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WHEN THE GOING GETS
TOUGH: GEORGIAN
ENTREPRENEURS WHO FOUND
OPPORTUNITY AMID THE
CORONAVIRUS CRISIS

ISSET'S INDICES – A GUIDE TO
THE GEORGIAN ECONOMY
DURING THE PANDEMIC AND
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Towards recovery: business in a post-COVID Georgia



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INVESTMENT NEWS

INVESTOR.GE PROVIDES A BRIEF UPDATE ON INVESTMENTS AND CHANGES IN GOVERNMENT POLICY THAT COULD IMPACT THE BUSINESS ENVIRONMENT. INFORMATION IN THIS ISSUE WAS TAKEN FROM AGENDA.GE AND OTHER SOURCES.

GEORGIA OPENS BORDER TO TRAVELERS FROM 5 COUNTRIES, BUSINESS TRAVELERS

Travelers from Germany, France, Latvia, Lithuania and Estonia have been cleared to enter Georgia without having to present PCR tests or go through a two-week quarantine. These five countries have also opened their borders to Georgia. Before entering Georgia, travelers will have to fill out an electronic form indicating their travel history for the preceding 14 days and place of stay in Georgia. Business travelers will be required to take a PCR test every three days for the coronavirus or go through mandatory 14-day quarantine at their own expense. Meanwhile, Lufthansa has announced it will resume flights between Munich and Tbilisi in August, while negotiations continue with airBaltic, Air France and other international airlines.

year-on-year, Geostat reports. The share of domestic exports (export of locally produced goods and services, including those of foreign origin that have been substantially changed through local processing) in total exports constituted 72.3%. For the reporting period, the share of the top 10 trading partners by domestic exports in the total domestic exports of Georgia amounted to 80.1%. The top partners were: China (\$162.9 million), Russia (\$141.9 million), Bulgaria (\$136.6 million).

Q1 OF 2020: GEORGIAN ECONOMY GROWS 2.2%

Nominal gross domestic product (GDP) amounted to 11.06 billion GEL in the first quarter of 2020 in Georgia, while GDP grew by 2.2% year-over-year, Geostat reports. Real growth was registered in healthcare and social work (13.5%), arts, entertainment and recreation (16.2%), manufacturing (5.7%), construction (6.7%) and education (7.5%), while a decrease was observed in: finance and insurance (-6.1%), electricity, gas, steam and air conditioning (-6.6%), professional and technical activities (-13.1%).

MAY 2020: REMITTANCES TO GEORGIA DOWN 9.6%

Georgia received \$131.8 million from abroad in May 2020, which is 9.6% less than the amount in May 2019, reports the National Bank of Georgia. The vast majority (92.8%) of all money transfers from abroad came from 14 countries, with the volume of transfers from these countries each exceeding \$1 million last month. The share of these 14 countries constituted 89.9% of the total volume of money transfers. Italy, Russia and Greece were the largest remittance senders to Georgia in April 2020. Georgia received \$27.59 million from Italy, \$19.77 million

JAN – MAY 2020: GEORGIAN DOMESTIC EXPORTS DOWN 16.2%

Georgia exported locally produced goods worth \$1.23 billion in January-May 2020, which is 16.2 percent lower



from Russia and \$18.82 million from Greece. In May 2020, remittances leaving Georgia totalled \$13.6 million, which is a 33.7% decrease year-over-year.

FOREIGN DEBT UP 6.1 BLN GEL, DOMESTIC DEBT UP 1.8 BLN GEL

Per the government's anti-crisis budget presented in June, the government of Georgia has taken loans worth 4.47 billion GEL to handle the crisis caused by the coronavirus pandemic. Emergency funding was brought in from the following organisations: Asian Development Bank - 1.45 billion GEL, KfW - 805 million GEL

International Monetary Fund - 603 million GEL, Asian Infrastructure Investment Bank - 450 million GEL, French Development Bank - 439 million GEL, World Bank - 396 million GEL, the EU - 241 million GEL. Overall, in 2020 the government of Georgia will increase foreign debt by 6.1 billion GEL, and domestic debt by 1.8 billion GEL. Also, the budget deficit will increase from 2.5% to 8.5%.

FDIS DOWN 41.7% IN Q1 2020

Foreign direct investments (FDI) in Georgia amounted to \$165.4 million in Q1 of 2020, which is a 41.7% decrease compared to the same period in 2019, show Geostat data. The main reasons which caused the decrease in FDIs included the recent completion of a pipeline project and the transition of ownership in some companies from non-resident to resident units, Geostat said.

In particular, FDIs by major economic sectors were distributed in:

the financial sector - \$94.9 million, the real estate sector - \$34 million, and hotels and restaurants - \$15.8 million. The share of FDIs by these three economic sectors accounted for 87.5% in Q1 of 2020.



GEORGIA AT LESS THAN 1,000 CORONAVIRUS CASES OVERALL IN MID-JULY

Georgia recorded less than 1,000 coronavirus infection cases by mid-July, with 846 recovered, and 15 fatalities. At the time of reporting, 4,851 people were under quarantine, and 231 were under hospital supervision. 31 citizens from abroad were brought home for medical treatment.

ENTERPRISE GEORGIA SHORTLISTED FOR WORLD TRADE PROMOTION ORGANIZATION AWARDS 2020

Enterprise Georgia is one of 18 national trade promotion organizations to have been selected by the International Trade Centre (ITC) to take part in the 2020 World Trade Promotion Organization (WTPO) Awards. The competition is open to all national trade promotion organisations and recognises excellence in trade support services.

Enterprise Georgia will compete in

the category of 'best use of information technology', and will go up against similar organizations from Brazil, China, Malaysia, Portugal and the United Arab Emirates. The winners will be announced on October 14 at the 13th WTPO Conference in Accra, Ghana.

IMPORTS DOWN 16.5% IN JAN - JUN 2020

Imports into Georgia between January-June 2020 totaled \$3.56 billion – 16.5% less than the same time period last year. Exports were also down sharply, totaling \$1.5 billion (-15.6%). The negative trade balance for the reporting period was \$2 billion, and accounted for 40% for foreign trade turnover.

PENSIONS INCREASE TO 250 GEL FOR INDIVIDUALS ABOVE 70

Starting July 1, the pensions of Georgian citizens above 70 years of age increased by 30 GEL (\$9.8) to 250 GEL (\$81.8). As for pensioners above 70 living in highland areas, their pensions increased to 300 GEL. Back in April, Georgian Finance Minister Ivane Matchavariani said that Georgia intends to begin indexing pensions to inflation and economic growth. The pension increase for people less than 70 years old will be calculated based on the inflation rate, while pension increases for people above 70 will be adjusted based on 80 per cent of economic growth as well as the inflation rate.

TBC CAPITAL PREDICTS 4.5% – 5.5% DROP IN GEORGIAN ECONOMY IN 2020

TBC Capital predicts the Georgian economy will shrink 4.5% – 5.5% this year, though also forecasts 5% – 6% economic growth in 2021. In a June report, the forecast for 2020 tourist inflows and FDIs deteriorated, although expectations ►►



- of foreign trade and remittances improved. TBC Capital wrote that a sharp depreciation of the Georgian currency is unlikely and that by the end of the year, the lari will stabilize at 3.0. As for inflation, the bank expects it to fall to 4.5% by the end of this year, while it expects the refinancing rate to fall to 7.75% by that time.

E-COMMERCE DOWN 17% IN MAY

Georgians spent 260 million GEL on e-commerce purchases in May 2020, which is 55 million GEL or 17% less than the same period in 2019. The total volume of internet transactions in January – May 2020 decreased in Georgia by 7% (101 million GEL). Meanwhile, the volume of payments made at POS terminals at trade centers and malls had hit a record high in December 2019 amounting to 930 million.

HOTEL OCCUPANCY IN BATUMI AND REGIONS UP IN JUNE

TBC Research reports occupancy of hotels in Batumi and in the regions rose

in June by 9% and 31% respectively. Occupancy rates in mid-June in regional hotels hit 60-80%, whereas in Batumi they were it was 30-45%. Average daily rates in June were down in Tbilisi hotels by 30%, while in Batumi they were down 40% and 50% in the regions.

GEORGIAN GOVERNMENT SPENDS 32.5 MLN GEL ON QUARANTINE SPACES

The Georgian state had spent a total of 32.5 million GEL on quarantine spaces as of June 5, notes a report on the mea-

sures taken by the government during the peak of the epidemic. As of May 22, this had included 84 hotels with over 6,500 beds, which had served more than 19,000 citizens quarantined after returning to Georgia. Hotels were used as quarantine spaces in Georgia beginning March 10.

INFLATION RATE AT 6.1% IN JUNE

Geostat data show inflation hit 6.1% in June, with prices for food and non-alcoholic beverages increasing on average 13.6%, with milk, cheese and eggs (17.2%), fish (15.8%), coffee, tea (14.8%) and oils and fats (13.5%) recording particularly steep inflation.

GEORGIA OPENS SUMMER MOUNTAIN RESORTS, PERMITS OPEN AIR EVENTS

The summer season in Georgia's mountainous resorts of Gudauri, Bakuriani and in the Svaneti region have opened to tourists as of July 10, Georgia's Mountain Resorts Development Company reports.

Guidelines and regulations to insure proper social distancing and hygiene have been put in place at the resorts. Meanwhile, the government ruled that open air cultural events can restart on July 13, including open air exhibitions and other types of outdoor activities.



500 Startups launches accelerator program in Georgia

Josef Gassmann

While the first quarter of 2020 sent global markets tumbling and investors clutching their pocketbooks, San Francisco-based venture capital firm 500 Startups made a splash on Georgia's growing startup scene by launching the country's first international accelerator program in the capital of Tbilisi. One of the most active early stage global VC firms with more than 2,400 investments spanning more than 75 countries, 500 Startups took in its first cohort in June, offering 15 promising local and international tech companies the opportunity to study the fundamentals of product development, market research and other topics crucial for the success of a company in the early stages of development.

With its programs, 500 Startups also aims to help develop an innovative startup ecosystem in the country, which makes it rather atypical for a VC:

"Our mission is to help create tech ecosystems outside of Silicon Valley, because we believe that talent is everywhere, but opportunity is not", Managing Director of 500 Georgia Pedro Vieira told Investor.ge. Supported by the World Bank, the Georgian Innovation and Technology Agency and the Bank of Georgia, the 500 Startups program will last 16 months, and will train around 30 early-stage tech companies in two separate batches.

"In the first phase, which will last around four weeks, we will go over the foundational topics that they need to establish their companies, and look at product-market fit – a measure of how much the market wants a product or service", Vieira explains.

In the second stage, companies will have an eight-week period of remote testing, where they will be conducting experiments to help them grow faster with weekly feedback from 500 Startups mentors. Companies will then enter what the VC firm calls an "intensive acceleration period" of another six weeks, where

startups will delve deeper into topics such as marketing and sales, pitching and fundraising, and topics related to global growth and scaling.

The program's fourth and final stage, coronavirus permitting, will include a Silicon Valley exchange, where startups will have the chance to network with other companies, founders and investors.

The current batch will complete training in October. Applications for the second cohort will begin in September, and will commence training in November.

500 Startups' arrival in Georgia means much more for the country than training



opportunities for the country's startup scene, Vieira says:

"When we enter these frontier markets, the startup ecosystem is generally still nascent, which presents an opportunity to educate investors in addition to founders. We also bring with us a standardized set of investment tools and guidelines, which empower both founders and investors. Already we have seen the Bank of Georgia committing capital to companies going through the program, and investors are showing curiosity and asking questions. Hopefully as the program goes on, we will see more angel investors and more local investment activity."

The first batch of companies includes a colorful mix of industries, including several companies that have come in from

abroad from the US, Slovakia, Ukraine, the UAE, Poland and Estonia.

Of the 15, nine are Georgia-based companies, and include Georgian car repair service CARU, fashion shopping marketplace Phubber, web browser for productivity Stack, multichannel customer engagement software LiveCaller and QuickCash AI, a banking platform that provides automated scoring to assess a business' creditworthiness, to name a few.

The 500 Startups program would have kicked off earlier were it not, of course, for the outbreak of the coronavirus. After bidding time to see how the pandemic would progress, the firm decided to launch in virtual mode.

"We've had a lot of remote experience already, so we weren't too concerned about doing it virtually", Vieira says. "We've already had two big experiences with good results, including Demo Day at our flagship accelerator in San Francisco, where the results were even better than our last in-person event. Approximately 1,300 vetted attendees registered, twice the usual size. Outreach from investors to startups also doubled."

And because 500 Startups has personnel around the world, "it was easy to adjust. We had a program going on in Riyadh, Saudi Arabia when the pandemic hit, and the second half of the program was done remotely. Participants found the virtual program as impactful, if not more so, than the in-person portion of the program", Vieira says.

Lastly, 500 Startups presents an opportunity for companies to scale globally. Though the VC firm is not funding companies in the Georgia accelerator program, it is giving them the tools to make an impact beyond their home market and attract funding.

"[Through] these programs, companies are able to get on our radar much easier. So we go from working with them, seeing how they are doing and if they represent good opportunities for investment, then we definitely consider [funding] them."

When the going gets tough:

Georgian entrepreneurs who found opportunity amid the coronavirus crisis

INVESTOR.GE SPOKE WITH BUSINESSES WHO SET OUT TO ADDRESS THE NEW REALITIES OF LIFE DURING THE PANDEMIC, AND THE OPPORTUNITIES THAT HAVE ARISEN BECAUSE OF IT

JOSEF GASSMANN

The coronavirus wreaked havoc on the Georgian economy this spring as it did the world over, with real GDP sinking more than 16% year-on-year in April and 13% in May. However, as some businesses shuttered, laid off employees and scaled back operations to stay afloat, other entrepreneurs saw an opportunity to expand their businesses – or even launch new ones.

DELIVERY LIFE

Levan Buigishvili, for example, launched not one, but two new startups in the early days of the outbreak.

The first was Homeparty: a platform for bars and restaurants to stay open virtually during the times of the most severe quarantine regulations through ‘online bars’, where clientele could chat with other bar flies, interact with baristas and order food and drinks to the safety of their home.

“With social distancing measures and food establishment closures, we tried addressing the fact people couldn’t really go out anymore. So we offered bars and

restaurants the opportunity to open their own ‘rooms’ where they could still enjoy a degree of traffic and doing business”, Buigishvili told Investor.ge.

Servers and baristas were to man rooms, chat with customers and keep things lively, simulate a night out, and at least give clientele the experience of watching their favorite cocktails and alcoholic beverages being prepared, and then to have them delivered.

Homeparty had some initial success, but there were a number of factors which have, for the moment, made it a hard sell.

The downtime, even if comparable with other delivery services, in between when a customer signs into a room and when they receive their food or drink makes it hard to retain a client’s interest. Another issue Homeparty encountered was the release of Facebook Rooms, which identified a similar need, and ended up crowding out many smaller, similar platforms.

But this didn’t discourage Buigishvili, who then launched Mova – a delivery app for small, local grocery stores.

Buigishvili says he was driven by a number of factors to create Mova: long

waits in line at grocery stores, the risks associated with going out, the 9 o’clock curfew...and the fact that “the best produce is often available in neighborhood stores, not in supermarkets.”

“The idea came to me when I realized that one grocery store in Vake, which has particularly excellent produce, was receiving a lot of orders by phone. So I offered them to build an application and a website to systemize the operation”, Buigishvili says.

If Mova takes off, Buigishvili says, it will be able to compete with the other large delivery services in the country such as Glovo and Wolt for several reasons. One, the niche is different: such services often do not cover smaller neighborhood or specialty stores. Moreover, the fees for using such delivery applications are considerably higher at 20%, which is prohibitively high for most mom and pop shops. Mova, Buigishvili says, will only take 10%, and will focus on bringing smaller enterprises into the age of delivery.

BRINGING THE TRAPPED AT HOME EVEN CLOSER TOGETHER



Delivery services provided a way for people to safely buy groceries and meals during the height of the pandemic, but even copious amounts of sushi, regardless how delicious, cannot fill the gap of friends and family.

Project 39, a multi-purpose, ‘green space’ cafe in Tbilisi spotted in this

dilemma an opportunity to continue interacting with customers during the temporary economic shutdown.

“People could no longer come to us, so we decided we had to go to them”, Project 39 founder Sophia Shengelia told Investor.ge, which they accomplished by inventing Klite, a board game designed to bring people together: constructively, and not fighting over the remote during the long hours of confinement at home.

Klite is likely one of the few board games out there to sport an expiration date. That’s because its very first direction is to assemble 2-5 people on the floor around a pot of tea and a plate of sugar cookies – both provided in the box. A series of instructions then lead players through a number of exercises in verbal association, charades and moments of reflection.

