

# Investor.ge



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**FT** Financial Times  
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Sochi Prepares for Winter Games  
.....

From Downtown to Out of Town  
.....

Three Views on Trading with America  
.....



**Enrique Iglesias:  
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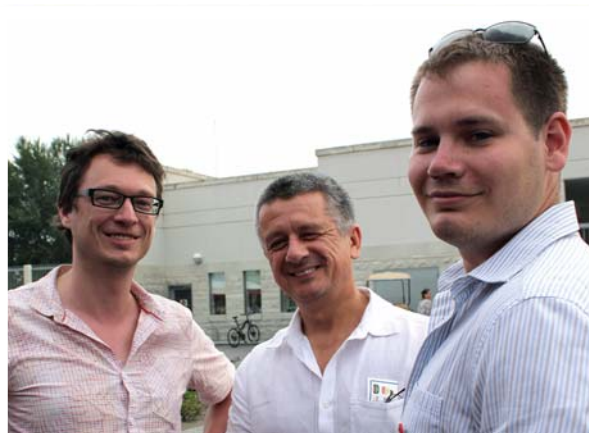
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# In Brief

A brief synopsis of new investments and business news compiled by Investor.ge's Eteri Masuradze.

## Clean Energy Invest AS to develop Hydro-power Project in Adjara

**C**lean Energy Invest AS, an Oslo-based company, will invest up to \$385 million to develop a hydro-power plant (HPP) cascade project on the Adjaristskali River in the Adjara Autonomous Republic. The project involves construction of a four-stage cascade with a total capacity of over 257 MW. The cascade includes the following plants: Zomleti HPP, Vaio HPP, Koromkheti HPP and Chorokhi HPP.

## International Finance Corporation (IFC) Invests in Georgian Healthcare Group

IFC, a member of the World Bank Group, is investing \$3 million in equity in Archimedes Health Developments, a newly-created company established by Archimedes Global, a Georgian-based medical insurance group to help expand access to health insurance and health services in Georgia and other emerging markets in Eastern Europe and Central Asia.

## Bilberry to be Cultivated in Adjara

According to Dato Khilaishvili, representative of Subtropic Fructice, the company will cultivate bilberry on

15-16 hectares of plantations in Adjara. The company expects the first harvest in 2013-2014 and is planning to export the majority of the crop to Turkey and Europe. The company bought farm machinery in Turkey and saplings of 12 high-yielding varieties of bilberry in the US. Subtropic Fructice was founded with Georgian investments in 2010; to date the company has invested 1 million lari in the project.

## Georgia Expects \$1 billion FDI in 2011

The Georgian government expects foreign direct investment to double this year, after falling 65 percent over the past two years, said Minister of Economy and Sustainable Development, Vera Kobalia.

Georgia may receive more than \$1 billion of investment, mainly in hydro-power projects. Tourism is also expected to lure investors after more than 2 million people visited the former Soviet republic last year.

Foreign direct investment fell to \$553.1 million last year from \$658.4 million in 2009 and \$1.56 billion in 2008.

## Four Countries Consume 76% of Georgia's Wine Exports

Georgia's exports to Ukraine (worth \$18 million, or 46 percent of total), Kazakhstan (\$5.9 million, 15 percent), Belarus (\$3.9 million, 10 percent) and Poland (\$2 million, 5 percent) account for 76 percent of the country's total wine exports. Exports to the United States were worth \$986,000 – three percent of the total wine exports.

In total, Georgia exported \$39.3 million of wine in 2010, an increase of 22.8 percent compared to the previous year. According to the Georgian Wine Association, 80 percent of wine produced in Georgia is white, which is very popular in the local market, while exports are

predominately of red wine (about 70 percent).

## X-ray Installed at Poti Railway Junction

A new X-ray scanner will enable customs officials to check all incoming cargo at the port without opening containers. The Chinese government financed the system with a \$30 million grant.

## Israeli Investors to cultivate Greenhouse in Kobuleti

Israeli businessmen are planning to use 23 000 Ha of land in Adjara to build a fruit greenhouse. They plan to cultivate 5 000 Ha in by the end of 2012. (National Investment Agency, July 2011)

## Bananas from Kakheti

The first batch of Kakhetian bananas, cultivated in a local village, will hit the market soon. The bananas have been grown in Grujaani.

## Pernod Ricard Sells Shares in Georgia's GWS

Pernod Ricard, the French drinks giant sold shares in Georgian Wine and Spirits LLC (GWS) to the Georgian unit of Marussia Beverages BV, wine and spirits group registered in the Netherlands. The prices of the shares has not been disclosed. (Rustavi 2 July 28 2011)

## Food Producers to be Fined for Violations

The Parliament has adopted legislative amendments, imposing fines on food producer companies from July 1 for violations.

Unauthorized production or distribution of food will be subject to a 300 lari fine.

Other companies will have until June 1, 2012, to meet food safety standards.

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**A Purely Georgian with Regional Coverage**





A week of reports on the world's largest news network put Georgia and its successes and obstacles in living rooms around the world. Now it is up to Tbilisi to hold viewers' attention and turn exposure on CNN into tourism and investment.

## Eye on Georgia: CNN highlights reforms and traditions

From First Lady Sandra Roelofs' second job as a delivery nurse to new discoveries in Dmanisi, CNN viewers had a front row seat on life in Georgia during a week-long profile on the network's Eye on Georgia program.

The profile was the last in a string of programs dedicated to developing economies.

"... we have been to India, we have been to Ukraine, Germany – they are going to Mongolia next – I think you just try to look for countries that don't get a lot of exposure but are interesting... We have this huge Arab spring going on and all these different revolutions in all these countries.

It is important to go back to a coun-

try that had a revolution a while back," commented the program's presenter, Paula Newton.

Ms. Newton also suggested that now is a good time to look back on the changes that have happened since Georgia's Rose Revolution.

"... it is a good opportunity to access what happened, what are the challenges – what has worked, what hasn't worked... What can you accomplish, what can you get done in an eight year period."

The profile looked at reforms to the police force and the education system, the government's experiment to revive the agriculture sector by bringing farmers from South Africa to cultivate the land, as well as the First Lady and the latest discoveries in Dmanisi.

Newton, an international correspondent who last visited Georgia in 1999, stressed that the program ran live during prime-time for European audiences and as a result it should bring Georgia to the attention of a whole new audience.

"We believe that our viewers are interested – whether that interest in the story really pulls through and gives Georgia any long term recognition is an open question that I can't really answer," she said.

"At the same time if you see that people are searching on cnn.com [for Georgia], considering that we have millions of unique viewers every month to our website in general ... that has got to say that it is reaching people that it would not have if we were not here."



# From Downtown to Out of Town: A shift to the suburbs

A new suburb at Lisi Lake might boost broader interest in suburban living – a trend that is slowly catching on in Tbilisi.

MAIA EDILASHVILI

Just ten minutes from downtown Tbilisi, Green Town Lisi could jump start a new demand for suburban living, developers believe.

Projects like Rakeen's Uptown Tbilisi (scheduled to open later this year) and Tbilisi Diplomatic Village – a development of 45 American-style houses – are also tapping into a new desire to move out of the city.

With multifunction recreation zones and modern architecture, Green Town Lisi, a 355 hectare project, will aim to create a health-spa suburban experience complete with walking trails, sulphur baths and a spa center.

Out of town developments are increasingly part of Tbilisi's broad development. In an earlier interview, Tengiz

Bendukidze, commercial director with Rakeen, said that the Uptown Tbilisi project is "creating a destination" outside the city.

"This is a psychological moment," he said. "We are creating a destination, not just shopping. People can go there all day."

Nikoloz Urushadze, the general director of Paragon, a Tbilisi-based real estate consulting company, said residents of Tbilisi who want the quiet life of the suburbs have previously opted for Tskneti or other villages that border Tbilisi.

"What happened in the big industrial cities many years ago, is now taking place in Georgia," Urushadze told Investor.ge.

"Projects like Lisi will spark even greater interest towards this new trend."

"Construction has started on the first

phase, which will take one year and end by July 1, 2012," said Mariam Zaldastanishvili, the marketing and artistic director of Lisi Development. According to her, sales are "quite intense."

If the project generates enough demand it could be an impetus for new building projects in the suburbs and downtown, Urushadze said.

"[This project] will increase competition with the buildings downtown and at the same time increase the need for high quality projects," Urushadze said.

The group purchased the land in 2007 for \$182 million.

The initial investment cost of the project is estimated at over \$100 million, and is being financed with assistance by the US Development Bank OPIC and the Netherlands entrepreneurial development bank.



The U.S. Embassy in Tbilisi was one of the first to move to the suburbs



Redjeb Jordania and Tamara Megrelishvili at Prospero's

## Building Georgia's Image Abroad

As more and more Georgians settle abroad, the Diaspora's potential to popularize its distant homeland is increasing. One of Georgia's most famous émigré sons, Redjeb Jordania, is bringing stories and images of his father's homeland to readers around the world through his books of short stories.

Georgia's culture – its glorious heritage of art, literature and music – will keep émigrés coming back and encourage them to teach others about their distant homeland, says Redjeb Jordania – the émigré son of Georgia's first president, Noe Jordania.

For Jordania, his father's stories of his native village in Guria created a magical land he later weaved into the mosaic of his short stories. Available in English online and at Prospero's Books in Tbilisi, *Escape From The South Fork: And Other Stories* include tales from Georgia, France and elsewhere.

Born in Paris after his father was forced to leave Georgia following the

Bolshevik invasion in 1921, Jordania grew up listening to tales of life in an idyllic Lanchkhuti at the turn of the 20th century.

The images of his father's homeland, coupled with a love of Georgian music and culture, helped forge in him a core identity as a Georgian, albeit one who could not travel home until he was over 70 years old.

"You are always Georgian, you are from Georgia and when it became possible, naturally – I had heard everything about it and dreamt of it and here we are," he said during a visit to Tbilisi in May.

"I grew up with the impression that Lanchkhuti was the most important place in Georgia, if not the world – even though

I was living in Paris."

That 1991 trip inspired him to write his book of memoirs at age 71. He went on to publish two books of short stories, some of which are based on Georgia.

The work has made him a literary ambassador for his father's homeland – a role Jordania said he did not plan on, but is a natural part of being an émigré.

"Let's say that anyone from any country who has a certain amount of authority – even if he or she doesn't want to – becomes a representative of their country," he said.

"It happens automatically."

The growing Georgian Diaspora will increasingly take up that role, he predicted, noting that even the third and fourth generation feel a connection to their ancestral home, thanks to Georgia's powerful cultural heritage – especially its music and language.

"In many ways it is a good thing for Georgia that there is an increased Diaspora," he said.



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# Trading with America: Three Views

Better marketing and more organization can help Georgian companies break into the US market – and bring more US investors to Georgia, diplomats and business advocates believe.

## Batu Kutelia: Database, Sector Specific Summits Needed to Bolster Trade

Georgian – and American – businesses need more information about market conditions and investment opportunities in each country, noted former Ambassador to the US Batu Kutelia.

Business trade summits and preferred trading programs are good for raising awareness but Georgian companies need more specific, market information to enter the US market, Kutelia said in an email interview with Investor.ge

“When it comes to the US market, Georgian businessmen encounter substantial challenges which impact significantly their desire to go for it,” he said.

“[E]ducation and training interchange” is needed to “increase interest and motivation for businesses to consider the US market,” Kutelia said, adding that more promotion of Georgia’s strengths is needed to attract “multinational companies” to Georgia.

“[W]e have signed a memorandum of understanding with EXIM bank, which underlines 7 key sectors of cooperation. Some projects are under negotiations and hopefully, they will end successfully because time has come to start utilizing these mechanisms,” he noted.

Now the deputy head of the National Security Council of Georgia, Kutelia said stronger trade ties will lead to more investment opportunities for business in

both countries.

“One success will lead to another and other companies will follow suit,” he said.

## Davit Rakviashvili: Platform Needed to Bring Trade Partners Together

More follow up with business is needed to capitalize on the Georgian government’s efforts to attract investment and new trade partners, according to Deputy Ambassador to the United States Davit Rakviashvili.

“Government continues to make significant steps on the policy level... now is kind of the right time to capitalize on all of that,” he said during a visit to Tbilisi in August.

Rakviashvili’s vision is to create a trade mission or platform where a well informed staff can make the embassy’s contacts with chambers of commerce and the business community more effective.

The idea was born from the gap between the government’s efforts and the impact on the ground.

“When you try to analyze the situation, you see there is definitely a lack of the follow up on marketing,” he said.

The exact shape of the new organization – which could be based in capitals around the world – is still under discussion. But the key, noted Rakviashvili, will be creating an effective platform to support potential trade and investment.

“If one manages to have the coher-

ent policy and platform which can accommodate not only the government efforts but also the private sector and business association efforts, then it will be a synergy, you would have filled that gap,” he said.

## Mamuka Tsereteli: Interest in Georgia “Increasing”

Awareness about Georgia’s potential for investment and trade is growing, noted Mamuka Tsereteli, the president of the America-Georgia Business Council.

Just two years ago, it was hard to attract participants to the council’s bi-annual investment events. Today, however, he said there is an “increase in that interest currently, toward the country again, toward specific businesses here.”

Part of that stems from a new confidence in Georgia’s stability. But it is also a reflection of a global trend: private groups and hedge funds are shopping for better returns on investments in emerging markets.

To capture and sustain their interest, however, Tsereteli noted there is a need for well written, easy to understand proposals for specific industries and sectors.

There is also an absence of “positive stories” about investors who have turned a profit and left the market, examples of how investing in Georgia can be a money maker.

On October 25, AGBC is holding its annual conference in Georgia – an opportunity, Tsereteli noted, to turn interest into future business.

“There is a tremendous potential upside. The thing is to first let those opportunities be known to those potential investors. That is the purpose of our conference,” he said.

