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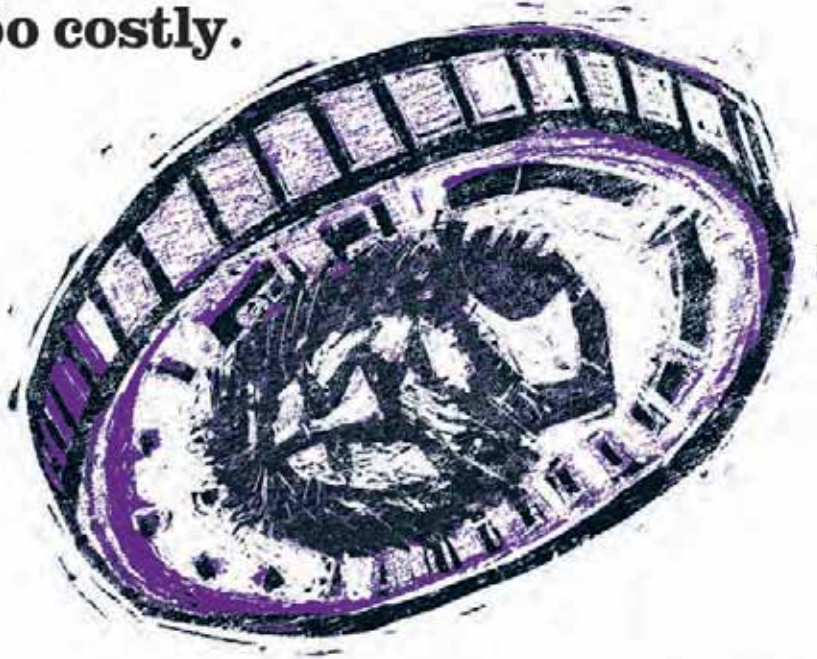


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## Attention News Hounds: TV and Radio News in English

There are several quality news sites online that provide Georgian news in English, Russian, and other languages. But if you crave the news, on radio or television, Investor.ge's Eteri Maisuradze has compiled for you the times, days, and station numbers for radio and television news programs in English.

### Radio:

Gipa Radio, FM 94.3: Starts broadcasting NPR at 6am, with hourly broadcasts until 11 am. From 11am to noon: BBC broadcasting. From noon to 1:00pm: local news.

Radio Maestro, FM 94.7: Five minute English-language news broadcast at 11am, with a second ten minute English-language broadcast at 7pm.

### Television:

Maestro, www.maestro.ge, channel 241 on Silknet. Ten minute English-language broadcast at 7pm.

GEOTV, www.georgianews.ge: online television service, providing English-language news clips throughout the day.

# Investment in Brief



AVTANDIL CHEDIA

## Borjomi Confirms Sale of Shares to Russian Group

"IDS Borjomi" confirmed the 2012 sale of 55.8 percent of the company's shares to the Russian Alfa Group. The remaining 53.2 percent of the company is owned by the Patarkatsishvili family (37.2 percent) and minority stockholders, according to Forbes Magazine.

## Azerbaijani "Pasha Bank" Enters Georgian Market

Pasha Bank plans to create a branch in Georgia, located in Tbilisi. Initial authorized capital for the bank is 35 million lari; while over the next two years the bank plans to have assets worth at least \$60 million.

## IFC Lends \$7 million to Kor Standard Bank for SME Development

IFC will provide a loan of \$7 million to Kor Standard Bank to extend term funding for small and medium enter-

prises, which are often underserved by commercial banks. The funds will help the bank to increase funding to SMEs in order to support growth, job creation, and to increase the competitiveness of the Georgian economy.

## ADB Approves \$50 Million Loan to TBC Bank's Bank Constanta

Funds from the Asian Development Bank (ADB) will be used to finance loans to small- and medium-sized enterprises (SME). In addition to the loan, ADB will provide technical assistance to enhance TBC Bank's service delivery to its rural SME clients. Since 2007, ADB has approved more than \$1.1 billion in financing operations for Georgia, of which \$163 million went towards direct financing of the private sector.

## Metal Factory Planned for Poti

BPI.ge reported that the Eurasian Development Bank, together with Turkish and German investors, is planning to build a \$250 million metal factory in Poti, the Black Sea port city.

## Argo Convention Center to Open on Batumi Mountain in April

The convention center, a \$40 million investment developed by Hestok LLC, will be connected to the city center by a gondola lift. It was built by Austrian company Doppel Meyer and installed by JSC Elektrostroitel.

## British Airlines Leaves Georgia

Trend Agency reported that the airline will fly its final Tbilisi-London-Tbilisi flight on March 29. Airline representatives stated that the flights were unprofitable; British Airlines returned to Georgia in 2012.

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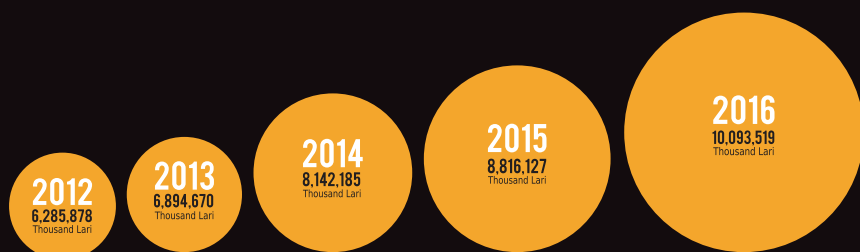
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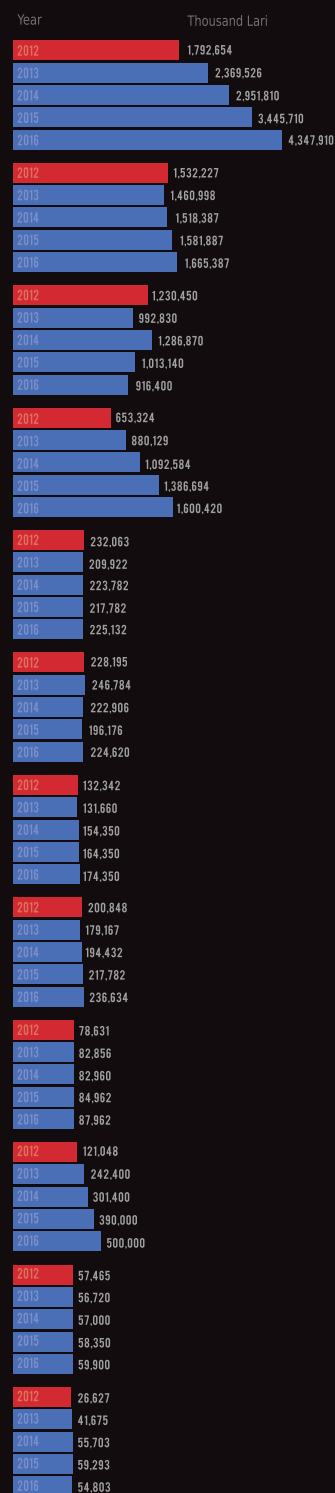
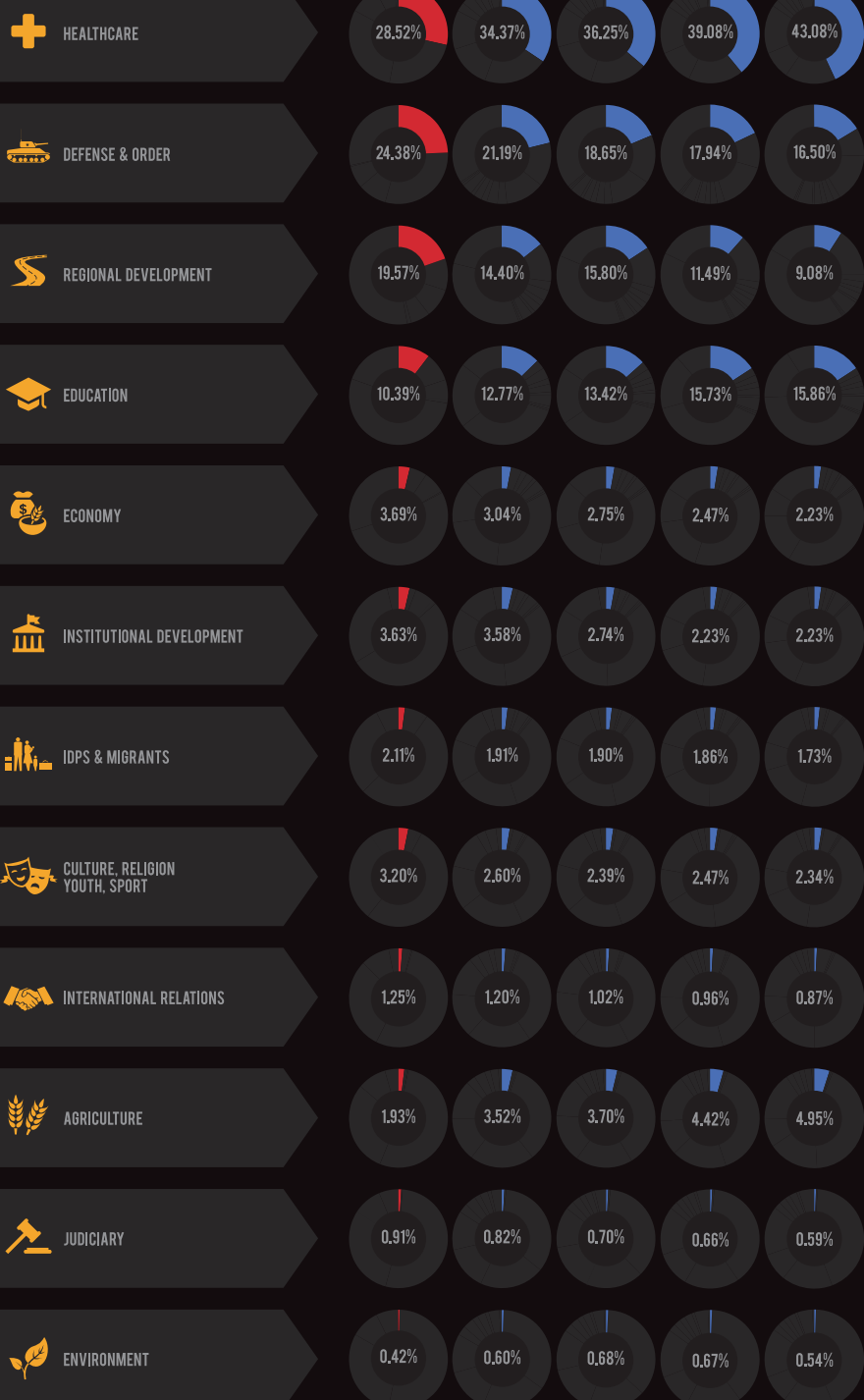
# 2012-2016 GEORGIAN BUDGET BY PRIORITIES



From 2012 to 2016, the Georgian budget will increase by 3.8 billion Lari.

9 priorities will increase in funds. However, 8 priorities will decrease in their overall percent of the total budget.

## 12 BUDGET PRIORITIES



Source: EXPECTED OUTCOME AND INDICATORS OF PROGRAMS COVERED UNDER THE BUDGET (2012 Budget Annex), 2011  
EXPECTED OUTCOME AND INDICATORS OF PROGRAMS COVERED UNDER THE BUDGET (2013-2016), 2012

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# Georgia's New Govt Looks to Press "Reset" in Russia Relations

BNE.EU

**I**n power for just three months, the government of Prime Minister Bidzina Ivanishvili appears to have struck gold in economic relations with Russia: officials in Moscow have tentatively given the green light to resuming Georgian wine and mineral water imports, reopening a major market for Georgian farmers and businesses.

While critics in Tbilisi have slammed the overture as striking a deal with an occupying power, the true test of PM Ivanishvili's Russian gambit will be his ability to balance the country's economic need for its northern neighbour with Moscow's penchant for undermining Georgian sovereignty and its stated goal of moving closer to the EU and Nato.

On February 4, a Georgian delegation is scheduled to meet with Russia's de facto wine tsar, Gennady Onishchenko, head of the Russian state consumer protection agency. Onishchenko famously banned Georgian wine, mineral water and other goods on alleged health concerns in 2006, though it was almost certainly politically motivated, given the deep hatred and mistrust between Vladimir Putin's Kremlin and Georgian President Mikheil Saakashvili.

The February meeting between the new Georgian government and the Russian government, long anticipated by the Georgian media, has been billed as the country's re-entry to the Russian

market – a virtual mecca for Georgian wine producers and mineral water bottlers that has been off limits since the embargo.

## No place to go

For the past six years, Georgian companies have gone to great lengths to circumvent the restrictions, exporting Georgian goods through third countries and even selling controlling shares in some businesses to Russian companies. While Saakashvili and his government tried valiantly to make up for the Russian market during the years following the embargo, it is hard to underestimate its importance to the Georgian economy.