“In keeping connected to our customers, we also allow them to keep close to one another, by going on this two- or three-hour journey on which they can share some of the thoughts and images from their inner world”, Shengelia says, noting that though quarantine regulations have wound down, Project 39 will continue producing Klite as it has enjoyed great popularity both amongst cafe regulars and people who have not yet visited the cafe itself.

TECH TAMADAS TAKE WINE ONLINE

Another source of home-bound entertainment available on tap this past winter was a new offering from Georgian Wine Finder – a startup that began in early 2019 as a tool to find recommendations for Georgian wines based off of preferences of more standard wines found in the west.

The Wine Finder team, co-founders Giorgi Tukhashvili and Colin Donohue, had planned to roll out a campaign of



VINOCORN.COM

wine tastings for the 2020 tourist season when the coronavirus struck:

“We had everything oriented around partnering with wine shops and restaurants to offer live tastings, using the ‘blind rating’ feature in our app, but everything came to a stop”, says Donohue. “We were inspired to still do something good for Georgia, so we decided to test online tastings.

So far we have done them in Georgia, but plan to offer them internationally to

help wineries hurt by Covid to increase exports.”

Introverted oenophiles or individuals who feel wary about going out in these uncertain times enjoy much more than a simple tasting – the process of the delivery of the wines, housed in attractive glass bottles that beg to be reused, and the discussion that accompanies the tastings in small, intimate gatherings make for a cozy night in.

Winefinder took inspiration from the conditions of the pandemic to expand further:

“Another part of this endeavour”, Donohue told Investor.ge, “was to help bring Georgian wines even closer to potential customers abroad in a time when commerce was slowing down. Now our hope is to continue helping people outside of Georgia find out about the many unique wines the country has to offer, and to give a boost to producers here”, Donohue said.

To sign up for a virtual tasting, you can visit Winefinder’s website, vinocorn.com and Georgian Wine Finder in the App Store and Play store lists upcoming events as well as wine information. ►►



► SCOOTING THROUGH QUARANTINE

But board games, food and drink were able to lighten the dark days of quarantine only for so long, so many were happy to discover that midway through the pandemic, in the seeming eye of the storm when almost all private vehicles had been banned and the streets came to an eerie standstill, a new form of transport popped up in Tbilisi – electric scooters.

“The business really took off worldwide [during this time], as the scooter is, by nature, an ideal form of social distance transportation”, founder of scooter sharing company Scroll Daniel Doinitsin says, joking the pandemic may actually have been an ideal time to launch:

But business hasn’t suffered since the reopening of the economy – business is



only getting bigger.

“In fact, the numbers we’re seeing in terms of daily rides is outdoing our initial projections by about 50% – and that’s without tourists! Even with only Georgian citizens using them, and with no tourism or travel, Tbilisi is proving to be an excellent market with a prospective future.”

Although things may never go back

to the way they were pre-corona, in some cases, that may not be a bad thing. One of the very few silver linings in the coronavirus epidemic was the fact that CO2 emissions and pollution in major cities were drastically reduced due to the fact that there were less cars on the road. Scroll may be a part of this trend and start helping move Georgia towards a more eco-friendly future.

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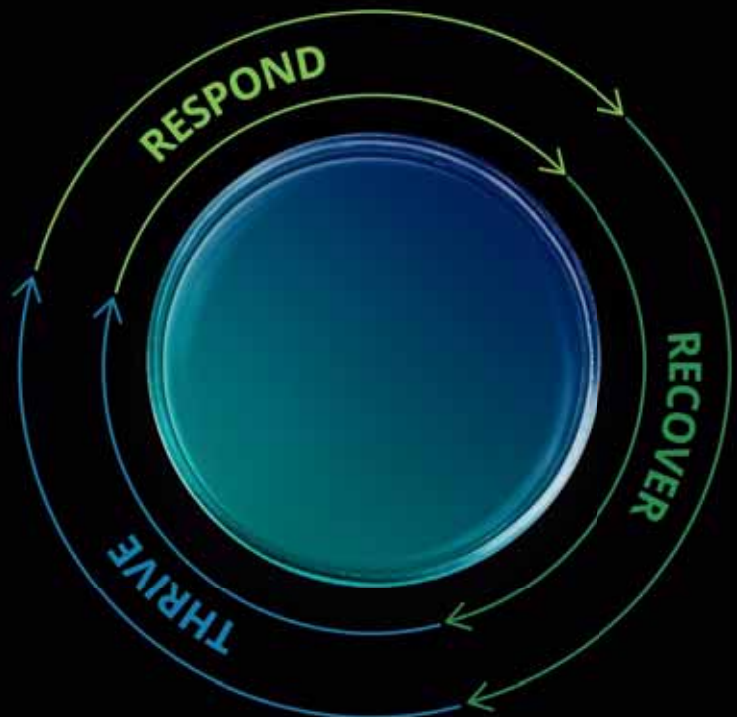
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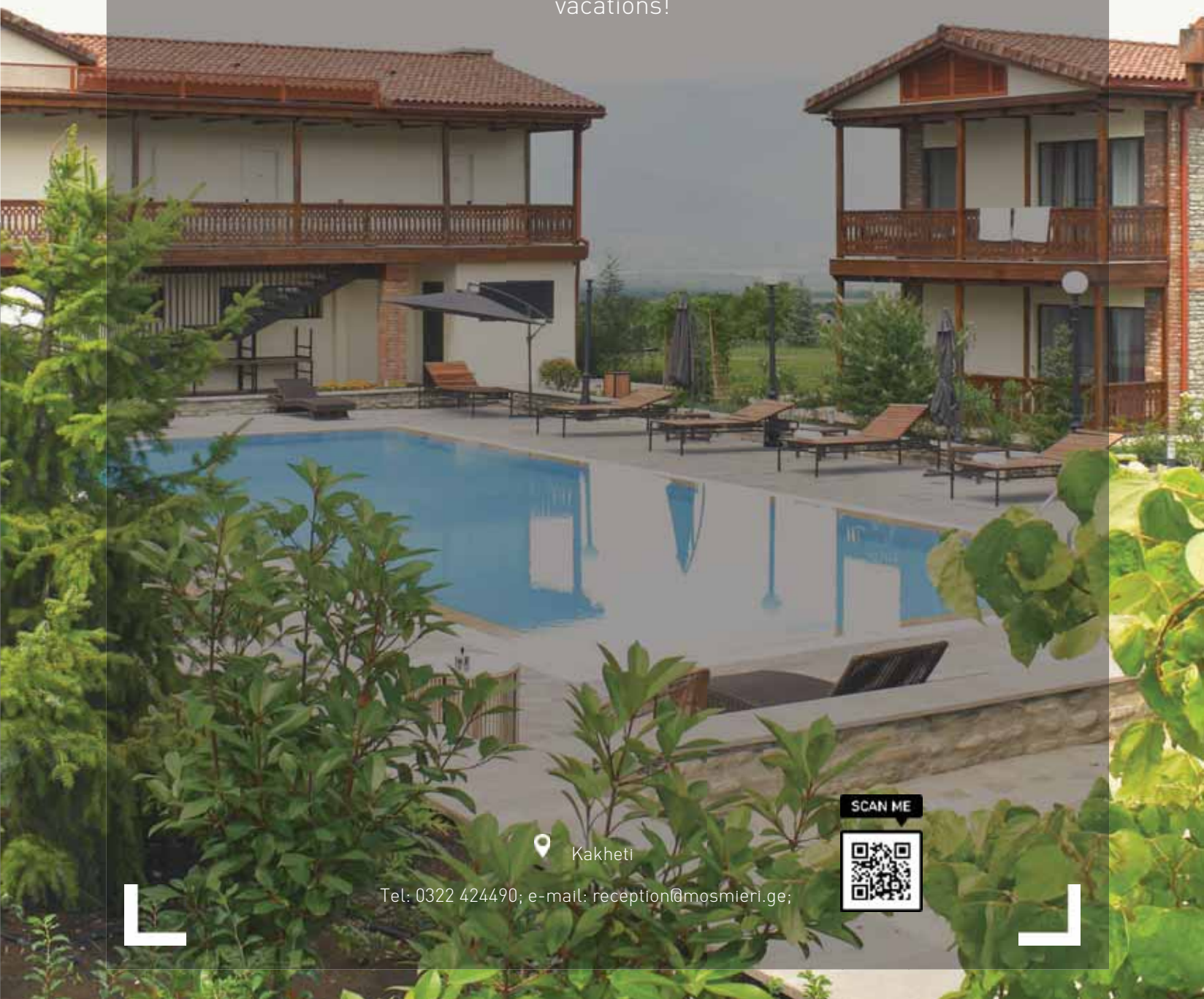
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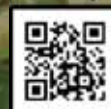
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SCAN ME



A scenic landscape photograph showing a wooden log cabin in the foreground, set against a backdrop of lush green forests and towering, rugged mountains under a clear blue sky. The mountains have some snow patches, and the overall scene is peaceful and inviting.

Tourism trends in an (almost) post-COVID Georgia

THE GLOBAL TOURISM INDUSTRY WILL HAVE TO GET CREATIVE IN THE COMING MONTHS TO STAY ON ITS FEET. NOT MISSING A BEAT, SOME GEORGIAN TOURISM PLAYERS ARE ALREADY ROLLING OUT NEW PRODUCTS AND OFFERINGS TO ATTRACT AND REASSURE TOURISTS.

JOSEF GASSMANN
TAYLOR MARGVELASHVILI

Despite hopes July would bring much-missed tourists back to Georgia, the global epidemiological situation forced the government to extend border closures until August 1, and summer break 2020 has turned out to be more of a staycation than a vacation for tourists who would otherwise have flooded Georgia's Black Sea beaches, towering mountains and Tbilisi's bars and restaurants.

For many Georgians, tourism, which in recent years accounts for almost 10% of the nation's GDP, is a lifeline, which has made the blow doubly difficult. However, the tourism industry has proved resilient so far, and innovative to boot. Investor.ge sat down with a number of industry professionals to find out what trends may emerge in the post-coronavi-

rus tourism industry in the country, and what new product offerings have arisen because of the altered circumstances.

ECOTOURISM IN FOR A BOOST

"Ecotourism, agrotourism and cultural tourism", says Elene Kekelidze, head of Discovery Georgia tour agency. "That's what we're expecting to see more of [once borders open]. Big cities and crowded destinations will likely make people feel a little nervous, they will want to get out, be in the countryside."

This is part of a larger trend that has been developing in the Georgian tourism industry in recent years, Kekelidze says, in which tourists have been discovering that Georgia is about much more than just Tbilisi and Batumi. "Since about 2010, travelers have stopped associating the country merely with the capital city, Tbilisi, thanks to the Georgian National Tourism Association's promotion of

the country at eco- and cultural tourism exhibitions. Georgia has diverse nature, and this will attract people looking for a little bit of everything, and to enjoy themselves outside of cities.”

Head of the Ecotourism Association of Georgia Natalia Bakhtadze confirms the trend: “We expect the regions to further emerge as tourist destinations in the post-pandemic reality. Batumi and Tbilisi are no longer so dominant in the industry, much in part thanks to residents of these cities themselves, who feel the two cities have become so crowded, and are now looking for places to escape. In doing so, they share their experiences online, and people are finding out more about Georgia’s rural offerings.”

Bakhtadze predicts tourists will begin focusing on seeing more in smaller areas, rather than trying to cover as much ground as possible. “In the post-COVID period, tourists will want to buy local, eat local, and explore the areas they’re staying in; there will be less trekking across the country, and we predict they will instead tend to do day tours around the area”, Bakhtadze says.

FEEL LOCAL

One new initiative that grew out of the coronavirus pandemic, Shinaurulad – or its English name, Feel Local – plans

to capitalize on an increased interest in Georgia’s rural areas and help local residents involved in the tourism industry benefit as well.

It was founded with the help of a rapid response grant made available by the Keda Leader program funded by the EU ENPARD Program, and managed by CENN and the Local Action Group in Keda, to help rural communities affected by the coronavirus.

Shinaurulad plans to promote the tourist potential of rural areas in Georgia, starting with Keda municipality in Adjara, through the use of digital storytelling. Shinaurulad founder Tiko Gholadze explains: “We’re training and mentoring 25 participants from Keda municipality. Some of them are newcomers in tourism, some already have experience. We help them create digital content about their offerings, their day-to-day lives, and then we advertise their locations on our social media platforms.”

The aim is to offer full-package experiences to tourists – not just a roof over their heads for the night. For instance, one beneficiary of the program offers guests to participate in a range of activities from his daily life, such as tobacco and alcohol production, cooking Adjarian dishes, visiting a shepherd’s lean-to and picking fruits and vegetables.

BUSINESS TRAVEL

The business and MICE (meetings, incentives, conferences, exhibitions) segments of the tourism industry are also experiencing the development of new trends, of which one will be greener travel and a demand for greener, cleaner spaces.

President of the Georgian Tourism Business Administration Amiran Ivanidze says

Georgia can make use of its achievement of stemming the spread of the virus to become even more present in the post-COVID business tourism market.

“In the post-COVID world, people will be looking into what destinations that had lower cases, where the situation is being monitored, and where the ‘cleaner’ destinations are.

We should be grateful that Georgia has done comparatively well in this regard, and this might put Georgia on the map as a clean and safe, COVID-free destination for business travelers”, Ivanidze says, noting destinations such as Tskaltubo, in Western Georgia, or Abastumani, on the southern slopes of the Meskheta Range, have serious potential to attract conferences, corporate getaways and other meetings where organizers might want to avoid the potential risks of big cities.

Ivanidze does not think business travel will suffer seriously once the pandemic has passed:

“People will still need to travel for business. The coronavirus epidemic has proven that virtual networking and communication spaces are useful in times of need, but they are no substitute for the real thing”, he says, adding that only a small portion of business travel may be deemed superfluous in the future – such as long-haul flights to deliver a single speech at an event, and other similar ‘extravagances’ – and that there are few ►►





- signs pointing at a decrease in demand for business travel.

“We’re already receiving requests [to organize meetings, conferences] for 2021 and 2022 from European clients, because they like to plan things a couple of years ahead”, Ivanidze says, noting: “Even this year, people were still asking permission to hold domestic market events in August and September.”

As for business and luxury hotels, they’ll be seeking to reassure guests and demonstrate that all precautions are being taken, says Marriott Georgia General Manager Cameron McNeillie.

“We can’t wrap ourselves up in plastic forever, but what we can do is our best to make sure cleanliness standards exceed basic demands in order to give guests that feeling of safety and security, and they appreciate the evidence of these extra efforts”, McNeillie says.

Attention to hygiene and cleanliness doesn’t end in the lobby – it extends to hotel rooms as well, McNeillie notes, where the Marriott has done what it can to minimize guests’ interactions with objects that generally experience higher traffic.

“The room service menus have been taken out of the room and are now avail-

able on the TV. Our restaurant menus will be available via QR codes, we use electrostatic sprayers to make sure every nook and crevice is disinfected and disinfectant stations are accessible throughout the hotel”, McNeillie says.

While most tourism businesses were stretched for customers during the pandemic, some were able to find outlets for the activities they’d normally conduct live during the pandemic itself – online.

Irma Kodua is the director of Grata DMC, a company which organizes corporate team building services that took the leap and took their activities online.

“Our partner company, Catalyst, had already started implementing online team building programs, so it wasn’t hard to take the extra step. We tested the product on our own team, and it worked well. The only entertainment available at the time was the endless number of boring Zoom webinars, when people would mostly just turn off their camera and microphone and do something else, so we felt we were on to something.”

Kodua told Investor.ge that demand for the online team building experience mostly came in from abroad, as “the Georgian conception of team building still relies heavily around food and

drink.”

One reason the team building experiences were so in demand, Kodua says, was due to the fact that companies wanted to foster the ability of their employees to work remotely.

“Some of the team building exercises put emphasis on skills that are needed in a remote work environment. For example, one game might ask participants to network with one another to receive all the information they need, and put all the bits and pieces together. This helps to improve communication within the team in the virtual world.”

NEW MARKETS, NEW CHALLENGES

Until borders open and tourists begin returning, there is domestic tourism to prop up the tourism industry, but this alone will not be enough in the long run.

Discovery Georgia’s Kekelidze believes the country will have to turn its sights towards new markets in order to survive the post-corona slump.

“While the European market was important for Georgian tourism industry before the coronavirus, today it would be difficult to talk about Europe as a lucrative market, for now, at least. We will have to continue studying the trends and discovering new markets.”

This must be done quickly, she says, as one of the biggest problems tourism is quickly becoming not the coronavirus itself, but industry demotivation:

“One of the most important things during this pandemic is to keep our chin up and remember that it will pass, and at some point things will go back to the way they were. It’s dangerous if we don’t. The entire industry is demotivated now, and we see players dropping out of the field. This is dangerous, because over the long-term this could seriously harm the industry as a whole”, Kekelidze warns.