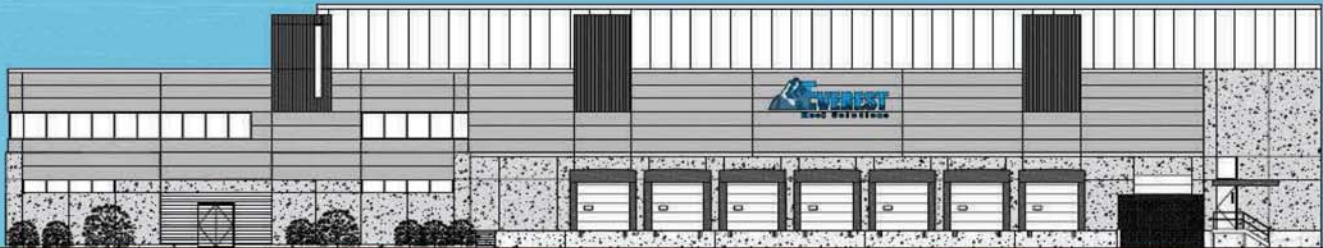
“I think we need to make sure the positive stories of companies which exited Georgia with a profit are known... we need to publish the positive cases.”



# Poti, Republic of Georgia

## Temperature-Controlled Facility

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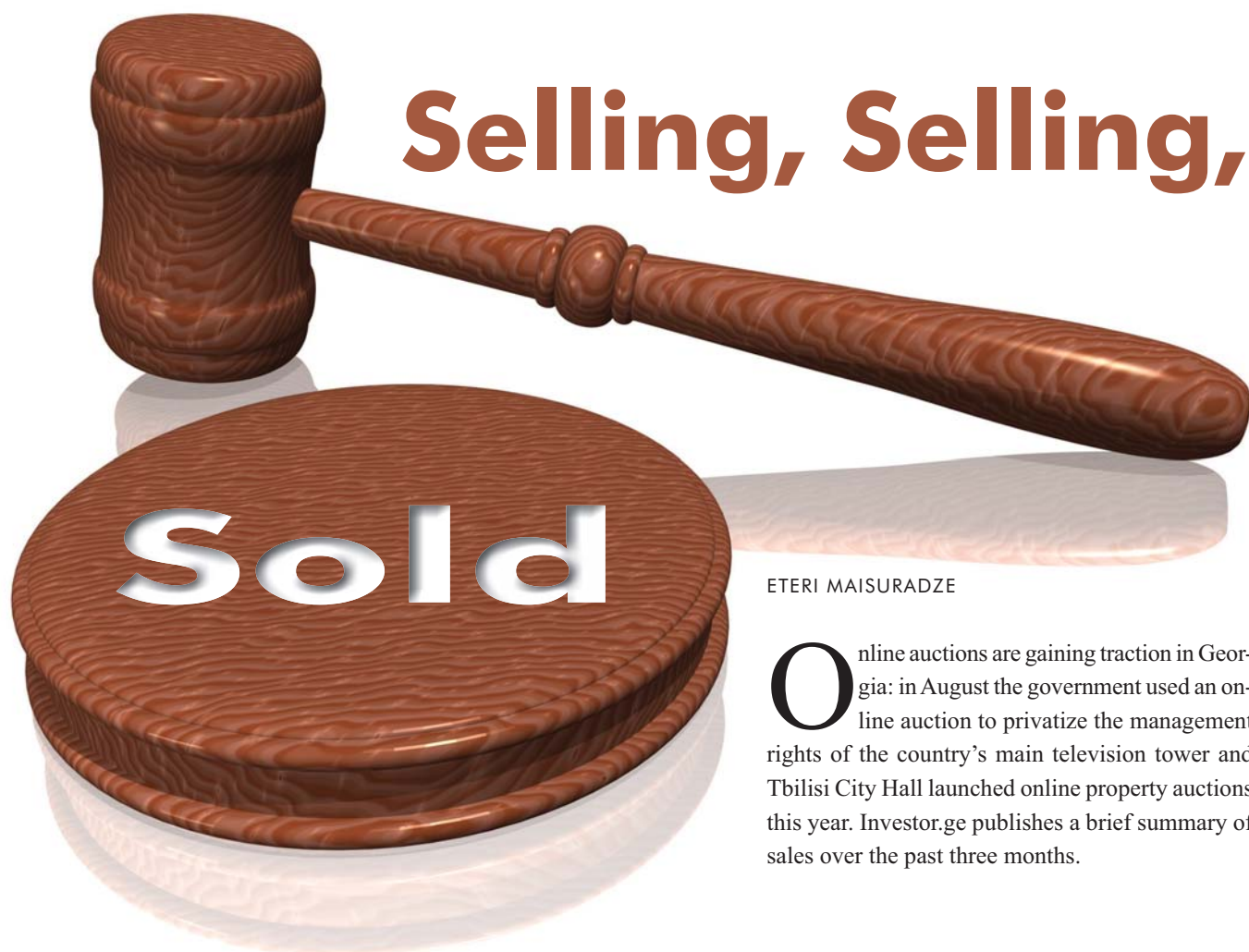


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# Selling, Selling,

ETERI MAISURADZE

Online auctions are gaining traction in Georgia: in August the government used an online auction to privatize the management rights of the country's main television tower and Tbilisi City Hall launched online property auctions this year. Investor.ge publishes a brief summary of sales over the past three months.

- Management of Alfa-Com, Tbilisi, which owns the largest television tower. The initial list price was 100 thousand lari; the winning bid – by a business – was 110 thousand lari.
- 776 square meter plot of land with buildings, Marneuli. The initial list price was 150 thousand lari; the winning bid – by an individual – was 160 thousand lari.
- 482 square meter plot of land with building, Tbilisi. The initial list price was 47 thousand lari; the winning bid – by an individual – was 50 thousand lari.
- 776 square meter plot of land with buildings, Tbilisi. The initial list price was 27 thousand lari; the winning bid – by an individual – was 30 thousand lari.
- 141.24 square meter building plot, Marneuli. The initial list price was 25 thousand lari; the winning bid – by an individual – was 27 thousand lari.
- 67 square meter plot, Zugdidi. The initial list price was 1,300 lari; the winning bid – by an individual – was 7,100 lari.

## Hospital privatization

- The Michael Guramishvili Pediatric Clinic LLC. The initial list price was \$1 million; the winning bid – by an individual – was \$2.16 million.
- Central Republican Hospital. Estimated worth of assets is \$20 million; the buyer, InterHealth Canada, will invest \$25 million for rehabilitation.





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## Ancient Kvevri Wine could bolster Wine Tourism and Exports

The ancient – and dying – technique of making wine in clay vessels could be Georgia's key to bolstering wine tourism and wine exports, industry specialists believe. Now the country has to work on getting the word out.

NINO PATSURIA

A growing trend for wine aficionados to travel abroad to experience new vintages with unique flavors, in exotic locations could also provide a powerful boost for Georgian wineries and traditions.

In particular, Kvevri Georgian wine made using the ancient method could help catapult wine tourism – and eventually wine exports, sector analysts believe.

### 8000-year Vintage

The ancient technique of fermenting wine in enormous hand crafted clay vessels led the Travel Channel's Isabelle Legeron – host and creator of the 'That Crazy Frenchwoman' wine travel program – to film a show about the process.

Legeron is fascinated by the Kvevri and its story – a history and tradition, she said, that makes Georgian wine unique and attractive for wine lovers



around the globe.

“There is an extraordinary story to tell [in Georgia]... It is not only a very beautiful country but it has a unique wine-making tradition, the Kvevri,” she said in an email interview.

Kvevri is the Georgian name for large – some as big as 500 kilograms – handmade vessels that have been used for thousands of years to ferment Georgian grapes into wine.

The vessels are made with Georgian clay, moulded into the form of a giant spinning top – a fat middle and two tapered ends. The jugs are treated with a lime wash and buried deep in the ground, where the grapes ferment into wine.

The process is completely natural, creating pure, organic wine. In her show, Legeron noted that the clay gives the beverage a unique taste.

“A good wine is one with character,” she said during the program. “I think the tradition is what really makes the wine unique.”

Some wineries in Georgia are making Kvevri wine, although the craft is on the decline since it is labor intensive and produces less wine than modern techniques.

But returning to Georgia’s wine roots makes good business sense, noted Giorgi Margvelashvili, general director of Tbilvino Winery.

Tbilvino started producing and exporting Kvevri wine this year.

“The Georgian wine industry should try to present unique Georgian wines on the international market and minimize copying western wines,” he said.

“We have a bigger chance to take a niche through local wines; lately wine buffs are seeking new, different wines and tastes – and Georgia has the chance to promote its wines which are based

on an ancient methodology but are new to the West.”

The Georgian method of using Kvevri to make wine dates back eight thousand years, noted Tina Kezeli, executive director of the Georgian Wine Association.

“Nobody has such an uninterrupted wine-making practice,” she said, “for us wine is not a product made for profit; it is intertwined with culture and religion... Foreign marketing specialists tell me that they make legends out of nothing while we have plenty of ready-made legends and we have to use them.”

### From Vine to Tourist

Kezeli and other wine specialists are hoping to capture a growing interest among wine lovers: traveling in pursuit of new vintages and unique tastes.

A USAID Economic Prosperity Initiative (EPI) report on tourism development noted that wine tourism is “expanding in most major wine

growing regions” – a trend that has made billions of dollars for the wine industry across the globe, from the United States to New Zealand.

The Wine Institute, a California-based organization dedicated to the state’s wine industry, reported that 20.7 million tourists visited vineyards and wineries in California last year, spending \$2.1 billion.

New Zealand has experienced a similar boom: the number of international tourists traveling to vineyards increased from 126.9 thousand in 2003 to 177.7 thousand in 2008.

Working with EPI, the Georgian Wine Association together with Georgian wine producers and tourism agencies has created a strategy to duplicate that success in Georgia. In June a group traveled to wineries in the United States to experience the industry first hand; they returned with an action plan to make wine tourism a reality at home. The trip was funded by the US Department of Commerce and ►►





In May the government hosted a wine tasting event in Tsinandali

► USAID, and organized by AmCham Georgia. A wine tasting for Georgian wines in New York to showcase local vintages was sponsored by American Friends of Georgia and AmCham.

Topping the list is the need to

educate foreigners (and Georgians) about the country's "hidden treasure" of wine.

Ia Tabagari, president of the Association of Georgian Incoming Tour Operators, is working with the

Georgian National Tourism Agency to create a database of Kvevri wineries as well as universal standards for wine producers who use the technique.

Kezeli said a Kvevri Symposium is planned for September – an event that will bring elite wine connoisseurs and writers to Georgia. There are also plans to support (and promote) Georgia's unique tradition of producing wine in monasteries.

"Some famous wine experts and writers discover absolutely unbelievable things when they come here," she said, adding they are "astounded" by the country's rich wine history and art.

"We have to make this Kvevri Symposium an annual event to raise awareness of our country and make it a wine tourism destination."

Legeron's show has already made an impact, noted Tabagari, who is also the head of Caucasus Travel. She said 60 British wine experts are planning to visit Georgia in September – a trip planned after they watched the Travel Channel show.

Legeron said Georgia has "untapped potential" to develop wine tourism at home, especially if infrastructure to promote Kvevri wine is developed.

"I know foreigners will be very interested to discover this tradition. I have had great feedback from people who watched the show and their response was unanimous. Everyone who has seen the show wants to come and visit Georgia," she said.

"Once people have been to Georgia, they will then seek to buy the wine in their home countries. This opens up markets for wine growers. Developing wine tourism is a sure way to build a customer base outside of Georgia." ■





## Poaching on Business: Hunters track a new market and better regulations

Hunting tours, hunting farms, hunting restaurants and hunting stores. Georgia has a long tradition of hunting – and the potential to develop a rich niche market for local and foreign hunters if it can find a balance between protecting its natural resources and promoting them.

MAIA EDILASHVILI

**B**eer, poems and folklore are dedicated to hunting in Georgia – a rural survival skill that has evolved into a booming business in Tbilisi.

Shops dedicated to selling guns and hunting apparel dot the city.

Sales at Denti, a hunting store in Tbilisi, peak in August during the weeks preceding the autumn hunting season. Paata Museridze, the owner, said they sell twice as many guns in August than during the rest of the year, when sales average at 20-30 a month.

This can be a good business as hunt-

ing clothing and paraphernalia, from guns to boots to dogs, is expensive – guns range from 800 to 5000 lari, and hunting clothes can be just as expensive. But hunting entrepreneurs believe hunting tourism could be even bigger.

Ramaz Chadashvili, a long-time hunter, senses that there is untapped business potential in the Georgians' love of hunting.

This summer he opened a hunting restaurant, Nabuli, in Tbilisi's Saburtalo district. At Nabuli, hunters wear their passion on their sleeve. Hand-carved hunting scenes adorn the fireplace while hunting-themed paintings and deer horns hang from the walls. ►►

- “Hunting tourism development needs special infrastructure and our restaurant is part of that,” he said. “Such restaurants are a commonplace in the West.”

Chadashvili hopes the restaurant, which boasts an exotic menu – including roast pheasant – will become a hang-out for hunters and gourmards, and the base for more hunting-related businesses.

“We’ll cooperate with the tour agencies to attract foreigners; in the future we may even acquire license for a [hunting] farm...” he said. Expansion plans also include opening shops in popular tourist areas such as Svaneti, Signaghi and Batumi.

Ivris Chalebi (Iori Groves) is part of the Kazbegi Business Group and in 2006 opened a lodge which allows hunting, investing half a million lari in the business. The farm has 1,530 hectares in the Kakheti region – Sagarejo, Signaghi and Dedoplistskaro, where along with fishing, the hunting of wild boar, pheasant, partridge, various species of duck and goose is permitted as well as of fox, wolf, jackal, hare and badger.

Hunting farms must pay a hunting fee to the state. For killing a wild boar the

fee is 100 lari, while killing a hare costs 2 lari and for a pheasant the fee is 15 lari.

Ivris Chalebi consultant Gia Asatiani believes hosting groups of foreign ‘hunting tourists’ is a natural extension of their business, although at the moment he admits that few guests come for hunting alone.