Prior to the embargo, an estimated 75% of all Georgian wine was exported to Russia. In 2007, just a year after the embargo, wine exports reportedly dropped from €59m to just €21m. Over the past six years, exports have slowly increased, nearly doubling to €40m in 2011, but despite opening new markets in China, India, and other countries, the sector has never fully recovered.

In reality, the embargo effect went much deeper than just wine sales: Georgian households around the country suffered from the loss of the Russian market; from the wine-rich regions of Kakheti and Racha, where farmers depend on grape crop sales, to citrus producing regions in western Georgia where families supplemented their income by shipping lemons and nectarines to the Russian market. Those farmers helped secure a victory

for Ivanishvili's Georgian Dream coalition in the 2012 elections, which ran on a platform of relieving poverty in the regions by resuming trade relations with Russia.

In a recent prognosis for Georgia's economic growth in 2013, the International Monetary Fund (IMF) tied Georgia's prospects to its relations with Russia. IMF Representative Azim Sadikov said growth rates could slow to 6% if the country falters under increased political uncertainty and poor relations with Moscow. "There is a real possibility of increased trade with Russia, and new sources of foreign investment," Sadikov said in a January interview with Reuters. "However, if the current uncertainty persists... then growth in Georgia could be lower than we project currently."

In the weeks and months since President Saakashvili and his party were trounced in the October 2012 election, officials in Moscow and Tbilisi have flirted with reconciliation: there have been conferences on trade, new committees formed, even a new Tbilisi office created for a special envoy on Russian relations - the first such step since the two countries severed all diplomatic relations following the August 2008 war.

In January, the countries' leaders were also seen making strides toward better relations. President Putin took time out to meet Patriarch Ilia the Second, the most respected public figure in Georgia, while Prime Minister





Dimitry Medvedev chatted with Ivanishvili during the Davos World Economic Forum in January.

But these overtures have been met with growing skepticism by Saakashvili's party, the now opposition United National Movement (UNM), and its supporters. In a televised debate between Georgian Dream and UNM members of parliament in January, MP Giorgi Gabashvili repeatedly accused Georgian Dream of undermining the country's territorial integrity by seeking relations with Moscow even as Russian troops occupy the separatist regions of Abkhazia and South Ossetia, which Russia declared to be independent nations following its victory in the 2008 war with Georgia.

Amid unconfirmed Russian media reports that Moscow and Tbilisi are discussing Georgia's return to the Commonwealth of Independent States, a union of former Soviet republics that Georgia left in 2009, Saakashvili announced plans to initiate a law to legally tie all future Georgian governments to the country's pro-western political track.

But while Georgian Dream officials have tied closer trade relations with Russia to economic growth, they have repeatedly denied allegations the government is prepared to sacrifice Georgia's pro-Western aspirations over wine and mineral water sales.

The Ministry of Foreign Affairs has strongly denied the Russian reports over CIS talks. "Our foreign policy is towards Europe and the Euro-Atlantic space and we remain committed to this course," First Deputy Foreign Minister Davit Zalkaliani said in comments to the media on January 29. "Our foreign policy priorities remain unchanged; that is full integration into Euro-Atlantic structures."

# Leading GDP Indicator for Georgia

ISET Leading GDP Indicator for Georgia provides current-quarter and one-quarter-ahead GDP forecasts for those who need to make business and policy decisions and cannot wait until the official growth estimates are announced several months later.

### Georgia's GDP growth forecasts continue to decrease

**B**ased on data from November 2012, ISET PI has released its next forecasts for Georgia's real GDP growth rates. The forecast for the last quarter of 2012 dropped further down and the final number stands at 6.2%. This reduction was not, however, enough to change the annual forecast for the whole of 2012, which stays at the level of 7.2%. In the meantime, the forecast for the 1st quarter of 2013 has also been reduced and now stands at 6.2%.

Quickly summarizing last year (2012), we can say that it was a successful year for Georgia in terms of economic growth. The country exceeded the expectations (6.0% annual growth) of the World Bank by maintaining an annual growth rate at nearly the level (7.0%) of 2011. Even if the growth rate of the last quarter of 2012 turns out to be less than the forecasted 6.2%, the annual growth rate level of 2012 will still be close to 7.0%.

At the same time, Georgia bested its neighboring countries. If we look at the table, Georgia's growth rates clearly stand out.

2012 was election year in Georgia and the government changed as a result of those elections. Naturally, these political shocks influenced the performance of the Georgian economy. The pre-election period was characterized by oversized governmental expenses, mainly on road infrastructure, which resulted in large growth rates (varying around 20-25%) in the construction sector. However, there were also high growth rates in sectors like manufacture (around 20%) and financial activity (15%), which indicate sustainable growth.

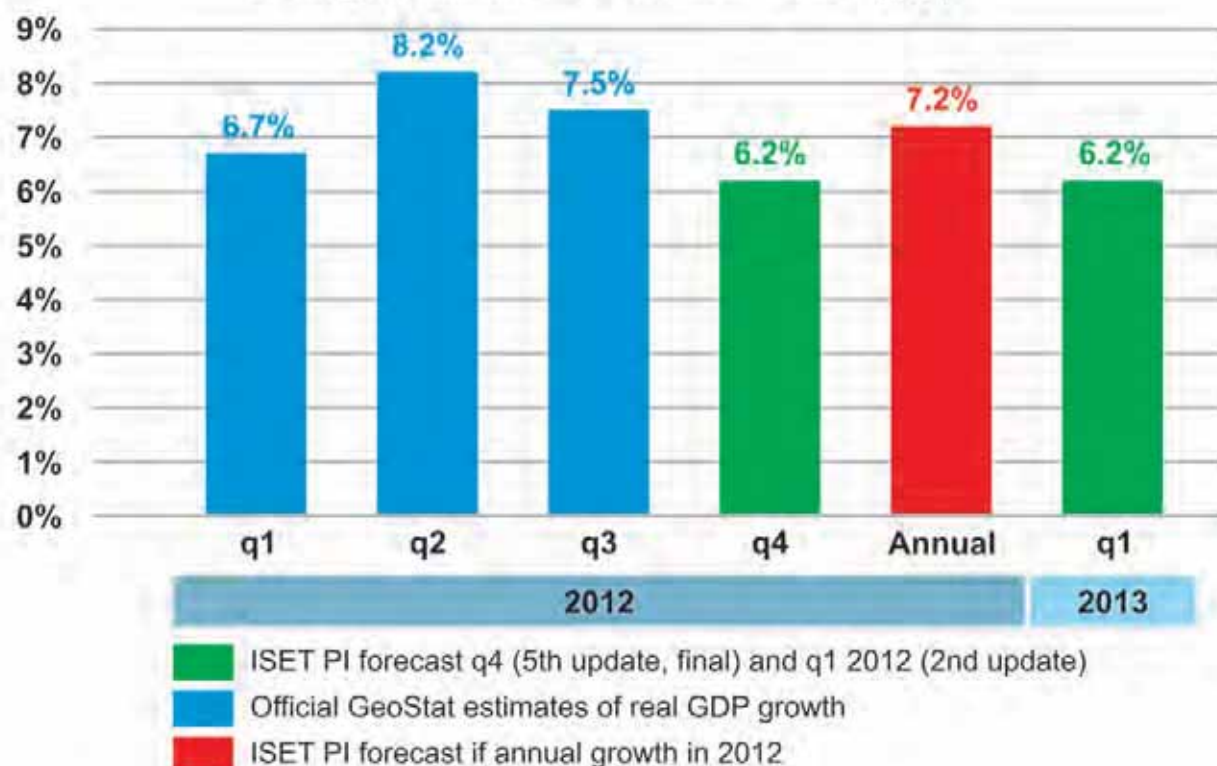
The growth started relatively slowly in the 1st quarter (growth rate 6.7%) and rose to 8.2% in the 2nd quarter.

It went down again in the 3rd quarter, which culminated in the pre-electoral campaign, to stand at 7.5%. However, economic activity also slowed down in the 3rd quarter in the countries neighboring Georgia: Russia's GDP grew only by 2.9% (y-on-y) in the 3rd quarter; the Turkish economy almost did not grow at all in that quarter (a growth rate of only 0.2%), and Ukraine even experienced a drop of 1.3%.

The 4th quarter of 2012 coincided with the post-electoral period and, given the change of government, political uncertainties stemming from the political transition influenced this period. Demand on money, the growth of VAT turnover, and external trade (both imports and exports) decreased during the quarter, which indicates a decline in economic activity. The new government started to decrease governmental expenses, which might slow down economic growth in the short-term. However, this decrease was largely caused by an optimization of governmental expenses and the reduction of "other expenses" by 50%. This will increase the country's fiscal transparency and is good for the future.

Our forecasting model is based on the Leading Economic Indicator (LEI) methodology developed by the New Economic School 2. We constructed a dynamic model of the Georgian economy which assumes that all economic variables, including the GDP itself, are driven by a small number of factors, that can be extracted from the data well before the GDP growth estimates are published. For each quarter, ISET-PI produces five consecutive monthly forecasts ("vintages"), which increase in precision as time goes on. Our first forecast (1st vintage) is available about five months before the end of the quarter in question. The last forecast (5th vintage) is published in the last month of the quarter.

### Georgia, Real GDP Growth Rate, (y/y)



### Georgia and Neighboring Countries: Real GDP Growth in 2012, Projections and Actual Performance

Country	GDP annual growth in 2011	GDP growth in 2012 Q1	GDP growth in 2012 Q2	GDP growth in 2012 Q3	Annual 2012 GDP growth forecast by WB
Georgia	7%	6.7%	8.2%	7.5%	6.0%
Armenia	4.6%	5.6%	6.6%	-	4.1%
Azerbaijan	1%	-	-	-	3.1%
Russian Federation	4.3%	4.9%	4.0%	2.9%	3.8%
Turkey	8.5%	3.3%	2.9%	0.2%	2.9%
Ukraine	5.2%	2.0%	3.0%	-1.3%	2.5%
Developing World	6.1%	-	-	-	5.3%

# Five Questions with...

## MCC's Jim McNicholas

Georgia has become one of the first two countries ever to be approved for a second compact from the Millennium Challenge Corporation (MCC). The first five year compact focused on reducing poverty and stimulating economic growth in rural areas; the second compact will prioritize education and workforce development. Investor.ge spoke with MCC Resident Country Director Jim McNicholas about how the new compact could improve secondary and technical education.

MAIA EDILASHVILI

**Q: Georgia expects to receive \$140 million under the second MCC-Georgia Compact. Which segments will be financed and what were the criteria in selecting the priority areas?**

A: The MCC Board of Directors has selected Georgia as eligible for a second MCC-Georgia Compact, and the Georgian Government has been working in coordination with MCC on the design of an investment proposal that we hope to finalize for presentation to the MCC Board for approval in June, 2013.

Following an analysis of the key barriers to economic growth in Georgia, the proposal focuses on education and workforce development, particularly in areas related to the sciences, technology, engineering, and their related job sectors. The components being developed include investments in general education to improve rural schools and the teacher professional development system; professional education and workforce development; and higher education programs.

**Q: What are the challenges in Georgia's professional education system, and do you see the potential to overcome them?**

A: Georgia has chosen to align its professional education system to the European system. They have adopted a qualifications framework based on the European framework and have developed standards based on processes used in Europe. The challenge now is to develop a quality framework for the Georgian professional education sector

that gives confidence to students, employers, industry and the government that the skills gained are recognizable and reliable and are those needed by industry.

Georgia also needs to develop a technical and professional education sector that is in partnership with business and industry, and understands the current and potential employment demand. This direction is reflected in the government's priorities and is part of the current compact proposal.

**Q: What impact can well-designed professional education programs have on unemployment?**

A: There is plenty of data highlighting a mis-match between the output of the education sectors and the needs of Georgian industry for skills. Industry reports poorly developed skills in certain graduates as well as difficulty getting people with the right skills. There is evidence that business and industry imports skilled workers into Georgia even though there are high local levels of unemployment.

Changes to the sector can result in Georgians having the skills needed by industry and getting long-term well-paid jobs, as well as generating new sectors of skilled workforce for future growth. This is not only true for Georgia. Look, for example, at the heavy interest in community colleges in the US, or at the professional certificate programs in Europe.

**Q: Does the MCC grant envision the opening of new colleges, or the supporting of existing ones? Will the grant support particular specializations?**

A: The grant facility being developed



MCC Resident Country Director  
Jim McNicholas,  
Deputy Education Minister  
Keti Natriashvili,  
MCA-Georgia Executive Director  
Giorgi Zurabashvili

seeks to capitalize best practice and innovation in the professional education sector in Georgia. It will be open to all public and private providers of technical training and professional education, with the objective of developing new courses that are linked closely to employment outcomes. This will allow existing courses to be improved; ensure courses align to the needs of employers; and allow existing good practice in Georgia (and there are some really good examples being supported by international partners and domestic providers) to be further developed, documented and showcased

to the whole sector. We hope to focus on projects with strong links to industry.