At a time of hardship each business' journey is likely to follow a series of similar steps. So take time to Rethink your business and transform challenges into opportunities.

BDO's Rethink framework can support you through the journey across the key stages, issues and opportunities to consider when progressing towards the 'new normal' post crisis.

REACT
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How did Georgia handle the distance education challenge?

WHAT LESSONS CAN STUDENTS AND TEACHERS TAKE FROM THE CORONAVIRUS CRISIS AND THE GREAT DISTANCE EDUCATION EXPERIMENT?

TAYLOR MARGVELASHVILI

Over the past decade, schools around the world have started integrating modern technology into the classroom. A 2018 Cambridge International report on 100 different countries revealed that around 48% of classrooms surveyed use computers, 33% use smartboards, and 42% integrate smartphones into the learning experience.

Some technologies have proven to be more successful than others, and educational systems worldwide are still experimenting and fine-tuning. But this school year, technology went from a supplementary tool to an integral element of the education system.

So how did Georgia cope with the transition?

As with other challenges faced during the pandemic, Georgia seems to have handled the education crisis relatively well. The Organisation for Economic Co-operation and Development (OECD) even praised Georgia as a model country in terms of its educational system during the coronavirus outbreak.

Although some higher educational institutions worldwide had to send students packing, Georgian universities were quick to make the transition to online classes. The government also set up a nationwide virtual platform for school students, and tried to provide learning materials for those

who did not have internet access.

UNIVERSITIES TRANSITION FROM LECTURE HALLS TO ZOOM

San Diego State University made the switch over to an entirely virtual learning experience as early as March 16. The institution not only successfully trained their professors and students in several different online platforms, they had an entire virtual toolbox at their disposal. The backbone of the program was Blackboard Learn, a virtual learning environment and the easiest way for students to communicate with teachers, as well as review their course materials and assignments. They also used video conferencing program Zoom, which comes with a helpful "hand raise" feature so that teachers can easily address students' questions without everyone speaking over one another.

The appropriately named Turnitin was the platform used for handing out and turning in assignments, which students and teachers were already familiar with, as it was used even before the transition to fully online learning. Respondus Test Software, Respondus LockDown Browser and Respondus Monitor were used to monitor students' computers during tests to ensure that no one was cheating, and students used MATLAB for data analysis, creating algorithms, and digital computing. SDSU also gives its students access to a number of other applications, such as Microsoft Of-



fice Office 365 Portal, Project Professional, Visio Professional, Visual Studio Enterprise, Windows 10, SQL Server 2019 Developer.

The Georgian American University (GAU) was able to adapt quickly to the new situation as well, as the school is a longtime partner of Google. GAU not only provided their staff and students with continuous support, even making house calls to professors' houses to sort out technical issues and attending online meetings with other Georgian universities to discuss distance learning methods and assessment tools, but also took active measures in the fight against COVID-19. One such measure they took was donating 10,000 GEL to the Georgian government's StopCov anti-coronavirus fund. In addition, they held social events to support the elderly population in nursing homes.

ACCESSIBLE EDUCATION AND PERSONAL AUTONOMY

The parents of school aged children were impressed with Georgia's performance as well during this time.

"I think the Ministry of Education managed to handle the situation quite satisfactorily," says Iako Ormotsadze, an English teacher and mother of a 2.5-year-old. "They did their best to make distance learning comfortable, productive and easily accessible for everyone. They even started a project on TV, giving online lessons every day for those who didn't have access to the internet."

The program she is referring to is called 'Teleskola', which began broadcasting lessons encompassing all mandatory school subjects for students from 1-12 grade. This was especially helpful for families with no internet access, or those

with multiple children sharing one computer, as the children could take turns studying online while the others watched educational programs.

In addition, the Georgian Ministry of Education, Science, Culture and Sports developed the Education Information Management System (EMIS), through which Microsoft Office 365 user profiles were created for around 600,000 Georgian public school students, as well as 55,000 teachers and school faculty members.

Another way that the Georgian educational system differed from that of other countries in their handling of the coronavirus crisis was that they allowed students and parents to access their own data, grades, and learning materials without permission from the school administration and teachers. This allowed them to review their grades and previous exercises on their own time.

And perhaps most importantly, the ministry also set up virtual counseling centers in all regions of Georgia, where volunteer experts from the New School Model are able to coach teachers through the transition and train them in the use of technology in the classroom.

THE NEW SCHOOL MODEL AND BARRIERS TO DISTANCE LEARNING

Even before coronavirus hit Georgia, the Ministry of Education was working on a new series of reforms to the Georgian education system. The New School Model is designed to implement new technologies in the classroom, including digital textbooks. It also aims to decentralize the educational standard model and provide

schools with more autonomy in order to create more individualized and personalized approaches. The fact that this program was already being developed helped the Georgian educational system immensely in the transition to distance learning.

However, the system currently has a fairly limited reach and is still far from perfect.

Tamta Amisulashvili, who is both the mother of two school-aged children and an adult English learner herself, says that there is still a lot to be improved on. "I think learning theory is easier in this context, but we encountered some problems where teachers just couldn't explain things well on the platform." Amisulashvili believes that her own children, who are 12 and 16, benefited from the new format. "I think it was great for them to face these challenges and improve their learning skills."

But she says that in her experience as a learner, she faced some difficulties. "The course became more boring for me. It was hard to pay attention and I had internet problems."

Ormotsadze also says that teaching group classes poses more challenges than teaching individually in an online format. "From my personal experience, teaching online individual classes are far more comfortable and productive than teaching online groups," she says. "Since you are teaching only one person, they are actively involved in every kind of activity you offer during the lesson and they don't get distracted easily."

"If students start talking at the same time, the class becomes a real mess. Also, some of the students pointed out that it is hard for them to concentrate while



- working online than working in a physical classroom."

Although the Ministry of Education did its best in a pinch to provide an option for students with no computers, lack of internet access still remained a big issue. According to a 2017 study by the National Statistics Office of Georgia, only around 70% of Georgian citizens have internet access, and 60% of those who do only have access through their mobile phones. For students living in remote areas or with only one shared computer available for the whole family, this made participating in the classroom difficult.

English teacher Fleur Swemmer, who lives in Georgia and who has over a decade of experience working in both traditional and virtual classrooms, says that this was one of the biggest problems teachers faced during the crisis. "I think the biggest issue that affects every online teaching interaction is the quality of the device that you're using," she says. "Obviously, whatever teacher you have is going to make a big difference, but you could have the best teacher on earth, but if you're working on a 2005 Android device, lessons won't be great."

Despite this, Swemmer is generally optimistic about the future of technology in the Georgian educational system. Even possible issues such as the fact that school children may be tempted to be distracted, and surf the web instead of studying, may

be to the system's benefit.

"The thing is, kids love to cheat, and I love that they do, because that means that they're interested and they're learning. When I was teaching in Thailand, in primary school, they had iPads for the kids. And the kids would take the iPad and have it jailbroken, find different ways to sign in, create extra profiles. The teachers were always complaining about it and trying to punish the kids. But I think we should have put some app-building software on

there for the kids to use instead, make it interesting, incentivize it."

Swemmer says the biggest obstacle to integrating technology into the classroom is the lack of training for teachers. "I do think that there are so many possibilities for online learning systems for kids, but the teachers need immediate training. What teachers really need is the same thing the kids need, which is interesting, effective and useful training, given by people who know how to do it properly."



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How COVID-19 has changed the approach to corporate social responsibility in Georgia

FROM THE COUNTRY'S LARGEST CORPORATIONS TO SMALL BUSINESS OWNERS, GEORGIA'S BUSINESS COMMUNITY HAS STEPPED UP TO HELP THE MOST VULNERABLE AND IS PLANNING TO CONTINUE THEIR EFFORTS.

INGE SNIP

Maia felt like she was losing it on April 4. Her cleaning gigs had come to a halt, as the families she worked with weren't

comfortable with outsiders coming to the house. She wouldn't even have been able to get there any longer: public transportation had also come to a screeching stop. In addition to the immense stress of trying to deal with the coronavirus – the fear of catching it herself, trying to keep her two kids safe – she now also had to face the fact that her family wouldn't have any income.

Maia's story during COVID-19 is that of many. While the government of the country was swift in ensuring pay for those who had lost jobs, Maia couldn't apply for assistance – her job was informal. As the breadwinner of the family, not just Maia was affected by the lockdown measures imposed, her entire family was.

But then something happened. Kind individuals had scraped money together via a facebook group to pay her utilities bills. And then the Red Cross came with a bag full of groceries from Smart supermarkets.

"I still cry when I think about it," says Maia. "This crisis has really showed me the kindness of people."

Wissol group, of which Smart is part of, is one the major companies which upped their social responsibility programs during COVID-19, from delivering groceries to the socially vulnerable to providing psychological trainings for their staff to deal with the crisis, and currently is focussing their efforts on sup-

porting small business owners working in tourism. Wissol had corporate social responsibility programs pre-COVID-19, but it was the crisis which changed the manner in which they carried them out.

Wissol's Head of the PR and CSR departments Rusudan Kviliashvili says they realized the importance of "united efforts to fight against a common enemy", adding they did everything in their effort to have a positive impact on those in need. And it has built new bridges, as Wissol is now actively working with government agencies to identify and support small regional tourism-focussed businesses who could use their help with marketing themselves through engaging storytelling techniques.

Other large corporations have also stepped up their game to help fight the pandemic.

Valeri Chekheria, CEO of Adjara Group, co-founded Fund 1anoba, through which 2,000 registered volunteers have supported vulnerable groups, including people with disabilities, single mothers and the elderly, and helped over 5,200 families across Georgia with food, medication and other basic needs.

Charity organization American Friends of Georgia has responded by contributing to the purchase and distribution of critically needed supplies including food, medicine, hygiene items, hand sanitizers, and protective gear to high risk populations. AFG began by donat-

ing facial masks and food to the children suffering from leukemia and cancer in the Oncology and Cancer Department of the Children's Central Hospital and to the nurses and elderly patients in the Hospice and Home Care Program.

Other major companies which set up specific projects during the pandemic include Bank of Georgia, which supported the government in its testing efforts, providing the Ministry of Health with 20.000 laboratory tests and other medical equipment. TBC Bank developed a new initiative, in which people could financially support businesses of their choice with a donation with only one click. Drink manufacturer Natakhtari set up online psychological consultations for those who needed it, helped people with their apartments' rent tax, and allocated resources necessary for distance learning.

Meanwhile, Efes – part of Natakhtari – supported bartenders who were unable to work during the pandemic. Water company Borjomi provided drinking water to 12 hospitals and various organizations throughout Georgia, as well as 100 GEL vouchers for food and other basic needs to more than 600 vulnerable families across Borjomi and Tbilisi.

Levan Baghdavadze, Vice President at Borjomi Georgia, said they are planning to continue supporting vulnerable people in coordination with the Business

Ombudsman's Office. "Right now, we want to support 50 students from our training center by giving them vouchers worth 100 GEL from a supermarket to buy them basic necessities." But it wasn't only the large corporations which decided to take action. The government's stopcov fund, set up during the crisis to help support those in need, has to date raised 134M GEL. Companies which supported the fund range from the large corporations mentioned above, to companies such as the Caucasus Auto Import, furniture company Saba, and interior materials company Bauflexy. Besides donating to the funds, many also had their own specific COVID-19 focussed CSR programs, such as Element Construction, a construction company building both private homes and commercial spaces, which specifically helped those infected with the virus and their families.

While these companies usually have some reserves to help them through rougher times, such as the economic impact of the current pandemic, for small business owners this was different. However, this didn't stop them from trying to help those in even more need than they were.

In Senaki, the owners of a small privately-owned fruits and vegetables store, handed out free bread, cookies and salt. "The State of emergency made it hard for people to travel for their groceries,"

Saba Gogia, the store owner said, "so we decided to help them with the basics."

One of the hardest hit economies during the pandemic has probably been the tourism industry. But the owners of Rainers European restaurant, Hotel Kartli and ERKA Travel Tbilisi didn't see this as a reason not to help and support those who needed support even more than they did. Quite the contrary, they even founded a new non-profit to help vulnerable families and children living on the street. And they did so by crowdfunding from their customers.

"I'm proud that with the help of our sponsors we've been able not only to pay our staff, but also daily feed 60 families which we found through the Evangelical Lutheran Church," says Rainer Kaufmann, adding that the funds have also allowed them to expand their focus to small landowners in Gardabani and Rustavi to help them cultivate their lands.

For now, those companies who are able to, will likely continue supporting those who are suffering from the economic impact of the crisis. It is, however, to be seen what will happen when life returns back to "normal."

But Maia says that the temporary support she received was a tremendous help, not only in terms of materials, but also in terms of her and her family's psychological well-being. Since the restrictions have lifted, Maia has been able to go to work again, and won't need the kind support of others anymore. But it has inspired her to help out those around her more who are still in need.

"I've always supported my friends and family, but after what happened, I now buy bread and flour for those in my neighborhood who I know have no one else to rely on," she says. And that may be the biggest positive impact the pandemic has had: a little bit more empathy for those struggling to get by.





How one hotel in Batumi made it through the pandemic and is now thriving



Director of Gloria LLC, Murat Tansu

THE GRAND GLORIA HOTEL WAS ONE OF THE FIRST HOTELS IN GEORGIA TO OFFER UP ITS 160 ROOMS TO HELP HOUSE GEORGIAN CITIZENS RETURNING HOME DURING THE PANDEMIC ON ITS SEASIDE RESORT ON BATUMI'S NEW BOULEVARD. INVESTOR.GE SAT DOWN WITH HOTEL DIRECTOR MURAT TANSU TO TALK ABOUT THE HOTEL'S EXPERIENCE OF THE PANDEMIC, LESSONS LEARNED AND NEW DEVELOPMENTS IN TOURISM TO KEEP TRACK OF WHILE LOOKING FORWARD.

JOSEF GASSMANN

Once past the quick thermoscan upon entering and the staff, decked out in gloves and face masks, July visitors to Batumi's only resort-style waterfront hotel, the Grand Gloria, would have been hard pressed to remember that just several months ago, Georgia was sheltering in place and waiting out the coronavirus epidemic.

A number of other five-star hotels in Batumi tried reopening on June 15 – the date officially sanctioned by the Georgian government for domestic tourism to resume in the country – but shuttered again shortly thereafter;

For many hotels, the overall traffic to the shores is still not high enough to justify reopening. “But in these truly unprecedented conditions”, Grand Gloria Director Murat Tansu told Investor.

ge, “creating demand where there is no demand has been key.”

How has the Grand Gloria Hotel made it through such trying times, and emerged an innovator in the new, quasi-post-COVID-19 tourism reality in Georgia?

A BOLD RE-ENTRY

Before the green light was given to domestic tourism to resume in the country in mid-June, Grand Gloria called in its sales and marketing departments for a brainstorm, after which the hotel announced the beginning of a vacation package campaign with considerable discounts to encourage vacationers to come out to the shores of the Black Sea.

“This created a huge impact. We received thousands of e-mails and inquiries, and now we’re at well-over 90% occupancy, and looking at even better figures for the rest of the summer and into September. We’ve had so many requests we’ve had to put a pause to the campaign”, Tansu says.

The campaign largely fed off the pent up demand from the epidemic, but also the reality that hotels in Georgia will, for some time at least, have to cater more to local tourists. The idea was also inspired by Tansu’s experience of the hotel industry’s unique approach in Turkey.

“When you go to Antalya”, Tansu explains, “you don’t call the hotel – you call a travel agency, and you make a reservation, because they have attractive campaigns and payment conditions. Here, the tour agencies have been more focused on inbound tourism or Georgians going abroad, so they haven’t been offering these deals to Georgian vacationers. There was this niche to fill, and as you can see, it has worked out well for us.”

Tansu hopes the success of the Grand Gloria campaign will catalyze the development of a domestic tourism trend within Georgia itself, given that the global restrictions and concerns surrounding travel will likely force this hitherto largely ignored direction to become more important:

“Going forward now, the hotel sector will have to work much harder to fill rooms. And the only way to do that will be by offering new products, new initiatives and campaigns”, Tansu says.

SURVIVING LOCKDOWN

As for the active phase of the coronavirus pandemic in Georgia, a confluence of circumstances allowed Gloria LLC – which includes the Grand Gloria Hotel in Batumi, and the 5-star Tiflis Palace boutique hotel and Tiflis Veranda restaurant in Tbilisi – to survive and retain all its staff, which in total number more than 200 employees, despite the complete suspension of tourist flows.

Partial thanks, Tansu notes, is due to the government, which waived income and property tax and other burdens for the industry, helping many a hotel survive. Just as crucial was the decision of the government to place returnees coming back to Georgia in five-star hotels, where they had to wait out two weeks in isolation. The assistance received from ►►





- the government allowed the Grand Gloria to both look after guests and retain a degree of operations.

