as it continues the country’s reform policy.
Forget about Georgian wine and cheese exports to surprise the West. It’s now Georgian knowledge and experience that sells like hotcakes today, after two Georgians – Aleksandre Kvitashvili, Georgia’s healthcare minister in 2008-2010, and Eka Zghuladze, who was Georgia’s deputy interior minister from 2006-2012 – were appointed as members of the Ukrainian government.

Gia Getsadze, a former official in various capacities, was named a deputy justice minister. On February 11, Georgian media reported the former Georgian President Mikheil Saakashvili was appointed as an advisor to the Ukrainian president.

Foreigners in the newly formed government, especially the two Georgians (who may be joined by other teammates) are being hired primarily to recreate Georgia’s 2004-2012 successful economic reforms.

Their success would also provide a boost for Georgian President Mikheil Saakashvili’s United National Movement, which is now an opposition party back in Georgia.

REINVENTING GEORGIA’S ROSE REVOLUTION SUCCESS

After gaining power in 2003 following the Rose Revolution, Saakashvili...
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strengthened Georgia’s alliance with the U.S. and ushered in an era of reform. Economic growth followed; Georgian GDP went into double digits in 2007.

One of the pioneers of these reforms was Kakha Bendukidze, a former Economic Minister and the Chief of Staff of Saakashvili’s government.

Bendukidze was a staunch supporter of major reforms and his ideas gained popularity in Ukraine when he was invited to join the Advisory Board for National Reforms Council (NRC), Ukrainian President Petro Poroshenko’s initiative to coordinate reforms in Ukraine.

“The Georgian team’s experience in fast and clean/fresh reforms are really needed in the corrupted [Ukrainian] state, where the past twenty years have been seriously tarnished with corruption,” Alexander Rodneli, an analyst in Tbilisi, said in an interview. “There is no relative factor here, no party relations, less risk of future corruption; it’s new blood.”

For Ukraine, the stakes are high, noted political analyst and former U.S. diplomat Matthew Bryza.

Bryza, who worked extensively in the former Soviet Union, thinks that Ukrainian Prime Minister Arseniy Yatsenyuk is sending several important messages by hiring foreigners: he is serious about reform and will hire the most experienced and capable ministers he can find – including a Georgian (and an American) and Ukraine’s government will not be deterred by invasion, but rather, it will continue to deepen its ties with the EU, reflecting the will of its voters.

The scope and scale of the problems facing Ukraine, however, is much greater than what reformers had to tackle in Georgia. But Ukraine’s new patriots appear eager to get down to the business of reforms: in comments to UKR TV, Zghuladze said she plans to reorganize the road police, and to create a fundamentally new police patrol with larger functions and responsibilities.

**CLOSE ALLIES**

The wave of Georgian expertise heading to Ukraine is just the latest in a long history of good relations between the two countries.

Kyiv and Tbilisi have historically helped each other in times of trouble: when Georgian products were banned in Russia under the 2006 embargo, Ukraine opened its market.

Also, when Georgia was grappling with separatists during the 1992-1993 war in Abkhazia, Ukrainian fighters helped Georgian soldiers – a favor a number of Georgian volunteers have been eager to repay.

While the number of Georgians fighting with Ukrainian forces is unknown, at least three have died in the war over the Donbass to date.

The current Georgian government has stressed the role of purely humanitarian assistance and has distanced itself from more hands-on support for Kyiv against Russia, but former officials believe Tbilisi has a pivotal role to play in Ukraine.

Giorgi Baramidze, who served as Vice-Prime Minister of Georgia and State Minister for Euro-Atlantic Integration and is currently a vice-speaker of the Georgian Parliament, said in an interview that fully unconditionally supporting Ukraine means everything today.

Roman Gotsiridze, a former head of the Georgian National Bank, agrees. “These guys have both experience and learnt from their early mistakes, their names will be associated with radical reforms, something Ukraine needs now as much as anything else to remove the old guard,” he tells me.

“Ukraine was heavily tarnished with corruption, and they are desperate for new blood and Western ideas and values.”
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HEATHER YUNDT

As oil prices drop to the lowest levels since 2009, multinational energy companies — including BP — are scaling back. But the head of BP in Georgia says the project that makes up Georgia’s largest private foreign investment will not be affected and its existing operations in country will continue to operate full-scale.

“Yes, a decrease in the oil prices in to the forties affects [BP in Georgia], but it does not change our course at all in terms of what we operate here and how we operate,” Chris Schlueter told Investor.ge. “In fact, our job is to keep the pipelines coming through Georgia running efficiently, reliably and safely, and there’s nothing that changes about that.”

“Like everywhere in the company, we have to tighten our belts a bit and make our choices about, ‘Well, should we do this investment this year or next year?’ on those things we’ve got choices on. You rethink some of your projects.”

But not the Shah Deniz project. The Shah Deniz, a gas reservoir in the Caspian Sea the size of Manhattan Island, is one of the largest gas discoveries ever made by BP. The massive Shah Deniz project, now in its second stage, involves a nearly $45 billion investment to build the infrastructure to extract the gas and transport it along what’s known as the Southern Corridor through Azerbaijan, Georgia and Turkey to Europe. Project planners estimate gas will begin to reach Turkey in late 2018 and Europe in late 2019 or early 2020. BP calls the project one of the most complex endeavors ever taken on by the oil and gas industry.

Schlueter, who took on the role of BP’s Head of Country last year, said Georgia is now “off to a running start” on its part of the project, referred to as the South Caucasus Pipeline Expansion or SCPX.

“Whereas a year ago the project was all signatures and ceremony, we’re now physically very busy in the country and
“Gas is different. Gas is on demand. This project is justified from gas to be sold based on contracts that are already signed.”

Europe’s demand for gas continues to increase at the same time as domestic production decreases, he said, leaving the continent in need of other sources.

BP has signed a production-sharing agreement for the Shah Deniz that lasts until 2048, as well as 25-year-long gas contracts with 11 companies in seven countries. That long-term scope of the project, Schlueter said, protects it from the current low price of gas and short-term volatilities.

**RUSSIA’S SOUTH STREAM**

In January, Russian-owned Gazprom confirmed the cancellation of its controversial South Stream pipeline, which would have brought gas to Europe via the Black Sea.

Instead, the company announced it would opt to route the gas through Turkey instead. Despite this, Schlueter says the Shah Deniz project, including SCPX in Georgia, will remain on track as planned.

“There are so many different sources of inputs into energy in Europe and elsewhere in the world, and we’re just one of those,” he said. “Our project stays on course as scoped. It doesn’t change.”

While the Southern Corridor investment was justified and sanctioned solely on gas from the Shah Deniz, as with all reservoirs, supply from Shah Deniz will eventually lessen over time, Schlueter is confident that the pipeline could be used to carry gas from other locations in the future.

“When you build something as significant as this, which is a true new energy corridor for this part of the world, the chances are that just like the [Baku-Tbilisi-Ceyhan] pipeline for the oil, if you build it, they will come.”

And that long-term investment, he said, will have a long-term positive impact on Georgia.

Schlueter points to a list of sustainable development projects BP has financed, which includes grants to individuals in communities along the pipeline to craft business plans and start businesses.

BP is also spending 20% of its SCPX Project capital expenditures on local goods and services. As BP operates according to international standards, the company’s local contractors are required to boost their own standards, bringing up Georgia’s standards overall.

The SCPX project is expected to create about 2,000 jobs in Georgia when construction reaches its peak in 2016. In addition, of the more than 500 BP employees involved in current operations, about 96% are Georgian nationals.

“We’re heavily nationalized, which we’re proud of,” Schlueter said. “In Georgia, I think we have gotten there due to the caliber and the capability of the workers and the quality of employment that we offer. People rise to the challenge working for this company.”

BP has operated in Georgia for nearly 20 years and has two oil pipelines and one natural gas line crossing the country. Schlueter said he’s “tickled” to be in Georgia at a time when existing operations and a proven track record have led to strong community and government support and with the massive new SCPX project underway.

“We’ve earned the right [to build this new project] because people know how we operate; they know it’s going to be a good-quality, safe, environmentally and socially responsible operation. Our proven track record demonstrates that we are not just coming in. We’re actually going to improve things.”
Foreign direct investment (FDI) is critical to every developing country, and Georgia is no exception in this regard. Georgia wants to grow out of poverty and catch up with the economically more developed regions of the world. For this to happen, foreign resources are needed, particularly if the domestic savings rate is as low as in Georgia.

Yet FDI is not only about the capital made available to the economy but also, and even more importantly, about trust foreigners have into the Georgian economy. It is one thing to make cheerful statements about Georgia’s rosy economic future and something completely different to risk one’s own money. Investors will not invest if they do not see real opportunities for attractive profits and reasonable chances for a solid return.

Given the crucial role of FDI, it is prominently featured in many political debates, but the concept is not always well understood. The chart shows Georgian FDI from 2009 to the third quarter of 2014. As one can see, FDI reaches a low in the second quarter of 2014 and then soars at the very end of the chart. Does this mean that investor sentiments have declined in early summer, but then improved drastically toward the end of last year?

This is indeed how it was understood by many journalists and politicians, who issued alarming statements when FDI went down in the second quarter. And when it went up in the third quarter, the government interpreted this as foreign appraisal of its economic policy.
However, the reasons behind the high intra-year volatility of FDI are much more complicated.

**DON'T PANIC! AND DON'T PRAISE!**

After TBC Bank was listed on the London Stock Exchange, the European Bank for Reconstruction and Development (EBRD) sold a good deal of the TBC shares it held. These shares are now with investors who own less than 10 percent of TBC shares each. By definition, only financial investments that make up at least 10 percent of the stock of a company count as FDI, and so the EBRD is no longer a foreign direct investor with TBC. As a consequence, while the proportion of foreign ownership of TBC was not changed, the transaction had a negative impact on FDI.