On the crossroads of one of the largest bird migration paths in the world, Georgia is a paradise for bird hunting, particularly quail and pheasant.

Bear and rabbit hunting is also popular: Georgians have been hunting bears for centuries, especially in the mountainous regions.

### Fight against poachers

The appearance of new hunting-themed businesses is a sign of optimism for the industry. However, a potentially crippling mixture of poachers, high prices and environmental concerns threaten to stunt growth even as local entrepreneurs pursue foreign hunters and tourist groups.

Government figures show a slight increase in poaching this year: 133 cases were registered from January to May

compared to 124 last year.

Dalis Mta (Dali Mountain) hunting farm in Kakheti is home to 132 bird species, 31 varieties of reptile, 25 types of mammals and three species of amphibian. Poachers have wrecked havoc on the farm, noted director Beka Gonashvili. “We just had to give up this business,” he said.

By law in Georgia hunting is allowed only on specially allocated areas such as hunting farms and only at certain times of the year on those species which are not on the verge of extinction but many hunters and environmentalists don’t believe the system is working.

### Government response

There are plans to help hunting farms develop – a move the government and conservationists believe will help business and the wildlife.

The Ministry of Energy and National Resources plans to issue farms licenses of longer validity and allow them to develop farms on bigger areas. However, officials told Investor.ge there are no plans to increase the fines or punishments for poaching. ■

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From MTV to folklore, wrestling to gourmet cooking, festivals, conventions and concerts are an effective way to attract tourists and their pocket books. But planning and promotion are key to translating events into revenue.

**P**op star Enrique Iglesias rocked Batumi to MTV fame on August 2, a concert that reportedly attracted several thousand fans and generated thousands of lari in revenue for local hotels and restaurants.

The MTV event was the latest in a long series of concerts choreographed to bring international fame – and its lucrative sidekick tourism – to Batumi. In the month leading up to the Iglesias concert, Batumi hosted Chris Botte, Sting, Macy Gray, and a score of jazz musicians.

### **MICE means money**

The music is nice, the publicity – a welcome change from conflict-driven

headlines. But the flashy lights and sounds of MTV mean much more: concerts are one part of a lucrative formula that turns tourism into a heavy hitter for local business and economies.

Last year, meetings (and other events, like concerts, conventions, and exhibitions) brought a cool \$106 billion to the US GDP, according to a 2011 report published by the Convention Industry Council – making it the tenth largest industry in the United States.

The findings in Canada are similar: a report issued last year found that meetings and event-type tourism led to \$32.2 billion in domestic spending, and \$11.3 billion to the country's GDP.

Meetings, Incentives, Conferences, Exhibitions or, for industry insiders, MICE, is a type of tourism packaged as destination travel that could be pure gold for Georgia, local tourism industry specialists believe.

Events, like conferences and festivals, could help Batumi reinvent itself from a summer beach resort to a

year-round city destination, noted Vaja Diasamidze, the acting head of the department of tourism in Adjara.

“All spring, we need some festivals, famous singers, to bring more tourists and to give tourists more attractive activities [to come],” he said in an interview before the summer season.

Folk festivals, Turkish pop stars, and conferences – like the annual Batumi Expo – are all geared to bring tourists during the off season.

Maia Sidamonidze, the head of the Georgian National Tourism Agency (GNTA), stressed that MICE tourism could be a vehicle to promote tourism outside of the traditional resort spots – like Batumi – and into the regions.

“MICE tourism in general, meetings, concerts, events and all kinds of festivals, I would say these are a priority for us. First of all to promote Georgia as a tourism destination but also it is quite interesting market for us because we think it has potential,” she said.

GNTA has paired up with USAID's ►►

**The May “Vine to Wine” event in Kakheti brought wine experts from around the world.**





- Economic Prosperity Initiative to develop MICE tourism in Georgia. The agency is preparing a catalogue of potential MICE venues around the country, and an action plan to develop more infrastructure and promotion.

### Promotion: the key to success

Fashion shows, wine conferences, tasting exhibitions, and folklore festivals could provide a steady stream of visitors, noted Ia Tabagari, president of the Association of Georgian Incoming Tour Operators, if they are properly promoted.

In July, there was no information available about upcoming concerts or festivals at the main tourism center in Tbilisi. The lack of information is frustrating for tour operators like Tabagari.

Festivals and concerts “attract tourists,” she said, but only if tour operators know about them in advance.

She added that sometimes tour operators only find out about festivals in

Svaneti or other popular tourism destinations a day or two before the event.

“[I]f something happens we are always trying to [bring tourists] but it is very hard to get information about when it happens. If we know it, we try to bring tourists there,” Tabagari said.

Sidamonidze stressed that the GNTA is publishing a quarterly calendar of events, although sometimes festivals and regional celebrations are planned too late to be included. In addition, the agency’s website is only partially operating due to a rebranding program.

The key to cultivating interest is to create annual events, noted Natia Cholokashvili, a founder of Smart Pencils, a PR and Event-management company based in Tbilisi.

Cholokashvili and her team have brought guests from around the world to fashion shows and a wine tasting event in Georgia.

“If there will be many interesting

events, many festivals, it can give support to Georgia to attract many tourists,” she said.

“So I think it should be done annually, like wine. I think it will be great if it is every year to attract people.”

Events like the Jazz Festival and the native folk art Artgene Festival, have attracted a following among tourists.

Mikheil Giorgadze, the director of Eastern Promotions – the company that produces the annual jazz concerts, said tour operators from Israel and other countries contact him through Facebook to arrange trips around the concert dates.

“Both the number of people increase from year to year and the number of foreigners. This year we have direct bookings from tourism agencies, asking for arrangements for people in Israel, Armenia, Azerbaijan, Ukraine, and Baltic States,” he said.

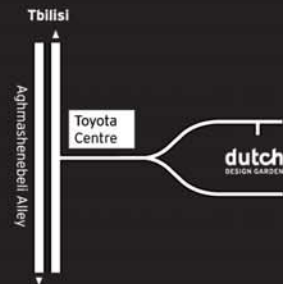
“They came to us. This makes us happy because they came to us.” ■



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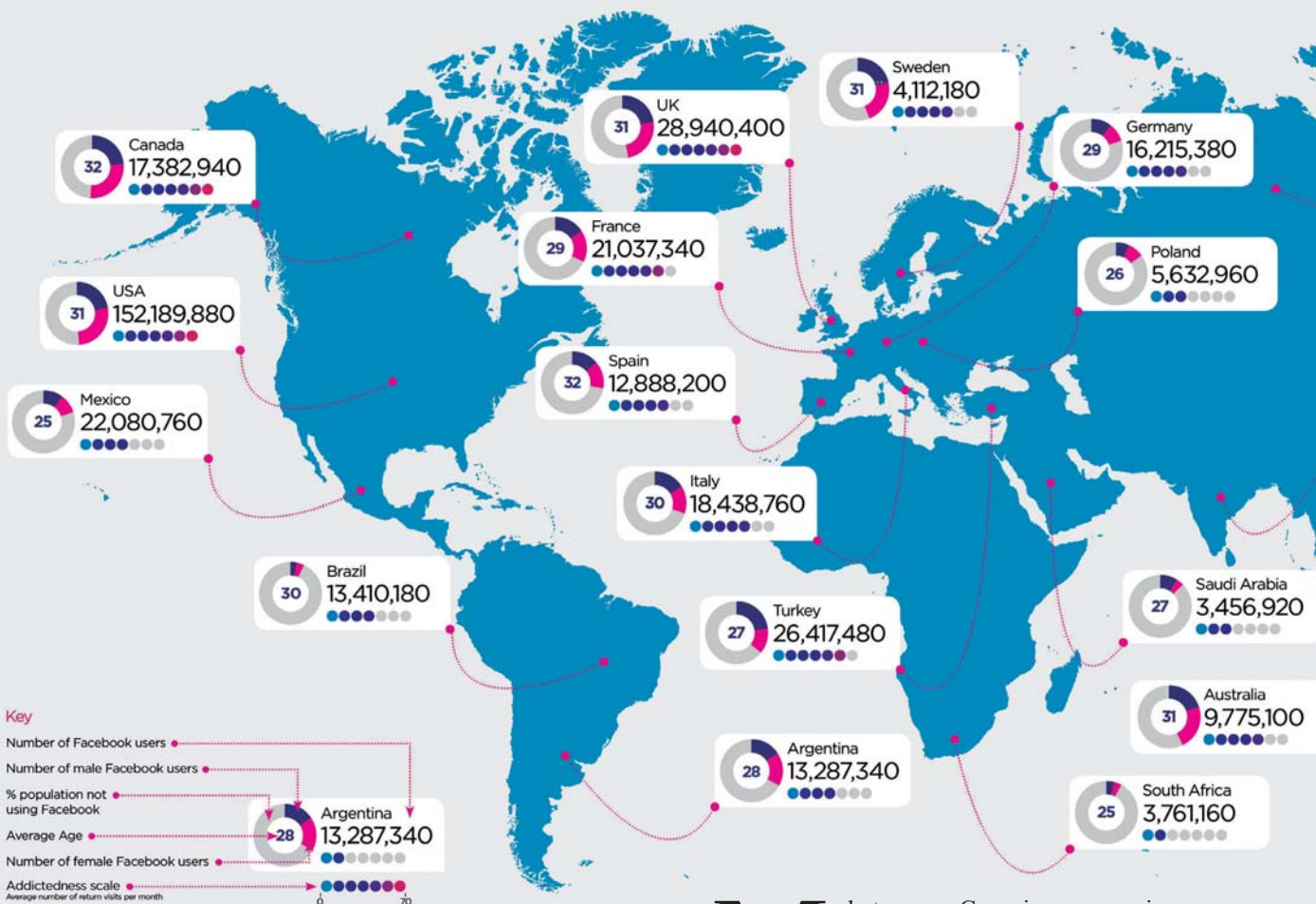
# Creating a Brand: Competition has sparked innovation in marketing



## GLOBAL FACEBOOK USAGE

Version 1.0  
April 2011

Facebook and other types of social media are transforming how Georgian companies brand their products and communicate with consumers. Companies are also increasingly aiming to produce highly localized brands by highlighting their connection to the country with the use of Georgian celebrities and traditional Georgian themes.



Facebook users in Georgia have increased to approximately 640 thousand this year. Map courtesy of [www.icrossing.co.uk](http://www.icrossing.co.uk)

Market savvy Georgian companies are building brands – and brand loyalty – as market competition grows.

New advertising campaigns, corporate logos, product placement and sponsored television shows are pushing marketing strategies into popular culture.

Bank of Georgia is at the frontier of the push,



using Georgia's popular Nichieri (Talent) show to promote name recognition, and playing up features on its Facebook site to engage clients.

A new advertising campaign for the bank's exclusive deal with American Express uses Georgian faces to popularize the global brand.

The plan to go local came from the bank, noted Alexander Katsman, when they realized Georgians were disconnected from the product.

Although it took a lot of effort to convince American Express to give them the green light, the marketing strategy

al platform before and we saw that people were a little bit lost with the brand and the connection was not strong," he said.

"We need a strong connection between the brand and the customers."

Creating a connection is the cornerstone of Bank of Georgia's new branding efforts – and a driving trend for big companies in competitive sectors, according to Elena Gordeeva, the program director at NIMA marketing school in Tbilisi.

Branding, Katsman commented, is more "customer-centric" than marketing since it seeks to "create... a promise and to build around that promise."

"... finally what are we trying to do? – we are creating some set of values and ideas so that people will love to be engaged with us and become the fans and the advocates for our brand," Katsman explained.

Gordeeva said that while the art of marketing is still developing in Georgia, Bank of Georgia is not the only company looking to build a brand in the Georgian market. Telecom carriers like Magticom, Geocell and Beeline are using colors, prime time ads and television personalities to push their products.

Competition is driving the race for innovative branding strategies for mobile phone operators as well, noted Magticom's Chief Marketing Officer, Irakli Lobzhanidze.

"Enormous" competition within the telecoms industry – where three operators are "pushing" for customers and new clients – is driving marketing departments to use branding to create loyalty, he said.

"When we have a huge variety of products on the market and when the supply is higher than the demand and the consumer has to choose between two identical products, then branding matters," Lobzhanidze explained, adding that selling a simple message that strikes

the right note with clients about quality, price and service is key.

Magticom has invested in its local branding story: a local company built by Georgians who invested in building a strong Georgia.

In addition to stressing the quality of its services, Lobzhanidze said focusing on its local roots is a core part of the company's strategy.

"Our slogan is "We are doing Georgian [business], we are doing it for Georgia," he said.

"That is our attitude and our company strategy. For Georgians it is important to realize that this company is doing something for this country and it is not just a team that generates revenues."

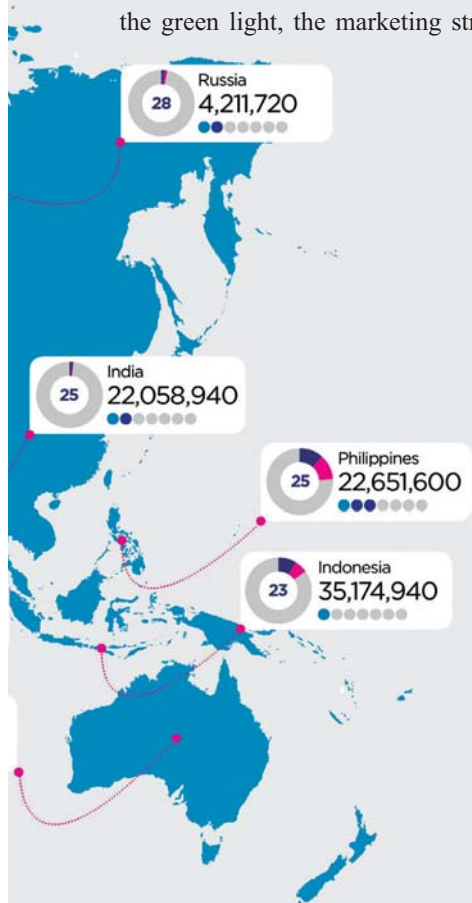
Geocell, a competitor, is also focused on building its customer base.