This was a winter and spring unlike any other for the Grand Gloria, Tansu says: the hotel was at 100% ‘occupancy’ in its 160 rooms throughout March, April and May:

“We were happy to do it. Our only concern was that people would misunderstand what it meant for us to have served as a safe zone. The word quarantine has been somewhat misused here. These people weren’t sick. This was simply a practical move that had to be taken. We didn’t have a single person test positive during a stay with us”, Tansu says, noting that in Turkey, the hotels weren’t so lucky, and nor were the people returning home, who were settled in dorm rooms with up to six people.

“It’s not right to say that it was only us helping the government – they helped us too, they helped us cover costs, which allowed us to continue paying staff and paying for other operations.”

Staff were paid at a reduced rate for several months during the worst period of the shutdown, however the administration asked employees with open credit lines to come forward to make sure their liabilities would be covered during this period.

However, that’s not to say the pan-

demic was entirely smooth sailing.

The majority of issues were encountered and dealt with in the beginning, when the flurry of activity and the need to quickly mobilize resources meant some crucial support was missing, such as medical equipment:

“But everyone was waiting for help. And the government is made of people too, you know. They are human too. They did what they could”, Tansu says.

Staff were initially reticent as well about the idea of continuing to work during the pandemic.

“People were scared, yes. But luckily, they trusted me when I told them that if we were to follow proper protocol, there was little risk for us. And then they were happy to come in and do their part. I am truly blown away by how our staff performed during this time.”

TAKING IN THE RAYS IN A [SOMEWHAT] POST-COVID-19 WORLD

Now that Georgia has made it over the hump of the epidemic, there is much conjecture about what the future holds for the hotel industry at large. But what that might look like is as good as anyone’s guess, Tansu says, but offers up a few ideas.

First on the list of concerns is the upcoming winter. While the summer

season has started out strong, Tansu has concerns about what the late fall and winter season may look like.

“We are likely facing a second wave of the virus at that point. The media will write and speak extensively about it, the government – rightfully so – will push people to become even more vigilant in their use of face masks and other social distancing measures. This does not encourage people to go out – it encourages them to stay in. This means hotels, restaurants could face a cash flow problem in the winter. That is more of a concern than the current situation with the slump in tourism.”

Tansu notes that though general economic life has resumed, people have been slow to flock back to restaurants, and traffic in Tbilisi hotels has been minimal.

“At this time, the Tiflis Veranda should be full, with reservations being made three to five days ahead in advance, because there has historically otherwise been huge demand on this establishment. The messages we see on TV do not inspire people to go out and be with their close ones. And almost nobody is travelling from the regions to Tbilisi, so the Tiflis Palace is also in a tight spot. This dynamic may only deteriorate in winter, given that few tourists from abroad will be coming in.”

However, there is plenty of room for optimism, especially about next summer, when pent up demand from people cooped up at home will produce a surge in demand for travel and tourism, and Batumi stands to benefit from what Tansu says could be a fantastic year. Of particular interest will be to watch how the domestic tourism market continues to grow:

“I had a few comments from my guests, a number of them have told me: ‘we used to go to Turkey, to Cyprus...

but this year we came here, and we are so happy with our choice. We'll come again next year!' So many people will likely start to think this way, that they don't have to go so far to have a nice beachside vacation."

BEYOND THE CORONAVIRUS

The state of tourism in Adjara and Batumi beyond the coronavirus is clearer than the near future, Tansu says, noting it is of utmost importance for the industry across the country to develop an ongoing conversation between the hotels and the government.

"I've been here seven years, and we still don't have a hotelier association. People have tried, but it hasn't worked. It's so important. During the pandemic, if we had had such an association, we could have solved a number of problems much easier. For example, the issue of the use of the word 'quarantine', which I, again, believe is mistaken, could have been discussed with the government and included the input of the hotel sector."

Tansu has even been advocating for

the government to take lead on the creation of a hotelier association and mandate that all other hotels in the country join, with an aim to ironing out several kinks in the industry such as the use of rating stars and the implementation of other industry standards.

Batumi in particular stands to benefit from coordination and discussion between the hotels.

"This city has great potential as a resort town, but there are many things that need to change. Take the boardwalk, for example. It is overrun with cheap beach cafes, and in certain places it looks rather tacky.

The boardwalk and beaches should be given into the hands of the hotels, who with their five-star management qualifications could really revitalize the place, and maybe even keep it open in the winter. When we came here in 2013, we were given assurances we would be able to rent the waterfront by our property. That has not happened yet. In fact, the tenders have been rather irregular and opaque. Moreover, they're given

out for just three years at a time. What kind of difference can you make in just three years? Make it 10, 15 – 20. We'd really be able to transform Batumi into something remarkable!"

The GNTA has done an incredible job of advertising Georgia abroad and raising awareness about the unique destination, Tansu says, but more work needs to be done inside the country to make sure that tourists are impressed and want to come back. Just what these needs are, Tansu says, the hotels know best, and the government would do well to set up a more active dialogue with players in the tourism industry.

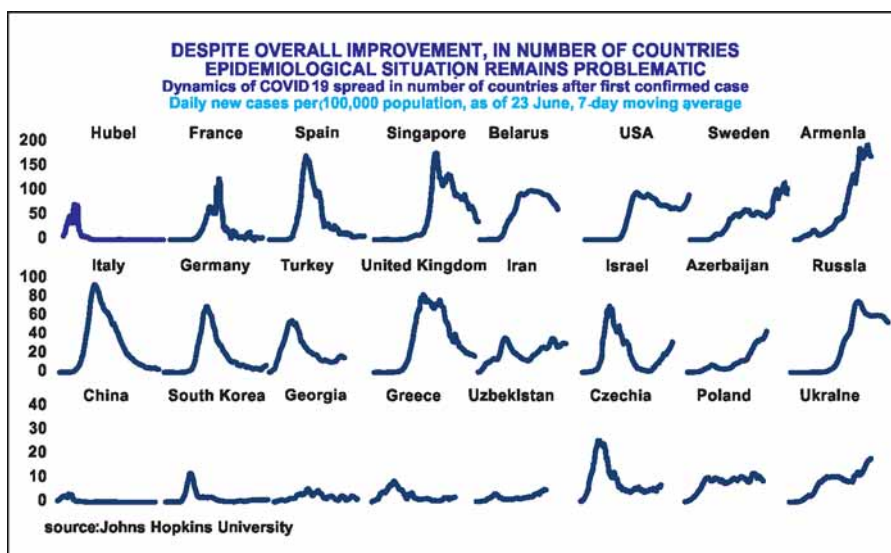
"We know this business well. They could ask us: what do you want? What do you need? What can we do to make this happen? Instead, we see most of the energy focused on creating awareness about Georgia, which is fantastic, but it's not doing much for us here on the ground. We need to raise the quality of what tourists come to see, otherwise we will not be able to grow or attract new markets."





TBC CAPITAL

TBC Capital predicts slow but steady economic recovery



Summer's finally here but coronavirus is still in the air. Hopes that the heat and sunshine would damper the spread of the virus have proved largely unfounded, as some countries witness or teeter on the edge of a second wave.

Fortunately, this is not the case in Georgia, where case numbers have been maintained in the lower single digits through aggressive quarantining and contact tracing, and thanks to which the economy has had the opportunity to open up to a fairly large degree – in some cases

weeks ahead of the government's initial plan to reopen.

However, like countries the world over, Georgia is in for the long economic recovery slog, with TBC Capital's June report predicting the country will return to indicators from the end of 2019 only sometime in the second half of 2021, pending the production and widespread distribution of an effective vaccine and maintained adequate healthcare.

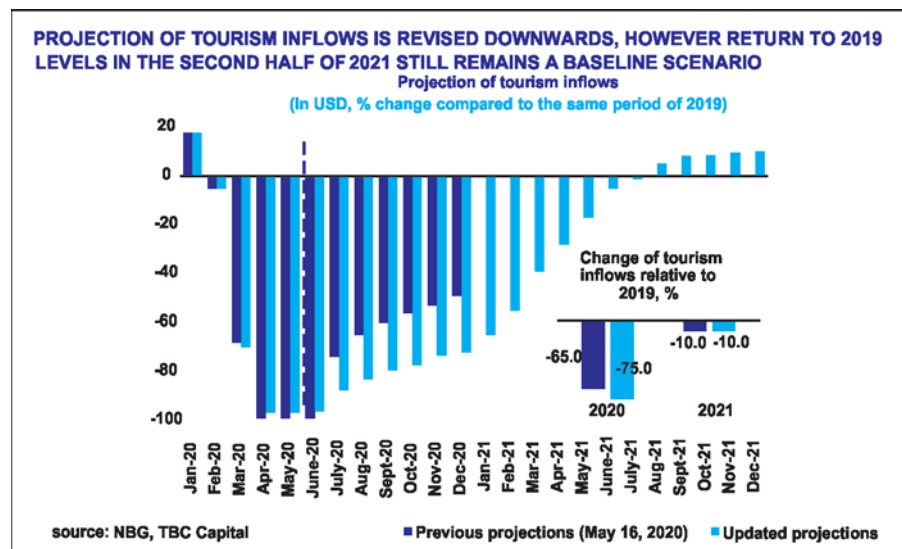
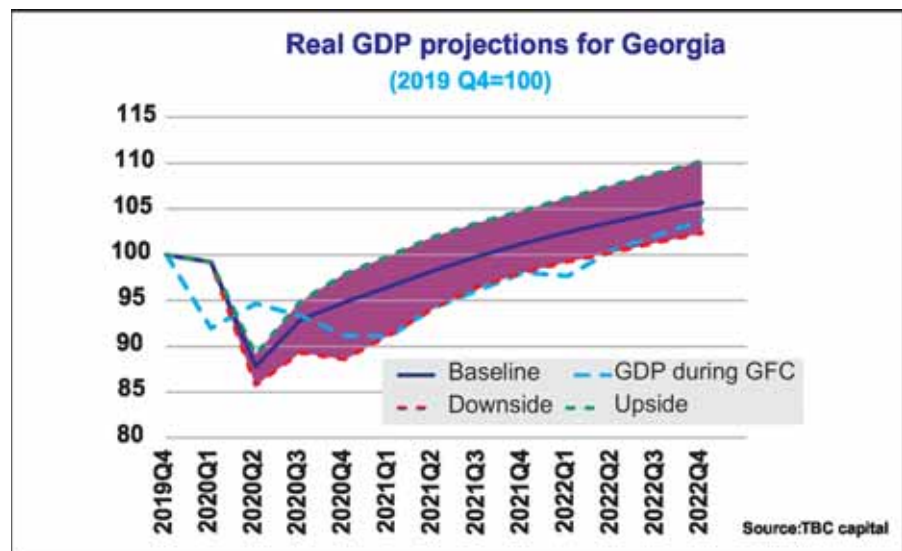
In its June edition of COVID-19: Tracking the Recovery, TBC Capital revised downward its projections for tourism inflows, and may have to do so even further after the government ruled to keep Georgia's borders shut, reasoning that not many people are willing to travel at the moment, and those that do may bring the virus with them.

TBC Capital predicts tourism inflows will remain down year-year-on as much as -75% and will only begin to surface with less than 10% growth come August 2021.

This is much in part due to the COVID-19 situation in surrounding states:

"Georgia's main source of visitors remains its neighboring countries – Armenia, Azerbaijan, Russia and Turkey. Except for the latter, the epidemiological situation in these countries remains serious and there has been a higher than predicted spread of the virus. Traditionally, these countries have supplied the bulk of tourism traffic in peak months. As for 'green corridors' with EU states, currently the bilateral opening of the borders has only been negotiated with France, Germany, Lithuania, Latvia and Estonia. These countries supplied just 2% of total visitors in 2019", TBC Capital's Head of Research Tornike Kordzaia says.

"True, options for European travelers are currently limited, with only 15 countries outside EU deemed to be safe, but on the other hand, Georgia will



have shed some of its competitiveness as a cheaper travel destination as hotel prices are down everywhere, not just here. Most destinations are incredibly cheap right now, and they are all vying for a small number of tourists", Kordzaia notes. "What helps, is our well-earned reputation as a safe-haven, and a serious effort has to be made to reinforce this positioning".

Lastly, even with strong positioning and marketing, tourist traffic from the EU would not fill in the gaps: in 2019, revenue generated from travelers from the EU accounted for a bit less than 15% of revenue generated that year.

"Even if twice as many travelers come in from Europe in August as they did last year, it cannot plug the hole entirely", Kordzaia notes, "Given the current price discounts, attracting more domestic visitors is an opportunity. In 2019, Georgian residents spent a total of 2.3 million nights in foreign hotels. In addition, a total of 24.5 million nights were spent by domestic tourists, either in own, or friends' and relatives' apartments and houses. Swaying these people towards the formal accommodation sector is an opportunity."

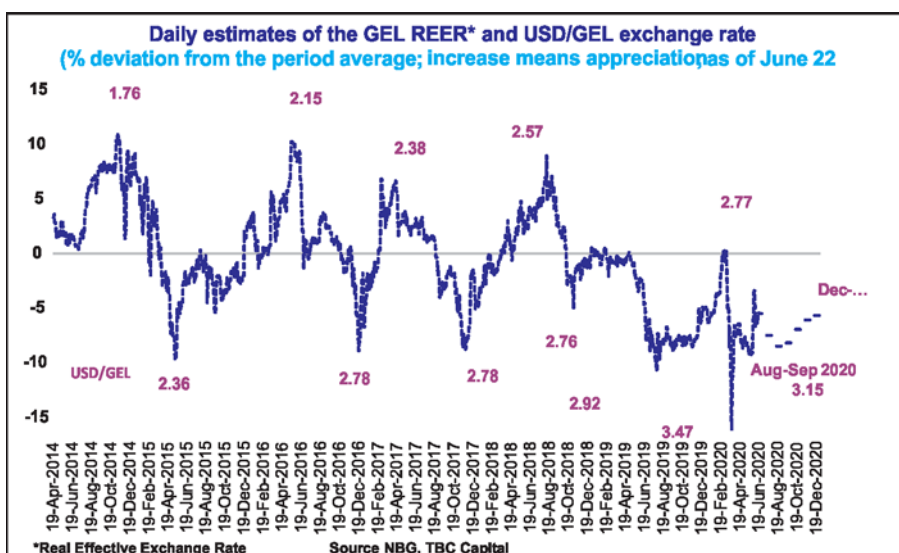
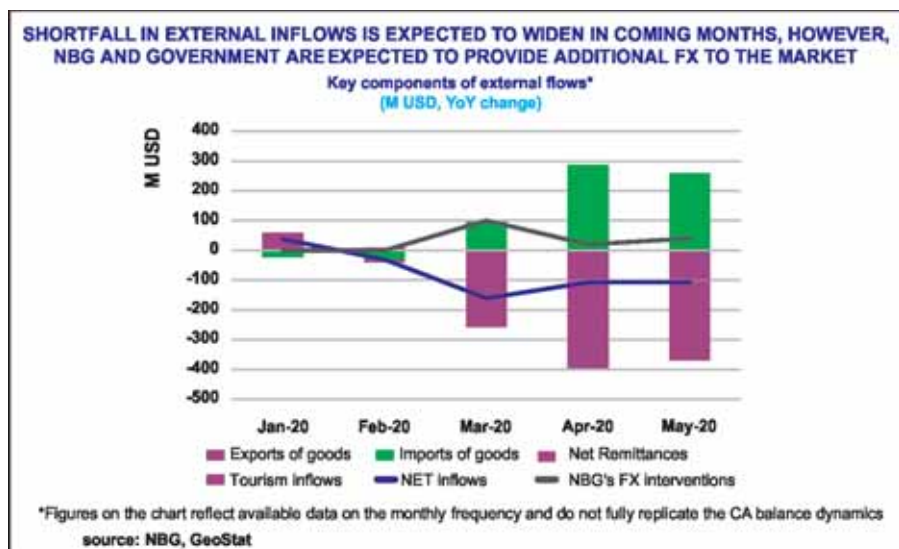
Tough times are in store for Georgia in 2020 beyond tourism as well, when ►►

- TBC Capital predicts the economy will contract by 4.5% - 5.5% before recovering by 5% - 6% in 2021. The next few months will be choppy before achieving a degree of stability.

The disparity between net flows is expected to rise in the coming months in favor of outflows, which were initially offset by a sharp decline in imports during the shutdown which cushioned the initial negative impact. However, looking forward, the recovery of imports is expected to be faster than that of inflows (exports), which could further worsen the net impact. It is expected the NBG and government will provide additional foreign currency to the market when needed, and together with around USD 1.7 bn additional funding secured by the government and the NBG, the floor on net international reserves has been lowered to allow the central bank to more actively intervene on the FX market.

As a result of these dynamics, TBC Capital writes, the Georgian lari (GEL) will likely gravitate towards the exchange rate of 3.0 GEL in the second half of the year.