Around the same time, TBC bought 80% of the shares of Constanta Bank from the foreign OikoCredit, as foreign owners were replaced by Georgian ones, this also negatively affected FDI. But these events do not negatively reduce capital availability – and they do not indicate a loss of trust in the Georgian economy on the part of foreign investors. Yet the increase in FDI in the third quarter does not justify triumphant comments, either.

The reason for the dramatic upturn was the construction of residential buildings necessary for the European Youth Olympic Festival (“Tbilisi 2015”), carried out by Chinese investors. This sports event was acquired for Tbilisi under the assumption that FDI in the third quarter does not justify triumphant comments, either.

Moreover, the construction started three years ago, and the third quarter of 2014 just happened to be the period when a big portion of cash flows from the direct investors was received. If this amount had been spread throughout the duration of the whole project, which would be the right thing to do if one is interested in FDI as a measure of economic activity of foreigners in Georgia, one would see slightly higher FDI numbers in all previous quarters and no peak in the third quarter of 2014.

**AND DON'T TAKE FDI AT FACE VALUE!**

According to the definition of the International Monetary Fund, direct investment is “a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy.” In practice, a “significant degree” translates into the guideline that an investor must hold more than 10 percent of the voting power in a company for the investment to count as FDI, causing a discontinuity when a foreign investor increases their investment beyond 10 percent. This was behind the anomaly we saw in the third quarter of 2014. There are a couple of other catches with FDI – one can easily construct hypothetical examples of increases and decreases of FDI that are not associated with positive or negative economic developments, respectively. Some FDI may even be harmful for an economy.

All of these considerations are based on the assumption that FDI data is reliable, but obtaining reliable FDI data is not easy. FDI data – disaggregated by country and sector – is compiled and reported by Geostat quarterly, and it is based on three sources: data from the National Bank of Georgia about FDI in the financial sector (including commercial banks, microfinance and insurance companies), data from the Ministry of Economy on privatizations (some of which involve foreigners), and, most importantly, questionnaires sent to companies. While the first two sources are very reliable, there are considerable uncertainties regarding the data obtained from questionnaires. This has implications, as through the years 2007 to the third quarter of 2014, 79 percent of the identified FDI came from the questionnaires (the financial sector and privatizations accounted for 11 percent and 9 percent, respectively).

Questionnaires about FDI are sent periodically to about two thousand companies. The list of companies is updated each quarter to include newly founded companies. However, a problem is that companies are not legally obliged to fill out the surveys (though Geostat says that the majority of companies involved in the survey provide the information requested). Based on a recommendation of international organizations, Geostat plans to make responding obligatory for companies in the near future.

To conclude, politicians and journalists should not take FDI numbers at face value. In a small country like Georgia, even the decisions of single businesses can lead to considerable changes in the FDI, as in the second and third quarters of 2014.

Only if it is known how particular FDI movements come about, can they be interpreted economically in terms of capital availability and investor confidence. If such background information in FDI developments is lacking, as it is often the case, it would be better to not refer to FDI numbers if one wants to say something about Georgia’s economic fortunes.
In 2014 Georgia signed the long awaited association and trade-liberalization agreements with the EU, known as the Deep and Comprehensive Free Trade Agreement (DCFTA). These agreements provide Georgia the opportunity to decrease its trade deficit by increasing export capacity, and they make Georgia more attractive for potential investors as well. Due to the importance of the association agreement, Grant Thornton’s International Business Survey used a recent survey to explore business expectations from the DCFTA.

OVERALL, BUSINESSES POSITIVE ABOUT EU OPPORTUNITIES

The survey of 50 business respondents, conducted in the fourth quarter of 2014, shows that 70% of respondents expect positive or very positive impacts on the economy from the recent trade agreement, while 26 percent do not expect any change. At present, Georgia has unilateral trade concessions from the EU that removed customs duties for some exported goods. The DCFTA will abolish tariffs for almost all products, which means that the country will enjoy zero customs tariffs. The agreement aims to establish a more predictable legal and institutional environment, making Georgia more attractive to economic partnership. The skepticism of those who do not expect improvement of economy can be explained by the fact that all the necessary processes require time, and while the agreement provides opportunities, making the most of them is a test which the country has yet to pass.

When asked about the impact that business representatives expect:

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<tr>
<td>Very positive</td>
<td>60%</td>
</tr>
<tr>
<td>No change</td>
<td>26%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>10%</td>
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<td>Positive</td>
<td>4%</td>
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In your opinion, what impact will the association agreement and trade liberalization with the European Union have on Georgia’s economy?
Reason says: growth takes people.

Instinct says: people create growth.

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from trade liberalization, only 6% were not able to answer; 34% said that they did not expect any change and 44% and 16% foresaw positive and very positive impacts, respectively. Business owners express the same confidence about readiness to compete with European counterparts.

50% reported that their supply-chain management and sustainability are already in compliance with EU regulations, 4% stated that they will be ready within one year, 12% within 2 years, and 4%, within three or more years, respectively. At the same time 28% said that they do not know how long it will take to adopt and implement necessary standards.

**Concern over Competition**

Businesses’ lack of confidence is backed up by the fact that companies need to implement quality standards and modern practices to be able to keep up with the competition, which requires significant investment of both time and money. Georgia can offer natural and quality food products and European consumers tend to focus on these product characteristics. Nevertheless, it should be noted that the European market is very competitive. Local companies will need significant investment in marketing and product development to enter the EU market and to be able to compete with long-established players. And while predicting success today is a long shot, the investment most likely will require a few years to break even, after which managers will start seeing profits.

**The Role of the Russia-Ukraine Conflict**

Together, Russia and Ukraine are major players in the eastern European market and the ongoing conflict has played a negative part in the region’s development. In response to Grant Thornton’s IBR survey question “What impact has the conflict between Russia and Ukraine had on your business?” 14.6% of respondents in Georgia said they expect a significant reduction in orders within the region. The figure is slightly better compared to Latvia and Lithuania, where expectations of reductions in orders are 18% and 24%, respectively, but it is significantly higher compared to Estonia and Armenia, where only 6% have the same expectation. At the moment, 2% from Georgia and Lithuania report that all orders have been cancelled from the region, while Estonia and Latvia report 4%. 6% of respondents in Georgia also say importing of raw materials and goods from Russia or Ukraine has become more complicated, the same as in Armenia and Latvia. The distribution of percentages was interesting for an answer about doing business in Russia or Ukraine. According to the survey, 20% of respondents from Armenia and Lithuania said that they do not do business in these countries. Estonia has the largest figure – 84%, followed by Latvia 36%, while Georgia has the lowest 8.3%. The expectation for rising energy prices is low; in Georgia and Latvia about 2% think energy costs might be higher, against 6% in Armenia and Lithuania.
LEGAL NEWS

Law on Arbitration

Already in the Parliament – substantial amendments to the Law of Georgia on Arbitration are underway. These amendments aim at harmonizing the local arbitration law with the 1985 UNCITRAL Model Law on International Commercial Arbitration.

The bill enables the parties to subject their dispute to the jurisdiction of an ad hoc arbitration. Under the intended changes, court will not dismiss the cases merely on the grounds of the existing arbitration clause but shall be entitled to do so only based on the motion of one of the parties. Further, if the bill is enacted, the parties to arbitration agreement will have a right to request preliminary injunction from the courts of law prior to filing the request for arbitration.

Another arbitration-friendly initiative is to decrease the legal fees associated with court assistance in arbitration (recognition and enforcement, obtaining evidences, preliminary injunction, etc.).

Anti-Money Laundering Law

In late December 2014 amendments were introduced to the Law of Georgia on Facilitating the Prevention of Legalization of Illicit Income. The scope of organizations monitoring suspicious and/or extraordinary transactions has been enlarged. Namely, online casinos and online gambling operators shall now be also obliged to carry out monitoring for prevention of money-laundering. The law was also amended to include transactions carried out by local representative offices of foreign entities; whereas previously it only covered the transactions made by legal entities.

Law on Ownership of Agricultural Land

The moratorium suspending acquisition of agricultural lands by foreign individuals and companies with foreign participation expired on 31 December 2014. The Government has initiated a bill of amendments to the Law on Ownership of Agricultural Land specifying exceptional circumstances when such lands can be acquired by foreign individuals. Namely, as agricultural land in Georgia can be owned by foreign individuals only if the land is acquired through inheritance, marriage to the citizen of Georgia or obtaining of a Georgian residence permit, provided that all agricultural lands owned by such person should not exceed 20 hectares.

Proposed amendments entitle any legal entity registered under the laws of Georgia to freely own agricultural land irrespective of foreign participation. This right is however qualified with the requirement that the total size of all agricultural lands owned by such entity should not exceed 200 hectares.

Law on Labor Migration

The Government has initiated a new bill on Labor Migration with an aim to create effective means for supporting migration for employment and preventing trafficking in human beings. According to the proposed law, citizens of Georgia as well as foreigners holding Georgian residence permit can be employed abroad only after registration of the activity of a foreign employer with the Ministry of Justice of Georgia. The foreign employer is further obliged to properly inform the migrant prior to his/her departure from Georgia and record the persons whose employment they have arranged beyond the borders of Georgia.

International Financial Institutions

In January 2015 the Government of Georgia has expanded the list of institutions qualified as International Financial Institutions under the laws of Georgia. Namely, Overseas Private Investment Corporation (OPIC) was added to the list. This amendment entails significant legal importance as now OPIC will enjoy the respective benefit provided under Georgian law while financing development projects in Georgia.
Keeping Out the Cold: Tbilisians Embrace Insulation, Tentatively

FOR YEARS THE IDEA OF INSULATING APARTMENTS AND HOUSES WAS ALIEN TO GEORGIA, WHERE COMMON WISDOM HELD THAT CEMENT WALLS MEANT THAT NO EXTRA MATERIAL WAS REQUIRED TO KEEP A HOUSE WARM IN THE WINTER AND COOL IN THE SUMMER. TODAY, HOWEVER, NEW INSULATION MATERIALS IN THE MARKET AND ACCESS TO STUDIES ABOUT ENERGY EFFICIENCY ARE HELPING CHANGE CONSUMER DEMANDS AND CONSTRUCTION HABITS.