**Q: The MCC and the Ministry of Education and Science plan to hold a competition to support professional education. What do you hope the competition will accomplish, and who can participate?**

A: The Millennium Challenge Account – Georgia (MCA-G), together with the Ministry of Education and Science and MCC, has recently conducted public consultations throughout Georgia to inform the design of the grant facility. I think the government and MCC agree

that consultations with public and private partners are a key part of designing effective economic growth policy and investments.

In the first stage through February, the government and MCC are soliciting feedback through an open “Call for Ideas” from potential partners- allowing them to share their priorities and possible projects. Pending the approval of the MCC-Georgia Compact, an open competition for grant funding would be publicized with the specific rules and criteria for awards openly available. We expect that phase to begin in late 2013.



Large class sizes, low teacher salaries, and incomplete reforms in the schools have inspired a growing interest in private education.

## **Growing Demand for Private Education Building New Schools**

With more parents seeking an alternative to public schools for their children, the market for private education is booming. While there was a limited variety of private schools open a few years ago, today there is a growing number of choices with a range of services, prices and conditions.

KETI KHUKHUNASHVILI

The Georgian private K-12 education market is ripe with competition. Parents, it seems, are spoiled with the diversity of choice between Georgian, American, British, Italian, French, German, Turkish and international-style education. There are more than 110 registered private secondary schools in Tbilisi alone, and an additional 128 in the country, according to the National Center for Educational Quality Enhancement.

What has prompted such an increase in the number of private schools, and is the rising competition due to the lucrative profits that this sector promises?
















































Study abroad programs could be one

factor pushing parents to pay for their children's education: nearly 500 Georgian students chose to enroll at higher education institutions in the U.S. in 2012, up by five percent from last year and a 36 percent increase from six years ago, according to the Institute of International Education Open Doors 2012 report.

Admission to overseas colleges and universities is no easy feat, especially if the applicant aims to secure financial support. Some of the private schools in Tbilisi boast a track record of graduates who win scholarships to study abroad – a valuable commodity that allows schools to charge high tuitions and, consequently, become especially alluring business opportunities for both local and foreign entrepreneurs.

Mariam Kutateladze, director of the XXI Century School, said greater demand has spurred this extraordinary growth in the supply of private schools. “We believe that the growing community of well-educated and successful parents in Tbilisi is looking for a school that builds onto [Georgia's] traditions [of higher education] and provides an education that is ideal for students who wish to continue their studies in Georgia or would like to apply to universities abroad. It is important to be versatile and responsive to market needs.”

Director of QSI International School in Tbilisi Tom Tunny stressed that there is bigger demand for higher education in general. “The number of private schools has grown tremendously in the past few ▶▶

	Value Proposition	Facilities	Price, GEL	Language of Instruction
<b>European School (Georgian &amp; International Sections)</b> <i>since 2007-2010</i>	International Baccalaureate accreditation; SAT and AP prep	     	8,800-17,600	 
<b>GZAAT</b> <i>since 2001</i>	Harkness table teaching method, highly-trained faculty, SAT prep, college counseling, scholarship fund, paper-free college application	    	19,000	
<b>Private Demirel College</b>	Math and science concentration		4,500	 
<b>QSI</b> <i>since 1995</i>	US college prep curriculum; AP courses, college counseling	    	9,100-36,600	
<b>The French School of the Caucasus</b> <i>since 2006</i>	Programs accredited by the French Ministry of Education; French Diploma	    	5,100-11,400	
<b>Waldorf Free School</b> <i>since 1994</i>	Faculty qualified in the German Waldorf methodology	   	1,500	
<b>XXI Century</b> <i>since 2000</i>	Dedicated test prep courses (SAT, TOEFL, etc.), state exam prep	    	3,000-5,000	
 Library  Sc./comp. lab.  TV studio  Theatre  Sports  Art/music room  Auditorium  Playground				

See the table separately.

Notes to the table: Schools are listed in the alphabetical order. N/A indicates that the information was either unavailable on the school's website or was not provided by the school contact person. Price ranges provided in the original currency quoted by the schools - please contact each respective school for exact pricing information.

► years due to the increased interest of students who wish to go on to University study, either in Georgia or abroad,” he said. “Whether or not it is an attractive business sector, there is a real need for private school education.”

Head of the European School (International Section) Robert Thorn added that the accelerated pace of economic integration within the region has created special demand for English-language education.

“Georgia has made attempts to attract investors and it [has] a strategic position in the region. It is, for some businesses at least, a place to be successful,” he said.

“Also, regional politics has had an influence- with Turkish, Azeri and Iranian businesses moving into the area. With this, business people and other expatriots like to come with their families and so we have seen a huge growth in ex-pat students applying to the school.”

Gary Crippin, head of the Guivy Zaldastanishvili American Academy in Tbilisi (GZAAT), noted that the increased supply of private secondary education institutions in the city is closely tied with business development - high-quality educational institutions are essential for attracting and retaining investments within the country.

According to Crippin, “good private schools are essential to a healthy business climate. If business owners and managers cannot find top quality schools in which to enroll their children they will consider relocating or will be forced to pay sizable fees to send their children to boarding schools abroad.”

Unlike more traditional business areas, however, competition among the schools is more complex. Many parents measure good private education by the quality of the faculty and their availability to students. Libraries; science and computer laboratories; well-equipped classrooms; dedicated theater, arts and music rooms; and sports halls are also all part of creating a stimulating educational environment that allows children to test their exciting new skills and knowledge in action.

When asked to define their market advantage, most private education providers emphasize highly-qualified teachers, a student-oriented learning environment, and activities that include community service, arts, music, and sports. Others concentrate on providing professional development skills that make for more open-minded and well-rounded young adults. The Georgian private education market has evolved to include schools

with ambitious aspirations and impressive curricula. As with all business, competition makes for a better value offering to the parents. Nevertheless, this is one product that does not wholly depend on the producer. Tamar Karchava, Education USA adviser at the International Center of Education, stressed that students play an equally important role in making sure they utilize the opportunities that private schools provide.

“A lot of the students from both public and private institutions come to our center for additional help and guidance. We have a very good record for both types of schools. Although there is no magic formula or easy answer - good education is a lot of work, and none of our students have attained easy success,” she said. “It is not possible to make up for years lost in the elementary and secondary school systems during the final grades of high school. Consistency is the key.”

*Keti Khukhunashvili is the alumna of GZAAT and the founder and administrator of the GZAA T Summer School Program. She also worked as the IB Diploma Programme CAS Coordinator at the European School and has assisted the XXI Century School with special projects development.* ■

# All Possible Colors



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# Tbilisi's Growing Coffee Craving



From the traditional tiny cups of Turkish coffee to caffè macchiato to go, the coffee business is booming in Tbilisi. Is there room for it to grow? And does that mean Starbucks is on its way?

MAIA EDILASHVILI

**W**ake up and smell the coffee, Tbilisi.

For a city where coffee has meant fake Turkish grounds or Café Pele instant for the past two decades, a new love affair with Italian brews and deep, rich and foamy coffee drinks is taking over – from higher sales at supermarkets to new cafes and coffee shops.

The new business has been a boom for coffee imports, according to GeoStat, the state statistics body. Instant coffee imports have doubled from \$6.62 million in 2006 to \$15.86 million in 2011, the latest available figures.

The import of unroasted and roasted coffee beans has also grown- from \$6.45 million in 2006 to \$ 13.11 million in 2011). No data is available for 2012, although studies among coffee drinkers indicate the numbers will continue to grow: the average annual coffee consumption per household in Georgia was 2.7 kg in 2011, up from 2.5 kg in 2006.

Iliiuni Business Review, an online portal of Ilia State University's Faculty of Business, studied coffee consumption trends at supermarkets in November 2012, concluding that, out of 1,038 buyers interviewed, 86 percent- or 187 –said that they are coffee drinkers, with 28 percent drinking coffee more than twice a day.

Nearly half the respondents buy coffee based on taste, while 13 percent are guided by price.

Enter Thee, Starbucks?

Georgia has always had a love affair with coffee, especially the tiny tumblers of Turkish brew whose coffee grounds are said to hold the key to the future, as well as a healthy dose of caffeine.

But unlike coffee connoisseurs in the West, Georgians were largely limited to instant Nescafe if they wanted their morning cup of joe in any other form. The new fascination with coffee drinks, however, is changing that.

Lali Pipia, a manager at Latte, a coffee house in the café-heavy Vake neighborhood, told Investor.ge the business of coffee brewing is “bustling.” “If I were to assign a score, I would give it nine out of 10,” she said.

According to Pipia, the café serves around a thousand coffee drinkers a month, who consume five kilograms of coffee beans. The most popular brews are cappuccino, latte, espresso and Americano. Long-standing cafes, like Coffee House on Kazbegi Avenue in Saburtalo, which opened in 2002, say the growing number of cafes has not gone unnoticed – even though they have not yet resulted in diminished sales. “Back in the 90s, we simply had no rivals. Now competition is increasing but our clients remain loyal to us,” said Tea Kvatadze, manager at Coffee House.

Coffee House is the city's veteran brand in this business, with its first café having opened in 1998 in Vake, and two years later a second in Vera district. The

café on Kazbegi Avenue, apart from serving drinks, also sells coffee grounds which are imported from the US and has daily sales averaging around two kilograms. Zurab Liparteliani, owner of Coffee Time Starbucks Coffee, also in Vake, said the growing trend of high-end coffee drinkers led him to invest \$40 thousand in the coffee business. He opened his café in November, and hopes sales will eventually lead to a real Starbucks license – the first of its kind in Georgia.

“For a while we will be merely observing the situation in order to understand whether the market is ready to expand,” Liparteliani told Investor.ge. The key indicator, he stressed, is turnover. Once sales reach 60-70 kg monthly, they will consider expanding the business, which may also include purchasing the Starbucks license. Currently, the café consumes 10 kg coffee per month.

Reaching that magic number has been a challenge in the past: the much awaited Starbucks café in Tbilisi Mall has been postponed, reportedly due a perceived lack of potential customers.

“We had open negotiations, but Starbucks thinks that the Georgian market is not ready for them yet. We think it is but they have their standards,” Mariam Kutateladze, marketing manager at Tbilisi Mall, said. Starbucks, according to her, did not elaborate what would be the desired indicators that Georgia is “ready.”

Coffee drinkers in Tbilisi, however, remain hopeful: there are over 12,000 ‘Likes’ on two Facebook pages dedicated to bringing Starbucks to Tbilisi.



## If the Parliament Leaves, Wither Thee Kutaisi?

Not much has changed in Kutaisi since the Georgian Parliament came to town. With Parliament now considering a move back to Tbilisi, some are wondering what, if anything, will change if Parliament leaves. While Georgia's President Mikheil Saakashvili's vision of Kutaisi as a hub of civil society and international culture may be dead on arrival, the economic heart of Kutaisi - trade, industry, and agriculture - beats on.

NEAL ZUPANCIC

In the eight months since the inauguration of the new House of Parliament, Kutaisi has not seen much of a surge in business, according to Daan Harmsen, financial manager of GeoCapital, a microfinance organization based in Kutaisi.

"I know of one restaurant that opened... I don't know of a lot of other places. There are some new places in downtown Kutaisi that I'm not sure are actually related to Parliament. I haven't seen a big boom in business activity because of Parliament," he said.

A few chain stores and restaurants - such as Whisky House, Beermania, and Caffè Vergnano 1882 - have

expanded from Tbilisi into Kutaisi recently, but other notable national and international chains, such as Populi, Mirzaani, and McDonald's, had already paved the way, demonstrating their economic viability in Kutaisi before Parliament arrived. The renovation of several Kutaisi tourist sites, like the city center, Prometheus caves, and Bagrati Cathedral, also deserve credit for bringing new businesses (and new tourists) into town.

Harmsen says that while Parliament has not caused an increase in the rate of people seeking out loans to start a small business, GeoCapital has issued loans used to renovate homes in hopes of attracting Parliamentary rent money. "What we've seen a couple of times is that people actually fix up their houses,

because they expect Parliamentarians and people working in Parliament to come in and want to rent houses," he noted. For these Kutaisi residents, unfortunately, the Parliament's move back to Tbilisi could mean fewer renters, potential trouble recouping the cost of renovations, and difficulty paying back loans.