Geocell enjoys one of the highest loyalty rates in Georgia: in 2010 Extended Performance Satisfaction Index scores for Geocell and Lailai (a service provided by the company) were nearly 90 percent -- Geocell 89.5 and LaiLai 87.9. Loyalty ratings were also high, Geocell 93.8 and LaiLai 93.3.

A rebranding campaign has been very successful: Geocell has also been branding itself aggressively. The company adopted a new purple colour in a wave of advertisements in 2009, blanketing the market to the extent that everything purple now seems connected to Geocell.

A long and successful partnerships with Georgian actor Duta Skhirtladze also stimulated the company to stay engaged with consumers and promote consumer loyalty.

Facebook and social media are also a major focus for Katsman and his team as they seek to build the bank's brand. By using Bank of Georgia's fb profile to engage with potential clients, they give people a chance to comment on services and expectations.



has been a success: Georgians began connecting with American Express and the product took off.

Katsman, the bank's chief branding officer, started the strategy a year ago when he moved to Bank of Georgia from Sarke, a local advertising agency.

"We launched this brand on the glob-



- At Bank of Georgia, Katsman and his team seek to build the bank's brand by using Bank of Georgia's Facebook profile to engage with potential clients by giving people a chance to comment on services and expectations.

Irina Sak, CEO of Publicis Hepta's Caucasus office, noted that Georgia is one of the "fastest growing" Facebook users in the world. Socialbakers, a site dedicated to statistics on social media, reported that the number of Georgians using Facebook grew from 480 thousand in January to 641.6 thousand in July – nearly 15 percent of the population and over 49 percent of the country's online population.

This makes the social networking site a "fantastic tool" for marketing – if marketing departments know how to use it – skills Georgian companies are still developing.

Lobzhanidze said social media is part of Magticom's marketing strategy, but a relatively small part. In his opinion television is still the most effective way to reach the biggest share of Georgian consumers.

Marketing departments however, are increasingly using social media to gauge the success of television advertising campaigns.

Katsman said the dialogue and chat platforms on Facebook help Georgians feel included in the product and the process of doing business – which is vital for building relationships with future clients.

"We are not just trying to sell the product to them, we try to improve the product and make the services better – we ask people and we consider their opinion," he said.

"We have pushed the boundaries in terms of communication because I think the end result of that is that people themselves feel a part of the big game and an important part of it."

## Case: Nescafe "Coffee World" Romania

A case study provided by Publicis Hepta

### Background:

- As the leader of the soluble coffee market, NESCAFÉ is perceived as the most innovative brand, covering various consumer needs and coming up with new products and solutions. Nevertheless, it also has to overcome the misconceptions Romanians have that soluble coffee is not 100% natural (like roasted and ground coffee) nor does it have any health benefits
- The approach is 360, but in addition to using the traditional channels Zenith Optimedia innovatively also activated the digital marketplace since 40% of potential NESCAFÉ consumers search the Internet daily on health-related subjects

### The Insight:

- The idea was to create a virtual branded coffee plantation, where each subscriber had to complete the actual production process to get a great tasting mug of NESCAFÉ.

### The Solution:

- A NESCAFÉ branded online game platform was created.
- The incentive to play was a chance to win a Fiat Punto (as the major prize) & 2 NESCAFÉ Dolce Gusto beverage systems.
- Social media was used to gather a community of players.
- To get "coffee money" players would have to get as many people as possible to visit their game plantation; more people = more game money.
- Therefore each plantation owner would promote his page link to all his friends, their visits allowing the owners to develop further.

### Results (in 2 months):

- 5,170,798 unique users (out of 10 million unique users in Romania)
- 15,956,563 visits
- 155,689 active accounts
- Almost 1 million virtual NESCAFÉ mugs were created

### Business objective achieved:

- Increase soluble cup share by changing consumer misconceptions regarding soluble coffee.

### Communication objective achieved:

- Increase the percentage of total coffee consumers that view NESCAFÉ as being 100% natural.





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# The power of the tried and tested brand







News, analysis and  
comment from the  
**Financial Times**

NATASHA CULZAC AND ALICE ROSS

**F**und managers are continuing to seek out the most popular brands in emerging markets, to benefit from higher consumer spending and higher standards of corporate governance.

Many believe companies with internationally recognised brands, which can allow them to charge higher prices and sell products as status symbols, now make the ideal shareholding.

“Brand value is often very intangible - it is driven by how it makes consumers feel, or how they want to be perceived, and that is something you want to maintain and grow,” says Matthew Vaight, head of global equities at M&G. “The power of the brand is such that people pay a premium for it.”

Some fund managers believe that western brands are a better choice

in emerging markets - rather than domestic equivalents - due to their perceived superior value and status. This is particularly evident in the luxury goods sector. With Chinese millionaires outnumbering those in the UK or France, according to a recent report by Capgemini and Merrill Lynch, emerging markets have become a key regions for sales of premium product lines.

Scilla Huang Sun, manager of the Julius Baer luxury brands fund, says that top-end western products have huge appeal in emerging markets - and the most sought-after brands are made in Europe.

“Brand is so key,” she says. “Companies have to manage the positioning of brands in the markets carefully as it is the brand that has pricing power.”

High-end fashion sales are booming, with Tiffany, Burberry and Hermès enjoying strong results recently, due in part to their exposure to emerging markets. This week, LVMH, maker of the popular Louis Vuitton bags, issued results for the first half of the year showing revenues up 13 per cent year-on-year.

Ben Cook of Dominion Funds focuses on other forms of “luxury” spending - casinos in Macao, private education in China, and demand among the Chinese for expensive mountain bikes. But not all successful brands are in the luxury sector. Paint and toothpaste attract loyal consumers, too, according to Vaight.

He has invested in Finnish paint company Tikkurila, which operates in eastern Europe and recently met Indian distributors Berger Paints - both have large domestic market shares due to their consistent quality and marketing.

Colgate is also now a global brand,

with nearly a 50 per cent share of the toothpaste market worldwide.

However, there is one major risk when investing in brands: if anything happens to sully the brand’s reputation, its pricing power and share price can be damaged irreparably.

“If you tarnish your brand, it’s hard to get it back,” says Vaight. He points to a number of domestic Chinese companies that have recently suffered health and safety scares - such as shampoo company Bawang, whose shares fell from more than HK\$6 to HK\$1.3 last year. After a slump in value like that, Vaight says it is difficult to build a brand up again.

So, as companies enter emerging markets, the ability to understand customer attitudes is crucial. Some brands have failed to do this.

Hyundai, for example, had to adapt its cars to the Chinese market by putting more chrome on them - in order to meet what Vaight calls an appetite for “bling”.

Peter Kirkman, portfolio manager of the JPM Global Consumer Trends Fund says: “Many western brands fail in emerging markets because they fail to adapt to local tastes and preferences.” He points to US electrical goods retailer Best Buy. It pulled out of China this year after finding Chinese consumers are less likely to value its customer service and warranties.

It is not all one-way traffic, though. Fund managers are also trying to spot quality local brands with the potential to go global. For example, Snow Beer, a Chinese brand, is now the largest beer company in the world by volume, while Samsung is the second largest handset maker after Nokia. According to Kirkman, most of China’s other domestic brands are yet to realise their potential.



# sochi 2014

## Winter Olympics: Sochi boosts infrastructure to prepare for the Games

**FT**

News, analysis and  
comment from the  
**Financial Times**

COURTNEY WEAVER

**W**hen Sochi won its bid to host the 2014 Winter Olympics four years ago, Alexei Khurban, the city's deputy mayor, likened the night to a new birthday for the city; and so in a sense it was.

Once a Soviet-era resort with little infrastructure, Sochi is now in the process of being transformed into what the Kremlin views as a 21st-century city.

A single road running the length of

the city is being replaced with highways, roadways and roundabouts, while high-speed train lines will connect Sochi to neighbouring cities in the Krasnodar region and facilitate transport between the coast and the mountains where the Olympic skiing and snowboarding events will be held.

With fewer than 1,000 days to go before the Games begin, Russia is scrambling to pull off what even the president of the Olympics organising committee concedes is one of the most ambitious projects in the world.

Sceptics will be watching to see whether the country can host the Games on time, on budget and without too much evidence of corruption.

But the legacy of the Games will be just as big a test.

Following the closing ceremony, Russia must prove it can orchestrate an event of that size again with the Fifa World Cup in 2018, and replicate the successful aspects of Sochi's infrastructure overhaul across the entire country.

"There are so many things happening, not only in the region, but on the national level ... that would never happen if Sochi didn't host the games," says Dmitry Chernyshenko, president and chief executive of Sochi 2014, the Games' organising committee.

"The state leaders consider the big social and sport events as catalysts to accelerate the process of redeveloping the country's environment and the economy," says Mr Chernyshenko. Sochi, he adds, is meant to be a "model city" for Russia.





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► The task of getting Sochi ready for the Olympics is not a small one. The second-longest urban area in the world after Los Angeles, until recently it had just one road running the length of it, causing traffic jams when trucks transporting construction materials began to clog up the street.

By the end of the year, the committee hopes to complete the partially open Adler ring road, a freeway that will provide an additional route for travelling from the airport to the city centre.

Sochi residents say they are excited about the new road opening but bemoan the traffic conditions they have endured over the past three years, with some complaining that their average commute times have increased from 20 minutes to an hour and a half.

Dmitry Kaptsov, a local resident and vice-co-ordinator for Environmental Watch in the North Caucasus, an advocacy group, says he knows the traffic problem is only temporary, but that he and neighbours worry about what the city will become after the Olympics.

"The traffic problem they'll fix first, because of its effect on the Olympic site,"

he says. "But all the remaining problems: the trash, the polluted sea, won't be solved. And they won't be resolved, because the cost of fixing them could be as much as the cost of the entire Olympics."

Mr Chernyshenko admits that environmental standards for the project were not at the highest global level, mainly because the standards in Russia had been so low. "We had to create our own standards," he says. Now, thanks to foreign consultants, the situation has much improved, he insists. "Things are really getting better."

He believes the Games will provide the impetus to raise environmental standards across the country, while simultaneously providing residents with better infrastructure and higher living conditions.

"We are redeveloping the entire region. This is not just infrastructure for the competition. This is roads, power stations, sewage works. It will mean a better living standard for the people who live there," he says.

Meanwhile, the World Cup will extend what is happening at Sochi to the national level, he says. "Thanks to the

preparation for the World Cup, high-speed train connections will be built for the majority of cities with 1m people or more. That's the most tangible legacy of the Fifa cup: it will bring our regions closer to each other," he says.

For residents of Sochi, however, it is sometimes hard to believe the legacy of both events will actually be worth it, especially given the number of corruption allegations surrounding construction tenders, and the cost of certain projects.

Alik Le, a local activist, says he has been disappointed by the disregard for people's livelihoods in the course of preparations. He is one of dozens of residents who have been moved from their homes to make way for the Games, and, by his account, not properly compensated.

"The government names its price and you don't have the right to dispute it," he says.

While he wants to believe that the Winter Olympics will provide the type of legacy Mr Chernyshenko describes, he has his doubts. "It is so much money," he says. "And then in a matter of days it is all over." ■




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# Poland begins term as EU president

tide of Euroscepticism, which has accompanied a debt crisis that has threatened the single currency and shaken the bloc's confidence.

"I think we should fight that and argue against that," Mr Tusk told reporters in Warsaw. "I think it's quite an exciting task to persuade others that the EU is a great thing - that it's the best place on earth where you can be born and live your life."

Although the institution is less powerful than before the passage of the Lisbon treaty, Poland's turn at the head of the bloc's six-month rotating presidency is an opportunity to highlight an EU success story at a time of general gloom.

"There are large expectations for the Polish presidency," said Jerzy Buzek, the Polish head of the European Parliament. "There is a feeling that we can breathe in a new spirit, something that today's Europe really needs."

With €67bn in structural funds during the current seven-year budget cycle, Poland is the largest beneficiary of EU largesse. The money has gone for a nationwide effort to catch up to western Europe after decades of backwardness caused by the war and communist dictatorship. Flying into Warsaw from the west, one sees a remarkable sight of an earthen slash cutting across the green countryside - the location of a future east-west highway paid for in part by the EU.

Those funds, as well as billions more spent on Polish farmers, have made the EU enormously popular in Poland, which joined the EU in 2004, and are a factor in the country's strong economic growth - expected to come in at more than 4 per cent this year.

Poland's presidency began

with ceremony and symbolism: the European anthem played in parliament, where Bronislaw Komorowski, the president, noted that Poland takes over exactly 20 years after the dissolution of the Warsaw Pact, marking the end of its time as a Soviet satellite.

"The Polish presidency is a good time to consider how much the EU has given Europe, and how much we Europeans can join in its further development," said Mr Komorowski.

Although Poland is hoping to push priorities such as improving the EU's ties with former Soviet countries such as Ukraine, opening membership talks with Serbia and finalising Croatia's accession to the Union, Mr Tusk recognises that the Greek crisis is likely to dominate the country's presidency, and repeated a call for fellow leaders to resist populist pressures and support Athens.

"We cannot cheat ourselves: if we provide assistance, let's say to Greeks, under the conditions that will cause them not to be able to pay back the loan, it's not assistance at all," Mr Tusk said.

He also urged a "quick conclusion" to troubled negotiations between member states and the European Parliament on a package of fiscal rules intended to prevent the debt build-ups that precipitated the crisis. Another big priority for the Poles will be leading discussion on a nearly €1,000bn budget plan that the European Commission, the EU's executive arm, published this week. Poland, as the largest recipient, has an enormous stake in a generous budget, but will have to tread delicately with net payers such as Germany and the UK.

(c) 2011 The Financial Times Ltd.



JAN CIENSKI AND JOSHUA CHAFFIN  
IN WARSAW

Poland began its first European Union presidency with a promise from Donald Tusk, prime minister, to lead a "no taboos" discussion about the bloc's next long-term budget.