IN FACT, ACCORDING TO A STUDY BY THE ENERGY EFFICIENCY CENTRE GEORGIA, INSULATION REDUCES CONSTRUCTION PRICES BY 15 PERCENT AND ENERGY CONSUMPTION IN A BUILDING IS REDUCED BY AS MUCH AS 45 TO 50 PERCENT.

As cold weather sets in and heating bills rise, energy-efficient housing – and especially heat-trapping insulation – is gaining traction in the Georgian market.

Insulation was once a little-known phenomenon in Georgia and in the countries of the former Soviet Union generally. Today, however, a growing number of construction companies are starting to include insulation in walls, windows, doors and ceilings.

Research conducted by Energy Efficiency Centre Georgia (EEC), a non-profit NGO working to promote energy efficiency, found that over the past five years, the use of energy-efficient construction materials has increased by 25 to 30 percent each year.

M2 Real Estate, a real estate developer with four building projects underway in Tbilisi, uses insulation in its roofs, walls and ceilings in all its projects, according to Irakli Beridze, the head of M2 Real Estate’s development and project management.

The company has calculated that, “at a minimum,” these energy-efficient technologies can reduce energy consumption by 23 percent.

“Even three years ago no one would talk on this issue, neither developers nor customers,” Beridze told Investor.ge. “I think that the trend is going to become even more popular, as consumers are starting to appreciate the benefits. This means that insulated apartment build-

GOVERNMENT’S ROLE?

But there are still many in the market – both construction companies and consumers – lacking knowledge either about insulation or about the impact it has on saving energy and costs. The government, however, is hoping that the country’s new construction code will help fill the gap. The Ministry of Economy and Sustainable Development is considering a new draft of the construction code, which will include several articles on energy efficiency and even note building materials that can help reduce energy consumption, said Davit Gigineishvili, the head of the spatial planning and policy department at the Ministry.

This draft code was already reviewed by the Prime Minister’s Economic Council. After some important corrections are made, it will be sent to the Parliament for consideration and is expected to be passed during the spring session. The new code does not include any measures to force construction companies to use insulation in building projects, however.

“This [code] will be just a legislative framework and will not define how the law can be enforced,” Gigineishvili told Investor.ge.

“Later, the Parliament will instruct relevant agencies with the task to make these articles functional. As a recommendation, we just write that it must take a maximum of three years to achieve
this. But this is only a recommendation and the Parliament will make the final decision.”

Giorgi Abulashvili, the director at the Energy Efficiency Centre Georgia, believes energy efficiency will become a higher priority for construction companies and consumers as Georgia implements the EU-Georgia Association Agreement, which spells out energy efficiency and energy savings measures.

M2’s Beridze agrees, saying that the practice in Europe to have an energy passport for each apartment is very important, so that consumers know all of the energy-related details about their homes. “The sooner Georgia gets such passports the better,” he noted.

Beridze added that a lack of knowledge and experience with insulation is keeping some market players from using it in their buildings. He explained that they do not understand the extent of its benefits, which are great compared to the small increased cost for materials. “The construction price increases on average by just 2 to 3 percent,” he said.

In fact, according to a study by the Energy Efficiency Centre Georgia, insulation reduces construction prices by 15 percent and energy consumption in a building is reduced by as much as 45-50 percent. Abulashvili thinks that it important to introduce modern norms for not just new apartments, but for every building. The great majority of buildings in Georgia, almost 95 percent, are old, built 50 or even a 100 years ago – and they completely lack the trappings of modern energy saving culture.

Abulashvili believes that the toughest task would be to create a financing tool to fund insulation and other energy-efficient measures in old buildings. “The communities created by residents of these apartments have been successful in the past in terms of installing new elevators or changing their roofs; insulation installment can also be done if these communities can again successfully attract enough funds.”

There are signs that residents are eager to try. Nino, 39, a resident of Tbilisi, said she and her family sought out a building that was insulated. “We will save on energy costs and also have full comfort inside,” she said.
This is just one of the many delightful rescued dogs and puppies at the Dog Organization Georgia shelter, waiting to find their forever homes. All D.O.G. shelter dogs are checked by a vet, fully vaccinated and spayed or neutered to prevent more unwanted puppies. Please find us on Facebook - Dog Organization Georgia, or email fionacoxshall@yahoo.com to find out more about adopting a dog.
Walk down any street in Tbilisi and one may notice a dog or cat soaking up sun on a street corner or raiding the community garbage bin. No one knows just how many animals roam Tbilisi’s streets – something City Hall’s new Animal Monitoring Agency plans to change this year in an effort to improve the lives of all residents, human and animal alike.

ASSESSING THE NUMBERS

Tbilisi City Hall established the Animal Monitoring Agency on January 1, 2015, shifting the responsibility of street animal management and the Tbilisi Municipal Shelter away from the Department of Emergency Services. Now Temur Pkhalaizde, the Agency’s head, says plans are being developed to conduct a census of street animals this spring, though details, such as when and how this will be done, are still being worked out with the help of local and international animal welfare organizations.

Once the city better understands the stray population, both Pkhalaizde and animal welfare experts agree that the city will be in a better position to manage it.

Before 2012, Tbilisi dealt with its stray dogs and cats by trapping and killing them. Not only was this practice condemned as inhumane, it was also ineffective.

“What they really achieved was that people were against them because they didn’t like that dogs were killed in the street,” says Mariam Chkhikvishvili, head veterinarian at the Agricultural University’s Veterinary Clinic and chairperson of Homeless Pets Help Organization. “Everyone saw how they were catching dogs, how they were killing dogs. Even kids were there.”

“There was no result,” says Tinatin Chavchanidze, Chairperson of Animal Rights Committee Georgia. Though many were killed, those that were not continued to reproduce, she says.

TRAP, NEUTER, RETURN

Since August 2012, Tbilisi has switched to an approach internationally recognized as a humane form of population control: TNR — trap, neuter, return. The idea is to capture street animals, neuter and vaccinate them, and then return them to the streets where they were found. These “community dogs” are often cared for by the residents of their neighborhood.

Only dogs and cats that are aggressive or ill are put down — 1,707 last year. However Ursula Goetz, the chief veterinarian of Mayhew International, a London-based animal welfare charity, says at least 75 percent of the population must be neutered in order for this strategy to be effective.

According to the city’s records, about 550 animals were neutered or spayed at its shelter in 2014, though the shelter housed more than 4,000 animals throughout the year. In addition to the municipal shelter, two private shelters also care for stray animals. The Agricultural University’s Chkhikvishvili puts aside one day per week to spay and neuter street
animals, sometimes performing up to nine surgeries in a day.

While the TNR approach has improved the situation, Chkhikvishvili says more surgeries need to be done to manage Tbilisi’s street animal population.

One aspect of the problem, she says, is pet owners not neutering their pets. “Many dogs in the streets come from houses, previously owned dogs,” she says. These abandoned animals then reproduce in the streets.

A CHANGE IN MENTALITY

But this is changing. Chkhikvishvili, a veterinarian since 2002, says she is neutering more and more pets. The day I spoke to her, there were three pet cats in the clinic waiting to be spayed. Now, she says, even owners of purebred dogs and cats are getting them neutered.

Chavchanidze of Animal Rights Committee Georgia agrees. “Five years ago when I began to speak about it, veterinarians did not know about this (new) simple method, or they thought that they would lose their job if pets did not reproduce all the time. But now when we go to speak at events, the situation is better.”

Mayhew International has played a key role in this. The organization has trained about 100 vets and veterinary students in Georgia over the past two years. Last May, the organization visited Tbilisi for a second time to provide intensive training at the Agricultural University and Tbilisi’s Municipal Shelter. Caroline Yates, Mayhew International’s CEO, says that before Mayhew International’s training in 2013, there was little to no neutering happening at the Municipal Shelter — potentially contributing to more street animals when dogs and cats were released or adopted.

TAKING CUES FROM THE UK

Legislation is the Animal Monitoring Agency’s planned next step. Representatives traveled to London in December to learn from the UK’s example. The agency has now drafted a responsible pet ownership law, which Pkhaladze says he expects to pass very soon.

The legislation would require pet owners to register and vaccinate their animals, with fines — of a presently undetermined amount — for those who do not. Tbilisi residents who want to breed their pets would require licenses. Pkhaladze says registration will cost less for owners who neuter their pets, and the city will pay for neutering if an animal’s owner cannot afford the cost.

The new legislation coincides with the Ministry of Agriculture’s plans to create a nationwide strategy for rabies control, which will include a stray dog rabies vaccination campaign. According to Mikheil Sokhadze, Georgia’s representative at the World Organization of Animal Health, 250,000 pets were vaccinated against rabies last year across Georgia. He expects a similar number this year. Rabies continues to be a problem in Georgia, with four deaths due to the disease last year, though none were in Tbilisi. With the exception of a few tweaks, Chavchanidze says she is satisfied with the draft legislation. Still, she says the city needs more educational programs. Her organization has run programs in schools in the past but is currently looking for more funding.

“Education is very important. We talk about how to avoid dog bites, what the reason is for doing this sterilization,” she says. “And the main one is responsible ownership, because people can’t imagine what responsibility they have after they have a pet in their house.”

Mayhew International’s Yates stresses that any solution must be comprehensive involving education, public health, legislation and veterinary provisions.

“It is as much a people and awareness issue as it is an ‘animal’ issue,” she says.
Georgian banks have a year to restructure and separate any non-banking business interests, according to a new decision by the National Bank of Georgia (NBG). In October, the NBG called on all Georgian commercial banks to “submit a detailed strategy on step-by-step (until December 31, 2015) withdrawal from the non-financial field to the National Bank within 30 calendar days.”