On the other hand, lower rents could benefit Kutaisi's growing industrial sector by helping companies attract skilled labor to Kutaisi. Mikheil Tigishvili, Director of Georgian International Holdings, says Parliament has meant recruiting trouble for the manufacturers operating in the Kutaisi Free Industrial Zone (FIZ) that his company organized. "When the government built the Parliament the ►►

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- real estate went up too much and the rent was not acceptable. For example if you pay engineers and technicians 1000 lari or 1200 lari...half of the salary he has to spend on rent, plus he needs food, he needs transportation, and [he will have] no savings.”

According to Tigishvili, the Kutaisi FIZ currently employs 1725 people and plans to add seven or eight hundred new employees this year. By the end of 2013, the FIZ will consist of fourteen factories, including Fresh Ceramic and a new textile plant that will import Egyptian cotton and produce clothes for sale in the US. Tigishvili says prospects are good. “Our investors are happy, they are planning to develop and develop, and honestly Parliament will be in Kutaisi or will be in Tbilisi; for us it’s not a big deal,” he said.

With the economic engines of Kutaisi firing on all cylinders, Harmsen thinks Kutaisi is just getting out of its post-Soviet slump. “There’s a lot of trade going on here, and there’s lots of agriculture taking place in the region.” Harmsen also cites the newly renovated David the Builder Kutaisi

International Airport as indicative of the economic potential of Kutaisi. “I see a lot of people are taking jobs at the airport. For young people who have some education there’s not that many job opportunities in Kutaisi...” Provided the airport offers flights to more destinations, Harmsen says, “I think it could have a very positive impact.”

According to marketing professional Giga Vashakidze, the airport will bring economic benefits with or without Parliament, due to how it is being marketed and developed. “The way I see that they are developing the airport there is a clever way: they are developing it as a low-fare airport,” he said.

Vashakidze noted this could help promote tourism in the region: people who have wanted to visit Georgia but were deterred by Tbilisi airport’s high prices, will now fly into Kutaisi airport instead - and will “stay in the region for several days, which will draw the economic growth into the region.”

The airport would only serve to cement Kutaisi’s position as a regional hub. According to the Kutaisi mayor’s

office, the city is already an important crossroads between eastern, western, and northern Georgia, connecting via highway and rail to the rest of the country and the rest of the Caucasus. From Imeretian farmers bringing their goods to market, to Turkish container trucks stopping to refuel at the gas stations, and Turkish restaurants dotting the highway on the western outskirts of town: the city continues to play an important role in local and regional trade - as it has for over 3,500 years. With or without Parliament, Kutaisi has history and geography on its side.

Vashakidze, who lives in Tbilisi, says that while the move to Kutaisi at least had the potential to benefit the city economically, a move back to the capital would not have any effect on Tbilisi. “Moving Parliament to Kutaisi was a way of bringing more people with higher income to a city which would bloom - at least the restaurant market there and some services markets... I don’t think anything will change directly for Tbilisi. We didn’t lose much when the Parliament left and we will not gain anything back.” ■



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# Getting Real About Real Estate: A Year-Long Report

Investor.ge will look at real estate development through the lens of developers, investors, renters, and urban planners in a series of articles this year. We welcome your thoughts, questions, and comments.





# Relief for the Real Estate Sector

A rise in consumer confidence in the real estate sector and profitability has developers cautiously optimistic about 2013. But can they meet the market's real demands?

MAIA EDILASHVILI

Recent statistics indicate that Georgia's real estate market is rebounding: in 2011, the turnover of the construction sector jumped to 3.3 billion lari (approximately \$2 billion) from 1.7 billion lari (approximately \$1.03 billion) in 2010.

As the real estate market showed turnaround, investors' interest increased as well: in 2010, the country's real estate sector was the fourth sector after transport and communications, industrial and financial sectors. In 2011, real estate sector outpaced all the other sectors and topped the list with \$ 224.8 million.

"The best time for our sales was between 2006 and 2008, when we would deliver around four completed projects annually; but the recovery is already in sight and we see profit, a minor one, but still profit," says Lasha Gelashvili, technical manager at Kid Architecture, a developer company which has been on the market since 1998.

Currently, Kid Architecture is about to finish a 54-apartment residential block on Saburtalo District's Nutsubidze Street, the first block of its single project after the crisis - launched in November 2011. In total, eight 12-storey blocks are planned under this project.

"We have carried out approximately 25 projects in total, mostly in the housing sector," Gelashvili told Investor.ge, noting that sales had dropped to an

1/8th of its pre-financial crisis level. "But it's speeding up again. In this block we have already sold 90 percent of the apartments."

7 Sky, another Georgian developer company, was forced to temporarily close in 2008 and was only able to resume work in November of 2010. "We even could not dream of profit just couple of years ago. Our only goal was just to cover the debts. Though, we can say that we have already survived," Anzor Odikadze, the company's director, said.

According to Odikadze, the Kavtaradze Block was the first project they have completed since the crisis. Out of 21 thousand square meters, just 2,500 square meters have not yet been sold.

"People still had fears leftover from the crisis that, even if they would pay the cost, the company would fail to deliver the apartment; so they have refused to buy anything until the block has been fully completed," he said. "Since its completion we sell around four apartments per month."

The crisis has not, however, made an impact on costs. One square meter of a completed facility costs up to \$600 in Tbilisi suburbs, between \$700 and \$850 in Saburtalo and, in high end Mtatsminda and Vake, ranges between \$1,000 and \$1,800.

Like the housing sector, commercial office construction is also growing.

Tinatin Kapanadze, sales manager at Ideco, a developer company which completed Opera Residence -- a residential house with commercial space in Mtatsminda district in the summer of 2012 -- noted demand is up.

"Starting from the second half of 2012, we see increased interest from customers. Currently 40 percent of 550 square meter space which is 15 offices in total has been already rented," she said.

Both local and international custom-

ers, according to Kapanadze, have shown interest in renting offices. "To be more accurate, the demand has increased for A class segment," she said. "The country's A-class market clearly has problems and the situation is improving at a slow pace."

In Tbilisi, the total vacancy rate for modern offices currently stands at 13 percent, according to a December 2012 report on the real estate sector prepared by Jones Lang LaSalle, a US-based commercial real estate services provider, the consulting company IPM Georgia, and Tbilisi Municipality.

However, vacancy rates differ depending on the neighborhood: the highest vacancy rate is in Vake-Vera at 30 percent; and in the developing area around Davit Agmashenebeli Avenue, on the outskirts of Tbilisi, vacancy is close to zero.

The report notes that, with limited supply added to the market in 2012 - a total of 9,000 square meter, the average rent is expected to stay stable in the short-term. In 2013, however, an estimated 34,771 square meters of space is due to be finished, which could end up lowering rents.

The Jones Lang LaSalle study found that, with 13,571 square meter space scheduled for delivery in Vake-Vera, the vacancy rate will further increase. "The pipeline is very limited in Davit [Agmashenebeli Avenue] and it is in this district where the best opportunities can be found for new office developments," the report stated.

There are opportunities in other neighborhoods, as well, based on Kapanadze's experience: the Opera Residence has 65 apartments and, to date, half have been sold. "I think that the supply on the housing segment, as well as in the commercial one, meets the demand," she concluded.

# Construction Code: A work in progress



For the past seven years, the Georgian government has been working with USAID on streamlining construction permits, creating zoning regulation, and other reforms. While some progress has been made, much more is necessary to make the Georgian construction code meet with international standards.

TEMUR BOLOTASHVILI

## Building Codes

Today, Georgia is still utilizing Soviet era technical standards (СННП, the Russian abbreviation of Soviet Construction Norms and Rules) for new construction projects- most of which are outdated. Some СННПs are written in the Georgian language, and structural engineers use these in structural design. As for rest, they remain unused in practice. Poor regulations, coupled with ineffective enforcement, compromises the quality of buildings, safety of occupants and the reputation of the Georgian construction industry, one of the country's biggest commercial sectors.

The need for an updated building code is urgent.

There are two main competing international systems of technical regulation for construction: Eurocodes, and the ICC Family of Codes; and Georgia must decide which system to follow. Both are

good, but they have little in common. The International Code Council (ICC) Codes (a set of rules including referenced standards) represent a comprehensive, compatible and regularly updated regulatory system that foresees the prevention of hazards while designing, constructing, and operating buildings. The ICC Family of Codes is US-based but can also be utilized internationally.

Eurocodes (European standards) is a set of harmonized technical standards developed by the European Committee for the standardization of structural design in construction works. Other aspects, covered under the ICC Family of Codes - such as fire safety design, other non-structural provisions, and building services – are handled by each EU member state as separate legislation. Even for structural design, Eurocodes are designed to be used with a “national annex” produced by each EU member state to fill in gaps left in the Eurocodes.

With the help of USAID, the Georgian government has already taken some important steps towards fixing the country's building codes: it has signed an MOU with ICC to collaborate in reforming construction standards in Georgia; and has obtained a license to use the International Building Code (IBC) as the base for its national building codes elaboration. It also has a step by step implementation schedule, due to the volume and complexity of the document.

## Spatial Planning

Georgian Law regarding Spatial Arrangement and Urban Development is also a mix of Soviet and western planning principles, and is therefore problematic. One issue is the lack of planning documents on a countrywide and regional level. On the local level, there are general

plans for land use in several of the large cities, as well as development plans for some recreational territories. Specialists, however, have widely criticized these plans since, in most cases, they do not meet the basic needs for urban/rural development.

There is a draft “Spatial Planning and Construction Code of Georgia,” prepared by the Ministry of Economy and Sustainable Development, which was agreed on in 2011. It would be possible to use this draft with a few minor changes, such as the introduction of a main policy document for spatial planning, and the updating of existing zoning regulations. Such changes would provide every self-governing entity with the legal instruments necessary to better plan their territories.

## Construction Permits

Progress in streamlining permits has got faster: from 2006 to 2013, Georgia jumped 148 places on the “Dealing with Construction Permits” indicator of the annual World Bank Doing Business (DB) Survey, moving up from rank 152 on DB 2006, to being the top third country on the list in 2013. Recent changes – such as it no longer being a requirement to have the structural section of construction documents, or an engineering-geological survey for a construction permit - aimed at further simplifying permit acquisition, however, have caused alarm among safety specialists.

*Temur Bolotashvili is a consultant at PMCG, a policy management and consulting company. He has more than seven years experience in construction regulation, legislation, licensing, permitting, and code analysis in Georgia and the region. For more information, please visit: [www.pmcg-i.com](http://www.pmcg-i.com)*

Category	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010	DB 2011	DB 2012	DB 2013
Dealing with Construction Permits	152	42	11	10	7	7	4	3
Procedures (no.)	29	17	12	12	10	10	9	9
Time (days)	282	137	113	113	98	98	74	74
Cost (% of income per capita)	145	71.7	28.9	20.3	21.6	23.2	20.2	17.7

# Forecast for Housing Prices in Tbilisi? Up, Up and Up

As part of Investor.ge's year-long look at the real estate sector, Lika Jorjoliani spoke with three prominent real estate brokers (makleri or მაკლერი in Georgian) about what has kept prices up in the past, and their expectations for 2013.

LIKA JORJOLIANI

## **Alex Chubinidze, Director of Makler.ge: Prices stable, quality control an issue**

Chubinidze, who started working in real estate in 2004, said prices have been fairly stable for the past two years. He noted that while sellers often inflate prices, there are few apartments that match the expectations of high-end buyers/renters.

One of the largest issues facing the market, Chubinidze noted, is the lack of options on the market that meet current demands.

While a large volume of apartments have been sold in Tbilisi recently, "it is rare that the cost and quality of the apartment match," he said. "All this complicates sales of real estate. Sometimes, several months are required to find an appropriate residence for a client.

The building's façade, the state of the entrance, and car parking area [have to be] taken into account."

## **Guram Palavandishvili, Director of Erdo Group: Prices will grow, demand is increasing faster than supply**

Palavandishvili, a real estate broker for 23 years, said prices are primed to increase over the next several years for both property sales and rentals due to increased consumer confidence, low supply, and expectations the economy will continue to grow. He noted that an estimated 90 percent of the population is still living in multi-family apartments, which means the pool of prospective renters – and new property owners – is deep.

A key to keeping the sector healthy, however, is lowering the cost of mortgages, Palavandishvili stressed, adding ►►



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► that this year prices will increase 15 to 20 percent. He noted that rental prices for commercial property are already following that track: on Pekin Avenue, commercial spaces cost as much as \$12,000 per square meter prior to the war. Following the financial crisis, prices dipped to \$5,000 per square meter but today they are bouncing back, and the average cost is around \$11,000 per square meter.

He noted that if there is peace and stability in Georgian politics, the prices can continue to grow.

“Despite the fact that, over the last 15 years, the cost of apartments in Vake has risen from \$300 to \$1,500-\$2,000, the cost of apartments in Georgia overall remains lower than, for instance, in Azerbaijan; in Baku the cost of one m<sup>2</sup> can reach \$5,000, and in the Baltic region- \$12 000.”