“People have started consuming more again since the economy has opened up, which means we can likely expect some



pressure on the GEL exchange rate in August or September as im-ports rise, and thus the demand on foreign currency”, Aleqsandre Bluashvili, Head of Macro-financial analysis of TBC notes, but points out that after this change is factored in, the lari is likely to stabilize.

“The dollar has already strengthened against most neighboring currencies to the extent that one could expect. It is unlikely to strengthen more, and so looking forward it will be a question of the Georgian lari real effective exchange rate moving back towards its long-term equilibrium point” Bluashvili notes.

The report highlights some positive trends:

While the budget deficit projection has been revised upwards by more than 5% of GDP due to emergency expenses, TBC Capital says a significant portion of the funds Georgia has borrowed from IFIs has created a solid emergency buffer in case there is a second deterioration in the ep-idemiological situation, though TBC Capital does not see a major second wave as in its baseline scenario.

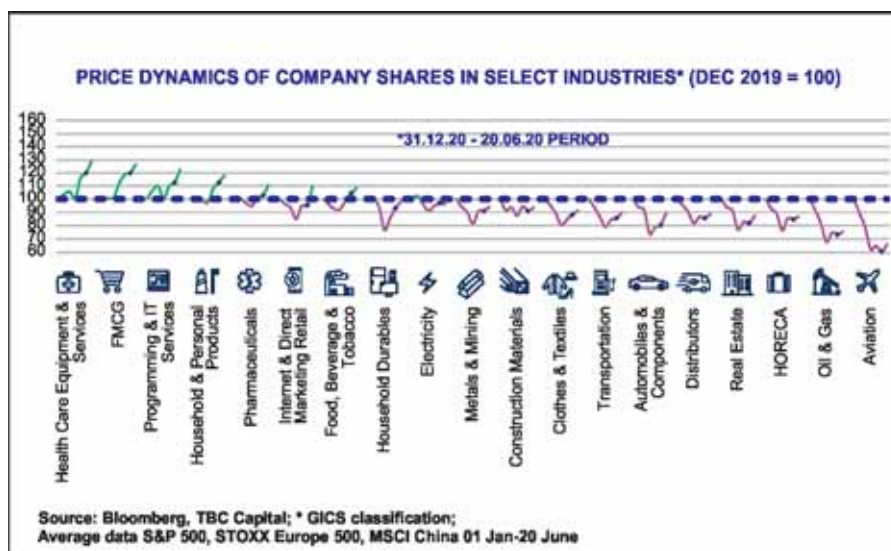
Inflation, initially affected by the sharp move of the GEL as well as one-off cost push factors due to the COVID-19 related regulations, also seems to be stabilizing. TBC Capital predicts inflation

will sink from 6.5% in May to hit 4.5% by the end of the year due to the stability of the GEL and reduced economic activity.

Meanwhile, the development sector is looking forward to the government support plan boosting the sales, by what TBC capital believes to amount to 10% of last year’s sales. The 434 million lari support plan encompasses mortgage interest rate subsidy as well as acquiring residential properties for the IDP households. While real estate may still be in for a difficult year with a circa 20% decrease in transactions and around a 10% decline

in prices, TBC Capital expects demand to return in 2021, with the number of transactions hitting 2019 levels and prices just 5% less than those of 2019. The market will have fully recovered and exceeded 2019 indicators by 2022, TBC Capital predicts.

Other sectors in for difficult times ahead remain, HORECA, automobiles and transportation. Meanwhile, sectors like FMCG and pharmacy have displayed a resilience to pandemics so far, while others like durable goods’ retail and construction materials, have displayed recoveries at different tempo.



What's moo-ving the Georgian milk industry

GEORGIA IS HEAVILY RELIANT ON IMPORTED MILK POWDER OR FROZEN MILK TO PRODUCE ITS DAIRY PRODUCTS. HOWEVER, YEARS OF EFFORTS TO STIMULATE THE INDUSTRY ARE SLOWLY ALLOWING THE QUANTITY AND QUALITY OF GEORGIAN MILK PRODUCTION TO RISE

SALLY WHITE

“Say cheese!” – the command used by photographers to elicit a smile is being beamed by the government at Georgian milk farmers which own the country’s half a million or so dairy cows. It wants them to make more cheese, but under the ‘Georgian Milk Mark’ which certifies that the cheese comes from fresh natural milk (and contains no powder or vegetable oil) and has food safety

certificates (HACCP – Hazard Analysis and Critical Control Points). The aim of this scheme, launched last March, is to replace the informal production that supplies the cheese found in markets and most small shops and to comply with health and sustainability requirements of the Association Agreement between Georgia and the EU.

The Georgian Milk Mark, administered by the Business Institute of Georgia, is becoming one of the rare stories of successful local brand building. There are now nearly 20 dairy enterprises collecting milk from the grass-fed cows of thousands of small producers turning out “ecologically pure” dairy products at clean, regulated premises, all part of the Alliances Caucasus Program (ALCP). This is a 12-year-old, \$2.7m Swiss Development Cooperation project which is being carried out in cooperation with the Austrian Development Cooperation and implemented by Mercy Corps Georgia. Colorfully wrapped Georgian Milk Mark products are sold through all the major supermarkets, most small corner shops and to restaurants.

“Informal, non-compliant cheese production is still widespread,” comments a study for ALCP from the United Nation’s International Labour Organization titled “Better cheese, better work”. But this year legislation should change that, making it mandatory for producers

owning more than five milking cows to register and become subject to inspection.

That is not the only driver for change. ALCP has been highly innovative in accessing the media both to educate small cheese makers (mostly rural women) and in marketing.

“Lack of information”, ALCP found, was one of the main causes of small farms’ “exclusion from profitable agriculture markets” and operating outside food safety nets, most getting what information they had from neighbors and friends. ALCP believes TV, radio and newspapers were the best education media. Yet, as it notes, “agricultural journalism did not exist in Georgia a decade ago” and none was targeted at the main players, which in the case of dairy is the women on farms.

So, it set out (and has succeeded) to build regular agricultural coverage. For example, nationally on TV there is now Agri News, and Chveni Perma (which became Perma), in Adjara there is Me Var Permeri, in Samtskhe-Javakheti there is Farmers’ Hour, on Marneuli TV there is Tanamedrove Meurne. There are several regular regional newspaper features. There are lessons on the internet and mobile apps, and interactive platform agrofage.ge also carries veterinary inputs. All ALCP media products are now independent, it says, and half of surveyed viewers “report changing their agricultural practices” as a result of what they learnt.

There are a lot of reasons for reforming dairy production. Livestock dominates agriculture, which employs around 40 percent of the country’s labor force. “Many rural families livelihoods depend exclusively on the livestock they breed, notably cows,” comments an ISET Policy Institute analysis for USDA Food for Progress, “... milk production

#WHYGEORGIAN?!



Investor.ge spoke with Head of the Georgian Retail Association Luka Chelidze to find out more about the organization and its activities during and post-pandemic.

How has the GRA grown as an organization since its founding in 2018? What is the mission and goals of the GRA?

In its first year, the Georgian Retailers Association had around 200 stores and provided particular services to our members. Today our association has more than 900 stores and we not only provided services for our members, but are also involved in projects like 'RatomQartuli?!' [Geo. Why Georgian]. By doing so we provide sources of additional support to our valued members.

How did the Georgian Retailers Association (GRA) assist businesses during the times of the pandemic?

During the pandemic, the GRA helped 320 members remain well-informed regarding upcoming regulations. With the help of CIPE we distributed 7,000 multiple use masks, 1,700 face protective shields and 120,000 pairs of gloves to more than 1,000 stores (including non-GRA members). Stores had trouble mobilizing their

stocks of these products, so we purchased them from the government and gave them away for free.

What are the ongoing needs of smaller retail objects in the post-pandemic era?

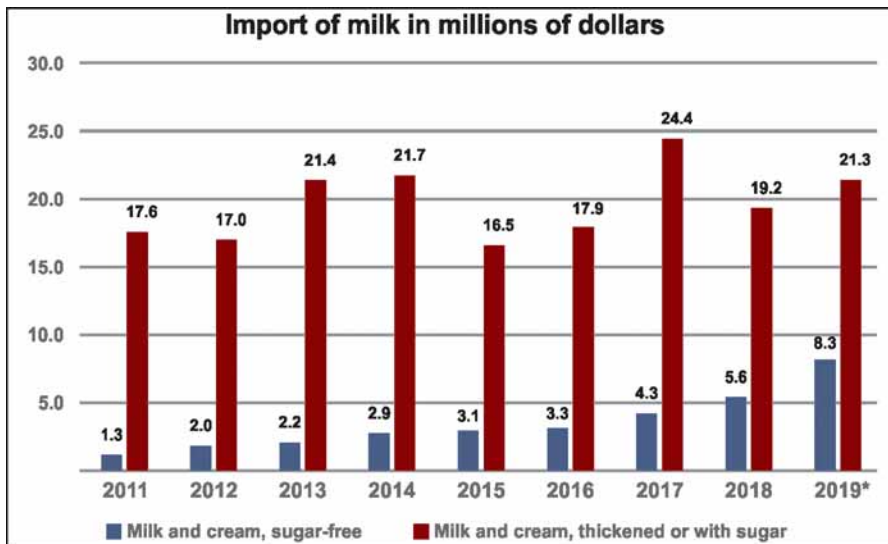
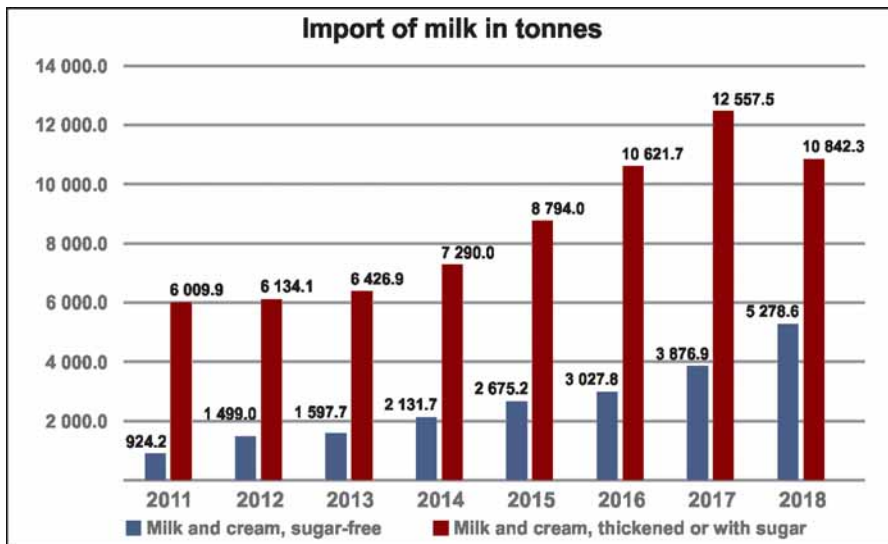
The pandemic has caused many retail stores to either close or operate with increased costs to cover disinfection materials and to abide by other government mandated regulations. Therefore, retailers now need to recover from the period and thus have to find alternative sources of income.

What does your campaign 'RatomQartuli?!' seek to achieve?

'RatomQartuli?!' [Geo. Why Georgian?] is a joint project by USAID and the GRA, which aims to help stores and local manufacturers in the post-pandemic period and not only. For this project, 25 stores have been selected in Tbilisi, where specially branded food stands will be put out.

These stands will only hold products manufactured by local producers. Furthermore, the GRA has partnered with online platforms Extra.ge and Myshop.ge, where locally produced goods will be represented and sold. Our project gives producers a chance to increase the publicity of products and create additional sales channels.

On the other hand, stores will diversify their products and receive additional revenue from the food stand rent. We believe that in order to help the economy grow at a faster rate, we need to help local producers sell their products, and thus hope that this project will have an impact on the issue.



►► still represents a significant proportion of smallholders' incomes." Hence the widespread concern about the adverse trends that have been developing in recent years.

For a start, as ISET found in its 2018 survey, Georgians like their dairy products, especially their Georgian cheeses (although at an average of 170 kg per annum per capita they consume less than the EU's 250kg), for which the majority of Georgian milk is used and the market for which ISET valued at around GEL 1 billion. However, "while the demand for milk and milk products has an increasing curve, Georgia is a net importer of milk

and dairy..." Dairy self-sufficiency has been decreasing, as have the number of cows as demand for live animals for export bites.

Georgia does export some dairy products – US\$2.8 million-worth in all in 2018, of which US\$289,00 were Sulguni, Imeruli, Tenili and Guda cheeses – but almost all goes to neighboring Armenia and Azerbaijan rather the desirable EU markets.

Cow productivity has been falling, and, making life difficult for producers, and milk supply is seasonal. Milk prices have become "at least two times higher in Georgia than in the European Union"

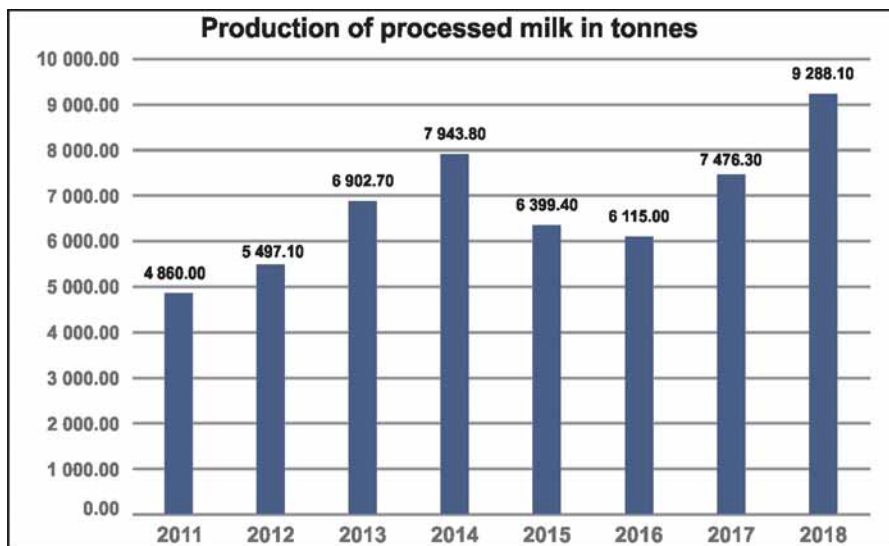
the study found. Local milk supply fails to meet demand and the import of milk powder has been rising – in 2018 these were worth \$15.8 million, 2.5 times more than in 2009, says ISET. Imports of butter, cheese and curds have also been rising, and were worth \$10 million in 2018, major suppliers being the Ukraine and Russia.

Then, there is the question of productivity, with the 15 large industrialized farms far outstripping the 200,000 or so lowland and mountain small holders by as much as six times. "The various types of farms have different challenges, but a lack of knowledge, experience and qualified specialists (e.g. vets) are common problems for the vast majority of farms. The low productivity of cows, typically found in mixed farming, is caused by poor productive breeds, a deficiency in proper food (ie concentrate, silage) and a lack of appropriate treatment for animal health," ISET states.

That is only a start. The milk processing and collection system is equally fragmented and problematic, most production being done by "unregistered operators", either in the farmers' own homes or by small businesses. In 2018 there were only six factories, it adds.

The informality, paucity of knowledge and difficulty accessing good veterinary services, the low productivity and profitability all mean that there is "a lack of surplus income for upgrades, health and hygiene compliance" or capacity increases. ISET gives the example that: "It is estimated that an adoption of better feeding and lactation period management practices (the timing between calving) can nearly double the current productivity of dairy animals."

Another restraint, and ISET describes it as an "acute" one, is access to finance. It found that bank loan officers do not understand the agricultural SME market,



most small farmers can't write business plans and don't have enough collateral to qualify for loans. Equally difficult are the workings of government support schemes, regulations, consumer protection, or the export opportunities under the EU's Deep and Comprehensive Free Trade Agreement (DCFTA).

As ISET sees it: "There are many constraints association with the DCFTA and food safety regulations. The greatest challenge is the significant number of unregistered family farms that produce and sell milk and dairy products on a regular basis. According to Geostat, more than 97 per cent of milk in 2017 was produced by family farms. Furthermore, sector experts claim that up to 90 per cent of cheese is produced by unregistered households who sell their unlabelled

produce (mostly cheese) at open markets through intermediaries."

It took about eight years for ALCP to begin to achieve the changes being seen in dairy supply chains in regions in which it has been working and the development of the Georgian Milk Mark. Key was showing small farmers that it was more profitable in terms of time spent and cash not to make cheese but to become food safety compliant and just sell their raw milk through the Georgian Milk Mark system to larger certified dairy enterprises.

To do so they had to improve the quality of their milk and their hygiene standards, but education programs were run for them by the dairy enterprises, who in turn had been supported with capacity to do so by the ALCP program.