Describing “non-financial” activities as “risky” for the sector, the NBG announced its new requirements after meeting with the business community, it said in a statement published on its website on 31 October.

“Banks’ involvement in non-profile activity is assessed by the National Bank of Georgia as risky for the sector in the mid-range perspective. Such practice creates the risk of conflict of interests. An Additional argument is to avoid negative impact to competition in the real sector of economy,” it said.

“It must also be mentioned that the National Bank of Georgia welcomes investments by bank shareholders in non-banking sector, if such investments are not made by banks and do not create additional risks for the banks.”

END TO “LIBERAL APPROACH”

The decision comes following the NBG’s “liberal approach” that allowed banks to wade into real estate and other sectors following the 2008 financial crisis.

“The National Bank’s liberal approach toward banks’ involvement in non-profile activities was part of the policy, which was developed to overcome financial crisis of 2008-2009, in line with mitigation of different regulations,” the NBG said in a statement.

“The healing trend of real-estate sector and increasing scope of banks’ non-profile activity raised the need to change supervisory approach.”

BANKS’ REACTION

The Bank of Georgia, one of the Georgian banks affected by the NBG’s decision, told Investor.ge that the new regulation did not come as a surprise and will not impact the bank’s clients.

“We are in the process of undertaking a legal-entity restructuring that involves the transfer of ownership and separation of the banking and non-banking business from the Bank of Georgia to a Georgian holding company which will be 100% owned by Bank of Georgia Holdings plc,” Sophie Balavadze, the head of the bank’s PR department, told Investor.ge in an email interview.

“Neither Bank of Georgia clients, nor those of non-banking business will be affected. Non-banking businesses have always operated on their own, led by teams of professionals.”

Giorgi Shagidze, the CFO at TBC Bank, said the change will not affect TBC Bank, since the bank is already focused on “purely” financial products.

He supported the NBG’s position because, he noted, it should limit risk.

“I think this is a good initiative because any initiative which reduces risks and makes the banks more focused on their core business is generally beneficial for the sector,” Shagidze told Investor.ge in an interview.

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A REFLECTION OF DEVELOPING ECONOMY

On January 27, TBC Bank announced that agreement between ProCredit Bank and TBC Bank was signed, where 39.3 million microloan portfolio of ProCredit Bank was sold to TBC. The deal, which had been in the works since November, signaled ProCredit Bank Georgia’s exit from the microcredit sector, Asmus Rotne, the bank’s general manager, told Investor.ge.

The move, he said, reflects the changing needs of the Georgian economy. When the bank was founded, nearly 16 years ago, microbusinesses were seen as a driver for the economy. Today, however, small and medium businesses are leading growth, Rotne explained.

“We entered this segment very much from a development perspective, that this could be the segment that Georgia’s economic development could come from. And, to a large extent, that really did happen,” he said.

“And today we think that economic development is going to come from the small businesses, the medium-size businesses.”

A CHANCE TO EXPAND

ProCredit Bank Georgia’s decision to change its strategy dovetailed with TBC Bank’s acquisition of Constanta Bank, a major micro-financing institution, and its plans to expand in the area of small loans – credit from 1,000 lari to 10,000 euros (approximately 23,000 lari), noted Nikoloz Kurdiani, a deputy CEO at TBC Bank who manages the Constanta Bank operations.

Kurdiani said the deal, which will

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**ProCredit Bank Focuses on SME Sector, Sells Portfolio to TBC Bank**

PROCREDIT BANK GEORGIA HAS LEFT THE MICROCREDIT BUSINESS TO FOCUS ON THE SME SECTOR. IN NOVEMBER, IT DECIDED TO SELL ITS 39.3 MILLION LARI MICROLOAN PROFILE TO TBC BANK. INVESTOR.GE SPOKE WITH ASMUS ROTNE, GENERAL MANAGER AT PROCREDIT BANK GEORGIA, AND NIKOLOZ KURDIANI, A DEPUTY CEO AT TBC BANK, ABOUT THE DEAL AND ITS IMPLICATIONS FOR THE BANKS’ STRATEGIES MOVING FORWARD.
add about 5,000 customers to Constanta Bank’s micro-loan portfolio, provided the bank with the opportunity to grow in communities around the country.

“We bought it because it adds exactly the segment we want to add to Constanta – micro business customers,” he said.

After the deal, for example, TBC Bank Constanta will have 130 percent more customers in Telavi – a development that will be duplicated in cities and towns through Georgia.

That growth will help the bank as it expands its business and its outreach, Kurdiani said.

TBC Bank Constanta sees microfinance as “a good place to be”, he noted.

“It is a segment in rural areas where the only source of income is their own household business or their agro business,” Kurdiani said. “It is a good place to be, quite unpenetrated…and also much less competition.”

For ProCredit Bank Georgia, TBC Bank Constanta was the perfect option to take over the portfolio, Rotne said.

“We did not want to sell this portfolio to just anybody. It was not just a question of getting rid of it, because these are clients who have been with us for 10 or 15 years, and we wanted to send them somewhere where they could be taken well care of,” he said, noting that these clients make up just five percent of the bank’s total loan portfolio.

“I think TBC Bank, after the acquisition of Constanta, is really in the position to also provide proper servicing and continuous financing. It is important for us that they are taken care of.”

LOOKING FORWARD

While the SME business segment is competitive for Georgian banks, Rotne said ProCredit Bank Georgia is up for the challenge.

“I feel very confident. It is not an entirely new sector for us; we have always been in SMEs and I think we have several competitive advantages. One is our people, our staff. We have always been investing dramatically more than other banks in the development of our staff,” he said.

“The second thing is that we have a very low cost of funds. I think depositors recognize that ProCredit Bank is a kind of safe haven in a way.”

The deal is a harbinger of larger possibilities in products and services for clients at both financial institutions, according to the bankers.

TBC Bank Constanta, which will open its 65th branch in March, is working to find innovative ways of introducing – and educating – people about small loans and financing.

The bank is also considering special financial education classes in all its branches.

ProCredit Bank Georgia is focusing its energy on providing even better service for small and medium business clients, Rotne said, adding that changes to internet banking and pay boxes will help SME clients make better use of the bank’s technology and services.

The bank is also continuing to develop its distance services, like business client advisers who come to the client.

Kurdiani said the bank’s new mobile agent program, which provides loan agents with special Samsung Galaxy tablets so they can approve loans and distribute funds to debit cards on site at clients’ businesses, is already making an impact.

“We serve you on your premises; we do not waste your time. We keep your emotion up because you are proud to be doing business in your business,” he said.

“Asmus Rotne

FACING DOUBLE SHOCKS

The lari’s slide against the dollar— a drop in December, followed by a brief recovery, and more recently a loss of around 10 percent— has captivated the country.

Concerns about growing prices, falling purchasing power and climbing costs for dollar loans have worried businesses and consumers alike.

The root of the lari’s depreciation, according to the IMF’s Azim Sadikov, lies mainly in the country’s external payments gap that has opened up due to the deepening recession in Russia and its impact across the region. First signs emerged in the autumn of 2014 when Georgia’s exports and remittances started to drop. Coupled with relatively modest foreign investment numbers, Sadikov said, this led to pressures on the lari, causing it to lose value.

“We saw sharp drops in remittances and exports in November and December, by about 20-25 percent compared to a year earlier,” he said.

“Georgia is earning less foreign currency than it needs to spend on imports and that eventually puts downward pressure on the lari exchange rate. The supply of foreign currency has gone down and this inevitably should lead the market to correct itself.”

That equation has spelled depreciation for the lari. Georgia is not alone: the drop in remittances and exports and weak tourist numbers are directly tied to the shocks rippling through the region due to the deepening crisis in Russia.

Another factor for the lari’s fall against the US dollar has been the strength of the world’s leading currency.

While Georgia will benefit from the sharp fall in the oil prices thanks to a lower import bill, Sadikov said, part of these gains will be offset by the decline in external demand and investment from many of Georgia’s oil-dependent economic partners, such as Russia, Azerbaijan, Kazakhstan, and investors from the Middle East.

REGIONAL IMPACT

While the lari has dipped against the dollar, it is actually faring strongly against other trading partners currencies, Sadikov said, noting that the lari has strengthened to the ruble, hryvnia, euro and has been stable to the Turkish lira and the Armenian dram.

Sadikov noted that the National Bank of Georgia’s decision to allow the lari to float has helped keep the lari from becoming too expensive, especially for Georgia’s neighbors whose currency has weakened.

“If you look at the actions of the National Bank of Georgia, allowing the lari to float freely and move inline with new market realities was absolutely the right decision,” he said.

“The lari depreciation was inevitable and also it was desired because if the National Bank of Georgia tried to defend the lari...one consequence of that would have been that Georgia would have become very expensive in the region for Armenians, Russians, Ukrainians, and others.”

If the lari had appreciated even more against the ruble and the drahm, or any other regional currency, it would have made it even more difficult for the Georgian economy to correct itself— exports would have been pricier for Georgia’s...
trading partners, Georgian resorts would have been too expensive for tourists from neighboring countries and imports would have become cheaper, squeezing Georgian producers. This could have thrown the economy into a sharp slowdown or even outright recession, Sadikov explained.

The hardest hit from the lari’s fall against the dollar have been those with lari incomes and dollar loans – a common occurrence in mortgage loans and loans to the commercial sector. These borrowers now have to set aside 15-20 percent more lari to service their debt. This means households and companies will have less money to consume or invest, which can have an impact on the economy, Sadikov said.

The National Bank of Georgia’s main objective is to maintain price stability by targeting a certain low level of inflation (5 percent in 2015).

Consistent with inflation targeting is a floating exchange rate regime, with the lari’s price determined by market forces. That means it is impossible to predict how the exchange rate moves in the near term.