For prestigious districts like Vake, Vera, Mtatsminda, and Sololaki, Pala-

vandishvili believes apartments could cost as much as \$3,000-\$5,000 per square meter over the next two years if the current trends in pricing continue.

#### **Zurab Eristavi, Director of Rentals Ltd: High income tax on leases will keep prices up**

“Real estate rent today is too expensive in the central districts,” Eristavi told Investor.ge, noting that the average cost of apartments for Rentals Ltd clients is between \$1500 and \$2500 dollars a month. House rentals can go much higher, with prices from \$3,500 to \$4,000 a month.

Eristavi explained that high rent prices are due to a number of factors, including the increased cost of income tax for leases - in 2010 it was 12 percent, but it increased to 20 percent in 2011.

A second factor is the shortage of available apartments – especially apart-

ments that meet the high standards required by foreign workers and diplomats. “[S]ince 2008, practically no new apartments have been constructed. The apartments constructed earlier have already been occupied, and delivery of new ones has been restricted,” Eristavi noted.

“Today, the Georgian market suffers from a deficiency of apartments with standards that meet client’s requirements,” he said. “Very often leaseholders propose very high costs for their apartments... In Georgia, construction of large apartments is common, but it is very difficult to lease an apartment having approximately 1800 m<sup>2</sup> with its own swimming-pool, cinema and so on. The cost of such a lease, in some cases, is as much as \$15,000. However, the most popular demand is for houses with three or four bedrooms, with yards, at a cost of \$4000 a month. And there is a deficit of such houses on the market.” ■



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## Finding a Balance: Architects' views on the future of urban planning in Tbilisi

On December 18, Dr. Lena Kiladze and the Embassy of the Kingdom of the Netherlands hosted a two day conference on Dutch architecture in Tbilisi. Architects, including the firm that designed the Davit Aghmashenebeli Airport in Kutaisi, discussed design and planning in the Netherlands and Georgia. Investor.ge asked Dr. Kiladze, Uarchitects Misak Terzibasiyan, and Emile van Vugt to continue the conversation.

ETERI MAISURADZE

There is a heated debate in Tbilisi today over how the city should look in the future: which historic buildings and squares should be preserved, which neighborhoods should host new, modern architecture, and who should be consulted before new buildings and structures go up.

While the City of Tbilisi's Old Tbilisi

administration did not answer questions about the city's plans for the district, architects have plenty of ideas on how to find the right balance between the changing needs of the city and the desire to preserve its historic roots.

"There is no question- the city needs to be developed, and development means constant changes- changes according to time, needs and new modern tendencies," noted Dr. Lena Kiladze.

"Balance can be reached only by strong regulation and zoning codes. Georgian architects need to develop the language of contemporary Georgian architecture, and, at the same time, try to address global architectural issues such as the limitations of energy, space and time; along with issues of global warming; environment degradation; social cohesion; and value creation."

Uarchitect founders Misak Terzibasiyan and Emile van Vugt noted that there is a "unique situation" in Tbilisi right now – and the process of working through community and history will help the city determine the right mixture of old and new buildings.

"This city is starting to rebuild its historic substance, and there is a strong consciousness about- and appreciation for- the past. It is a starting point from which to make the local identity of Tbilisi clearer and more interesting. The buildings which are being planned and built in Tbilisi at this moment are in part either not reacting to or taking into account the city's past. Of course, the question arises: is it important for modern architecture to take into account the existing substance? We see it as an emotional discussion to have this choice made by the city and the people," they wrote in an email interview.

"Discovering the different layers and connections of the city, and emphasizing some of them, is also a challenge for Tbilisi. We have noticed that the city of Tbilisi is working on the reconstruction of these historic layers and connections. This process of balancing historic buildings and modern architecture is an exchange of information between local identity and global society. We think that after a period of ten years we will better see the results of this careful process."

# Supply, Demand, and Tourists: A snapshot of the Tbilisi hotel sector

The 2012 GREMO report on the hotel and hospitality sector by Jones Lang LaSalle and IPM highlighted steady growth in occupancy rates for Tbilisi hotels, and supply falling increasingly short of demand. Investor.ge spoke with hotel managers in Tbilisi about their experiences in 2012, and their expectations for 2013.

## 2012: A bumper year for hotels?

The steadily growing number of foreigners traveling to Georgia is stimulating growth in the hotel sector, according to two recent reports on the industry.

Two hotel sector studies – the GREMO report by Jones Lang LaSalle/IPM and the monthly review by KPMG Georgia – both found that the number of guests is increasing, as is investments in the sector.

“According to the data provided by the Border Police of Georgia, 4,389,256 foreigners visited Georgia in 2012 - representing a 56 percent increase compared to 2011,” noted the KPMG report, which cited better visa regimes with Turkey and Russia for some of the increase.

“If the political situation remains stable, a 10 percent annual increase in the number of visitors to Tbilisi in 2012-2016 is expected.”

While the GREMO report noted that only 30 percent of the total number of tourists arriving in Georgia register in hotels, that number is steadily growing – meaning higher occupancy rates for hotels in 2012.

“In the past five years, the number of registered guests in accommodation facilities has almost quadrupled and reached 853,049 in 2011,” it stated.

Hotels in Tbilisi note 2012 was an even better year, with occupancy rates as high as 80 percent for hotels like the Sheraton Metechi Palace Hotel, according to General Manager Andreas Heidingsfelder.

An estimated 75 percent of the Sheraton’s guests are business travelers, but Heidingsfelder is optimistic about an increase in tourists, as well.

“If the political situation is stable and there is no big change, and it goes smoothly further, the tourists will come,”

he said. “There is so much advertisement for Georgia – unexpected advertisement, not done now by the Department of Tourism or the Ministry of Economy – it is done for the interest of country. For example in November there was one week of Georgian focus on German TV... They see that people are interested in Georgia.”

## More rooms, even more guests

The Holiday Inn, the newest chain hotel on the market - and the largest, was quick to find a niche in Tbilisi for its 252 beds, noted Oto Berishvili, the hotel’s business development manager.

“We opened our hotel at the end of 2010... we grabbed our market share because the quality and standards and service we have is really in proportion with the price we have,” he said.

“Of course, there was a huge increase in 2012 compared to 2011, because it was already our second year and we already had a lot of accounts and a lot of satisfied and loyal guests and companies.”

Steady growth is bolstering demand for hotel rooms in Tbilisi, according to the Jones Lang LaSalle/IPM and KPMG reports.

The Jones Lang LaSalle/IPM report, published in December 2012, found that the number of guests staying in hotel rooms increased 140 percent over the past three years, from 2009 to 2012. By comparison, new hotel rooms have been slow to hit the market, with the number of beds growing by just 38 percent over the same period.

KPMG reported the growing demand for hotels has inspired a steady increase in investment in the sector over the past decade: there are currently five hotel projects in the works including a Hilton Garden, Intercontinental, Rixos Hotel and the Golden Tulip.

“In 2007-2011, investments in fixed assets in the hotel, restaurant and catering ►►



► (HoReCa) sector in Georgia totaled \$228 million,” the report noted.

“Additionally, for the period of 2007-2012, foreign direct investment in the HoReCa sector in Georgia amounted to \$516 million.”

Based on those projects, KPMG predicts the number of hotel beds in Tbilisi will grow by eight percent annually over the next four years.

“To be honest, I think there is [room] for more hotels. ...I have got a feeling that the demand will grow further because it is great to do business here. If you step in, you see how many big companies have settled down here, big international global players,” Heidingsfelder noted. “I believe the demand for hotels will grow.”

But while the increase in tourists has been good for the industry, the sheer volume of hotel beds set to hit the market could have an adverse affect on all the hotels, Steve Johnson, the owner of Betsy’s Hotel, warned.

“In 2011 there was 68 percent occupancy, in 2012 a 82 or 83 percent [occupancy rate] and we really had to work hard; we have 57 rooms,” he said.

“The rates are going down, down, down...With the government pushing three stars to come in, it is just going to kill everybody who is above a three star because they are going to charge \$60, \$65 – they are going to go to European rates.”

### **A traveler’s market**

With more hotels to choose from, travelers’ preferences will shape the future of the Tbilisi market.

KPMG found that out of five factors for choosing a hotel room (friendliness of staff, cleanliness of rooms, location, image/reputation, and price), travelers put more importance on the staff than any other single indicator.

# AmCham Brings Tax and Revenue Collection Issues to the Head of the Revenue Service

AmCham President, Sarah Williamson, and the Co-Chairs and Deputy Co-Chairs of the AmCham Commercial Law and Tax Committee; Ted Jonas, Andrew Coxshall, Lasha Gogiberidze and Robin McCone, along with AmCham ED, Amy Denman, met with Director General of the Revenue Service Lasha Khutsishvili, Deputy Head Giorgi Bakradze and International Relations Department representative Dachi Kinkladze on January 31.

Several issues of importance were brought forward during the 2.5 hour meeting, and are outlined below.

Thank you to all the members who brought forward issues and problems to assist us in preparation for this important meeting. We incorporated as many as possible, and continue to work with the Revenue Service and the working group on additional issues raised by our members.

## **Risk-based audit approach and return of mediation program**

AmCham expressed the concern of members over the large number of, and hastily performed, tax claims (i.e., collection acts) issued at the end of 2012. We stressed the need for an effective and logical risk-based audit approach rather



than a “carpet bomb” approach to the tax audits of companies.

We also stressed that the mediation process should be put back into place.

The GRS replied that many of the collection acts were issued later in the year due to a suspension of audits during the months around the elections. The GRS informed that they are working towards a more consistent system of a risk-based audit approach which should be in place by the 4th quarter of 2013. The risk analysis formula is being revised and the scheduling and planning of audits will be regulated more effectively. Mr. Khutsishvili assured us that the mediation process will be put back in place, and agreed with AmCham that the time period for the taxpayer to respond to the draft claim prior to the initiation of mediation should be extended from 5 days to 10 days.

## **Charging VAT on VAT exempt entities**

AmCham strongly objected to the recent tax audit practice of charging VAT on transactions that are, by law, VAT exempt. This has been an issue of concern for many of our members. And while the claim is almost always overturned in the appeals process, the incorrect issuance of the claim in the first place wastes enormous amounts of time, money and staff resources of our members.

Mr. Khutsishvili agreed that this is an issue. He suggested that companies might need to produce clearer and well organized supporting documentation on this issue.

AmCham responded that it is rather an issue of training tax inspectors and educating them on this issue. When an inspector makes the same erroneous claim repeatedly, causing not only bad ►►

- ▶ will between compliant tax payers and the RS, but also administrative and financial burdens for companies – this inspector should be pulled from the field, and given the opportunity for training to understand the details of VAT exemption.

### Timing of interest deductions

AmCham raised the issue concerning changes to the Tax Code in 2011 and again in June 2012.

The amendment in 2011 provided that an interest expense deduction could only be taken when interest was in fact paid [on a cash basis]. Previously, it was on an accrual basis. The June 2012 amendment provided that, if interest had been deducted in the past on an accrual basis and the interest plus principal had not since been capitalized, then interest withholding tax was still due.

This amendment caused considerable concern for many of our members that have intercompany loans to finance operations. The rule that interest should only be deductible on a cash basis is fair and common practice in most countries. However, the retroactive nature of the amendment was what most offended our members.

Mr. Khutsishvili explained that parliament at the end of 2012 had tried to alleviate the problems this might cause to business by making a further amendment that means the interest withholding of 5% is no longer due for all years in one lump sum, but rather that 2006 was due in 2012, 2007 is due in 2013, etc.

It seems that a late payment penalty will apply for any company that did not make the 2006 interest withholding payment by 31 December 2012. An under-reporting penalty may also apply if they did not report by 15 January, 2013. The same applies going forward.

Members may also gain relief from applying a Double Tax Treaty if one is

available. However, this should be confirmed by your tax advisors.

### Returning the option to companies for Alternative Tax Audits (ATAs)

We stressed our stance that ATAs should be made available to companies as an option again, and that the ATA working group that was formed in 2011 be brought together again to ensure the ATA system is improved where needed.

The GRS leaders agreed with AmCham that companies should have the option for an ATA. Trainings are currently underway in the Revenue Service for Group C (smallest companies) private sector auditors to be certified in ATAs. AmCham agreed and relayed that, in order for the program to work, the audit companies performing the ATAs should be well-trained in the process. AmCham agreed to work with the RS towards improvement of the ATA program and to cooperate on a revision of the ATA report forms.

### Tax Code issues

#### Tax Free Re-organization rules:

Our Chamber called for tax free re-organization rules: where the ultimate beneficial owners/shareholders of the company do not change, a re-organization of assets, subsidiaries and affiliates should be tax-neutral. Robin McCone of PwC has already provided the Ministry of Finance with model legislation on this issue, and AmCham will continue to lobby for this change in the tax code, which is common international practice.