Mr Tusk, noting the EU's overwhelming popularity in his nation, also pledged to confront a rising

# Emerging market investors cast wider net



News, analysis and  
comment from the  
**Financial Times**

RUTH SULLIVAN

**E**merging markets have become such a strong focus for fund managers that the topic enjoyed a whole day to itself at the recent Fund Forum conference in Monaco. Those attending heard that interest has widened, both in geographical and asset class terms, but were warned not to expect outsized returns.

Investors are increasingly pinning their hopes on emerging markets as developed countries grapple with debt problems and flat economies. But they are looking beyond the Brics (Brazil, Russia, India and China

Unlike earlier years they are broadening their horizons, no longer focusing on just a handful of large emerging markets such as Brazil, Russia, India and China [Brics], but diversifying to a wider mix of smaller countries, including frontier markets, according to the industry at the Fund Forum conference in Monaco two weeks ago.

“Diversification is crucial in emerging markets,” says Slim Feriani, chief executive and chief investment officer

at Advance Emerging Capital, which invests 80 per cent of the \$850m assets under management in emerging markets and the rest in frontiers. “The emerging market story is not just about China, Asia or Brics but about an investable universe of roughly 25 countries - deemed emerging by index providers - and another 50 countries called frontier markets,” he adds.

While China has “taken the spotlight and put emerging markets on the global map over the past decade”, he believes the best investment opportunities are currently in countries benefiting from China and Asian growth such as resource rich countries like Brazil, Russia and Africa, particularly Nigeria, and parts of the Middle East such as Qatar.

Cheap valuations are attractive, say asset managers. Mr Feriani maintains frontier markets offer “compelling value and are among the cheapest global asset classes”. They are under researched and lacking in aggregate data which provides “plenty of valuation anomalies to exploit for those doing their homework”, he points out.

Qatar is trading at a trailing price/earnings ratio of 13.5 times and Nigeria a trailing 13.7 times, says Mr Feriani. He also believes valuations in Turkey, a trailing 10.9 times price/earnings are compelling, particularly as the country has good fundamentals. He also likes Russia which, although not a frontier

market, trades at a trailing price/earnings ratio of 7.5 times. “Yet these countries do not get the positive coverage that China or Asia get”, he adds. In comparison the MSCI World index is a trailing price/earnings ratio of 14.5 times.

Mr Feriani believes the risk/reward trade off in Nigeria, Qatar, Russia and Turkey is “worth it at this stage”. At current levels of valuation a significant part of the risk is priced in. This is particularly visible in the case of Russia, he adds.

Mark Mobius, chairman of Templeton’s Emerging Markets Group, is also keen on Russia. It offers the cheapest prices as “people are so negative on the country that stocks are cheap,” he says. Unlike many investors who worry about political risk, governance and the country’s heavy reliance on natural resources, he believes Russia is “going the right way”.

He also has large exposure to China where he likes local telecommunication companies and consumer stocks when the price is right but is keen to broaden the gamete of Templeton’s Frontier Market Fund, which has \$1bn of assets under management. He is currently looking at markets such as Laos, Cambodia and Vietnam, which he believes are “feeling their way towards a market economy”.

More exotic frontier markets such as Mongolia are moving into the frame. Hong Kong based Quam Asset Management, recently launched the Silkroad







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- Mongolia Fund, focusing on the country's commodity-driven growth and local currency.

Factors such as rapid economic growth, driven by the rise of middle class consumers, and lower debt levels than those in developed economies are also catching investor interest. Public and private sector debt levels compared to reserves in regions such as the Middle East and Africa are far healthier than in Europe or the US, according to the IMF.

Asset managers recommend an early entry into a range of smaller emerging markets, while prices are cheap but investors could be in for a long wait before they reap any gains. The MSCI Frontier Market index has underperformed the MSCI Bric index by more than 70 per cent since March 2009, when global equities rallied after the financial crisis.

Traditionally investors have gained exposure to emerging markets largely through equities but are looking at other asset classes such as currency and local currency debt.

"If you go into countries like Ghana and Nigeria you can get double digit returns in local currency terms. But choose

your countries carefully and on the credit side look at companies with good balance sheets and solid management. Look at the fundamentals," says Zin Bakkali, chief executive of Silk Invest, an emerging market specialist.

According to EPFR Global, the fund data provider, local currency emerging market bond funds have attracted twice as much new money as their dollar counterparts in the second quarter of the year. While emerging markets dollar bond funds took in a net \$3.63bn, local currency ones attracted more than \$8bn.

Accumulative monthly institutional flows for emerging market local currency bond funds from the end of 2005 to the year to date are \$30bn. So what accounts for the interest?

"EM local currency debt offers something for the yield hungry, a hedge against long-term dollar weakness and, if you believe emerging markets are largely on top of inflation and interest rates will start to come down in the first half of next year, it still offers some value," says Cameron Brandt, research director at EPFR.

However the question of just how

much further emerging markets will go before blowing up continues to be a concern. Opinions vary. Mr Mobius discounts a bubble in the short term because new money in initial public offerings in Asia is boosting the region. In 2010, \$450bn poured into the region's companies, surpassing the US, effectively banishing any spectre of a bubble for now, he says.

China is leading the recovery of the global economy, says Linda Yueh, an economist and director of the China Growth Centre at Oxford University but if it wants "to sustain its place and secure another golden era of growth it will have to open its economy," she adds.

She is cautious on the risks of investing in a country "where so much reform is needed. "Go in a bit at a time," she says.

Rick Lacaille, global chief investment officer at State Street Global Advisors is equally cautious about the wider emerging market scene. "Don't expect too much and have overblown expectations of returns but there is still a case for emerging market currencies, such as renminbi denominated products," he says. ■



# Georgia's Quest for Modern Hospitals, One Bed at a Time

Private investment in new hospitals is spurring the government's plans to modernize the country's crumbling medical infrastructure.

Investor.ge is starting a new series of sector overviews to provide background, summaries and analysis of priority industries for investors in the Georgian economy. This is the final article in a series dedicated to the health industry. For more information please contact Molly Corso - [m.corso@amcham.ge](mailto:m.corso@amcham.ge).

MONICA ELLENA

Just as Rome wasn't built in a day, the transition of healthcare from the cradle-to-grave assistance of Soviet times into a private business has taken Georgia well over a decade.

In 2006 the then State Reform Minister Kakha Bendukidze said that turning the healthcare industry over to the private sector would lead to increased competition, increased patient choice and ultimately the

provision of higher quality services.

Today his plans are slowly becoming a reality as private companies invest in the government's hospital privatization program.

As the private insurance program is well under the way, increasing the efficiency of the hospital network remains another challenge the government faces.

According to official data, between 2000 and 2009 the number of hospitals increased from 229 to 241, but the



- ▶ number of beds decreased sharply from 21,200 to 13,600. Of these, only 30% are in use and in addition most of the facilities are in dire need of renovation and technological upgrade.

The process of outsourcing the job to the private sector will bring around 8,000 beds into private hands: so far investors have completed 1,600 and a further 5,600 are expected by the end of 2013. The task is to improve the efficiency of bed-use: not more beds, but beds more utilized. It is believed the number of beds will actually decline further, to around 10,000.

The policy has also helped improve access to healthcare, noted Patricio Marquez (Washington-based) Lead Health Specialist for Europe and Central Asia region for the World Bank.

The government's cooperation with insurance companies has helped to insure over one million families, he noted – now the focus should be on access to healthcare facilities.

“Efforts are needed in the future to improve the stewardship capacity of the government in the healthcare sector, particularly to ensure that people enrolled under health insurance arrangements receive quality health services, and to facilitate access to quality essential drugs,” Marquez wrote in an email interview.

### **100 New Hospitals; maybe more.**

Early in 2007 the government launched a nationwide ‘100 New Hospitals’ program to transfer ownership of hospital sector restructuring; the final goal: transfer of ownership of all state-owned, privately administered hospitals in the country to the private sector by means of direct sale. That is, adding the healthcare

system to the vast privatization program.

However, not all has gone according to plan. First the financial crisis and then the war with Russia led original investors to default on promises and in mid-2010 the government revised the plan.

Private insurance companies are now engaged in hospital reconstruction and rehabilitation.

Currently 114 hospitals with 5,235 beds are being constructed or rehabilitated – 23 with state budget, 91 with private investment. The latter includes both insurance companies such as GPI, Imedi International and Aldagi BCI and non-insurance investors such as Block Georgia and Ihope.

“Hospitals are scheduled to open towards the end of 2013,” explains director of the Curatio International Foundation Dr. Giorgi Gotsadze, “my assessment is that the project is currently on track and being closely monitored, almost on a weekly basis, by the Ministry of Health. It seems promising although the final outcome yet remains to be seen.”

Putting the development of the hospital sector in private hands definitely seems to be the way forward to alleviate pressure on the state budget. Still, money is not the only problem.

“Georgia spends 10% of its GDP on healthcare, a high figure relative to its economic development,” explains Gotsadze. “The issue is the inefficiency in the system due to weak and outdated hospitals and their management, along with oversupply of doctors and undersupply of nurses.”

Opportunities for investors are multiple: bringing in Western-style management and know-how

to improve efficiency; establishing training schools for nurses; introducing new technology for clinical quality management like telemedicine for the network of hospitals and digital imaging so remote locations can improve the quality of diagnostics.

“What we need the most is know-how.”

### **Going private**

Investors have seen the potential of a market to be built almost from scratch. Modern facilities with state-of-the-art medical technology have been built across the region. As the 100 hospitals program fell through, the government modified and invited insurance companies to bid to build additional medical facilities. Georgian Prime Minister Nika Gilauri, illustrating the process in a Parliament hearing explained for example that having IMEDI win the tender in Telavi, Akhmeta and Kvareli regions, the company would insure all vulnerable people living there and, at the same time, it would be responsible for building a 70-bed hospital in Telavi, a 15-bed one in Akhmeta and a 15-bed hospital in Kvareli.

International organizations have also been ready to support the sector's modernization. The World Bank's Health Sector Development Project, due to end in December 2011, has been injecting \$28 million into the system to improve the coverage, the use and the quality of healthcare facilities, along with strengthening the government's stewardship function in the system. The results are tangible: 103 primary healthcare facilities in mountain areas of Imereti, Adjara and Shida Kartli have been rehabilitated, equipped and staffed with trained personnel; 30% of the population are



now covered with re-trained family medicine providers (compared to 0.6% at the beginning of the project); 72% of the rural population has access to a primary health clinic within 30 minutes of transportation/walking and the immunization rate of DPT3 (three doses of diphtheria, pertussis and tetanus, which the World Health Organization uses as a common measure of the availability of health services) increased by 20% to reach 98% in 2009.

“Possibilities for investors are vast,” says Thomas Lubeck, Director of the International Finance Corporation (IFC) for the South Caucasus. In June

IFC, part of the World Bank Group, announced its first-ever financing of a health insurance program: a \$3 million investment in equity in Archimedes Health Developments to help expand access to health insurance and health services in Georgia and other emerging markets in Eastern Europe and Central Asia. IFC’s investment, along with \$2 million additional financing from Archimedes Global will enable the new company to establish health clinics (two are currently being built in Tsoniri and Lagodekhi). Cyprus-based Yaron Inbar, AG’s Managing Director, declined to comment on the agreement to Investor.ge.

“Health insurance is not the only area investors can look at,” explains Lubeck. “Establishing clinics is another. In addition, facilities need to be managed and that requires highly skilled competencies. Management is another possible area.”

Examples are out there. In March, the Washington-based American Hospital Management Company (AHMC) announced it will manage the Tbilisi State Medical University High Technology Medical Center. George Ingorokva, the facility’s principal investor, stated that the highly trained staff needed “a new philosophy and new management model”. ■

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## Zviad Tsikolia: Georgian industrial designer crafts images for international brands

Georgian industrial designer Zviad Tsikolia has left his mark on designs for Bugatti, Castel beer, Khvanchkara wine and Georgia's latest military hardware. Investor. ge spoke to him about his work and how it feels to see his impact on cars, planes and other consumer goods.

MAIA EDILASHVILI

Over the past 21 years, Zviad Tsikolia's signature designs have left his mark on consumer items on everything from luxury cars and watches to hot dog stands and military hardware.

His signature style was immortalized in 2006, when a Bugatti car he designed was displayed at the Concorso d'Eleganza Villa d'Este, a prestigious motor industry competition.

Once a senior designer with Design Club International - a Japanese company, Tsikolia has also exhibited his work at motor shows in Frankfurt and Geneva.

A graduate of Tbilisi State Academy of Fine Arts, Tsikolia said finding cli-

ents – foreign or local – has never been a problem.

He has found success at home, as well. During this year's May 26 Independence Day parade; the military unveiled its new Didgori armored vehicle, designed by Tsikolia.

The vehicle is named after a pivotal battle in the 12th century when Davit the Builder recaptured Tbilisi and made the city the royal capital. But his real passion however, is packaging.

Tsikolia Design R&D Ltd. has been credited for revolutionizing glass bottle design in Georgia. He has designed bottles for 3D beer, Herzog beer, Castel beer, Argo beer, Khvanchkara wine and Likani mineral water, among others.

Packaging – a second skin for mar-

keting in Europe and the United States – is still not prioritized in Georgia, Tsikolia noted.

Designs for labeling, bottling and packaging Georgia products are starting to take off, but industrial design is lagging behind, he added.

"The development of industrial design is associated with industrial development, which is still a new process here. Since we have wine and soft drinks, packaging design – labels, postcards, etc. are necessary and thus the graphic design has succeeded more or less."

"If our businessmen were aware of how important design is to the company's profits... Georgia's industrial design would not be so archaic looking," Tsikolia noted.





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The first large scale Tbilisi Charity Gala Burns Supper raised enough funds to equip a small computer room, provide internet connectivity and maintenance funding to get the IT education ball rolling for the small multipurpose youth activity center in Shaumiani founded by CHCA (Charity Humanitarian Centre "Abkhazeti"). The program has made a difference in the children's lives but more work is needed to make it sustainable.