All the farmers interviewed (in a 2019 ALCP study) "increased their sales and profitability". The dairy enterprises "also increased sales and profitability, most have diversified to include butter, cottage cheese, sour cream, ghee cheese with herbs, bottled milk", says ALCP. What is more, those now in the new system include an increasing number of farmers and dairy enterprises who are "crowding in" having seen how profitable it has been for the original 3,000 ALCP-reached farmers and 39 enterprises.

A look at the Georgian Milk Mark website shows member dairy groups and their distributors, such as: Tsipora-samtskhe Ltd, which collects milk from 600-700 farmers, in Kakheti Tsivi's Cheese which has 200-300 farmer suppliers, near Marneuli there is Tsintsikaro and many others in various parts of the country.

The increase in farmer profitability has been substantial, says ALCP – from US\$1.98 per capita per day at the start to US\$6.42 in 2019. More than half of the workers are now working 40-hour weeks, new jobs are being created, and veterinary services upgraded and expanded. Now ISET has suggested a new target -more innovation in cheese products to help Georgia promote its "rich food heritage", such as popular aged and less salty cheeses!

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BILL ON REHABILITATION AND COLLECTIVE SATISFACTION OF CREDITORS –

the culmination of a decade-long reform in insolvency

Georgia's primary law governing the insolvency of enterprises in Georgia [the Law of Georgia on Insolvency Proceedings] has long failed to meet both modern standards for insolvency legislation as well as the economic reality of Georgia.

The reasons behind this are numerous, and include but are not limited to: preferential treatment of secured creditors' interests, the monopoly of the National Bureau of Enforcement (NBE) to act as a trustee at the opening stage of the insolvency process, the inability of the judicial system to handle insolvency matters in a timely and efficient manner, excessive costs related to opening a case and fees to be paid to the trustee, rigidity of the law in the foreclosing of the insolvency estate, heavy reliance on court-administered auction and a lack of predictability for the involved parties.

Due to the above shortcomings in the law, the existing insolvency legislation has been subject to criticism by a number of international organizations (USAID's Governing for Growth Initiative, GIZ, Euro-

pean Bank for Reconstruction and Development, the World Bank, to name a few), which have prepared a series of research papers and organized a number of conferences, workshops and awareness raising campaigns to advocate for legislative changes.

As a result, the Georgian government initiated the drafting process of a completely new piece of legislation.

The Bill on Rehabilitation and Collective Satisfaction of Creditors was sent to the floor in March 2020. The working group that drafted the law was comprised of representatives of both the public and private sectors, amongst them was one of the partners of BLC Law Office.

This resulted in procedures and mechanisms with a unique understanding of the practice and sensitivities surrounding the insolvency proceedings. The following are the highlights of the bill:

- The bill abolishes the monopoly of the NBE to act as a trustee and introduces the profession of an insolvency practitioner, which will be licensed and supervised by the Ministry of Justice. However, insolvency practitioners will be representatives of the private sector with required experiences and qualifications for distress business management
- The bill introduces the concept of 'Company Voluntary Arrangement', a quasi-judicial and less formalistic procedure that enables the debtor to negotiate debt restructuring with its creditors and give them the comfort of having the arrangement approved by the court. If the CVA is not complied with, the process will automatically convert into bankruptcy or rehabilitation
- Secured creditors will no longer hold unnecessary privileges similar to approval of a rehabilitation

plan. Their interests are mostly safeguarded through giving them the ability to foreclose over the collateral prior to completion of the insolvency process subject to the rehabilitation manager's right to suspend such foreclosure if the asset in question is necessary for archiving the rehabilitation. Should the rehabilitation manager exercise this right, then the debtor becomes liable to continue contractual payments to the secured creditors, as originally agreed under the relevant agreements

- The bill entirely changes the principles for the ranking of creditors. First and foremost, the waterfall included in the law applies in the case of bankruptcy only, while creditors have the freedom to determine the relevant ranking in the rehabilitation plan. In addition, the new law creates the notion of 'preferential claims' for employee claims and abolishes unconditional preferences of all tax claims reinforcing that only indirect taxes accrued over the period of 2 years immediately preceding the opening of insolvency regime shall be entitled to take precedence over the claims of unsecured creditors
- Historically, the number of rehabilitations were hurtled due to the inability of the Revenue Service to negotiate reduction of budget debts. The new law suggests that the creditors may approve the rehabilitation plan without the consent of the Revenue Service of Georgia if the rehabilitation plan provides for satisfaction of the principal amount of the relevant tax debts over a 5 year period. Notably, the law also tries to address private party troublemakers and introduces the notion of 'bankruptcy minimum'. This concept implies that certain creditors may be compelled to agree to rehabilitation and reduction of their claims if the amount they will recover as a result of rehabilitation plan is more than they would have received in case of the company bankruptcy. In calculating the bankruptcy minimum, the law takes the time value of money into consideration
- Court administered formalities are reduced to the maximum extent possible. Convocation of the creditors' meeting, preparing the creditors registry and similar tasks are now within the competence of the insolvency practitioner. Judiciary is left with the constitutional mandate to consider and resolve contentious matters only
- The new law provides for the possibility of debtor's management to remain in control, subject to the supervision of the rehabilitation supervisor. However, this must be approved by company creditors
- And last but not least, the law provides for the possibility of direct sale of assets, private tender and other forms of asset sale, as opposed to the court mandated public auction, which is the only realization mechanism under the existing law and which often proved to be the most ill fitted tool for the sale of a distressed business.

Historically, insolvency proceedings have not been used very often in Georgia, including, among other reasons, due to the cultural stigma attached. When the business community became more or less acquainted with this instrument, practice has shown that often it was abused by the parties involved. In most cases, the law failed to deter such abuses, since it lacked necessary procedures and statutory guidance. And without proper legislative guidance and the law being silent on critical issues, courts failed to achieve fairness of proceedings, as well as that of an outcome. The bill is an ambitious legislative initiative aimed at creating robust business rehabilitation and asset recovery frame-work. It has the ambition of procedural fairness, as well as equipping parties with the tools for equitable business solutions.

In these troubled times when the world is in economic re-cession, sound insolvency framework can give businesses distressed due to Covid-19 pandemic additional room to breathe. This is evidenced by the practice of more developed economies where insolvency is considered as one of the major tools for combating the hardships associated with economic recession. The existing Law on Insolvency Proceedings is simply unable to achieve the same result. Each day of delay is another lost opportunity for another business in Georgia. The ball is now in the hands of the Georgian Parliament to create the most important legacy for economic law making in modern Georgia.



Giga Batlidze
Partner



Tamta Ivanishvili
Partner

Please apply for the professional advice prior to relying on the information given in this article. BLC and its team shall be ready and pleased to provide any information, legal advice and specific recommendations regarding the issues covered herein.

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ISET's indices – a guide to the Georgian economy

How can the impact of the pandemic on the Georgian economy be described in numbers? By now, most people will be familiar with the impact on Gross Domestic Product, and its expected downturn of 4% or more. At the same time, the impact can also be traced through additional indicators offered by the Policy Institute at the International School of Economics in Tbilisi (ISET). These indicators, some of which have become well known, help to chart economic developments in Georgia over the years.

The Khachapuri Index indicates that overall everyday food prices have gone up. As compared to the same time in 2019,



the price of a khachapuri in fact increased by 25%, reflecting inflationary pressures. The increase was driven in particular by an increase in the cost of cheese. The cost of cheese, according to researchers at ISET, rose because of the depreciation of the Georgian lari because a significant amount of cheese production still relies on milk imports. Other costs, such as eggs, stayed fairly stable.

The Khachapuri Index highlights the squeeze for households: while the pandemic has slashed incomes, the cost of some key everyday ingredients has gone up. As Ia Katsia, a senior researcher at the Policy Institute at ISET puts it: “usually, price trends observed by the Khachapuri Index are in line with GeoStat’s Consumer Price Index (CPI); however, the

Khachapuri Index more closely captures food price inflation, rather than the overall inflation level in the country.” Modeled on the (lighthearted) Big Mac Index by The Economist magazine, the Khachapuri Index measures the kind of inflation that matters most to household subsistence: the cost of milk/cheese, flour, eggs, as well as energy for cooking/heat. The Khachapuri Index does capture seasonal variation of cost: in April, for example, the cost usually decreases slightly, as more milk becomes available in spring. The ISET team did have to adapt its data collection during the pandemic: rather than going to the markets themselves, they solicited readers and coworkers to provide information on the prices they found.

The Consumer Confidence Index (CCI) may be a good tool for tracking the recovery as well. In May 2020, expectations had improved by 14 index points over the historic low of the previous month. The present situation, however, was still described as dire, and was almost 20 points lower than in May 2019, deep in negative territory. This will be an indicator to watch in the coming months. As the ISET team says: “consumer confidence is the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.” Confident consumers are more likely to spend, making the indicator relevant to businesses across the economy.

For measuring consumer confidence, ISET interviews a random sample of 300-350 consumers, using a methodology similar to indices in other countries. A previous low for consumer confidence was in 2015. Senior researcher Tamta Maridashvili explains that five years ago, a decline of oil prices led to cur-

MAY 2020: GEORGIAN CONSUMER CONFIDENCE: REVIVAL IN MAY

Updated: 11 June 2020

Chart 1. Consumer Confidence Index



rency crises in Russia and Azerbaijan, “which was transmitted to the other countries in the region, including Georgia. Also, prices dropped on copper and manganese which are among the top export commodities of Georgia.”

How do Georgian consumers compare to those abroad? Maridashvili has sobering news. “In general, Georgian consum-

ers are much more depressed when compared to the developed world. So far, it has never happened in Georgia that the CCI rose above zero which means that we always have more pessimistic consumers than optimistic ones.”

On the company side, the Business Confidence Index (BCI) shows a sharp decline, especially in expectations. Businesses foresee an extended period of difficulty in the future. At the end of the second quarter, the Business Confidence Index was -41, lower than it had ever been. A confidence index of +100 would indicate all companies being optimistic, and zero indicates a balance of positive and negative views.

The BCI is also a key indicator to watch. Mariam Katsadze, a senior researcher at the Policy Institute, highlights that in the past it has tracked the significant drop of confidence in the sum-



mer of 2019, due to the ban on Russian tourists. At that point, confidence fell from +45 to +22. Subsequently, confidence recovered in the beginning of 2020 as Georgian businesses adapted. The high point was in the summer of 2018, when the Business Confidence Index was at +67, probably lifted by the surge in tourism that contributed to activity in other sectors, such as construction.

For this index, the ISET team interviews more than 150 companies, of which 35 are large companies, and the remainder are small to medium enterprises. As Mariam Katsadze, research assistant at ISET explains, the “BCI is based on the Joint Harmonised EU Programme of Business and Consumer Surveys methodology”, and can be compared internationally, even if countries often scale the results differently.

The data for the Real Estate Index for the second quarter of 2020 is not yet available, but this indicator, too, will be key for tracking the recovery. Over the years, the Real Estate index shows a continued increase in supply on the real estate market. More granular data in a report co-published with TBC Bank

and ForSet for the first quarter of 2020 show the most expensive (Mtatsminda, \$1,255 average per square meter) and least expensive (Samgori, \$624) districts of the capital.

The Real Estate Index also illustrates that recent mortgage regulations had an impact: in the last quarter of 2018, before new regulations came into effect, transactions surged by 30% over the level at the beginning of the year, as purchasers took advantage of existing mortgage rules. After the restrictions came into effect, transactions plummeted. The data for the second quarter of 2020 will help to map the impact of the pandemic on real estate prices, and on the volume of transactions.

All the indices of the Policy Institute are available directly from ISET’s website (www.iset-pi.ge). The page also lists additional indices, such as the quarterly Electricity Market Review. The website explains the methods and also the limitations of each index. This work is made possible by the generous support of several donors, especially the Swedish government, which have

Real Estate Market Highlights, #16 | January-March 2020

Created: 25 May 2020



helped ISET develop these analytic tools, provided in Georgian and English. The pages also list the contact details for the lead researchers, allowing direct exchange.

Only one indicator may be missing: how much do business-people in Georgia use the information put together by the Policy Institute? This article, hopefully, should increase awareness and lead to even more people using the great data that the Policy Institute provides.

Hans Gutbrod teaches at Ilia State University and is active in consulting and agriculture.



A GEORGIAN CUPPA – reviving a faded world giant in the tea industry

SALLY WHITE

A poor relation to Georgia's star beverage, wine, it may be, but tea is holding its own both at home and abroad.

Top Georgian tea producer GeoPlant's Gurieli brand sits on Tbilisi supermarket shelves alongside brands from international giant Lipton, and varietal teas from tiny plantations tucked away in Guria hills are for sale on websites from the Czech Republic and Poland to the UK and US. Not only are tea tastings marketed as visitor attractions across Georgia, but tea tourism, festivals and visits to plantations are on offer along Georgia's tea-route on global travel

websites such as Expedia.

Though not holding strong hopes for a revival of all the thousands of jobs that the tea industry used to supply, the government has been driving a tea plantation renaissance across the four regions with tea history – Adjara, Guria, Imereti and Samegrelo. Lack of high profit margins, and the small Georgian market has limited the industry's return to the glory of Soviet times – GeoPlant has no major local competitors – but it is making steady progress.

Undoubtedly, there will be a set-back post Covid-10 with tourist numbers plummeting as tea and plantation visits both hold attractions to visitors, particularly those from Arab countries and

others, such as Azerbaijan, with strong tea-drinking traditions.

Tea's history in Georgia is certainly much shorter than that of the vine, but it is a romantic one – a point not lost on its western marketeers and its aristocratic background intrigues many Georgian households. As UK-based tea retailer "Its Tea" tells its website readers (it particularly recommends Georgian Orange Pekoe):

"... tea from the *camellia sinensis* plant was first brought there by royalty. Georgian Prince Mikha Eristavi travelled to China in the 1830's, this is where he first tasted tea and enjoyed it so much that he decided he wanted to bring it back home with him. At the time, tak-

ing tea seeds outside of China was not allowed so the prince hid the seeds in a length of bamboo and bought them back to his home country and established a tea garden in 1847.

“The climate in Georgia worked well with the Chinese plants, and a new love for the drink emerged over the coming decades. Konstantin Popov, an experienced Russian tea merchant who owned several Chinese tea factories took the Georgian tea industry a step further when he set up a large plantation in the village of village of Chakvi (in Kobuleti municipality) in 1892. With help from Chinese tea masters to cultivate his tea, this formed the basis of what was, for a while, a thriving tea business. The tea even won a gold medal at the Paris World Expo in 1899!”

Popov invited a Chinese tea expert from Guangdong, who came with 1,000 seeds and saplings. Georgia’s warm climate in the valleys of Adjara and Guria turned out to be fantastic for tea cultivation, and sourcing from them avoided the costly transportation across Siberia of Chinese tea. By the 1920s, the Georgian tea business was booming and it became the world’s fourth largest tea exporter.

However, the plantations were collectivized when Georgia became part of the former Soviet Union, and mass production ended the era of quality. With the crop plucked not by hand, but hacked off by machinery propelled by some of the world’s largest tractors, Georgia was relied on to supply just about all the USSR’s tea and by the 1950’s remained the world’s fourth most prominent tea exporter. Tea covered 160,000 hectares.

As the online magazine Tea Journey says, the Soviet Union boosted the Georgia tea brand “enor-mously”. Writer Michael Denner points out that “In 1921, Georgia produced 550 (presumably metric) tons of tea leaf. By 1966, it produced

226,000 tons. The Black Sea region of Georgia became the “tea pantry” for a vast empire that stretched from Berlin to the Pacific Ocean.....Guria had become an industrial powerhouse of tea production.”

Soviet bureaucrats “dreamed of covering the otherwise ‘empty’ mountainsides” of Georgia with tea: “Not a single inch of these lands will remain bare,” predicted one early “tea influencer.” Moscow bureaucrats demanded unachievable goals,” Denner adds. From 1917 to 1980, the amount of land devoted to tea bushes increased about 100 times.

Under this harsh industrialization, by the end of the USSR, Georgian tea had lost its cache and flavor. With its markets gone the Georgian tea industry collapsed, the plantations turned into wildernesses and the machinery was sold off to Turkey. Georgians themselves, outside of the growing region of western Georgia and the Azerbaijani-inhabited areas, have never been big tea drinkers, preferring coffee or wine. Their tea purchases are often of exotic looking foreign brands.

A first attempt at a revival came in



the mid-90s when Bavarian herbal tea group Martin Bauer decided that Georgia would make a good springboard into the vast Russian market. It started to restore plantations in Zugdidi and Imereti and to diversify into growing medical herbs such as St. Johns Wort. However, this all petered out, and the lead role in tea production was taken up by GeoPlant.

Helped by funding from many of the international financial institutions, GeoPlant is a one-stop-shop for the entire tea production process. It has three major production centers, in Ozurgeti, Zugdidi and Kulishkarli, three primary factories and around six hectares of land.