#### Production losses:

We continue to push for published and practical norms and standards for production losses. The current requirement for companies to justify daily their production losses is extremely onerous

and often not accepted by the tax authorities. The need to have an independent 3rd party verify production losses (often in person) is simply not practical and hinders the development of the production sector in Georgia. AmCham suggests that we work with our members from particular industries (e.g., restaurants, retail petroleum products supply, wholesale gas supply, water supply, etc), drawing on international standards and expertise, to propose production loss norms and standards for particular industries that can be agreed with the Revenue Service on the basis of international best practice. Adoption of fixed and accepted production losses – percentage standards for each industry – would be a win-win situation for both the RS and the private sector.

#### Transfer pricing:

AmCham emphasized that businesses are concerned about the lack of information on this issue. Mr. Khutsishvili noted that the issue is a very complex one, and partly due to the lack of Georgian expertise in this area, the promulgation of regulations has dragged out for years.

He invited AmCham to provide professional support of our member companies towards creating a workable, transparent practice based on international best practices. He assured us that our members need not fear the sudden appearance of transfer pricing rules, as the agency is nowhere near being in a position to issue them, will involve the business community before it does, and the issue is not a high priority in light of all the other priorities that need to be addressed more urgently. AmCham would like to express gratitude to Mr. Khutsishvili and his colleagues at the Revenue Service for the very productive meeting. And again, we will continue our cooperation to best represent our members' concerns in the area of tax and revenue collection. ■



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Kote Sulaberidze, "By Eyes of the Colourblind," 2012



# Contemporary Georgian



# Art: The Next Big Thing?

MONICA ELLENA

**K**ote Sulaberidze discovered he was colour-blind aged 18, on the eve of his entry exam to the Tbilisi Arts Academy. Not ideal if you want to be an artist. Under Soviet rule, he needed a medical certificate stating he was healthy in order to get into the academy. But since it was 1985, a bribe got him the document. He went on to become

an internationally-recognized painter.

“I’m daltonic; I confuse red and green,” explains the 44-year old artist while juggling a red diary. “To my eyes, a green meadow full of poppies is a sea of red with green dots...”

Far from holding him back, his colour-blindness provided him with a world to explore. He made his own colour-wheel chart to match what he saw to what other people see. Now his work, ►►



Merab Abramishvili, "Man-eater of Kuamun," 2005

► "By Eyes of Colour-Blind" has been selected by Sotheby's as part of its first-ever selling exhibition on contemporary art from the Caucasus and Central Asia.

The event, which will take place in London from March 4th, will showcase non-conformist and socialist-realistic art from the 1960s, as well as emerging trends in Georgia and other post-Soviet states.

"We are looking at developing sales for post-1960 artists from these regions," explains Joanna Vickery, senior expert

on Russian art at Sotheby's in London, in an e-mail interview. "This collecting category is new to the international market, in which many exciting and talented artists are coming to the fore. It will certainly present collectors with some extremely exciting and appealing acquisition opportunities."

### Beyond Pirosmanni

Georgia used to be the most affluent republic in the USSR, with a rich cultural history and strong intellectual

elite. Yet, as in so many other post-Soviet countries, decades of censorship- followed by economic collapse- stunted the development of the art scene in more recent times.

Art in the latter half of the twentieth century was dominated by State-approved propaganda, which is now more of greater historical interest than of aesthetic value. Kitschy, slipshod imitations of XIX painters like Niko Pirosmanni abound near the Dry Bridge- Tbilisi's outdoor art market, where once-revered

artists hawk their wares to tourists at low prices.

Some Georgian artists do figure on the international art scene, however. Classical names like Pirosmiani, Zurab Tsereteli, and Lado Gudiashvili can fetch seven-figure prices. Gudiashvili's *By The Black Stream*, for example, was auctioned for almost \$1.5 million at Sotheby's in London last November. But the category of "Georgian Art" is under-developed: both Tsereteli and Gudiashvili tend to feature as "Important Russian Art."

"There is a Georgian trait, but it is difficult to define, as you do need to put it in context," says Berlin-based artist Sophia Tatabadze, founder of GeoAir, an organization that provides a database covering more than 40 contemporary Georgian artists. "East and West, the fall of the USSR, and the search for an identity, could all be key themes. Amongst artists from the first half of the XX century, you can see a clear "escapism;" an avoidance of reality and an attempt to beautify. The 80s' and the 90s' generations are trying to set themselves free from this and to be more conceptual," says the 35 year old artist, who represented Georgia at the 52nd Venice Biennale in 2007.

Tatabadze maintains strong ties with Tbilisi, but she is better placed in Berlin. Like her, the big Georgian names on the international scene only made it after relocating to the US or Europe – Thea Djordjadze, Gia Edzgeveradze, and Andro Wekua, to name but three. The

latter, for example, sold his collaged images *Black Sea Surfer* in London last year for \$53,000.

"Their work is remarkable, but they are not the result of a development process in the local market," says Baia Tsikoridze, founder of the Baia Gallery in Tbilisi. "Their work is different- more conceptual. Artists operating here are more influenced by the Georgian environment and culture."

Another difference is price: buying art in Tbilisi is significantly cheaper than doing so in Europe. "The same painting would fetch twice as much in the US," smiles Alexander Mujiri, who founded Tbilisi's Vanda Gallery with his twin sister. "The economy is healthier, the buyers richer and, in general, the art market is more dynamic." Mujiri is also an art collector and, for over a decade, ran an art gallery in Atlanta, US, and, for five years, a gallery in Kiev, Ukraine.

### **Good investment or simple enjoyment?**

For savvy buyers, the Georgian market could be worth discovering. But choosing the right artist for an investment is tricky. "Without a doubt- Merab Abramishvili, whose quotations skyrocketed since his death in 2006," agree both Tsikoridze and Mujiri. Others include Kote Sulaberidze, Irakli Parjiani (who both feature in the Sotheby's exhibition), Oleg Timchenko, and David Kakabadze.

"There is an appetite for new discoveries," Vickery says, "but this is not the fundamental reason for having this

exhibition. We live in a changed world, and artists from these regions are under-represented on the global market."

Still, international profile boils down to finance- something which is hard to come by in Georgia. Artists, curators, and gallery-owners advocate for additional state support. Having the right people and the right idea help too, Tatabadze notes.

The Georgian government has been busy as well. In 2007, the Ministry of Culture enabled Georgian artists to participate in the Venice Biennale. In 2008, it commissioned Magda Guruli, a curator, and Iliko Zautashvili, to launch "Artisterium," a two-week international contemporary art festival which has been held every year since.

But the key to putting Georgia on the international map lies in consolidating the local market. Currently, many art projects depend on foreign organizations like the British Council or the Goethe Institut.

Both Tsikoridze and Mujiri stress the need for "a structured art policy, a contemporary museum, and a supportive legal framework." Artists find it difficult to insure art work for exhibitions or sale abroad.

Unlike in many Western countries, for example, businesses and private individuals do not get tax breaks for sponsoring art events, and purchased art works are not tax-deductable.

Perhaps the Sotheby's exhibition will provide the kind of stimulus that the Georgian art market needs. ■

# 10

## Things You Didn't Know About... 1930S Tbilisi

Photo by Maria Serebryanaya



The house of Liziko Kavtaradze, 11 Pyotr Tchaikovsky Street

**Y**ou have been to the National Museum, checked out the gracefully crumbling architecture on the side streets, and walked past the ancient wall on Pushkin Street. Is there anything else to do along Rustaveli Avenue?

In a word, yes. The 1930s was not a happy time in Georgia's history: Tbilisi (and other towns and villages) were hit hard by the purges, like most of the former Soviet Union. While it may not be a period many people enjoy discussing, there is a rich history to be explored through the iconic buildings built during the decade, and through the homes of

famous Georgians who suffered at the hands of the Soviet government. For more information on Tbilisi during the 1930s, and a map for a walking tour around neighborhoods with special ties to the period, check out [www.sovlab.ge](http://www.sovlab.ge).

### 1. Former Institute of Marxism-Leninism, 29 Rustaveli Avenue

When workers started tearing down the interior of the former Institute of Marxism-Leninism to prepare the building for its new life as a hotel, they stumbled upon a gruesome discovery: cemetery gravestones had been used to build the Institute's interior walls and

columns.

Historians believe the gravestones were taken as construction material after the Soviet government destroyed three cemeteries in Tbilisi in the 1920s and 1930s. But that was not the only secret the former institute held. Deep under ground in the courtyard, workers found tunnels and cells that appeared to have been used during the purges in the 1930s as jails and holding rooms for political prisoners. The Institute, a branch of Moscow's Institute of Marxism and Leninism, was a pet project for Lavrenti Beria, the first secretary of the Soviet Communist Party's Regional Committee

of the Transcaucasus, and, later, the head of the NKVD, the Soviet secret police. Work began in 1934 was completed in 1938, a timeline that coincides with the Great Purge.

## **2. Shota Rustaveli Drama Theater, 17 Rustaveli Avenue**

The building at 17 Rustaveli Avenue was once the home of Georgian director Aleksandre (Sandro) Akhmeteli.

Akhmeteli, who is credited as one of the founders of modern Georgian theatre, was arrested on November 19, 1936, and charged with espionage. He was sentenced to death on June 28, 1937 and his property was seized. Along with Akhmeteli, other actors and theatre personnel were killed, including Platon Korisheli, Elguja Lordkipanidze, Ia Kantaria and Ivane Laghidze. One month later, three more theater employees - Tamar Tsulukidze-Akhmeteli, Buzhuzha Shavishvili and Nino Ghviniashvili - were sentenced to ten years in jail.

## **3 The house of Titsian Tabidze, 18 Aleksandre Griboedov Street**

Georgian poet Titsian Tabidze lived in this building until his arrest and execution in 1937. Tabidze was one of the founders of Tsisperi Khantsebi (Blue Horns), a famous Georgian literary group and magazine, and one of the leaders of the Georgian symbolist movement. His friend, the novelist Boris Pasternak, translated his poetry into Russian. In 1936 his work fell into disfavor with the authorities and, in 1937, he was arrested on a fabricated charge of treason. He was sentenced to death on December 15 but his execution was not announced and many hoped he was still alive. In 1940, Pasternak reportedly helped Tabidze's wife petition Beria to release the poet. His death was officially recognized in the

1950s, two decades after his execution.

A museum dedicated to his life and work is located in the building.

## **4. Tbilisi Marriott (formerly Majestic Hotel, Hotel Tbilisi) 13 Rustaveli Avenue**

If walls could talk, the Tbilisi Marriott would be able to retell the tale of Georgia's history for the past century, from the dying days of the Russian Empire to the bloody 1921 war with the Soviet Red Army, and the 1991-1992 civil war. The Majestic Hotel was the first European hotel built in Tbilisi. It opened in 1915 and housed the first cinema in Georgia. After briefly serving as a military hospital in 1917, it became the headquarters for the Soviet Labor Committee in Georgia in 1921. The Soviets turned it back into a hotel in 1939, however, renaming it Hotel Tbilisi -- which became famous as one of the Soviet Union's top ten hotels.

## **5. Former – and future – Parliament, 8 Rustaveli Avenue**

The former (and likely future) Georgian parliament was built as a complex of government buildings on the grounds of the Alexander Nevsky Military Cathedral, which was destroyed in 1930. Also destroyed was the cathedral's yard -- the burial ground for the military school cadets who died fighting against the Soviet Red Army in 1921. The Soviets started construction on the site in 1938; the complex was completed in 1953, and was partially built by German prisoners of war who had remained in the country.

## **6. The house of Giorgi Eliava, 5 Shio Chitadze**

It was while living in this house that Georgian bacteriologist, Giorgi Eliava helped create the Tbilisi Bacteriologi-

cal Institute of People's Commissariat of Healthcare (later renamed the Eliava Institute) and developed an alternative to antibiotics. Eliava was a pioneer in phage therapy, a form of treatment that uses bacteriophage, a type of virus, to fight infections. Phage therapy was researched and used extensively in the Soviet Union.

Eliava was arrested on January 23, 1937 and charged with espionage, although it is widely believed that it was his reputation as a playboy, not his politics, that led to his death: reportedly he fell in love with the same woman as Beria, and was subsequently punished. He was sentenced to death on July 9, 1937, and executed the next day.

## **7. The house of Liziko Kavtaradze, 11 Petre Chaikovsky Street**

Elisabed (Liziko) Kavtaradze was a Georgian dissident who spent more than 28 years in exile. A member of an underground Marxist organization as a young girl, she was first arrested in 1928 and deported to a village outside of Tomsk, Russia. She returned to Georgia in 1936 but was exiled again just six years later, this time to Kazakhstan -- to Alzhir, a Russian acronym for the Akmola Camp for the Wives of Traitors to the Motherland. Twenty years later, she was back in Tbilisi, and rehabilitated. She died in 1988.