It is believed the shocks Georgia is experiencing – the fall in the oil prices and the Russian recession – are “permanent” in nature, Sadikov said, which most likely oil prices will stay low and the troubles in the Russian economy will continue for some time.

The right policy response to such permanent shocks is to let the economy adjust to the new realities, including by letting the lari float, he added.

Sadikov said that, while it is impossible to predict how the exchange rate will behave over the next few months, the economy has already been adjusting to the brunt of the shocks.

“Quite a bit adjustment has already happened, but it is obviously difficult to say with confidence that the adjustment has run its course. We will see this in the coming months,” he said.

“We need to see how exports and imports are reacting to the recent adjustment in the exchange rate. Was this adjustment sufficient to bring Georgia’s balance of payment to a balanced position? If it is not balanced, the economy may need to adjust more.”
Tracking Tourism
INVESTOR.GE LOOKS AT A NEW REPORT ON THE HOSPITALITY SECTOR FOR KPMG GEORGIA, THE WORLD BANK’S WORK WITH THE NATIONAL TOURISM AGENCY ON THE NATIONAL TOURISM STRATEGY, THE POTENTIAL OF GEORGIAN COOKING TO OPEN UP RURAL TOURISM AND WHAT THE YOUTH GAMES COULD MEAN FOR TBILISI THIS SUMMER.
KPMG Finds Untapped Potential in Georgia’s Hospitality Sector

ACCORDING TO KPMG’S ANNUAL ANALYSIS OF THE GEORGIAN HOSPITALITY SECTOR, DEMAND FOR LODGING ACCOMMODATIONS STILL EXCEEDS SUPPLY.

A recent report on the hospitality sector by KPMG Georgia found several things for hotel and guest-house operators to be excited about.

OCCUPANCY RATES UP

For starters, occupancy rates are up across the board, from peak season to low season – and hotels are even filling more rooms during the “shoulder season” that bridges the two.

Based on KPMG’s data, last year hotel experienced a 91 percent average occupancy rate during the peak season, compared with an 82 percent average occupancy rate in 2012-2013. The change was equally significant in the low season, which had a 60 percent occupancy rate in 2014, 10 percent more than in 2012-2013.

The increase was a promising development, despite the fact that the number of arrivals has started to stabilize after intense growth from 2005-2012. KPMG’s report noted that “The number of international arrivals in Georgia amounted to 4,187,595 for the first three quarters 2014, which is a 2.14 percent increase from the same period last year. An average annual growth rate for the last ten years (2005-2014) was 30 percent, with the highest growth rate seen in 2012, when the number of international arrivals increased by 56.9 percent.”

After Georgia’s boom in tourism numbers, which peaked in 2012, the country is now moving closer to the international norm for visitors, KPMG Georgia’s report found.

Georgia’s peak season is still the summer months, KPMG reported in the study. Quoting statistics from the Georgian National Tourism Agency, the study noted that the number of international arrivals increased 2.21 percent in the peak season, compared to the same period last year.

PURPOSE FOR TRAVEL

The KPMG Georgia report also looked at who is coming – and why they are traveling to Georgia.

The biggest portion of international visitors – 37 percent – were coming for vacation, leisure or recreation. A second large category, 26 percent, came to visit friends or relatives. The third largest category – transit – made up 17 percent of international arrivals. Shopping attracted just 9 percent, while business and professional travel accounted for 9 percent.

The study also found that 7 percent of visits were for “other purposes” like education, training, and medical care.

DEMAND FOR HOTELS EXCEEDS SUPPLY

KPMG looked at where people are staying – and what drives them to select certain types of accommodations.

The report found that, for international visitors in 2013, most people stayed in hotels – 43 percent. Over a third of tourists, however, stayed at private homes with friends or relatives – a significant portion. Just 10 percent stayed at hostels, and 7 percent rented an apartment. Campsites (3 percent) and private homes (5 percent) were also less popular.

The numbers were flipped, however, for domestic tourists, i.e. Georgians traveling in their own country. The study found that 85 percent of domestic travelers stayed in private homes owned by themselves, friends or relatives. Hotels attracted just 3 percent, while 4 percent stayed in guesthouses and 3 percent rented rooms. Just 5 percent used other types of accommodations, like camping.

KPMG Georgia found that, for most hotel guests, location outweighs cost or brand.

The report also detailed upcoming events that will increase demand on hotels and hotel developments in the pipeline.

There are seven new major hotel developments reportedly planned for Georgia, in addition to the Sheraton Metechi expansion (80 more rooms of five-star quality, planned to reopen in 2015), as well as the Best Western and Rooms Tbilisi hotels, which both opened in 2014.

Large projects announced in the media include: Hilton Garden Inn; Inter-Continental Hotels Group; The Radisson Blu Resort Tsinandali; and Park Inn.

“Upcoming events like the European Youth Olympic Festival 2015, UEFA Super Cup 2015, and EBRD annual conference, etc. will increase the number of international travelers,” Andrew Coxshall, the head of KPMG Georgia, told Investor.ge.

“The European Youth Olympic Festival in 2015, UEFA Super Cup 2015, and EBRD annual conference, etc. will increase the number of international travelers,” Andrew Coxshall, the head of KPMG Georgia. “On the other hand, after the completion of the upcoming hotel projects, the number of rooms supplied for accommodation will increase by hundreds of units. This may lead to a decrease of the current average occupancy rates.”

“Based on our interviews conducted with the tourism agencies, the capacity presented in the sector is not sufficient to ensure accommodation of the expected international tourists. Hence, demand for accommodation exceeds supply. This fact makes us think that the sector is still in the development stage,” Coxshall noted.
Georgia is preparing for The European Youth Olympic Festival (EYOF)—the first post-Soviet country to host this biennial multi-sport event. Organizers are hoping the games will help bolster the country’s economy and pave the way to host more high-level international events in the future.

“Georgia has gone through many important milestones throughout the centuries, but now we will become hosts of the Olympic fire for the first time in our history,” Aleksi Akhvlediani, chairman of the organizing committee of EYOF Tbilisi 2015, said in the interview with Investor.ge.

The country has been preparing since Georgia beat out the Czech Republic to host the games in November 2010 by just five votes, 26-21.

The competition venues have been under construction for the past four years at a total cost of 100-130 million lari, funded by both the Georgian state budget and the World and European Sports Federations.

“There is a myth that sports are always subsidy-based. Well, that might be true for some categories, but some sports can even bring revenue to the country,” Akhvlediani said.

OLYMPIC DREAMS OF PROFITS AND INVESTMENT

Expectations go beyond sports: the organizing committee of EYOF Tbilisi 2015 also sees huge economic benefits.

“These events can bring investment...
right into those fields that are so important for a country like Georgia: the neediest areas – medium and small businesses. I mean, who will see a fiscal impact? Those who are engaged in tourism, transportation, food, souvenirs, trips and other related enterprises,” he said. “Therefore, Tbilisi 2015 is not just a ten-day event. Rather it will be a historic occasion with a lasting impact on our future.”

He noted that an estimated 7,000 foreign visitors are expected to attend EYOF Tbilisi 2015, which will open on July 26 at the Lokomotiv Stadium and end on August 1 at the Athletes’ Village.

The organizers are also hoping that the European Youth Olympic Festival will inspire more international sporting events to choose Georgia. The sporting infrastructure under construction is monitored three times per year by the European Olympic Committee. Akhvlediani said Georgia has been getting “very high” evaluations for the past half year.

Akhvlediani noted that if the country succeeds in organizing this event flawlessly, it will help establish Georgia’s image worldwide as “a country which can organize high-profile sports events at a high level, which is very significant.”

“We already see the fruit of developing this cutting-edge infrastructure – Georgia will host, for the first time in history, the 2016 European Athletics Youth Championships, which will be the second most important sports event after EYOF Tbilisi 2015. And in 2017, we will host the Men’s Handball Youth World Championship and The Women’s European Volleyball Championship,” he said.

The Olympic Festival will bring over 3,800 athletes, aged 14-18, from 49 European countries to Tbilisi. The EYOF’s program includes nine sports – judo, tennis, artistic gymnastics, cycling, athletics, swimming, volleyball, handball and basketball–which means that new Olympic-standard venues will be built for each sport, including a new swimming pool with a capacity of 3,000 seats and a new gymnastics venue that will seat 1,294. Some existing sports venues have been slated for European-standard renovations, as well.

All the participants of the festival will be accommodated at the newly constructed Athletes’ Village located near the Tbilisi Sea.

The organizing committee has promised to have all the facilities ready by late May, so that local participants will have a chance to perfect their performances in the event venues.

Georgia’s strongest entries are expected in judo, athletics, tennis and swimming.

“There has been a special three-year program to prepare our young athletes specifically for this festival, and because of this we hope that this festival will bring the most medals for Georgia, which will influence our future results in the 2016 Rio Olympics and the 2020 Tokyo Olympics. So, these young athletes are Georgia’s future Olympians and medalists,” Akhvlediani said.

GOLD-MEDAL EVENTS, SPORTING LIFESTYLES

There is also hope that the event will inspire young Georgians to embrace sports and healthy lifestyles. So far, the plan seems to be working. Akhvlediani said that the committee has already received over 5,000 applications for volunteers, to fill just 2500 positions.
This past October I finagled a month off work to take a trip I’d been dreaming of for several years: a food-centric journey across Georgia on which I’d learn to cook regional specialties with local home cooks and meet the chefs, winemakers, and artisanal producers who are helping to both restore native traditions that were nearly wiped out during the Soviet period and breathe new life into a food culture that hasn’t always welcomed innovation.

I’d spent a semester teaching English
at a public school in Batumi in 2010 and can speak Russian and basic kitchen Georgian, so I felt confident in being able to get around and handle daily situations on my own. I started out in Tbilisi and returned there periodically throughout the month. The restaurant scene in the capital has become considerably more interesting since I last visited.