# Success in Shaumiani: Funds from Burns Supper Finance IT Education for IDPs

JEFFERSON SOMMERS II, AN  
EDUCATION PEACE CORPS  
VOLUNTEER (2009-2011) WORKING  
IN MARNEULI

For children ripped from their homes and relocated following the 2008 August conflict, the Shaumiani CHCA center is a safe haven for activities like computer classes.

Demand for these classes comes from the community. IDPs in Shaumiani, like those in other IDP communities, have difficulties reconnecting with their roots, finding jobs and in general adapting to their situation. This stems from the psychological impact of conflict and relocation, geographical isolation, a general lack of, or disconnect from resources and financial instability. The settlement's youth loiter on the streets and when asked what their goals and aspirations are, some of them don't know – or tell you honestly that they don't have any.

With cooperation and teamwork, a dedicated team from the Burns Supper was able to secure computers – donated

by UNICEF – and use the funds raised at the event to purchase other equipment for the children to use.

Together with the know-how and equipment installation by staff from KPMG Georgia, and working with local community members a computer room, complete with Internet access, was set up. Finally, Fiona Coxshall, organizer of the annual Burns Supper, recruited me to teach the IT course.

Through observation I found that most of the students at the settlement are in an education gap, unable to demonstrate educational competencies expected and exhibited in traditional Georgian schools.

In addition, Shaumiani is historically an ethnically Armenian village, making it difficult for students to interact with the local community. The relocated town citizens also have to deal with numerous other basic needs issues like poor water quality/access, intermittent electricity supply, unemployment and poor nutrition.

The primary fundamental elements of

the classes I taught included: keyboarding, basic navigation of MS Windows Operating System, word processing through MS Word, creating presentations through PowerPoint and an introduction to the writing process. However, through the IT classes I also tried to help build self-esteem and develop critical thinking skills.

With a starting total of thirty youth from ages 10 to 25, the highest impact was observed in the 10 – 17 age group. Aside from the handful of students who were comfortable with mouse-controlled computer games, most of the children had little to no familiarity with computers or how they function.

But after three months, students made amazing progress and 11 were awarded certificates and a flash drive. Being held to objective standards, students were stretched beyond their comfort zones: some of the introverted youngsters opened up and every one of the students walked away with a better comprehension of computers – some were able to go from knowing nothing at all about computers to writing page-long compositions or creating detailed and coherent PowerPoint presentations.

In order for this project to be sustainable, the work needs to continue. It may not be the easiest path to take, but the youth really thrive from interactive lessons where they can learn and practice something new together with a patient teacher.

This year Peace Corps celebrates their 50th anniversary internationally and their 10th anniversary working in Georgia.





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## Welcome, John Ashworth

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## Batu Kutelia: Untapped potential for trade between US and Georgia



Trade talks between Washington and Tbilisi can be a good “mechanism” for strengthening business ties between the two countries, noted Georgia’s former Ambassador to the US Batu Kutelia.

Kutelia addressed AmCham members following the traditional briefing by US Ambassador in Georgia John R Bass at Sheraton Metechi Palace hotel on July 27. Kutelia, now serving as the deputy head of the National Security Council of Georgia, said sector-specific business summits, company database and more education on financing mechanisms could bolster business relations between

the US and Georgia. Ambassador Bass spoke about the latest round of talks for the US-Georgia Security Charter, as well as the recent arrest of four photographers on espionage charges. The ambassador also introduced John Ashworth, new Deputy Chief of Political & Economic Affairs at the embassy.

Allen Gilstrap, MobiPay Chief Executive Officer, OpenRevolution Georgia JSC, spoke about MobiPay’s expansion in Georgia and internationally. Currently, 15 percent of Tbilisians are MobiPay clients - taking advantage of ability to pay bills, pay for goods and transfer phone credit using a mobile phone.

The company plans to double its staff to 300 by the end of the year, and is expanding Georgian operations to the regions, including Telavi and Batumi. It is also expanding to Poland and Ukraine.

Other announcements included SEACOR Response, which introduced its new name..

## MobiPay Invests: Preview of October IT report

Over the course of seven months, MobiPay has become one of the fastest growing payment platforms in the country. Using software developed in Georgia, the company has created a “mobile wallet” that over 110 thousand customers, and 1800 merchants where the system is used. Allen Gilstrap, MobiPay Chief Executive Officer at OpenRevolution Georgia, believes Georgia is an ideal location to headquarter an IT business.

In 2009, when the company decided to come to Georgia, they selected the country from a list of over 50 possible destinations. The pro-business environ-

ment, employable population and strong mobile networks all contributed to their decision to choose Georgia as their regional headquarters.

“[The] complete absence of business corruption, fervency of the government to promote foreign investment – Georgia has a fantastic future in front of it,” he said, noting that MobiPay’s success is an example for other IT companies.

“[W]e are a poster child for what we think they wanted to do.”

For more information on IT investment – and a longer interview with Mr. Gilstrap, please read the October issue.

## The Economist’s Conference In Tbilisi: “Georgia Has Very Strong Potential...In Tourism “

The Economist’s Conference in Tbilisi panelist Arild Hovland, the senior vice president of business development at Rezidor believes Georgia’s tourism sector will be “a major factor” for the economy.

Radisson Blu Iveria and Radisson Blu Batumi are part of the Rezidor Hotel Group. Hovland said the group was eager to “get a foothold” in the Georgian market.

He will be speaking about opportunities and challenges in the Georgian tourism sector during the November 17 conference in Tbilisi.

The number of tourists coming to Georgia has increased from two million in 2009 to three million last year.

“Tourism will be a major factor for Georgia but it also needs to develop other trade and business,” Hovland said, noting that the hospitality business is “operating in a tough competitive environment,” but there is expectation for continued growth.

“For the medium and long term our outlook is very positive as Georgia has very strong potential especially in tourism having such a rich & unique culture.”

## Welcome John Ashworth and new Political/Economic Team!

AmCham Georgia welcomes the U.S. Embassy’s new staff in the Political and Economic Department. A brief interview with John Ashworth will be published in the October issue of Investor.ge.

# Regular Meetings with Revenue Service Improve Customs Climate

Better communication with the Revenue Service (RS) is helping businesses tackle customs issues. AmCham's Trade and Transportation Committee has taken the lead in utilizing the new relationship between business and government as a platform for helping member companies work better.

Monthly meetings with department heads at the Revenue Service (RS) – and bi-monthly meetings with Jaba Ebanoidze, the head of the service – are producing concrete results for AmCham members.

The RS's willingness to discuss – and deal – with problems and concerns is a real change that is welcome for business, noted John Braeckveldt, the head of AmCham's Trade and Transportation committee.

“AmCham trade and transportation

committee has been trying to get this result for years,” he said. “With the new head of the Revenue Service [Ebanoidze] and the appointment of a business ombudsman, the change is obvious: it is very clear that government heard the businesses' requests for more attention.”

The Chamber's Trade and Transportation Committee has initiated discussions with decision makers at the service on a variety of obstacles that have hurt businesses involved with customs and trade in Georgia. Topping the list has been basic improvements, like allowing AmCham to review planned changes to the tax/customs code before they are submitted to the ministry and parliament. In addition, there are plans to launch a email dialogue platform with a guaranteed quick response.

With this new approach AmCham

is focusing on providing their members direct contacts with the legislation makers and give direct comments on new changes before they are even implemented in regulation.

Most importantly these meetings are the opportunity for each AmCham member who has an issue with the customs department to join (max. 3 persons per meetings). Also a very important project that was agreed on -- but has not yet started – is the opportunity for any business involved in transport/customs brokerage to send a request to AmCham for customs department training on site at the company.

This is a win-win situation for both business and the RS: business can show firsthand what is not working on the scene and RS can advise business how they can work better.

## AmCham Georgia, RS: A Successful Partnership

### ● **Sample/gifts in shipments**

A decision was made to free samples from customs clearance if not for sale.

### ● **Household goods of investors/ demand for scales for customs store house**

There's a demand of the scales for the customs store house. If the good is meant for transit, re export, the clearance of the household goods will be streamlined. A new nomenclature code regarding these goods is planned.

### ● **Official confirmation that all new regulations/ changes to tax/customs code will be available before RS/MOF send this to minister or parliament**

RS agreed to send all the new amendments and changes/news to AmCham first and give a period of one week for the revision and comments. In case of need, the meeting with the RS Chair and or with the Minister or Prime Minister is Possible.

### ● **Customs to prepare easy how to booklets for customs operations**

Due to the size of the document, a decision was made to link

regulations to the RS website which would direct readers to specific procedures. A small booklet was published.

### ● **Concerning VAT on international transports AmCham will send new draft suggestions for changes to the law and the RS will review them**

A new law about the tax exemption of the cargo customs services is being reviewed in the Parliament of Georgia. The RS noted that when such goods cross the border, a special commodity operation is determined. RS recommended creating a list of the services. Also execution operations connected with import now can be conducted via e-declaration.

### ● **Phytosanitary paper at the border**

AmCham raised the issue related to obtaining the Phytosanitary paper at the border. It was proposed by RS that from now everyone can fill the sheet to get receive a phytosanitary certificate online by using [www.rs.ge](http://www.rs.ge).

### ● **Mobile Payment options for customs duties**

Import payments conducted by Cell Phone is a finance operation, which according to the tax code is free of VAT.



## New Finance Minister Dimitri Gvindadze Meets Members

Newly appointed Minister of Finance of Georgia Dimitri Gvindadze gave an insightful overview of the Georgian economy during the monthly member luncheon on July 15.

According to the rating evaluation of such organizations as the Standard & Poor, Fitch Ratings, and Moody's Inves-

tors Service, Georgia's reform-driven economy has a positive development outlook. Despite serious challenges the country received from the war and the global crisis, the economy has shown resilience with favorable public debt situation. For details please visit:

[www.amcham.ge](http://www.amcham.ge)

## IT and Telecom Committee Met Ministry IT Department Head

On July 8, Wouter Metz, facilitated the discussion about the status of the action points and presented the sheet of Preliminary Consolidation of IT Skill Demand Inventory. The Head of IT and Innovations Department from the Ministry of Economy and Sustainable Development of Georgia made a

presentation about the Governmental plans and actions for the improvement of the Broadband capacity in Georgia; the Power Point presentation was posted on AmCham web site shortly. If any AmCham member wishes to join the monthly committee meetings, please contact Gigi Liliashvili at the AmCham office.

## A Farewell to Deputy Chief of Mission at the US Embassy Kent Logsdon

On June 22, AmCham members gathered at the Tbilisi Marriott Hotel to hear from Deputy Chief of Mission of the US Embassy Kent Logsdon whose term is expiring and who left Georgia a few days ago.

Kent shared memories of his time in Georgia, the he updated members on upcoming Embassy functions, and briefed about recent developments in the country. At the end of his briefing, Kent answered questions from the floor.

## Thomas De Waal Presents Latest Book

On June 30, AmCham members met with Thomas De Waal, author of the recent "Georgia's Choices" book at Betsy's Hotel.

De Waal is an acknowledged expert on the unresolved conflicts of the South Caucasus: Abkhazia, Nagorny Karabakh, and South Ossetia. From 2002 to 2009 he worked as an analyst and project manager on the conflicts in the South Caucasus for the London-based NGOs Conciliation Resources and the Institute for War and Peace Reporting. He is author of the authoritative book on the Karabakh conflict, *Black Garden: Armenia and Azerbaijan Through Peace and War*, which has been translated into Armenian, Azeri, and Russian. His latest book is *The Caucasus: An Introduction* (Oxford University Press, 2010).

## The America - Georgia Business Council's 14th Annual Conference

October 25, 2011  
Courtyard Marriott Hotel  
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# Deloitte.

## Club Prestige Platinum and Club Prestige Gold for the Euro 2012

UEFA EURO 2012 – is the last European football championship with 16 teams playing in the final round. Ukraine and Poland will host the tournament from 8 June until 1 July 2012. It will be the third tournament in the history of the European national football championships with two countries acting as the hosts.

The UEFA EURO 2012 Club Prestige Program has been drawn up for representatives from top companies to provide them with the exclusive opportunity to join the most prestigious football events.

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Club Prestige gives business representatives the right to attend the most exclusive and prestigious football matches. Deloitte will endeavor to assist companies and organizations as they take advantage of the opportunity that EURO 2012 opens up to them by joining Club Prestige.

### Why Deloitte?

Deloitte, an international consulting firm, has been appointed as authorized sales consultant and will assist UEFA with the worldwide sale of EURO 2012 Club Prestige packages. According to the agreement with UEFA, Deloitte will provide consulting services regarding the purchase of the hospitality packages.

Deloitte places special emphasis on sports business services, serving clubs, leagues, regulating authorities and companies that build sporting facilities as well as sporting event organizers.

### The costs and benefits

The cost of the Golden Package varies between 2,900 euros for the group matches (admission to three matches) and 10,950 euros for the final matches in Kyiv and Warsaw (admission to three group matches, the quarter-final and the final). It is also possible to buy a package that includes admission to all matches in one of the hosting countries, including the final in Ukraine, totaling 23,900 euros. The cost of the Club Prestige Platinum Package varies between 5,200 euros and 18,900 euros. Companies will receive top-category seats for their employees and partners, excellent food, special entertainment programs before and after matches and many more exciting offers.





**HBSS**  
Corporate A

Hall Booth Smith & Slover is a full-service and diverse law firm with eight regional offices in Georgia, Tennessee and South Carolina. HBSS is engaged in advising and facilitating foreign investment in Georgia, as well as providing legal services to Georgian and US companies concerning legal matters within the jurisdiction of the US.

[www.hbss.net](http://www.hbss.net)



**CH2M**

As a global leader in consulting, design, design-build, operations, and program management, CH2M HILL has the human and technical resources, the international footprint, and the depth of know-how and experience to help clients achieve success in any corner of the world.