Founded in 1996, it has strong links in all tea-growing nations and has developed and expanded with the help of their scientific and technical expertise. It has also worked with Georgia’s Tea and ►►



► Subtropical Cultures Research Institute on production innovation and improving tea quality. Among its trading partners are listed America's Lipton, Germany's Plantextrakt and Martin Bauer, Ukraine's Dobrinia Dar, and others in Turkey, Europe and the Middle East. The brands sell across all continents and Georgian tea also sells into foreign markets for blending as it is cheaper to access than blending teas of the same type from China.

On the marketing front GeoPlant started ten years ago with two Georgian branded teas: "Gurieli Export" and "Rcheuli", for domestic consumption and export. It added the "Gurieli Fruit Tea" line and "Georgian Baikhi #36", both of which were also designed for the export market, followed by the "Ali Sultan" brand for the Azeri-settled Marneuli region. Later came "Gurieli Herbal Tea" and the premium "Prince Gurieli" lines. A strong selling point now is the fact that all the teas are organic, "grown without chemicals or pesticides".

As GeoPlant CEO Mikheil Chkuaseli said at a press conference, following global trends, black tea in teabags was the most popular product. He added: "However, interest towards herbal and fruit infusions is quite high, which is a positive change and hopefully sales in this direction will increase as well," he added.

In the hills of western Georgia to-day swathes of old tea plantations have

been overtaken by wild plants, fruit and nut trees. But the tea bushes are hardy enough to have survived. The government is trying to lure into the industry overseas companies and small local entrepreneurs and co-operatives. Tea plantations totaling 1,024 hectares had been rehabilitated by the end 2019 at a cost of GEL 2.5 million under the state's 2019 Rehabilitation Program of Georgian Tea Plantation, approved with the aim of putting 7,000 hectares back into production. Unfortunately for the new producers, according to an ISET study for the EU albeit a couple of years ago, farmers were receiving only 4 percent margins and processors 12 percent while brokers received 59 per cent and retailers 24 per cent.

However, the way of life is attractive. Miina Saak is one of a group of friends from Estonia and Lithuania who left corporate jobs at home and moved to Georgia "to work with our hands again." Saak and her friends founded Renegade Tea Estate at Tkibuli to take advantage of the Georgian government's assistance in setting up on a rented plantation. Europe has been their target market.

One of the successful Georgian SMEs is 'Green Gold', produced in Laitrui in Ozurgeti by Tamuna Khabeishvili. This is an organic tea grown on 25 hectares in the village of Nagomari, and can be found on the shelves of Goodwill, Euro-product, and in the restaurants Keto and

Kote, Barbarestan, and Shushabadshi.

Rather than farm, Kona is looking to better margins, producing and blending. As Natalia Partskhaladze told scmp.com food and drink online magazine: "We collect artisan loose-leaf teas directly from small farmers. In our bouquets, we only use Georgian tea from Guria, herbs that we grow in our greenhouse and we collect in the wild from all over Georgia, along with the spices and flowers we import from all over the world," she says. Kona, which was supported by EU agricultural development programme Enpard, has nine gourmet teas, and artisan black, green and bilberry. One with foreign investors is Gurian tea "Gamarjoba". It plans to appear on the market this year and, backed by Czech partners, is already on Czech markets.

Export markets like the flavor of Georgian tea, as the slow growth on the hills of western Georgia gives "the tips of Georgia's tea bushes a uniquely sweet, mellow flavor perfect for high-end tea", according to Radio Free Liberty. Georgian tea has many foreign fans, such as tea expert John Snell. Describing the opportunity for Georgian tea, he writes on the UN Food & Agriculture Organisation website that "new tea plantations have been established and some incredible leaf teas have been produced, taking us back to the age of Lao Jin Jao, whose Georgian tea won the gold medal at the Paris Expo in 1900."



COVID-19 RECOVERY, INSOLVENCY REFORM, CREATING A CAPITAL MARKET: The USAID Economic Governance Program at work

When the five-year, USAID-funded Economic Governance Program started at the end of last year, its aim was clear: use strategic problem-solving methodology to address problems with the business climate and increase Georgia's attractiveness for investors.

Then the pandemic struck. Instead of veering off course, the program buckled down and used its insight and methodology to help the Georgian government address the economic repercussions of the crisis.

Over the past several weeks, the program has worked closely with the government as ministers develop sectoral plans to help the economy recover in the post-pandemic period.

"In March, the Prime Minister's Office requested technical assistance in developing the national economic recovery plan," USAID/Georgia Mission Director Peter Wiebler noted in an editorial published on Civil.ge.

"We responded quickly, engaging an international team of experts to help develop plans for a rapid recovery that gets the Georgian people back to work and protects the economic gains that Georgia made before the pandemic. In our response, we're supporting policies that put the private sector at the center of the economic recovery."

In addition to bringing in international experts to work closely with the Georgian government on the recovery

plan, the program helped create a platform for Georgian economic think-tanks to cooperate with the government on overcoming the economic crises caused by the Covid-19 pandemic.

The program has also continued working on its original mandate, using problem-solving methodology to assess processes that are creating bottlenecks for business and the economy, identify the main issues contributing to the problem, and engage influential public and private sector actors in the reform process.

To date, the program has used this methodology to support the Law on Investment Funds, which was adopted (in the second hearing) by the Georgian Parliament in June. The implementation of this law will significantly improve the country's reputation on the international market as well as facilitate the development of the capital market in Georgia and attract portfolio investments.

Likewise, the program has worked closely with the public and private sectors to support the new law on insolvency, which is currently being discussed in Parliament. The draft law provides new, progressive guarantees to both businesses with debt and their creditors.

The program has also initiated reform of the tax disputes resolution system, working closely with the Ministry of Finance to develop a system that will streamline tax administration and facili-



The USAID Economic Governance Program is a five-year program implemented by Deloitte Consulting Overseas Projects that aims to help the private sector to increase its role in implementing economic reforms and attracting more investments.

The program will employ and strengthen:

- The regulatory impact assessment (RIA)
- The PPD platforms, such as the ReforMeter and the PPD Quality Tracking System
- Economic Policy Advocacy Coalition (EPAC)

The USAID Economic Governance Program supports several business enabling reforms including:

- Tax administration
- Trade policy
- Transport and Logistics
- Insolvency
- Capital Markets
- Water Resources
- Innovation
- State Procurement
- Competition
- Tourism

tate business development.

In addition, the program supported the drafting of a new law on tourism and the creation of the Georgian Tourism Industry Alliance, which unites over 15 associations working in the tourism and hospitality sector of the country. The alliance will significantly improve the sector's ability to speak with the government in a single voice and advocate for better policies to address its challenges following the pandemic.

Tbilisi's shopping mall boom began further back than you think

THE TAMAMSHEV CARAVANSERAI, NOW BURIED UNDER TBILISI'S ICONIC FREEDOM SQUARE, WAS ONE OF THE FIRST LARGE SCALE COMMERCIAL CENTERS IN THE SOUTH CAUCASUS

EMIL AVDALIANI

Tbilisi has had quite a few shopping malls pop up in recent years, but the city has been a centre of commerce for centuries, and the city has actually had malls, albeit in a somewhat different form, as far back as the 19th century.



The Tbilisi History Museum is housed in the remodeled Artsruni Caravanserai on Sioni Street in Old Tbilisi, built in 1818.

Tbilisi's geographic location made it an important point along trade routes in the region, and so not surprisingly, many of Tbilisi's streets and buildings were once trading places for merchants from as far abroad as the Middle East.

A good example of the city's strong role in regional trade as far back as the 17th and 18th centuries is that of the number of caravanserais that sprung up at this time, most of which were concentrated in Kala, around Sioni Cathedral in Tbilisi's old town.

The word caravanserai is of Persian-Turkish origin and loosely translates as 'caravan house', which has historically been a public institution in the Middle East for both merchants and long-distance travelers.

Most of Tbilisi's intact caravanserais were built in the 17th-18th centuries and structurally resemble each other: iron or wooden balconies overlooking a rectangular courtyard on

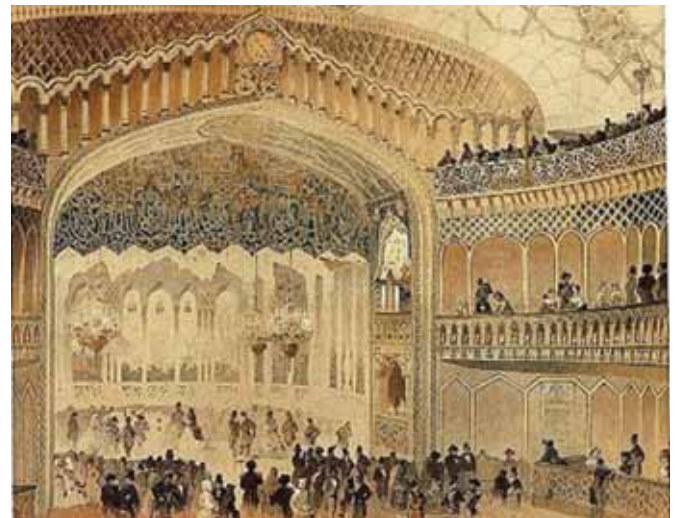


all sides. Caravanserais contained merchants' and craftsmen's workshops and guest rooms. The buildings stood out for their size, number of floors, lavish facades and interiors.

In old Tbilisi, there was the so-called 'caravanserai of lords' located near Sioni Cathedral, which was built in the 18th century and consisted of sixty-two guest rooms and thirty shops. In addition, many workshops were opened in caravanserais. Opposite to the Sioni Cathedral was Tekle Caravanserai, built in the 17th century. Another small caravanserai is located on present-day Erekle II Street. Yet another commercial space – the so-called Artsruni caravanserai – was located at Sioni Street 8. All these buildings were destroyed during the invasion of Persian Shah Agha Mohammad Khan, and only partially restored in the late 18th century.

While the above caravanserais did provide some commercial space, they nevertheless could not accommodate the bustling level of commercial activity visible in Tbilisi by the 19th century. Something bigger and conceptually new was necessary.

The change came with the establishment of the so-called Tamamshev caravanserai, which is arguably the most famous,



The interior of the Tamamshev Theatre, completed in 1851

and which inched closer towards the modern day concept of a shopping mall. Oddly enough, the Tamamshev caravanserai came about thanks to music.

At the time, Tbilisi did not have a cultural space where the Imperial administration and the local Georgian aristocracy could gather for cultural evenings. And so, in the mid-19th century, the Russian Imperial Administration, led by Crown Prince Count Mikhail Vorontsov in Tbilisi, offered up the initiative to private individuals.

Gabriel Tamamshev, a merchant from Tbilisi, expressed interest in building the theatre on the condition that the Imperial government gift him a plot of land (about 1,000 square meters) on which to build Tbilisi's first opera theatre.

The construction of the fusion theater-commercial space began on April 15, 1847 on what is today Freedom Square. The theatre took four years to build, and its construction was overseen by Italian architect Giovanni Scudieri (1817-1851), who



The exterior of the Tamamshev complex, built on what is today Freedom Square in downtown Tbilisi

came to Tbilisi at the end of 1845 on the request of Vorontsov.

Once completed, the theatre quickly became the most important center of the country's cultural life. It was the first opera house in the South Caucasus that could accommodate 700 spectators, and its facade and interior matched the European theaters of the time. The theater, a rectangular building measuring 78 x 48 meters, was four-stories high, while it shrank to two stories high on the south side of the square and hovered at three stories high on the northern side.

In addition to the theater, the imperial authorities allowed Tamamshev to construct residential and commercial spaces in the same building. Altogether, the Tamamshev caravanserai had 266 large and small shops, warehouses and workshops, spread out over four floors and 4,000 square meters of commercial and theatrical space.

The theatre caught the eye not only of locals: famous French writer Alexander Dumas, who came to Tbilisi in 1856, described



the stunning elegance of Tbilisi's first regional theater in his book *Caucasus*. Indeed, its size alone must have been spectacular to behold: a sprawling 4,000 square meters of theatrical space. Unfortunately, it was cut down in its prime after just 23 years of existence.

On September 11, 1874, a devastating fire broke out at the Caravanserai Theater that completely burned the building down. A statement published in the newspaper *Droebe* informed Tbilisi residents that the fire at the Tamamshev Caravanserai had not been an accident. An investigation later revealed that the culprit was I. Lazarev, a merchant who conspired to burn the place down due to differences of opinion between the administration of the theatre and merchants who made use of the structure's commercial offerings. He was exiled to Siberia for nine years.

In 1879, the entire caravanserai, except for the theater, was restored. Modern day Freedom Square housed the so-called Tamashev Caravanserai until 1934, when the building was torn down during the large-scale reconstruction of Tbilisi. To date, only two iron monuments in front of the Tbilisi City Assembly have survived (though many believe they are not original, but mere replicas) from the building.

Moreover, if one were to dig deep under the Saint George monument that stands at the center of Freedom Square, the foundation of Tamamshev's Caravanserai could still be found, as various photographs indicate.



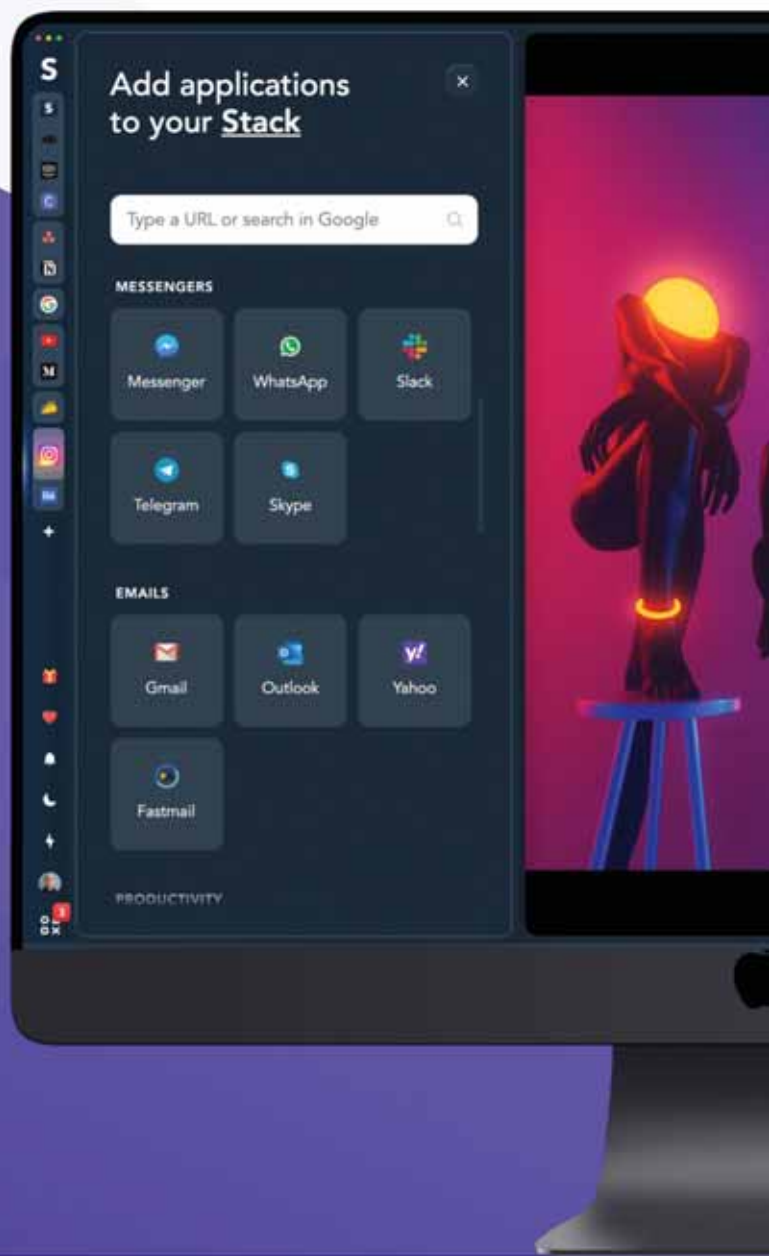
This photo, taken between the area of Freedom Square and Pushkini Street, displays the foundation of Tamamshev's Caravanserai.



INVESTOR SPOTLIGHT:

STACK – the Georgian browser to rule them all

STACK TAKES A FRESH LOOK AT WHAT BROWSERS CAN OFFER INTERNET USERS, ALLOWING THEM TO GATHER ALL THEIR FAVORITE APPS IN ONE LOCATION, AVOID CLUTTER AND ENJOY A SMOOTHER SURFING EXPERIENCE



Nerds may bicker and disagree on the finer differences between internet browsers, but now that Internet Explorer has finally been put out of its misery, most lay users of the internet can agree that differences in speed, extension availability and privacy considerations are largely negligible and functionality and appearance are more or less uniform across Safari, Chrome and Firefox.