Wine-focused Azarpesha and its sister wine shop, Vino Underground, showcase small producers and natural wines, many of them fermented the traditional way—underground in clay amphora called qvevri. Azarpesha’s menu features heritage grains like red doli wheat (used to make a nutty, satisfying bread) and makes use of seasonal ingredients found often in home cooking but rarely in restaurants, such as wild herbs and foraged mushrooms. Other standouts included co-owned Shavi Lomi and Lela, which serve up traditional Georgian flavors in non-traditional ways, and Culinarium, a restaurant and cooking school founded and operated by Tekuna Gachechiladze, whose creative “Georgian fusion” cuisine has brought her both fame and a degree of notoriety among locals.

After a few days in the capital, I was itching to get out into the countryside. I headed to Samegrelo, a region in western Georgia where a contact had set me up with a local host family. On my first morning in the village, I awoke with a kitten on my chest and a cow mooing outside my window—a sound that would become a familiar refrain over the next several weeks. Megrelian food tends to be spicier than that of other regions, thanks to liberal use of the hot chili paste adjika. My host Arleta uses it as a dry rub on roasted chicken, mixes it into the walnut sauce that can dress up just about anything, and rolls a mint-spiked version into a roulade of homemade cheese. She grows many of her ingredients herself in a small orchard of hazelnut, walnut, and fruit trees and a kitchen garden.

Next I moved on to Svaneti, where a Canadian friend and his Georgian wife run a guesthouse in the village of Etseri, far from the tourist trap of Mestia.
MEGRELIAN BAZHE (WALNUT SAUCE):

- 1 cup walnuts
- 1–2 cloves garlic, peeled
- ½ tsp. white wine vinegar
- 1 tsp. ground coriander
- 1/2 tsp. ground marigold (ask for “qviteli qvavili” or yellow flower)
- ½ tsp. ground fenugreek (ask for “utskho suneli” or foreign spice)
- 1 ¼ – 1 ½ cups water
- ½ –1 Tbsp. red adjika if available; otherwise, add ½ –1 tsp. crushed red pepper flakes
- ½ tsp. salt
- A small handful of fresh coriander

Puree all the ingredients in a food processor until smooth. Adjust seasonings to taste: if it tastes flat at first, try adding a little more salt and vinegar. This sauce is best after a night in the fridge; the garlic mellows significantly overnight. Bring the sauce to room temperature (but do not heat it) and serve with roasted or fried chicken, fish, or vegetables.
To tackle the problems and tap into Georgia’s potential, the Georgian National Tourism Agency, together with the economy ministry and the World Bank, is developing a national, ten-year strategy for tourism development.

“Tourism is one of the most important and priority sectors of Georgian economy. The field is developing at a rapid pace and still holds immense potential for the country. This year, Georgia will finalize its Tourism Development Strategy, which identifies key issues, barriers and solutions for further development of the field,” the head of the National Tourism Administration, Giorgi Chogovadze, told Investor.ge.

He added that the strategy will help the tourism administration focus its efforts on key issues, including raising international awareness about Georgia; assisting the private sector in creating higher quality and niche tourism products; stimulating the domestic tourism market; and improving service quality.

Chogovadze noted that the improvements will help Georgia not just develop a better tourism sector – they will help the sector earn more money from tourists willing to spend more for their holidays in the country.

“Therefore, the country will adopt a more sustainable and profit-oriented policy of attracting higher spending tourists. One of the major aspects in this regard, and our competitive edge, will be emphasizing Georgia’s uniqueness and authenticity as a tourism destination,” he said.

Ahmed Eiweida, the World Bank’s program leader for sustainable development programs in the South Caucasus, said today tourists in Georgia do not spend very much – in part, because there is not much for them to spend their money on.

“Tourism can be measured in numbers …but also by spending,” he said, noting that today tourists are just spending an average of $600 a visit – which does not reflect Georgia’s real potential.

But to get the money, Georgia has to develop.

Currently the country ranks low in terms of competitiveness, according to the World Economic Forum Tourism Competitiveness Report: just 80 out of 140 in business environment and infrastructure and 91 out of 140 in terms of human, cultural and natural resources.

Pilot programs by the World Bank as part of its regional development projects in Imereti and Kakheti have found gaps in the market in terms of facilities, tours, souvenirs and services – all areas that can generate spending from tourists and revenue for locals.

ROLE FOR THE PRIVATE SECTOR

“Tourism is a crucial aspect of the Georgian economy. This growing industry offers significant potential for job creation and economic benefits across all regions of the country,” Chogovadze said, noting that the new strategy – as well as the new tourism legislation – will “focus” on supporting private-sector investment in the tourism industry.

The World Bank’s Eiweida said the business community is a “cornerstone” for turning the strategy into a reality.

“We see them [the business community] as a cornerstone in the strategy. Tourism is by nature a kind of private sector,” he said. “Tourists when they come, they are served by the private sector.”

The strategy, which has been developed over the course of several months and included intensive consultation with all major stakeholders, including local communities, businesses, and the Georgian Orthodox Church, will be finalized this spring.
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PAUL RIMPLE

Art imitates reality, as the saying goes, and few art forms are as representative of this axiom as cinema. Georgia understands this well, having been at the forefront of cinematography for over 100 years. Even within the strict framework of Socialist realism during the repressive Soviet period, Georgian directors battled with censorship to create some of the most highly acclaimed films in the world.

The days of state-imposed restrictions on art are behind us; now it’s the market that sets the conditions of what can be made. The tumultuous decade following Georgia’s independence in 1991 was disastrous for the country’s cinematography industry, as the state could no longer afford to support the expensive art of filmmaking, and cinemas closed across the country.

Today, however, Georgia appears to have turned the corner, as Georgian directors are finding the means to make internationally acclaimed films. In 2014, Zaza Urushadze’s Estonian-produced film Tangerines picked up a Golden Globe and Oscar nominations for Best Foreign Film, while Giorgi Ovashvili’s Corn Island, won the Crystal Globe at the prestigious Karlovy Vary International Film Festival and was shortlisted for an Oscar.

“We are seeing a new wave in terms of theme and style. It’s a new generation with a new style – not a Soviet type (of filmmaking),” said Nana Janelidze, director of the Georgian National Film Center. She should know.

Janelidze has witnessed Georgia’s cinematographic arc from its height as a co-writer of the screenplay for Monanieba (Repentance), Tengiz Abuladze’s 1984 Cannes-winning masterpiece about the Georgian experience during Stalin’s purges. Her own debut feature, Iavnana (Lullaby), based on a short story by Iakob Gogebashvili, was shot during the 1991-1992 civil war and released in 1994. She spent much of the next two decades directing theater, but returned to the screen in 2011 with Netaviik teatri aris?! (Is There A Theater Up There?!), a captivating documentary about the renowned actor Kakhi Kavsadze and his family’s relationship with communist Georgia and the USSR.

One common theme for many of Georgia’s contemporary filmmakers is life during the rough-and-tumble decade of the 1990s. Levan Koguashvili’s 2010 drama, Street Days, was about drug addiction, Nana Ekvtimishvili’s celebrated 2013 coming-of-age film, In Bloom, was set during the Abkhazia war years, along with Tangerines and Corn Island.

“For today’s filmmakers, it’s hard not to reflect what’s been happening since independence. They have lived through our violence, our collapse; twenty years of inspiration. All flowers grow from a dirty earth. They feel it in their flesh and blood and have to reflect their artistic nature, which is filled with passions. There are lots of stories, rich stories. They have something to tell. And storytelling through film is a tradition deep in the genes.”

Although the Soviet experience quashed artistic freedom, the state nevertheless funneled a nearly bottomless amount of resources to film production. There were 25 film production companies in the Soviet Union. Of these, Tbilisi’s was

“IT’S LIKE A BEAD OF LIGHT IN A DARK SOCIETY. BUT EVEN WITH A VERY LOW BUDGET, WE ARE STARTING TO GROW THE AUDIENCE. WE NOW HAVE CHILDREN THINKING IN TERMS OF A ‘CINEMA CIVIL SOCIETY.’”

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AN INTERVIEW WITH THE DIRECTOR OF THE GEORGIAN NATIONAL FILM CENTER, NANA JANELIDZE, ABOUT THE NEW WAVE OF INTERNATIONAL SUCCESS FOR GEORGIAN FILMS AND FILMMAKERS USING ART TO GRAPPLE WITH GEORGIA’S COMPLICATED RECENT HISTORY.

NANA JANELIDZE:
“All Flowers Grow from a Dirty Earth”

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considered one of the top three, along with Moscow’s and Kiev’s. Studying cinematography was serious business. Most professionals got their credentials in Moscow at the State Cinema Institute (GIK). Today, Georgia’s film institute lacks the seasoned professionals that make the study of cinematography so valuable.

“Georgian cinema in the USSR was highly educated. The (Tbilisi) film institute doesn’t have experience in film, at least not by filmmakers like before. There’s TV directors. You need a master or a good system to draw kids. There is no practice of connecting students to big directors. My generation had Abuladze, Chkheidze, Danelia, who gave us hands-on training… Of course, our films were also the product of friction within the totalitarian system. It took three years to write Repentance. Now you don’t have the budget to write like that. Before, writers worked in the cinema. Now, directors are writing their own scenarios. There are no screenwriters.”

The Georgian National Film Center (GNFC) was established in 2001 under the Georgian Ministry of Culture to support the production and distribution of Georgian films. However, it is severely under-funded, with a current budget of 5.2 million lari. A turning point in the GNFC came in 2011, when it became a member of Eurimages, a Council of Europe entity that promotes European cinematography. While this helps Georgia get international exposure, Janelidze feels more must be done promote cinema domestically, starting with putting people back in the cinema.