## **8. The former building of the Transcaucasian Emergency Commission, 22 Pavle Ingorokva**

Built in the 19th century, the building at 22 Ingorokva has had a violent history. It was original the home of the Selikov family and became a school for boys from noble families in 1892. In 1906, however, police stormed the building in retaliation for a terrorist attack that



The house of Shalva Eliava, a noted communist, 20 Pavle Ingorokva

wounded the head of the police. Teachers were beaten and one, Shio Chitadze, was killed.

In 1918, the building was home to several government ministries, including the Ministry of Defense. The Soviet government turned it into the Transcaucasian Emergency Commission and, between 1926 and 1934, the rooms on the first floor were used as prison cells while torture and executions took place in the basement.

### **9. Beria's residence, 11 Ivane Machabelis Street**

Likely built at the turn of the 20th century, 11 Machabelis Street is notable because for seven years, from 1931 to 1938, it was home to Lavrenti Beria

when he served as First Secretary of the Communist Party of Georgia, before was named head of the NKVD, the secret police.

All information about the building was considered a state secret – even today, according to SovLab, the name of the architect is off-limits.

One detail has emerged, however: Beria, who was quite the builder during his time in Tbilisi – the parliament and the former Institute of Marxism and Leninism were among his projects – had underground tunnels put in the yard, which were rumored to lead to an underground bunker and to the parliament building.

Today, the building is the headquarters for the Georgian National Olympic Committee.

### **10. The former home of Sergo Orjonikidze, 17 Galaktion Tabidze Street**

The house was built at the turn of the 20th century, and housed the first ambassador of the Russian Socialist Soviet Republic to Georgia, Sergei Kirov.

Its most famous resident, however, was Sergo Orjonikidze. A close friend of Joseph Stalin, Orjonikidze lived in the house from 1921 to 1926. Orjonikidze led the Bolshevik invasion of Georgia in 1921 and is credited with crafting policy that seriously reduced Georgian autonomy within the USSR, including the decision to combine Georgia, Armenia, and Azerbaijan as Transcaucasian SFSR, instead of allowing Georgia to have full member status in the USSR.

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# AmCham Works to Improve Georgian Business Climate

AmCham Georgia has been hard at work in 2013, working within its committees and cooperating with the new government to introduce policy changes that will improve conditions for businesses and investors.

Plans for a new labor code, change to the tax laws, and a new anti-monopoly law have created new opportunities for AmCham to work for pro-business laws and better policy.

The Chamber, through its Commercial Law and Tax Committee (CLT), has been actively following the development of a new anti-trust draft law. Board member Ketti Kvartskhava, a partner at BLC, has analyzed the proposed law and, AmCham has been working with members to craft suggestions for the author of the law on how to improve the current version.

In addition, the CLT Committee has been working with the head of the Revenue Service, Lasha Khutsishvili, on issues related to charging VAT; the mediation program; the timing of interest deductions; the Alternative Tax Audit; production losses; and several other issues of major concern to the business community. The committee also agreed to raise issues regarding tax free reorganization with the Revenue Service. A review of the meeting with the Head of the Revenue Service was sent to all members. To learn more, or to participate in the discussion, please contact the AmCham office.

Board member Robin McCone, PWC, has also been working with the CLT Committee to analyze and comment on proposed amendments to the tax code regarding tax-free corporate

re-organization (a big issue for lawyers and accountants, and their clients) and reforming the administrative appeals process for tax cases.

Additionally, committee members have discussed issues and statements made by the Coalition for a Transparent and Independent Judiciary (of which AmCham is a member), including the law on common courts, jury trials in corruption cases, and issues concerning political prisoners.

The Chamber has also been actively working with the Ministry of Justice as it prepares a new draft labor code. With assistance from AmCham's Labor Committee—especially Board member Lasha Gogiberidze—the Chamber has been able

to engage the ministry in a productive dialogue, cooperating to amend proposed changes that could harm Georgia's business climate.

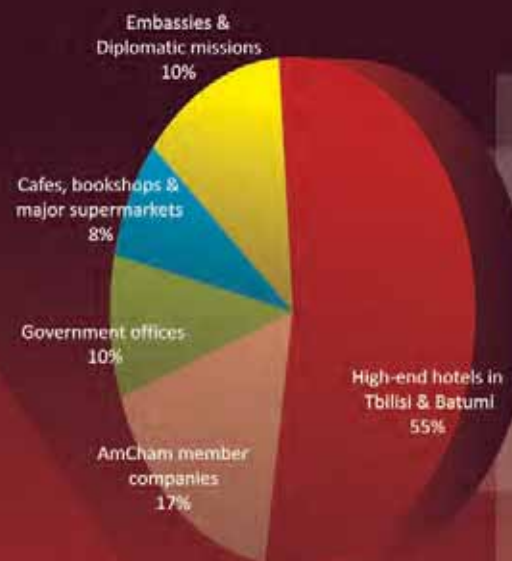
AmCham, along with other business associations, has been proactive about making suggestions and discussing potential problems with the ministry. The government has been extremely receptive to suggestions from the business community and the Chamber looks forward to continuing to work with the ministry, through its Labor Committee and other venues, to produce a progressive and effective new labor code. For more information, or to participate in the process, please contact Kote Koridze, [k.koridze@amcham.ge](mailto:k.koridze@amcham.ge).



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## BLC Law Office Announces New Partner

On Friday, December 14th, BLC Law Office hosted a reception at the Tbilisi Marriott to welcome its new partner Giorgi Batlidze. Since 2007, prior to his promotion to the partnership, Giorgi has served as a Senior Associate of BLC. He has outstanding educational background and intensive professional experience. Honored guests, clients and colleagues of BLC enjoyed the remarkable songs by Liza Bagrationi and Nato Metonidze accompanied by the incred-

ible performance of Nikoloz Rachveli.

BLC is one of the first western-style law offices in Georgia, established by US educated Georgian attorneys. Currently, BLC is one of the largest and most successful legal practices operating a head office in Tbilisi, with a second branch in Batumi. Through its practice, BLC has been oriented towards reliable and effective advice of the highest business standards. Its particular strength is widely known to be its result-oriented,

knowledgeable attorneys with excellent local and foreign education, and the targeted, well-tailored, efficient and timely legal advice.

Clients praise BLC Law Office for offering the “highest quality for reasonable price.” Attorneys of BLC constantly demonstrate an in-depth knowledge of not only local legislation and practices, but also of the international practice and regulations applied in different parts of the world.

## AmCham Lobbies for Progressive Labor Code

AmCham Board Member Lasha Gogiberidze, a partner at BGI Legal, outlined the chamber’s comments on the current draft labor code during the roundtable meeting at the Sheraton Metechi Palace hotel on January 30.

US Embassy in Georgia Deputy Chief of Mission Bridget Brink started the meeting with a candid, off the record discussion about international politics and US-Georgia relations.

Gogiberidze and the labor committee have worked with

AmCham staff and an expert on ILO labor standards to identify positive changes presented by the draft code, and recommendations to improve specific areas of the legislation.

A group from AmCham will meet with the Ministry of Justice on February 1 to continue discussions on improving the draft code.

For a detailed analysis of the current draft code, please see the presentation on the AmCham website, [www.amcham.ge](http://www.amcham.ge).



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Paine Stevens is a regional law firm based in Georgia, providing English law services to clients on international transactions in the Caucasus and Central Asia. The firm advises on finance, corporate and commercial matters.

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



**Rustavi Steel LLC**  
Corporate B Member

In 2011, Rustavi steel LLC was established to acquire the assets of the Rustavi Metallurgical Plant. The Plant is the largest metallurgical complex in the entire Caucasus region. The Plant's new management and owners are embarking on a major program of investment and re-structuring to re-establish the company in regional markets, and expand into new markets. The Plant is operating successfully and is manufacturing reinforcing bars, seamless pipes, square billets, pig-iron castings, metal constructions, mechanical parts, shaped castings, granulated slag, silicon-manganese, lime and limestone. The Plant currently exports to the European Union, US, Russian and Middle Eastern markets as well as to Armenia, Azerbaijan and Turkey. On the local market, the customers of the plant are the leading construction companies and manufacturers. Rustavi Steel LLC employs over 1,800 people.

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



**Simple as That LLC**  
Corporate B Member

LLC Simple as That offers one shop business solutions to investors entering Georgian market. Our vision is to achieve complete satisfaction of the client and work on one to one basis in order to maintain long term partnership relations.

Entering foreign markets is always a strategic decision. Whether investors know their targets, or are just looking for an option, we assist them through the entire business process, ensuring comfort and peace of mind -- making doing business in Georgia as Simple as That. Our wide range of services aim to assist investors abroad and on their arrival in various lines of business including: real estate, agriculture, tourism, import/export, global franchising, and other.

[www.simple-georgia.com](http://www.simple-georgia.com)



**Agricultural University of Georgia**  
Non Profit Organization

Agricultural University is Georgia's primary institution of higher education for agriculture and related fields. The university has a history stretching back to 1929 and is the umbrella institution for more than 17 distinct research institutes and laboratories engaged in a wide range of activities throughout the country. In March, 2011, the university became a private, not-for-profit university owned by the Foundation of Agricultural Education and Science. Since then, the university has undergone extensive renovation and now boasts fully equipped facilities, including state-of-the-art laboratories for education and research. Much of the academic faculty has experience studying and working in institutions of higher education and research in the USA, Europe, and elsewhere. Agricultural University seeks partnerships with universities, research institutes, private enterprises, and other organizations engaged in education, research, and innovation in agriculture, engineering, and related areas.

[www.agruni.edu.ge](http://www.agruni.edu.ge)



**Free University of Tbilisi**  
Non Profit Organization

Free University is dedicated to pursue excellence in teaching by providing highest quality education and funding opportunities for the country's most talented students. Its unique scholarship opportunities along with the extensive outreach campaigns ensure that talented students from across the nation, regardless of their economic background, get the best chance of achieving success. Free University remains at the forefront of high quality education and is now the home of an elite learning community. Its undergraduate program emphasizes intellectual freedom, critical thinking, and creativity through a broad range interdisciplinary exposure to encourage leadership and entrepreneurship in the students. The University seeks to implement innovative teaching methods and set standards that meet those of world-class institutions while being dedicated to maintain Georgian as a primary language of instruction.

[www.freeuni.edu.ge](http://www.freeuni.edu.ge)

# Alliance Group Holding

## – A Financial and Consulting Firm



Alliance Group Holding (AGH) is a privately owned financial and consulting services firm established in 2005 by Georgian, American and European shareholders. Managed by a team with solid backgrounds in financial services, the company offers a range of services to meet specific client needs.

“We started this company to fill a gap in the market; to serve SMEs and non-bankable clients, as well as to introduce new products and services to the local market, simultaneously creating value for our customers, shareholders, the Georgian economy and our company’s employees,” says Aieti Kukava, CEO and one of the co-founders of the Group.

Currently, the Group manages seven subsidiary companies offering diversified financial services in microfinance, leasing and investment management, consulting services in property management, energy projects, IT and business information services.

● **Alliance Group Microfinance Organization (AGM)** - finances individuals as well as micro-, small- and medium-sized enterprises in urban and rural areas of Georgia from its five branches in Tbilisi, Zugdidi, Batumi, Kutaisi and Tsalka. In September 2011, AGM obtained International Certificate for Quality Management Standard – ISO 9001.

● **Alliance Group Leasing (AGL)** - the only independent, non-bank owned leasing company in Georgia, offers various leasing products and services. In September 2011, AGL obtained International Certificate for Quality Management Standard – ISO 9001.

● **Alliance Group Capital (AGC)** - an investment and capital markets advisory firm offers financial advice to private companies of all sizes. AGC also connects investors with profitable investment opportunities in Georgia. AGC is an approved consulting firm by USAID and EBRD in Georgia.

● **National Credit Information Bureau (NCIB)** - a business information provider, focused on gathering and distributing business information. NCIB currently manages the largest continuously-updated business information database in Georgia, encompassing information on more than 10,000 companies registered in the country.

● **Alliance Energy (AEN)** - an energy consulting and project management company focused on opportunities in the Georgian energy market. AEN is building one small hydroelectric power plant in Nabeghlavi and will, in the future, develop and manage other renewable energy projects in the hydro, wind, and solar power sectors.

● **Alliance Group Property (AGP)** - a property consulting company which provides professional real estate management and property valuation services to Georgian and international clients. The company offers an integrated service to banks and other financial institutions on all areas of real estate valuation, development and management.

● **Alliance Group Information Technologies (AGIT)** - offers a variety of IT services including network management, software development and IT consulting services to local as well as international clients.

The Group, together with its partners, has already invested more than USD 100 million in key sectors of the Georgian economy – in finance, communications, manufacturing, energy, agriculture and food. At the end of 2012, the company had total assets of GEL 30 million (USD 18 million) and an equity of GEL 15 million (USD 9 million).