[www.ch2m.com](http://www.ch2m.com)



**IOLI**  
**Supermarket Ltd**  
Corporate B Member

Established in February 2009, Ioli is one of the leading Georgian retail trade companies that is growing very quickly. Coverage area so far is Tbilisi only but in the near future the company is planning to increase its retail chain up to 25 stores, to attract additional investments for developing the retail chain and a central warehouse.

[www.gastronomia.ge](http://www.gastronomia.ge)



**Gvinadze & Partners LLC**

Gvinadze & Partners is a Georgian business law firm. With its predecessor firms – Georgian Consulting Group (GCG Law Office), Ernst & Young Legal (EY Law Georgia), Gvinadze & Partners and then most recently DLA Piper Gvinadze & Partners, it has over 15 years of successful history of serving and promoting inward investment in Georgia.

[www.gvinadzeandpartners.ge](http://www.gvinadzeandpartners.ge)



**LPA Legal Partners**  
Associated LLC

Legal Partners Associated - LPA LLC is a full-service law firm providing legal advice and counseling in broad aspects of business and financial transactions, corporate, civil and administrative law.

[www.lpa.ge](http://www.lpa.ge)

NEW MEMBERS

## GOVERNMENT ADDRESSES

Investor.ge is publishing a list of government addresses and contacts as a reference. If there are other government agencies or state organizations you are looking for and cannot find, please let us know: [editor@amcham.ge](mailto:editor@amcham.ge).

### State Minister for European and Euro-Atlantic Integration, Vice Prime Minister GIORGIO BARAMIDZE

[www.eu-nato.gov.ge](http://www.eu-nato.gov.ge)  
7 Ingorokva Str. Tel: 93 28 67

### Minister of Regional Development and Infrastructure RAMAZ NIKOLAISHVILI

[www.mrdi.gov.ge](http://www.mrdi.gov.ge)  
12 Al. Kazbegi Ave. Tel: 51 05 91, 51 06 88

### Minister of Finance KAKHA BAINDURASHVILI

[www.mof.ge](http://www.mof.ge)  
16 V. Gorgasali Str. Tel: 26 14 44

### Minister of Education and Science DIMITRI SHASHKIN

[www.mes.gov.ge](http://www.mes.gov.ge)  
52, D. Uznadze Str. Tel: 43 88 19

### Minister of Environmental Protection and Natural Resources GIORGIO KHACHIDZE

[www.moe.gov.ge](http://www.moe.gov.ge)  
6 Gulia Str. Tel: 72 57 00, 72 57 20

### Minister of Economic and Sustainable Development VERA KOBALIA

[www.economy.gov.ge](http://www.economy.gov.ge)  
12 Chanturia Str. Tel: 99 77 77

### Minister of Energy ALEKSANDRE KHETAGURI

[www.minenergy.gov.ge](http://www.minenergy.gov.ge)  
2 Baratashvili Str. Tel: 35 78 00

### Minister of Justice ZURAB ADEISHVILI

[www.justice.gov.ge](http://www.justice.gov.ge)  
24 Gorgasali Str. Tel: 40 52 02

### Minister of Foreign Affairs of Georgia GRIGOL VASHADZE

[www.mfa.gov.ge](http://www.mfa.gov.ge)  
4 Sh. Chitadze Str. Tel: 28 47 47

### Minister of Agriculture BAKUR KVEZERELI

[www.moa.gov.ge](http://www.moa.gov.ge)  
6 Marshal Gelovani Str. Tel: 37 80 13, 37 80 09

### Minister of Labour, Health and Social Affairs ANDRIA URUSHADZE

[www.moh.gov.ge](http://www.moh.gov.ge)  
144 A. Tsereteli Ave. Tel: 36 90 26

# AmCham Company Members as of August 2011

## PATRON MEMBERS

### BP Exploration Georgia

38 Saburtalo St.  
Tel: 2593400; Fax: 2593488  
www.bp.com

### Exxon Azerbaijan Ltd

Landmark Suite 300, 95 Nizami St.,  
Baku, AZ1010 Azerbaijan  
Tel: (994-12) 4982460; Fax: (994-12)  
4982472  
www.exxonmobil.com

### PricewaterhouseCoopers

7 Bambis Rigi St., 0105  
Tel: 2508050; Fax: 2508060  
www.pwc.com/ge

### UGT

17a Chavchavadze Ave., 7th floor  
Tel: 2220211; Fax: 2220206  
www.ugt.ge

## CORPORATE A MEMBERS

### ABRIS Distribution AG.

21 Liublana St.  
Tel: 2527271;  
www.abrisdc.com

### Advanced Engineering Associates Georgia

Apt 3, 20 Kipshidze St., 0162  
Tel: 2913892; Fax: 2252762  
www.aeai.ge

### Alliance Group Holding, JSC

47/57 M. Kostava St., 0179  
Tel: 2424181; Fax: 2998112  
www.agh.ge

### Avon Cosmetics Georgia LLC

117 Tsereteli Ave.,  
Tel: 2226805; Fax: 2226806  
www.avon.com

### F H Bertling Georgia Ltd.

9 Tarkhnishvili St.  
Tel: 2443356; Fax: 2443376  
www.bertling.com

### Betsy's Hotel / Prosperos Books

32/34 Makashvili St. / 34 Rustaveli Ave.  
Tel: 2987624, Fax: 2923592  
www.betsyshotel.com

### Booz Allen Hamilton, Inc.

7 Bambis Rigi St., 0105  
Tel: 2439072; Fax: 2439059  
www.boozallen.com

### British American Tobacco

71 Vazha Pshavela Ave.  
Tel: 2399103/01/02; Fax: 2399104  
www.bat.com

### Catoni & Co. Georgia

3 Lesia Ukrainka St. Apt.7  
Tel: 2989230; Fax: 2922264  
www.hapag-lloyd.com

### Caucasia Trading

5/7 Navtlugi St., Office #1  
Tel: 2277323; Fax: 2277377  
www.caucasiatrading.com

### Caucasus University

77 Kostava St., Bld.6, 4th fl.  
Tel: 2941691; Fax: 2253814  
www.cu.edu.ge

### CH2M Hill

5th Floor, GMT Plaza, Freedom Square  
Tel: 2474040; Fax: 2470210  
www.ch2m.com

### Chartis Europe S.A. Georgia Branch

7 Bambis Rigi St., 0105  
Tel: 2439025;  
Fax: 2439026  
www.chartisinsurance.com

### Chemonics International

6a N. Ramishvili St., 0179  
Tel: 2234311; Fax: 2234309  
www.chemonics.com

### Deloitte

36a, L. Asatiani St., 0105  
Tel: 2244566; Fax: 2244569  
www.deloitte.ge

### Diplomat Georgia

65, Kakheti Highway  
Tel: 2984950  
www.diplomat.ge

### DLA Piper Georgia LP

10 Melikishvili St.  
Tel: 2509300; Fax: 2509301  
www.dlapiper.com

### Ernst & Young

44 Leselidze St.  
Tel: 2439375; Fax: 2439376  
www.ge.ey.com

### Georgian American University

21a Chavchavadze Ave.,  
2d Arch #3  
Tel: 2915003; Fax: 2915004  
www.gau.ge

### Georgian Audit & Consulting Company

47 Kostava St. Suite 29  
Tel: 2984039; Fax: 2438352  
www.gacc.com.ge

### GMT Group

4 Freedom Square  
Tel: 2988988; Fax: 2988910  
www.gmt.ge

### Greco Group

1 Nutsbidze St.  
Tel: 2393138; Fax: 2311107  
www.greco.ge

### GT Group

48 B. Cholokashvili St.  
Tel: 2740740  
www.gtgroup.ge

### Hall, Booth, Smith & Slover, P.C.

41 Vaja Pshavela Ave. 0177  
Tel: 2394417, Fax: 1-404-9545020  
www.hbss.net

### HSBC Bank Georgia JSC

15 Rustaveli Ave.  
Tel: 2177777  
www.hsbc.com

### Iberia Refreshments, JSC

Tetri Khevi Hesi District, Orkhevi  
Tel: 2241091; Fax: 2241090  
www.pepsi.ge

### Imedi L International

20 Chavchavadze Ave.  
Tel: 2223520; Fax: 2293075  
www.imesi-l.com.ge

### KPMG CIS Ltd. Tbilisi Branch

3rd Floor, Besiki Business Center,  
4Besiki St., 0108  
Tel: 2935713; Fax: 2982276  
www.kpmg.ge

### Levon Travel

20 Chavchavadze Ave.  
Tel: 2250010; Fax: 2232399  
www.levontravel.ge

### Maersk Georgia LLC

6 Khetagurov St.  
Tel: 2200800; Fax: 2200815  
www.maerskline.com

### Magticom

5 Politkovskaya St.  
Tel: 2171717; Fax: 2171171  
www.magticom.ge

### Marriott Hotels, Resorts & Suites

13 Rustaveli Ave.  
Tel: 2779200; Fax: 2779210  
www.marriott.com

### Metromedia International Group

8000 Tower Point Dr., Charlotte, NC 28227  
Tel: 2171201; Fax: 2210101  
www.metromedia-group.com

### Microsoft Georgia LLC

6 Marjanishvili St.  
Tel: 2424478  
www.microsoft.com

### Mobipay (OpenRevolution Georgia)

19 T. Abuladze St. 0162  
Tel: 2235403  
www.mobipay.ge

### MSD (Schering Plough Central East AG)

44 K. Abkhazi St. 0105  
Tel: 2438978  
www.merck.com

### Philip Morris

7 Bambis Rigi Str., 0105  
Tel: 2439001; Fax: 2439005  
www.philipmorrisinternational.com

### ProCredit Bank

154 Agmashenebeli Ave.  
Tel: 2202222; Fax: 2202222-2226  
www.procreditbank.ge

### Radisson BLU Iveria Hotel

1 Rose Revolution Sq.  
Tel: 2402200; Fax: 2402201  
www.radissonblu.com

### Salford Georgia

44 Leselidze St.  
Tel: 2505400-03; Fax: 2505406  
www.salford.com.ge

### SEACOR Response

9 Khvichia St. 0160  
Tel: 2244141, 2382825  
www.seacorresponse.com

### SEAF Management LLC

7, Niko Nikoladze St. II Floor.  
Tel: 2998115; Fax: 2923533  
www.seaf.ge

### Sheraton Metechi Palace Hotel

20 Telavi St.  
Tel: 2772020; Fax: 2772120  
www.sheraton.com/tbilisi

### T&K Restaurants (McDonald's Georgia)

1 Dzmebi Kakabadze St.  
Tel: 2921246; Fax: 2251422  
www.mcdonalds.ge

### TBC Group

7 Marjanishvili St.  
Tel: 2272727; Fax: 2228503  
www.tbc.com.ge

### TBSC Consulting

6 Marjanishvili St.  
Tel: 2959019; Fax: 2420215  
www.tbsc.ge

## CORPORATE B MEMBERS

### AGV Czech Republic Ltd

63 Kostava St.  
Tel: 2242559; Fax: 2242549  
www.agv-czech.com

### Aliance Georgia Ltd

33 Samurzakano St.  
Tel: 2243773  
www.groupalliance.com

### Alioni-99 Holding Company

12a Kazbegi Ave., 0160.  
Tel: 2922993; Fax: 2389737  
www.alioni99.ge

### GZ American Academy in Tbilisi

37a Chavchavadze Ave.  
Tel: 2227441; Fax: 2227889  
www.aat.ge

### APM Terminals

52 D. Agmashenebeli St., Poti  
Tel: 493-20660; Fax: 493-20688  
www.apmterminals.com

### Bagebey City Group

49b Chavchavadze Ave.  
Tel: 2913152; Fax: 2290169  
www.bagebeycity.com

### Baker Tilly Georgia Ltd.

Meidan Palace, 44 Kote Abkhazi St.  
Tel: 2505353; Fax: 2505353  
www.bakertillyinternational.com

### Bank of Georgia

3 Pushkin St.  
Tel: 2444134; Fax: 2983269  
www.bog.com.ge



■ **Bank Republic**  
2 Gr. Abashidze St.  
Tel: 2925555; Fax: 2925544  
www.republic.ge

■ **Basis Bank JSC**  
1 Ketevan Tsamebuli Ave.  
Tel: 2922922; Fax: 2986548  
www.basisbank.ge

■ **Batumi Oil Terminal**  
GMT Plaza, 4 Freedom Sq.  
Tel: 2241818; Fax: 2241817  
www.batumiport.com

■ **BDO LLC**  
42 Kazbegi Ave.  
Tel: 2545845; Fax: 2399204  
www.bdo.ge

■ **BG Capital**  
23 Chavchavadze Ave, 3rd fl. 0179  
Tel: 2244687; Fax: 2235804  
www.bgcapiatl.ge

■ **BGI Advisory Services Georgia**  
18 Rustaveli Ave., II fl.  
Tel: 2997292; Fax: 2996615  
www.bgi.ge

■ **BLC Law Office**  
4 Gudlashvili Sq.  
Tel: 2922491; Fax: 2934526  
www.blc.ge

■ **Casino Adjara**  
1, 26 May Sq.  
Tel: 2335519; Fax: 2334520  
www.casinoadjara.com

■ **CaucasTransExpress**  
10a Tashkent St. 0160  
Tel: 2375715  
www.cte.ge

■ **Caucasus Online LLC**  
71 Vaja-Pshavela Ave.  
Tel: 2480048; Fax: 2480048  
www.caucasus.net

■ **Château Mukhrani, J.S.C.**  
III floor, Didube Plaza,  
116 Tsereteli Ave.  
Tel: 2201878; Fax: 2201878;  
www.mukhrani.com

■ **Citadines Apart'Hotel**  
4 Freedom Sq. 0105  
Tel: 2547030; Fax: 2547040  
www.citadines.com/en/georgia/tbilisi/  
freedom\_square.html

■ **Development Solutions LLC**  
37 Rustaveli Ave.  
Tel: 2241555; Fax: 2241552  
www.ds.com.ge