“There are only two cinemas in Tbilisi. One in Batumi. That’s it. We had 120 before. Tickets were 20 kopeks. You could go to the cinema at ten in the morning and stay till eleven at night. All the villages had cinema clubs. Now, tickets are so expensive and in the regions, you can’t watch a film on the screen with an audience. But this year, we began a ‘cinema in schools’ program for the regions. Village kids can go see films after school: Chaplin, Visconti, Fellini, Abuladze… And after each screening, there is a discussion. They come to Tbilisi and meet directors. It’s like a bead of light in a dark society. But even with a very low budget, we are starting to grow the audience. We now have children thinking in terms of a ‘cinema civil society.’”

“For today’s filmmakers, it’s hard not to reflect what’s been happening since independence. They have lived through our violence, our collapse; twenty years of inspiration. All flowers grow from a dirty earth. They feel it in their flesh and blood and have to reflect their artistic nature, which is filled with passions. There are lots of stories, rich stories. They have something to tell. And storytelling through film is a tradition deep in the genes.”

Tangerines, short listed for an Oscar
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President of National Bank Giorgi Kadagidze provided an overview of the Georgian macroeconomic environment and also explained the reasons behind the Georgian Lari’s recent depreciation during AmCham’s monthly roundtable meeting at the Tbilisi Marriott Hotel on January 27.

The bank president explained to AmCham members why defending the short-term currency movement was unjustified and layed out short, medium and long-term strategy for Georgian economic growth in the future.

Kadagidze, who was recently named The Banker’s Central Banker of the Year for the region, also answered members’ questions during a candid discussion.

CanArgo Georgia’s Chief Administrative Officer Cliff Isaak shared job interview strategies and tips with AmCham Youth Leadership Program participants to help them nail their next job interview at his workshop, “The Art of the Interview” on December 12.

Cliff gave students unique insight into the interview process from both employer and candidate perspectives. All students were given an opportunity to do mock interviews and receive feedback in a safe, supportive environment from both the mentor and peers.

In his workshop, Cliff especially emphasized the importance of the first minute, which starts with strong handshake, eye contact and relevant outfit. “It is always better to be overdressed than underdressed,” he told students.

After “the first minute” portion, Cliff moved on to the introduction, differentiating questions, wrap-up and exit parts of the interview process and had each student go through each step so that all of them could gain valuable interviewing experience and brush up on professional skills.

“Always ask a question at the end of the interview. You’d better ask a question. If you don’t, it sends a bad message that you don’t want to engage with the interviewer, or you haven’t done a research about the company,” Cliff stressed to students.

President of the National Bank of Georgia Giorgi Kadagidze Overviews Lari, Economy

CanArgo’s Cliff Isaak Teaches AmCham Young Leaders How to Nail Their Next Job Interview

News
On 12th February, the board of AmCham met with former Prime Minister Bidzina Ivanishvili to discuss challenges and opportunities related to strengthening Georgia’s investment climate.

Meeting participants discussed a range of themes. As the former Prime Minister, a successful businessman and founder of the Georgian Dream Coalition, board members were particularly interested to hear Mr. Ivanishvili’s thoughts on the interaction of business and government in Georgia.

On this theme, AmCham highlighted the need for increased consultation between the business community and government, particularly related to legislative and regulatory policy and drafting processes for legislation that affects the business community and foreign investment. For example, board members pointed to challenges caused by the new visa law, the law on foreign ownership of agricultural land, the law on pharmaceuticals, etc., and the negative perception they create for foreign investors. The AmCham board also discussed with Mr. Ivanishvili, the challenges being created by inefficient implementation of processes in government procurement and the public registry. Mr. Ivanishvili expressed his eagerness to work alongside AmCham to resolve these issues quickly and constructively.

Both sides also discussed the educational challenges facing the country and the direct impact on economic development. The board and Mr. Ivanishvili agreed that Georgia’s education system was in considerable need of development and in particular in the fields of science and technology.

The meeting was engaged, frank and productive - and AmCham looks forward to future cooperation.

In late January, AmCham was invited to the Ministry of Economy, along with a range of other stakeholders, to discuss the draft Law on Labor Migration.

The most troubling component of that law was Article 16, which required that any business which wanted to hire a foreigner had to go through a process of looking for a Georgian first, and justify to the Ministry of Labor Health and Social Affairs why they had not done so.

Of course, we were very unhappy with this provision as it would have put additional bureaucratic demands on companies and would make it harder for them to bring in the expertise that they needed. We were also worried that it would be poorly implemented and that combined with the new visa regulations and the law restricting foreign ownership of agricultural land, it sends a terrible message, suggesting that Georgia does not want foreigners or foreign businesses.

Following the meeting, we engaged in intensive lobbying to change this law. We wrote to a range of actors in the government and then we followed that meeting with engagements and regular discussions at the highest level. It has been suggested that this provision was required by the EU Visa Liberalization Process. We therefore, contacted the EU office and discovered that this particular provision was in no way an EU requirement. We have received final confirmation that the provision with which we had a problem, had been removed entirely from the draft law. This is a huge success for us, along with the other business associations who lobbied on this effort. We would, of course, hope to be involved earlier in the process next time, but are grateful to the government for taking on board our concerns and responding so quickly.
AMY DENMAN: FAREWELL BUT NOT GOODBYE

LETTER FROM THE PRESIDENT

Dear AmCham Members, Partners and Friends,

I would like to officially announce the handover of the position of AmCham Executive Director from Amy Denman to George Welton.

Amy was the founding ED and she has been a fundamental part of making AmCham into what it is today - the largest, most well-respected, active and relevant international business association in the country. The board & I, the new ED and Amy all look forward to working together in the future, just in a different format!

I am thrilled to also announce that Dr. George Welton has accepted our offer to succeed Amy as Executive Director of AmCham. George has lived and worked in Georgia as a professional researcher, mostly looking at economic development issues, for 10 years. During that time he has worked for USAID, Asian Development Bank, UNDP, UNICEF, BP, KFW, GIZ, UK’s DFID, the Swiss Agency for Development and Cooperation (SDC) and many others.

George did a fantastic job as acting ED of AmCham during Amy’s leave from 2010-2012. He has served on many of our committees and designed and managed two highly successful USAID-financed Commercial Law and Tax Projects, implemented by AmCham.

George is already fully on board and, due to his longtime involvement in AmCham and Amy’s dedication to seeing the Chamber continue to grow and improve, the transition has been seamless and is almost complete. In the meantime, I know you will join me in wishing Amy all the very best in her next adventures and in welcoming George back with us as ED at AmCham.

Sincerely,

INTERVIEW WITH AMY DENMAN

AFTER 17 YEARS, AMY DENMAN, THE FOUNDING EXECUTIVE DIRECTOR OF THE AMERICAN CHAMBER OF COMMERCE IN GEORGIA, IS MOVING ON TO NEW ADVENTURES AND CHALLENGES. BEFORE TAKING THAT FINAL STEP FROM RUNNING OUR CHAMBER TO BEING A MEMBER, SHE RECOUNTS SOME OF THE STANDOUT MEMORIES THAT WENT INTO HELPING FASHION GEORGIA’S STRONGEST INTERNATIONAL BUSINESS ASSOCIATION.

Q: What was it like to start Georgia’s first voluntary business association?

It is hard to underestimate how far our Chamber has come since the days in 1998 when US Ambassador Kenneth Yalowitz first proposed the idea and Betsy Haskell and Leigh Durland shelled out a personal loan for the official registration fees.

In 1998 I left a well-organized highly established Georgian office, where I managed a relatively large staff, to take on the biggest career challenge (and risk) of my life. I became Coordinator and then Executive Director of an association with no budget, no office, no staff, no reputation . . . I was working out of my kitchen, on my own ancient...

Amy with her special appreciation award for her commitment to upholding the principles and ideals of the chamber in 2005
I was calling strangers and driving myself around the city in a Lada Niva to introduce the concept of a voluntary business association.

I was usually met with “I think I’ll just wait and see how you do – if you’re still around in a year come back and talk to me then.” And that was all it took: I was hooked. I wanted to prove our value and potential! It was an exciting and wildly challenging time for me.

By the end of the year AmCham had a whopping 15 members and we held our first members’ luncheon. It picked up momentum from there: by 1999 I was hosting regular meetings and we latched onto our first ever advocacy effort – the Law on Chambers of Commerce in Georgia. The same year – from the same kitchen - I published our first newsletter and never looked back.

For the first five years, we had a lot of meat to sink our teeth into. There were a tremendous number of issues to deal with in the final years of former president Eduard Shevardnadze’s government.

The tax code was a catastrophe, customs was a misadventure in corruption, the Labor Code was a Soviet holdover, regulatory bodies lined up for hand-outs from companies... It was like whack-a-mole – as soon as one problem was seemingly solved, three others would pop up. Our biggest challenge was to keep AmCham on top of a game where the rules were made up, changed, made up again, broken and/or blatantly ignored.

Q: And the next phase? What are some standout memories?

By the time of the Rose Revolution in 2004 we were a serious voice and a well-respected business association. We matured into a group that could work on systemic issues. We had major long term projects in Tax, Customs, Energy, Ethics in Business, and trade and investment promotion to name a few.

A few stand out memories are: Our hugely successful Customs Reform Project, and our Tax Code Review Project were more than 50 experts and businesses dedicated their time to overhaul the tax code. I have great memories of our “clean air” television public service announcements and our Petroleum Advisory Group report, which ended up on then-President Bush’s desk. As ED I led a private Board lunch with then President Mikheil Saakashvili and was chosen as one of 10 delegates to meet Laura Bush.

In 2008, just weeks after the war with Russia, I and a few other members of the Board had the chance to meet with a senior US delegation to speak with them about what Georgia needed. That delegation eventually recommended the post-war $1 billion in economic aid to Georgia. I’m proud of our role, though small, in such an important event.