# SAVINGS CAMPAIGN POSITIVE

UP TO **18%**



If you seek to accumulate your savings, with the most flexible terms and the highest interest rate available in Georgia, then Savings Campaign “POSITIVE” offered by Alliance Group Holding is created for you.

INTEREST RATE	UP TO 18% PER ANNUM
SAVINGS AMOUNT	Any amount in GEL or USD
TERM	Minimum one month
INTEREST PAYMENTS	Monthly

- ➔ THE HIGHEST ANNUAL INTEREST RATE IN GEL OR USD
- ➔ FLEXIBLE TERM, FROM ONE MONTH TO THREE YEARS
- ➔ NO HIDDEN OR ADDITIONAL COMMISSIONS OR FEES
- ➔ ADDITIONAL +1% INTEREST RATE IF YOU CHOOSE TO RECEIVE INTEREST ON AN ANNUAL BASIS INSTEAD OF A MONTHLY BASIS



M. Kostava Str. 47/57,  
0179 Georgia, Tbilisi  
Tel: +995 32 2 424 181  
E-mail: [info@agh.ge](mailto:info@agh.ge)  
Website: [www.agh.ge](http://www.agh.ge)

# AmCham Company Members as of February 2013

## 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

■ **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.**  
10 Shevchenko 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.betsysshotel.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**  
Apt 11, Bld 7, 16 Krtsanisi St.  
Tel: 14433050083; Fax:  
14433788388  
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

■ **Dechert Georgia LLC**  
7th floor, Pixel building,  
34 Chavchavadze avenue  
Tel: 2334719  
www.dechert.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

■ **Economic Prosperity Initiative  
(EPI)**  
6 Samghebro St.  
Tel: 2438924  
www.epigeorgia.com

■ **Ernst & Young**  
44 Kote Abkhazi St.  
Tel: 2439375; Fax: 2439376  
www.ge.ey.com

■ **Frontera Resources Georgia**  
12 Paliashvili St.  
Tel: 2252412  
www.fronteraresources.com

■ **Georgian American University**  
8 Aleksidze St.  
Tel: 2206520; Fax: 2206519  
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

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

■ **Grant Thornton LLC**  
3 Mamardashvili St.  
Tel: 2604406  
www.granthornton.ge

■ **Greco Group**  
1 Nutsubidze St.  
Tel: 2393138; Fax: 2311107  
www.greco.ge

■ **Gryphon - FK**  
8603 Westwood Dr. Suite 310  
Vienna, Va 22182, USA  
Tel: 1 703 992 8664  
www.gryphonairlines.com

■ **GT Group**  
48 B. Cholokashvili St.  
Tel: 2740740  
www.gtgroup.ge

■ **Iberia Refreshments, JSC**  
Tetri Khevi Hesi District, Orkhevi  
Tel: 2241091; Fax: 2241090  
www.pepsi.ge

■ **KPMG CIS Ltd. Tbilisi Branch**  
3rd Floor, Besiki Business Center,  
4 Besiki St., 0108  
Tel: 2935713; Fax: 2982276  
www.kpmg.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**  
34 Chavchavadze Ave.  
Tel: 2970123  
www.microsoft.com

■ **MSD (Schering Plough Central  
East AG)**  
44 K. Abkhazi St. 0105  
Tel: 2438978  
www.merck.com

■ **NRC**  
9 Khvichia St. 0160  
Tel: 2244141, 2382825  
www.nrcintl.com

■ **Pfizer Luxembourg SARL  
Representation Office in Georgia**  
58 I. Abashidze St.  
Tel: 2252986  
www.pfizer.com

■ **Philip Morris**  
1 Tabidze St.  
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

■ **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**  
3, Rapiel Eristavi Street, IV Floor  
Tel: 2959019; Fax: 2420215  
www.tbsc.ge

## CORPORATE B MEMBERS

■ **Aliance Georgia Ltd**  
33 Samurzakano St.  
Tel: 2243773  
www.groupaliance.com

■ **GZ American Academy in Tbilisi**  
Lisi Lake surrounding territory  
Tel: 2227441; Fax: 2227889  
www.aat.ge

■ **APM Terminals**  
52 D. Aghmashenebeli 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 Constanta**  
139 Tsereteli Ave.  
Tel: 2401401  
www.bankconstanta.ge.com.ge

■ **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

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

■ **BLB (Business Legal Bureau)**  
1 Shevchenko St, Apt.1  
Tel: 2995797  
www.blb.ge

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

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

■ **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

■ **City & Co.**  
4 Besiki St.  
Tel: 2920921

■ **Crystal, MFO JSC**  
72 Tamar Mepe St. Kutaisi, 4600  
Tel: 431253343  
www.crystal.ge

■ **Dexus**  
150 David Agmashenebeli Ave.  
Tel: 2207887  
www.dexus.ge

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

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

■ **GeoCapital Microfinance Organization Ltd.**  
5 Tsereteli St, Kutaisi  
Tel: 431 267070  
www.geocapital.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 Resources Company**  
3-5 Kazbegi St.  
Tel: 2936676  
www.georgianresources.com

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

■ **Goodwill (G-Mart)**  
1 Parnavaz Mepe Ave. 0131  
Tel: 2243673; Fax: 2243673  
www.goodwill.ge

■ **Gvinadze & Partners LLC**  
44 Kote Abkhazi St, Tbilisi 0105  
Tel: 2438970, 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 Abkhazi St.  
Tel: 2438958  
www.hrgworldwide.com

■ **Hualing International Special Economic Zone**  
25 Apt. 34/36 Kobuleti St.  
Tel: 591005900  
www.hualing.cn

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

■ **JTI Caucasus**  
15 Kipshidze St.  
Tel: 2604111  
www.jti.com

■ **KSB Bank**  
3 Ketevan Tsamebuli Ave.  
Tel: 2550000, Fax: 2507707  
www.ksb.ge

■ **Kordzhia, Jgenti Law Firm**  
10 petriashvili St.  
Tel: 2921878  
www.kjlaw.ge

■ **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

■ **Luca Polare**  
54 Oniashvili St.  
Tel: 2990399  
www.lucapolare.com

■ **Mgaloblishvili Kipiani Dzidziguri (MKD)**  
71 Vazha-Pshavela Ave.,  
Office 24  
Tel: 2553880/81; Fax: 2973884  
www.mkd.ge

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

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

■ **Nodia, Urumashvili & Parnters**  
Office #28, IV Block,  
71 Vazha-Pshavela Ave.  
Tel: 2207407  
www.nplaw.ge

■ **Onyx Consulting**  
7 Gorgasali St.  
Tel: 2720901  
www.onyx.ge

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

■ **Overall Management Group (OMG) Inc.**  
29 Marjanishvili St.  
Tel: 2436052; Fax: 2436052

■ **Paine Stevens LLC**  
7a Suite, 24a Irakli Abashidze St.  
Tel: 2903211, Fax: 2903291  
www.painestevens.com

■ **Policy and Management Consulting Group (PMCG)**  
57 Uznadze St., 4th Floor  
Tel: 2921171  
www.pmcg.ge

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

■ **Rakeen Development LLC**  
20 Telavi St. 5th Floor  
Tel: 2933393; Fax: 2933993  
www.rakeen.ge

■ **Rustavi Azot Ltd.**  
2 Mshvidoba St. Rustavi-3702  
Tel: 995341270900  
www.azot.ge

■ **Rustavi Steel LLC**  
MISAMARTI  
Tel/Fax: 12 Y. Gagarin St., 3700  
Rustavi  
www.rustavisteel.com

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

■ **Simple as That LLC**  
3rd Floor, 36a Lado Asatiani St.  
Tel: 2945568  
www.simple-georgia.com

■ **SRG Investments LLC**  
49a Chavchavadze Ave, 3rd floor  
Tel: 2253581  
www.silkroad.ge

■ **Statoil**  
GMT Plaza, 4 Freedom Sq.  
Tel: 2471002  
www.statoil.com

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

■ **Theco Ltd.**  
16 Chikovani St.  
Tel: 592107515  
www.tbilisias.ru

■ **Thermarsenal Ltd.**  
101, Tsereteli Ave.  
Tel: 2473112  
www.arsenal.ge

■ **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

■ **Agricultural University of Georgia**  
13 km. David Agmashenebeli Alley,  
0159  
Tel: 2594901  
www.agruni.edu.ge

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

■ **CARE International in the Caucasus**  
57 Tsagareli St., 0162  
Tel: 2291941  
www.care-caucasus.org.ge

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

■ **Eurasia Partnership Foundation**  
29/31/33 Chavchavadze Ave.,  
2nd Floor, 0179  
Tel: 2253942; Fax 2252763 (ext. 112)  
www.epfound.org

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

■ **Free University of Tbilisi**  
Bedia St., 1st Micro District  
Nutsubidze Plateau, 0183  
Tel: 2200901  
www.freeuni.edu.ge

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

■ **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

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

■ **Save the Children Federation Inc. Georgia Country Office**  
20 Gotua St.  
Tel: 2244520  
www.savechildren.org

■ **Transparency International Georgia**  
26 Rustaveli Ave. 0108  
Tel: 2932129  
www.transparency.ge

# AMCHAM CELEBRATES

## 4th Tbilisi Burns Supper

270 guests at the Sheraton Metechi Palace Hotel enjoyed this year's Tbilisi Charity Gala Burns Supper & Ball. The event raised approximately 30,000 lari for several charities: the Roddy Scott Foundation; the International Women's Association of Georgia's project for 2013 focussing on the elderly; Dog Organization Georgia and the Homeless Pets Help Organization.

The entertainment had a truly international flavour with Scottish, Irish, English, Canadian, Kazakh and Americans performing during the evening. Nicol McLaren and the Glenraig Scottish Dance Band once again kept the dance floor full until the wee hours, with many joining in the Strip the Willow, Virginia Reel, Dashing White Sergeant, and more. The musicians were sponsored by KPMG and flew in especially for the occasion.



# AMCHAM CELEBRATES



# SOCIAL PAGE

On December 14, Sheraton Metechi Palace treated a group of media representatives to a one day cooking class with Sheraton Tbilisi and Sheraton Batumi Executive Chefs Thomas Sommer and Adnan Nababteh.



# SOCIAL PAGE



APM Terminals Poti delivered wonderful Christmas gifts and candies during New Year Concerts from January 3-6. The concerts were performed by local group "Tetri Tolia" and Poti Orphanage. This was the 21st year that Poti Port has celebrated New Year with a concert for the community. APM Terminals, along with Radisson Blu Batumi, also organized a concert where children from Batumi and Poti Orphanage, along with the children of Radisson staff, have attended the event. The concert was followed by luncheon hosted by Radisson Batumi.

On January 7, APM Terminals served Christmas Dinner at the Poti and Khobi Eparchy's free canteen. As a part of our Corporate Social Responsibility, we continue to support the canteen, where 60 socially excluded persons are registered.

### **Sarah Williamson, PRESIDENT**

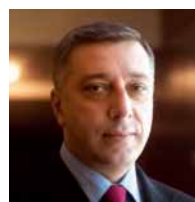
In Tbilisi since June 1998, Sarah Williamson is the co-owner and Vice President of United Global Technologies (UGT), the largest IT company in Georgia.



## Board Of Directors 2013

### **R. Michael Cowgill, First Vice-President**

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, Vice-President & Treasurer**

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.

### **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.



### **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.

### **Lasha Gogiberidze, Director**

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



### **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.

### **Ketti Kvartskhava, Director**

Ketti Kvartskhava is a Partner of BLC Law Office. Her professional experience includes her work as a Commercial Law Advisor at the USAID Georgia and as an instructor at Tbilisi State University. She also worked as a Legal Counsel for the US-Georgian Commercial Bank JSC Absolute Bank and JSC Transcaucasia Bank.



### **Robin McCone, Director**

Robin McCone is a NZ lawyer. He leads PwC's tax and legal practice in Georgia and Armenia. He has been with PwC mainly based in CEE countries for over 16 years. Prior to moving to Tbilisi he spent two years in New York as the leader of the CEE Desk. He looks forward to utilising his large international network in his role as a board member.

### **David Lee, Chairman Emeritus**

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.



### **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.



### **Amy Denman, Exec. Director**

Amy Denman came to Georgia in 1996 from Chicago where she worked in the Marketing Department in the secondary education division of publishing company Houghton Mifflin. After working for the IFRC for a year, she became the coordinator then the founding Executive Director of the Chamber.

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Since the 1990s our lawyers have worked on international project financings and commercial credit lines into Georgia: from the billion dollar plus financing of its transnational oil and gas pipeline network, to the earliest post-privatization industrial projects and utilities, to the first foreign credit lines to Georgian banks.

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