But one Georgian startup hopes to change that.

Stack takes an innovative approach to web-browsing that may particularly appeal to internet power users and multitaskers, allowing them to gather social media, messaging, e-mailing, education and productivity apps all in one place.

The app offers a smoother, more convenient web experience when compared to the traditional browser, which demands users skip from page to page, or at best, from tab to tab, to interact with various web apps and pages. If Stack has its way, many may soon gladly say goodbye to the days of endlessly searching and trying to locate misplaced windows.

True to its name, Stack lays out web applications horizontally across a user's monitor, providing a flyby, control panel overview of their workspace, facilitating quicker access to apps, and freeing up time that would otherwise be gobbled up in the search for that one elusive Wikipedia article you keep misplacing...

THE BIRTH OF A BROWSER

Stack was born of a different project back in 2018 called Senti, a learning tool that was to make use of a time-spacing algorithm: instead of saving all those crucial tidbits of information that one stumbles over throughout the day – why is a camel spider not considered a real spider? how big is our sun in comparison to other stars? what is a legless lizard?



– to return to them never, Senti would have kept learners to task with frequent reminders.

The problem: the team was divided between Georgia and the Netherlands, and one team member was working in another company at the same time, which limited access to messaging and other internet applications.

“So our CTO, Zviad Sichinava, built what would later become the prototype of Stack in a weekend. We were collaborating remotely with so many tools at the time, and the browsers did not give us the horizontal, stacking functionality that we needed, given we were working with a number of apps. Stack helped us get around these problems”, Stack CCO Giorgi Laliashvili says.

When it launched in 2018, Stack bucked a launch trend by making the application initially only available to Mac users; Windows and Georgian-language versions were released just this past March.

Laliashvili explains the choice to withhold from releasing an early Windows version of the app by the fact that “the uptake rate of new products, early adopters and the tolerance towards bugs is much higher among Mac users than it is among PC users in general.” The small, focused launch of Stack also gave the young startup the chance to solicit

feedback, and monitor user experience and reviews. The long wait for the app's Windows release also fed the fire and interest of PC users to give Stack a spin.

Now, Stack has more than 60,000 of users, and predicts that by 2021, it will have hit 1 million. Currently, the majority of its users are located in the US, Japan and South Korea.

TWEAKING USER EXPERIENCE

Laliashvili sees several bumps in the road the company will have to address.

When Stack was conceived, its creators knew it could be of great interest to power users of the internet – project and social media managers, designers – because it solved a pain point that many experience of needing quick access to many apps simultaneously.

“But we understand some people don't have this problem, and so for them the basic concept of Stack might not be interesting. However, such users tell us they continue using Stack because they find the experience slicker, smoother and more efficient”, Laliashvili says.

Another issue with the Stack experience is distraction. A double-edged sword for an app whose purpose is to help people multitask, there are naturally concerns that an app that displays so much information simultaneously may, at times, pose more of a distraction than ►►

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► present a useful tool.

“We haven’t done any studies on this issue yet, but we are planning to do one as fast as possible because now we have a substantial number of users”, Laliashvili notes.

The browser has partially addressed this issue by recently introducing a focus mode, which blocks out the alerts and activities of other stacks, and which is regularly used by 35% of the app’s users.

Further plans to address the experience include the creation of mobile platforms for tablets and mobile devices to provide a synchronized experience across devices and platforms.

HOW’S A BROWSER TO MAKE A BUCK?

Stack has built itself up from a mix of early stage bootstrapping, state investments and contributions from friends and family. Now, Stack is actively seeking to join forces with larger VC firms and other interested investors.

“First we approached our friends and family, and this help materialized at the same time as when we received a GITA grant for 100,000 GEL. [Our friends and family] saw that if the government trusts us, then they could, too. We were able to raise another 100,000 GEL or so from our own circles. We later joined in an accelerator, from which we received 100,000 euros, after which we began work on looking for seed funding”, Laliashvili says.

Stack had just signed agreements with investors in Silicon Valley when the coronavirus pandemic hit this winter and the world went sideways – though for the company, perhaps for the better:

“That one force majeure clause? That one clause about if something terrible were to happen...? Well, it happened, and the contracts were cancelled”, Laliashvili says, but points out the company has emerged from the pandemic on far better footing compared to their situation before the coronavirus sent the world into turmoil.

“Of course we were disappointed when VC firms announced they were suspending their investment activities...but now we see they are awakening again, and this time around we will have different terms of investment. Before the pandemic, we approached investors asking for help just to stay alive. But now, we’re not only surviving – we’re thriving on our own. The next round of conversations we have with investors will be significantly different from the first one.”

In March 2020, Stack made several large steps forward: it began promoting a paid subscription of the application to give users additional functionality features, released a Windows version and translated the app into Georgian.



“The situation we’re in is 10 times better in terms of user growth, revenue, and team spirit. We have this feeling that we not only survived the pandemic, but we grew stronger”, Laliashvili says.

However, Laliashvili says, the current business model Stack has introduced is temporary. The subscription system is being leveraged as an approach to assess the value of the application, and what it’s worth to customers – and thus to investors:

“Stack is not just a browser. It’s an application management tool, and these things are not free.

But without a substantial amount of users, it’s hard to gauge the value. To do that, we need customers to pay for it! How much they pay gives us that information, and then we can go to investors and prove to them that we are worth it, that we will use their money to grow exponentially, and not burn cash”, Laliashvili says.

The real aim, he notes, is for Stack to generate income from search engines, which are willing to pay browsers to be the default search medium across their systems. In 2019, Google paid Firefox \$500 million to be the default search en-

gine in Mozilla, while it paid Apple \$12 billion in 2019 to be the default engine on Safari across all platforms, Laliashvili pointed out.

BORN IN GEORGIA, GROWN IN GEORGIA

Currently, the Stack team is almost entirely located out of the Netherlands, and its interaction with Georgia is limited to the fact its founders are Georgian and it is incorporated in the country.

But as the company grows, Stack will seek to dig its roots deeper into the country it was born of, Laliashvili hopes:

“Our next step will be to open a Dev. Shop in Tbilisi, which will make the company much more ‘Georgian’ than it is now and we will be able to hire Georgian talent, even though as of now, the entire team, all seven of us, are Georgian to boot...”

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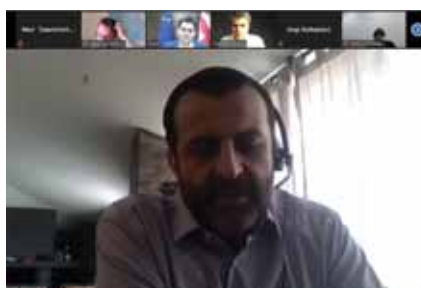
AmCham's Construction Committee met via Zoom on May 8 to check-in after the first week of the reopening of construction projects.

Participants shared information about their current projects, related issues and challenges they are facing in the wake of the Covid-19 crisis



AMCHAM HOSTS BUSINESS OMBUDSMAN MIKHEIL DAUSHVILI, HEAD OF LABOUR INSPECTORATE BEKA PERADZE

AmCham Georgia hosted Mr. Mikheil Daushvili, the Business Ombudsman of Georgia and Mr. Beka Peradze, the head of Labour Inspectorate via Zoom on May 8. They made a short introduction about the regulations that will govern the safe return to work, particularly the activities of the labor inspectorate. This



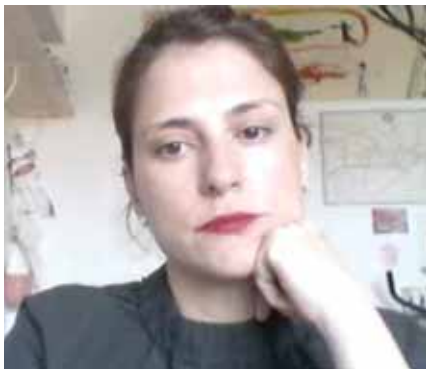
was followed by a lively Q&A session. The meeting was attended by around 100 representatives of member companies.

US EMBASSY DEPUTY CHIEF OF MISSION ELIZABETH ROOD SPEAKS WITH MEMBERS ABOUT EXPERIENCE IN GEORGIA

U.S. Embassy Deputy Chief of Mission Elizabeth Rood addressed AmCham members on May 21 and spoke about her diverse and interesting experience in Georgia, sharing her views on various issues in US-Georgia relations. Members later had an opportunity to ask questions. Guests expressed their gratitude towards Rood's dedication to Georgia and for everything she has done during these years. AmCham president Mr. Michael Cowgill also expressed his gratitude on behalf of AmCham Board and presented a painting created by his spouse Ms. Ala Turman as a gift of appreciation for DCM Rood along with a photo collage of Elizabeth's time with AmCham Georgia.



CLT COMMITTEE MEETING DISCUSSES LABOR CODE, DRAFT LAW TO LABOR INSPECTORATE



The CLT committee met online on May 22 to discuss labor code changes as well as draft law to the labor inspectorate.

Members expressed their views regarding the proposed changes and came



up with a common position in relation to it.

The committee also discussed proposed tax code changes in relation to exemptions.

MINISTERS OF AGRICULTURE AND ECONOMY ADDRESS AMCHAM MEMBERS

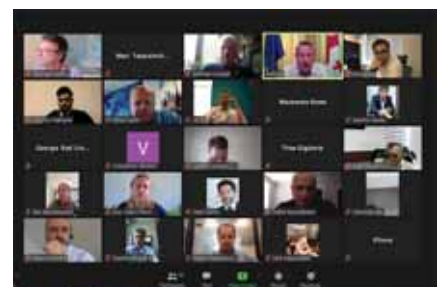


AmCham Georgia organized a meeting with the Minister of Economy and Sustainable Development of Georgia Natia Turnava and with the Minister of Environment Protection and Agriculture of Georgia Levan Davitashvili on June 17. They were joined by Deputy Minister, Mr. Irakli Nadareishvili, Head of National Tourism Administration, Ms.



Mariam Kvrivishvili and Mr. Mikheil Khidureli, Head of Enterprise Georgia. Speakers presented on their current activities and future plans for their respective ministries followed by a lively Q&A session which covered a wide range of issues. The meeting was attended by around 100 representatives of member companies.

AMCHAM GEORGIA HOSTS EU AMBASSADOR TO GEORGIA CARL HARTZELL VIA ZOOM



AmCham Georgia hosted EU Ambassador to Georgia Carl Hartzell, at an online meeting with members on May 28. Ambassador Hartzell presented to AmCham members and partners on the work of the EU in Georgia. Members had an opportunity to discuss the impact of the coronavirus pandemic on foreign businesses in Georgia, which was followed by a Q+A session.

TOURISM COMMITTEE MEETS WITH DEPUTY HEAD OF GNTA



AmCham Georgia hosted a virtual Tourism Committee meeting on June 18 with Ms. Rusudan Mamatsashvili First Deputy Head of Georgian National Tourism Administration. Committee



members had a chance to discuss current issues, future plans of the Georgian National Tourism Administration and ways in which AmCham can support the tourism sector's recoveries.

AMCHAM MEMBERS MEET WITH HEAD OF ENTERPRISE GEORGIA



AmCham Georgia organized a meeting with Head of Enterprise Georgia Mr. Mikheil Khidureli on June 24, who presented on the new programs that Enterprise Georgia has developed in response to Covid 19, to support businesses, and which represent a dramatic expansion of Enterprise Georgia's activities, as well as on their efforts to attract investments.

CLT COMMITTEE MEETING DISCUSSES NEW DRAFT LAW ON ENTREPRENEURSHIP



AmCham Georgia hosted a virtual CLT committee meeting on June 18 to discuss the new draft law on entrepreneurship.



In order to have a more productive discussion co-drafters of this law Mr. Giorgi Jugeli, Legal Expert at the Investors Council and Deputy Head of

MEETING WITH UK AMBASSADOR JUSTIN MCKENZIE SMITH



AmCham Georgia hosted UK Ambassador to Georgia Justin McKenzie Smith at an online meeting with members on July 8. The ambassador, who will soon be departing after 4 years, talked to AmCham members and partners about his interesting experience in Georgia and shared his views on various issues on UK-Georgia relations. The meeting involved a lively Q+A session.



Legal Programme at GIZ, Mr. Shalva Papuashvili were also invited, who kindly participated in the discussion and answered members' questions.

OPTIMAL DIGITAL

Optimal Digital LLC Corp A

Optimal Digital is a digital outsource agency founded by a US digital marketing specialist and a Georgian software developer and manager. The company provides full services for development of international and Georgian projects as well as ongoing analytics, digital marketing and other value-added services.

The company focuses on helping customers to increase revenue and profitability online by providing lean & clean high-performance websites and apps, and the Data-Driven Digital marketing that generates revenue. In particular Optimal Digital LLC focuses on moving companies from old Word Press and other sites that are slow and bloated to new modern ones using high-performance react.js frameworks.

www.optimal.digital

USAID Economic Governance Program Corp A

The USAID Economic Governance Program is a five-year project funded by the United States Agency for International Development (USAID) aimed to help Georgia build and institutionalize forward-looking economic governance that promotes economic growth by including the voices, needs, and aspirations of all Georgians.



Aptos Corp B

Aptos is a minimally invasive threads and methods of face and body lifting, contouring and rejuvenation. The methods have been invented in 1996 by Georgian plastic surgeon Marlen Sulamanidze and has been developed by Dr. Giorgi and Konstantine Salamanidze. The plastic threads and the methods of installing have obtained 18 patents of which 8 are international.

Aptos methods are reliable, have momentary results, do not leave seams and help to improve and reduce process of skin fading.

From 1996 the Aptos has produced unique threads for plastic and aesthetic surgery and cosmetology that have gained the world's recognition and are successfully applied by specialists in more than 70 countries.

www.aptos.ge

Crosscountry Georgia Corp B

A Bulgarian investment vehicle in Georgia.

www.cross-cap.com



CNFA Non-Profit

The USAID Agriculture Program is a five-year USAID-funded program (2018-2023) that aims to accelerate the growth of agricultural sub-sectors to create jobs, grow incomes, and increase micro, small, and medium enterprise revenues in Georgia. Implemented by Cultivating New Frontiers in Agriculture (CNFA), an international agricultural development organization, the USAID Agriculture Program prioritizes the development of the berry, culinary herb, stone fruit, perishable vegetable, orchard fruit, table grape and mandarin value chains, and supports innovative solutions to scale-up the use of agricultural technologies within the country. CNFA has been designing and implementing market-driven agricultural initiatives in Georgia since 2006.

www.cnfa.org



Hyundai Glovis Lojistik DisTicaret Sanayi ve Ticaret limited Sirketi – Georgia Branch Corp B

Services provided by GLOVIS:

Material Handling Management - involves the transfer of production materials from the warehouses to the manufacturing stations. GLOVIS conducts material handling management in Hyundai Assan Automobile Factory with its latest equipments and 250 trained and experienced personnel.

Intermodal Logistics - involves the shipment of materials from one point to another in the same container using more than one mode of transport consecutively.

Road Transport - GLOVIS manages the dealer shipments, and the port transport works for import and export activities of (both local and imported) Hyundai finished vehicles. It also carries out the inland transport of all containers and steel rolls.

Automobile Transport Services- GLOVIS carries out port transport works and inland dealer shipments for both local and imported Hyundai vehicles, 7/24 web-based vehicle monitoring, port shipment, shipment between the dealers.

Other activity includes container & steel roll logistics (of Hyundai brand in particular), port blocking service, guaranteed transport, warehouse - storehouse manipulation, spare part logistics.

www.glovis.com.tr



American Councils for International Education - Georgia Non-Profit

American Councils Georgia is a non-profit organization that has administered educational and cultural exchange programs in Georgia since the early 1990s, many of them on behalf of the US Embassy and Department of State. The largest program administered in Georgia has been the Future Leaders' Exchange (FLEX) Program, through which several thousand Georgians have had the opportunity to spend an exchange year in the US as high school students over the past 25+ years. In previous years American Councils was active in administering the Undergraduate Exchange Program, the Muskie Fellowship, the Critical Languages Scholarship, and the Junior Faculty Exchange Program Georgia, and during the mid-2000s coordinated international technical assistance for the development of the Unified University Entrance Exams in Georgia. Aside from the FLEX Program, American Councils in Georgia currently administers the Professional Fellowship Program, the Open World Program, and a number of study abroad programs for US undergraduate and graduate students, including the Peace and Security in the South Caucasus Program in cooperation with Ilia State University. For the past ten years American Councils Georgia has also been one of the co-organizers, together with CRRC Georgia and ARISC, of the Tbilisi Works-in-Progress Series. American Councils Georgia is also an official representative of ETS/Prometric, and administer paper-based and computer based examinations in Georgia, including SAT, LSAT, TOEFL and GRE.

www.global.americancouncils.org

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