During my tenure, AmCham Georgia and the US Government co-hosted two major US-Georgia business summits and we organized our first (but not last) high profile delegation to Washington DC. More recently, we went to the mat over the Labor Code and the law on ownership of Agricultural Land. These are just a few of the stand out memories for me – sinking our teeth into serious issues and important causes always left
Our member community is an invaluable resource to support economic impact assessments – which I hope will be required on major business legislation in the future.

I believe AmCham already has the right approach for maximum collaboration on legislative changes. I was told recently by a senior government official, and I’m paraphrasing here, that the government listens carefully to AmCham because we are smart and constructive with our advocacy and input. He said that we are taken seriously because we do our homework and provide well reasoned and well researched information rather than just dismissive negative remarks. That’s a real compliment to this organization. I think we should stick to what is working.

Q: What’s next? Will you stay involved?
I’ve already applied to become a member. I intend to stay an active part of this incredible organization that I helped build. I’ll certainly miss the daily interactions with staff. They are all wonderful, dedicated and smart people and I consider them as my AmCham family.

I bid a very fond farewell to the past and present Boards of Directors. Such an active and engaged Board has been invaluable to the success of AmCham. I don’t think any AmCham I’ve ever had contact with has had such an amazing Board to work with.

George Welton is a highly capable person, as well as a good friend, and I know he’ll continue the job with the same passion and intensity that I had. It takes a special character to run a consistently successful office in a very inconsistent environment. I think, and hope that I’ve succeeded.

The foundation has been built – I am confident that AmCham will be not only around, but as strong as it is today in 10, 20 or even 100 years.

Q: Any crazy moments?
Too many to recount, although I’ll never forget the bomb threat minutes before the start of our 10th anniversary gala. 350 guests, including 11 ambassadors and many senior government officials, were expected at any moment when an anonymous bomb threat was made. The hotel was evacuated; Sarah Williamson and I, flexible and determined, put on our ball gowns and make-up in the parking garage and met the guests with a champagne reception in the lower parking lot. An hour and a half and a lot of champagne later, the Ministry of Interior and the bomb-sniffing dogs gave us the OK. All the guests, only slightly worse for wear, stayed and had a fabulous time.

Q: What will you miss?
My fondest memories of AmCham are working with the people who make up the Chamber: the staff, the board and the members. The professional staff, the talented Board of Directors and the committee members are the ones that really led the Chamber to success.

The staff of AmCham both past and present is an exceedingly bright group of people. I will always take great pride in the opportunities for growth that I could give my staff. Modesty aside (cough, cough), I have a talent for hiring smart, motivated people who see AmCham as a chance to learn, and excel professionally. I’ve always been the type of manager who gives deserving young employees wings. Those who have left for an amazing education or career opportunity have told me again and again that I was their mentor and their motivation. I take this as the greatest of compliments.

Q: You’ve told us how AmCham’s grown…what about you personally?
Working with the Boards of Directors and the members over the years has been an amazing learning experience. I have been privileged to be part of one of the most important and influential groups of business people in Georgia. The fascinating discussions on important issues that take place both in and out of Board and member meetings kept me on top of the most relevant current events in politics and business. Most of my closest friends have come out of my work with AmCham.

It’s been an honor and a privilege to serve as the Executive Director for nearly 17 years. However, now it is time for me to move forward to other exciting and important areas and opportunities in my life both personally and professionally. I remain very committed – and very proud – of all that AmCham Georgia has become and has accomplished during my time as executive director.

Q: And a look forward for AmCham?
Our Chamber is positioned to remain a positive change agent. The EU Association Agreement is opening a new period of challenges and opportunities for Georgia and the business community. I hope the Georgian government realizes the value in collaborating with AmCham to ensure that legislative changes are made with as little negative affect on businesses as possible.
From the latest Georgian movie theater to open in the capital to Tbilisi’s newest five-star hotel and spa, Rakia Georgia has big plans for 2015 and beyond, Guga Tsanava, the CEO of Ras Al Khaimah Investment Authority Georgia told Investor.ge.

Projects in the pipeline include finishing the second and third stories of Rakia’s successful Tbilisi Mall project – a $10 million investment that includes a new multiplex brand movie theater, additional entertainment features – and the $25 million makeover for the group’s Sheraton Metechi Palace Hotel.

The group is also reshaping its strategy for its Poti-based Free Trade Zone, with the help of an international company, which is working on a feasibility study, Tsanava said.

Rakia Georgia is also in talks with the government on new projects it hopes will be green lighted, including new ventures in the hospitality sector.

The group, he said, is capitalizing on the bright prospects for tourism and Georgians’ increased demand for quality retail.

TENS OF THOUSANDS OF SHOPPERS EVERY DAY

Rakia Georgia was the first investor to really tap into the need for an entertainment “destination” in the capital: three years ago, the notion that thousands of Tbilisians would flock to DidiDighomi every day to buy groceries, clothing and shoes seemed a bit preposterous.

But, since the Tbilisi Mall opened in 2012, the shopping center’s “significant number of internationally acknowledged brands to attract significant number of visitors per year,” Tsanava said.

“RAKIA Georgia and Rakeen Up-town development have already spent more than $10 million to finalize construction on the second and third floors in 2014, to escalate the process for Entertainment feature of the Mall, which will soon open a multi-screen cinema, and many other modern entertainment services ,” he said.

“We are in negotiations with other entertainment companies which would return mall into pure highest standards international quality entertainment destination, rather than just shopping mall, by the end of the year.”

Foot traffic is increasing every day, Tsanava noted, adding that the mall introduced a traffic counting analyzing system that provides daily information about the number of visitors.

“No one in the beginning could imagine that Tbilisi Mall traffic could count tens of thousands people per day, which is currently the reality,” he said.

A MAKEOVER FOR TBLISI’S SHERATON METECHI PALACE

The group is also investing $25 million to renovate and upgrade the Sheraton Metechi Palace hotel.

“The reconstruction of Sheraton Metechi Palace is main and major object in our agenda,” he said, noting major construction work should start by April.

“We are aiming for Sheraton Metechi Palace to turn into real five star international standard hotel, which would offer surprising services not only for Georgians but to all travelers who wishes to use Sheratons services in the near future,” he said.

Tsanava noted that statistics indicate the Georgian hospitality sector has room to grow, which provides a good opportunity for investors today.

“We agree that demand for hotel rooms is increasing faster than the supply. This was one of the factors which help us to make the decision to invest $25 million, because the market and economy are growing and we believe that project will be very successful,” he added.

Tsanava added that Rakia Group is in talks with the government to launch new investment projects in the hospitality sector.

FIZ AND BEYOND

Rakia Georgia also has big plans for the group’s free zone in western Georgia, in the Black Sea port city of Poti.

Currently, Rakia Georgia is working with an international company on a feasibility study that will help the group reshape the FIZ’s development strategy and business model.

Tsanava noted that Georgia’s EU Association Agreement will attract new business and investment to the country, which will provide increased opportunities for the FIZ.

In addition, he said Rakia Georgia has “close relations” with the Georgian Co-Investment Fund, although the group has not invested in any projects to date.

“During these years, we have been targeting the development and restructuring of our existing portfolio (Tbilisi Mall, Sheraton Metechi Palace, Rakia FIZ). However, since we are already done with these projects, we are ready to enhance our relations with the fund to find a mutually beneficial project,” he said.
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<td>IMSS Ltd. Georgia is a leader in 24/7 quality health care provision and emergency readiness response. IMSS medical staff consists of expatriate and internationally qualified (US&amp; European trained) Georgian physicians, who regularly undergo training in leading UK hospitals and other international medical centers. Doctors are fluent in Georgian, English, Russian and German.</td>
<td>Production of alcohol (beer) and non-alcohol (CSD) beverages.</td>
<td>The team which is experienced in the production of Georgian beer and non-alcoholic fresheners started new production of beer and non-alcoholic beverages with unique water in the entrance of village Saguramo, at the foot of Zedazeni mountain—a new era of beer started at the Georgian market. Within record period of 7 months an unprecedented factory was designed and built, which is exemplary for famous German and Czech breweries. A mission of the company is to combine the highest standards of beer and carbonated soft drinks production with the best Georgian water in order to obtain mass product that Georgia will be proud of.</td>
<td>Noblet Media CIS was founded in 2004 in Kiev, Ukraine. In 2008 the company started operating in other CIS countries. Today the company operates in 7 former SU countries Noblet Media CIS offers its customers a full range of professional PR, marketing and communication services via an unique network extending across the CIS and Georgia. The representative office in Georgia was launched in 2010 and since that time it implemented successful communication projects for the following companies and organizations: EBRD, EU Delegation to Georgia, MasterCard, PayPal, BOSCH (Power Tools) and satellite operator SES ASTRA.</td>
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This year’s Tbilisi Charity Gala Burns Supper & Ball celebrating the birth of Scotland’s most famous poet, Robert Burns, took place at the Funicular Ballroom. The exciting new venue provided a spectacular backdrop for the event, in which guests were treated to the Scottish bagpipes, Burns Poetry and traditional toasts, as well as wonderful Glenmorangie whisky, sponsored by Veritas Brown. The GlenCraig Scottish Dance Band, sponsored by KPMG, flew in from Scotland for their 6th visit and kept the guests on the dance floor until the wee hours of the morning.

The live auction of art and other unique lots by auctioneer extraordinaire, Cliff Isaak, together with a Grand Raffle with prizes donated by generous donors including QSI, Hilton Batumi, Rooms Hotels, Radisson Blu Tbilisi, Betsy’s Hotel, Sheraton Metechi Palace and Omega Motors helped the event to raise a record amount once again – over 40,000 lari.

Funds raised from the event will support the Temi Community helping socially vulnerable people in eastern Georgia; the Monk Andrews Foundation, which provides a caring home for children with cancer as well as the community organization, Katarzis which gives 300 homeless elderly people a hot meal each day and the Dog Organization Georgia, which operates shelter for stray dogs along with sterilization, immunization and adoption programmes.
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