■ **Dika Ltd.**  
40 Rustaveli Ave.  
Tel: 2990994; Fax: 2990994

■ **Donut Stop Cafe**  
10/12 Abashidze St.  
Tel: 2251466; Fax: 2999252

■ **Dutch Design Garden**  
20 km, Agmashenebeli Alley  
Tel: 2530779  
www.dutchdesigngarden.com

■ **Education and Training International Ltd.**  
4 Kuchishvili St.  
Tel: 2250945; Fax: 2250945  
www.educatraining.ge

■ **Geocell**  
3 Gotua St.  
Tel: 2770100, ext. 7435;  
Fax: 2770119  
www.geocell.ge

■ **GeoEngineering LLC**  
15a Tamarashvili St.  
Tel: 2311788; Fax: 2311787  
www.geoengineering.ge

■ **Georgian Airways**  
12 Rustaveli Ave.  
Tel: 2999730; Fax: 2999660  
www.georgian-airways.com

■ **Georgian Lottery Company LLC**  
34 Chavchavadze Ave.  
Tel: 2649649  
www.georgianlottery.com

■ **Globalink Logistics Group**  
14-A Shartava St, 2nd fl, Suite 7  
Tel: 2253262; Fax: 2439002  
www.globalinkllc.com

■ **Goodwill**  
1 Parnavaz Mepe Ave. 0131  
Tel: 2243673; Fax: 2243673  
www.goodwill.ge

■ **Gosselin Georgia**  
3 M/D, Didi Digomi  
Tel: 2596601/02/03; Fax: 2596600  
www.gosselingroup.eu

■ **Gvinadze & Partners LLC**  
44 Leselidze St, Tbilisi 0155  
Tel: 2235683; Fax: 2438971  
www.gvinadzeandpartners.ge

■ **Holiday Inn**  
1, 26 May Sq., 0171  
Tel: 2300099  
www.hi-tbilisi.com

■ **HRG Georgia "Sky Travel LLC"**  
Meidan palace Business Center,  
44 Kote Apkhazi St.  
Tel: 2438958  
www.hrgworldwide.com

■ **IOLI Supermarket**  
13 Abuseridze-Tbeli St.  
Tel: 2745053  
www.gastronomia.ge

■ **Intourist Palace Hotel**  
11 Ninoshvili St., Batumi  
Tel: 422-75525; Fax: 422-76606  
www.intouristpalace.com

■ **Kor-Standard Bank JSC**  
43 Chavchavadze Ave.  
Tel: 2507700; Fax: 2507707

■ **Kutaisi Free Zone, Georgian Int'l Holding Ltd**  
6 Shio Mgvimeli St.  
Tel: 2232997; Fax: 2232997

■ **Legal Partners Associated LLC**  
Office #203, Besiki Business Center,  
4 Besiki St. 0108  
Tel: 2200203; Fax: 2250458  
www.lpa.ge

■ **Liberty Bank JSC**  
74 Chavchavadze Ave.  
Tel: 2555500; Fax: 2912269  
www.libertybank.ge

■ **Madneuli JSC**  
3/5 Kazbegi Street, 0179  
Tel: 2474545, ext. 55  
www.madneuli.ge

■ **Mgaloblishvili, Kipiani, Dzidziguri (MKD) Law Firm**  
24 Suite, IV Floor,  
71 Vaja-Pshavela Ave.  
Tel: 2973880; Fax: 2973884  
www.mkd.ge

■ **Mina JSC**  
4 Besiki St.  
Tel: 2449981/82/83; Fax: 2449980  
www.mina.com.ge

■ **Navigator Ltd Publishing House**  
34 Anton Katalikosi St.  
Tel: 2923615  
www.navigator.ge

■ **New School - Int'l House**  
35 Tskneti Highway, Bagebi  
Tel: 2231728  
www.newschoolgeorgia.com

■ **Oriflame Georgia**  
57 Uznadze St.  
Tel: 2911064; Fax: 2911068  
www.oriflame.ge

■ **Overall Management Group (OMG) Inc.**  
12 M. Javakhishvili St.  
Tel: 2436052; Fax: 2436052

■ **Publicis Hepta**  
17 V. Jorbenadze St.  
Tel: 2745672; Fax: 2745671  
www.publicishepta.com

■ **Rakeen Development LLC**  
2 Baratashvili St. 0105  
Tel: 2933393; Fax: 2933993  
www.rakeen.ge

■ **Rentals Ltd.**  
46 Rustaveli Ave.  
Tel: 2454566  
www.rentals.ge

■ **Rompotol Georgia Ltd.**  
39 Navtlugi St.  
Tel: 2910727; Fax: 2910763  
www.rompotol.com

■ **Silknet Ltd.**  
95 Tsinamdzgvrishvili St.  
Tel: 2910345;  
www.silknet.com

■ **Statoil Azerbaijan AS**  
96 The Landmark Building, Nizami  
Street, Baku AZ 1010.  
Tel: +994 (50) 2168981; Fax: +994  
(12) 4977 340  
www.statoil.com

■ **Tbilisi Airport City**  
7 Bambis Rigi.  
Tel: 8790-185000; Fax: 2439328

■ **Teliani Valley JSC**  
2 Marshal Gelovani Ave.  
Tel: 2313245; Fax: 2313249  
www.telianivalley.com

■ **VD Capital**  
77 Kostava St., 0175  
Tel: 2363672; Fax: 2364302

■ **Wimm-Bill-Dann Georgia Ltd**  
Village Ponichala, Tbilisi 0165  
Tel: 2475290  
www.wbd.ru

■ **Wings and Freeman Capital**  
Green Building, 6, Marjanishvili St.  
Tel: 2940051; Fax: 2940053  
www.wfcapital.ge

■ **Wissol Georgia**  
74b Chavchavadze Ave.  
Tel: 2915315; Fax: 2915615  
www.wissol.ge

## NON PROFIT ORGANIZATIONS

■ **American Friends of Georgia**  
77 Nutsbidze St.  
Tel: 2397174; Fax: 2388495  
www.afgeorgia.org

■ **American Institutes for Research**  
Apt 28, 42 Abashidze St.  
Tel: 2290644; Fax: 2290644  
www.vep.org.ge

■ **East West Management Institute, Inc (EWMI)**  
3rd Floor, 5 Marjanishvili St.  
Tel: 2505404; Fax: 2202441  
www.ewmi-gpac.org

■ **The Eurasia Partnership Foundation**  
29/31/33 Chavchavadze Ave.,  
2nd Floor, 0179  
www.epfound.org

■ **Foundation - Centre for Training and Consultancy**  
34 Al. Kazbegi Ave., Plot #3, 0177  
Tel: 2206774  
www.ctc.org.ge

■ **Georgian Wine Association**  
5 Marjanishvili St.  
Tel: 2505456

■ **International Relief and Development Inc.**  
75 Paliashvili St.  
Tel: 2250106; Fax: 2224837

■ **International School of Economics at TSU**  
16 Zandukeli St.  
Tel: 2507177; Fax: 2984815  
www.iset.ge

■ **QSI International School of Georgia**  
Village Zurgovani, Tbilisi  
Tel: 2537670; Fax: 2322607  
www.qsi.org

■ **The Salvation Army**  
16 Ikalto St.  
Tel: 2333786; Fax: 2330227  
www.salvationarmy.org

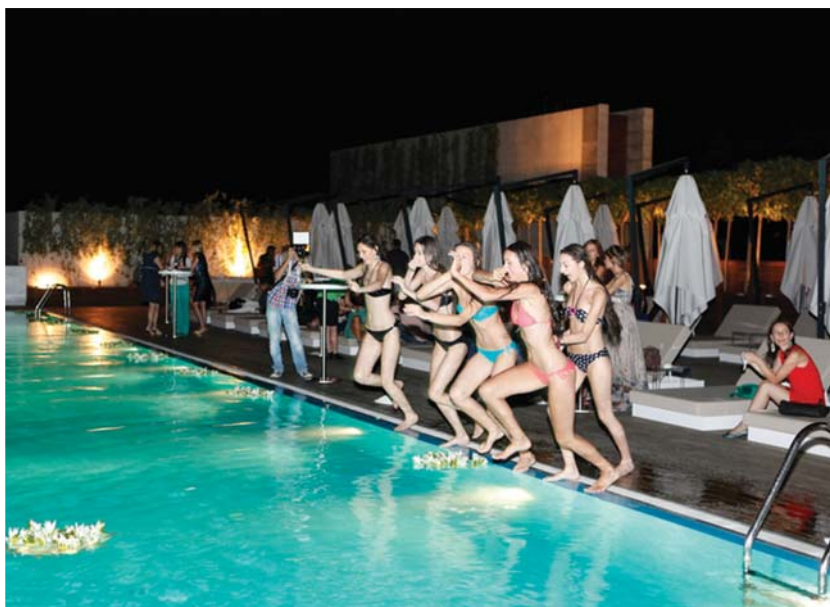
# SOCIAL PAGE

The 15 member Georgian Wine Tourism Delegation traveled to wineries in the United States from May 30 to June 8. The project was initiated by AmCham's Betsy Haskell and included the first official wine tasting of fine Georgian wines in New York City at the Baryshnikov Arts Center on June 2.





# SOCIAL PAGE



Holiday Inn  
baptized its pool  
with a party in  
August

# SOCIAL PAGE

On July 3, AmCham Georgia held its annual American Independence Day Celebration at the U.S. Embassy. A huge thank you to our sponsors!

APM Terminals, BBQ Club, Bertling Project Logistics, Besiki Business Center, Betsy's Hotel, BGI Legal, Booz Allen Hamilton, Borjomi, Caucasia Trading, Courtyard Marriott, Diplomat Georgia, DLA Piper, Goodwill, Gosselin Caucasus & Central Asia, Gvinadze&Partners, Holiday Inn, IMSS, Kor Standard Bank, Maersk Line, Marriott Tbilisi, McDonalds, Natakhtari Beer, Pepsi, ProCredit Bank, Project Finance Advisors, Radisson Blu Iveria, Sheraton Metechi Palace, TBC Bank, Teliani Valley, UGT,Wings & Freeman, and Wissol





# SOCIAL PAGE



# Board Of Directors 2011

## **David Lee, PRESIDENT**

David Lee is the General Director of Magticom, the largest telecommunications operator in Georgia and took up his position March 2004. David is also the Chairman of the Eurasia Partnership Foundation and is a Chartered Accountant with an MBA from Warwick Business School. A Russian speaker, he has worked extensively in the former USSR and served as a Royal Naval Officer for 9 years.



## **Sarah Williamson, First Vice-President**

In Tbilisi since June 1998, Sarah Williamson is the co-owner and Vice President of United Global Technologies (UGT), the largest IT company in Georgia.



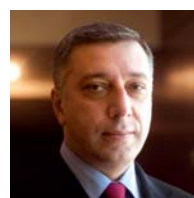
## **R. Michael Cowgill, Vice-President & Treasurer**

In his 12th. year in Georgia, Michael Cowgill is currently the President and co-founder of Georgian American University's business and law schools in Tbilisi, Georgia.



## **Irakli Baidashvili, Director**

Irakli Baidashvili is the Senior Vice President of GMT Group. The company is one of the largest US direct investments in Georgia, the owner of two Marriott hotels, production facility SANTE and several major real estate sites in Tbilisi.



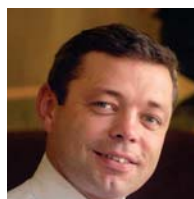
## **John Braeckveldt, Director**

John Braeckveldt arrived in Georgia in 2003 as the General manager for GOSSELIN in the Caucasus region. In recent years John also started up a customs brokerage company, building new European style warehouse in Tbilisi for freight forwarding/storage solutions and customs bonded warehousing for diplomatic goods.



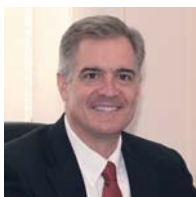
## **Esben Emborg, Director**

Esben Emborg has been in Georgia since 1999. He has worked a General Manager for Caucasus Region for Cadbury Schweppes and Nestle until 2008. Now he is working as Principal Partner for an Investment Fund (SEAF) that is currently managing a 30 mil USD portfolio of investments all over Georgia.



## **Neil Dunn, Director**

Neil Dunn is the general manager of BP Georgia since October 2008. He has 30 years of experience in the oil and gas industry, having various engineering and operations assignments.



## **Badri Japaridze, Director**

Badri Japaridze has been the Deputy Chairman of the Supervisory Board of TBC Bank since 1999 and the Vice-President of Georgian Glass and Mineral Water Co. (GG&MW) since 1995.



## **Steve Johnson, Director**

Steve Johnson is the proprietor of Prospero's Books and the General Manager of The Hotel Betsy. Prospero's Books and Caliban's Coffee House is the leading English language bookstore in Georgia.



## **Ted Jonas, Director**

Ted Jonas is the Managing Partner of DLA Piper's Tbilisi office. He advises clients on international business transactions, energy and infrastructure projects, government relations, and dispute resolution.



## **Ivo Bakhuijzen, Director**

Ivo Bakhuijzen spent 9 years in the military, 5 of which as an officer within the airborne infantry; with missions in the former Yugoslavia and Afghanistan. Ivo has been in Georgia since 2008 as the director of Dutch Design Garden, a sister company of the famous Dutch landscape architect Martin Veltkamp.



## **John Ashworth, Ex-Officio Member**

John Ashworth is the Deputy Chief of Political and Economic Affairs and Senior Economic/Commercial Officer at the U.S. Embassy. He worked previously in Uzbekistan, Barbados, and on the State Department's India Desk in Washington.



## **Betsy Haskell, Founding Advisor**

Betsy Haskell is an 18 year resident of Georgia who started four successful businesses, and is currently developing a resort hotel and villas in the wine country. For the past 15 years, she has been the Georgia Contractor for Metrica, Inc, a US Treasury Department sub-contractor.



## **George Welton, Exec. Director**

George Welton came to Georgia as a university lecturer in 2004. Soon after arriving he started working as a professional researcher and founded GeoWel Research in 2008. His company conducts research and analysis for non-profits like KfW, GIZ, UNDP, DfID, CARE International and some private companies.





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