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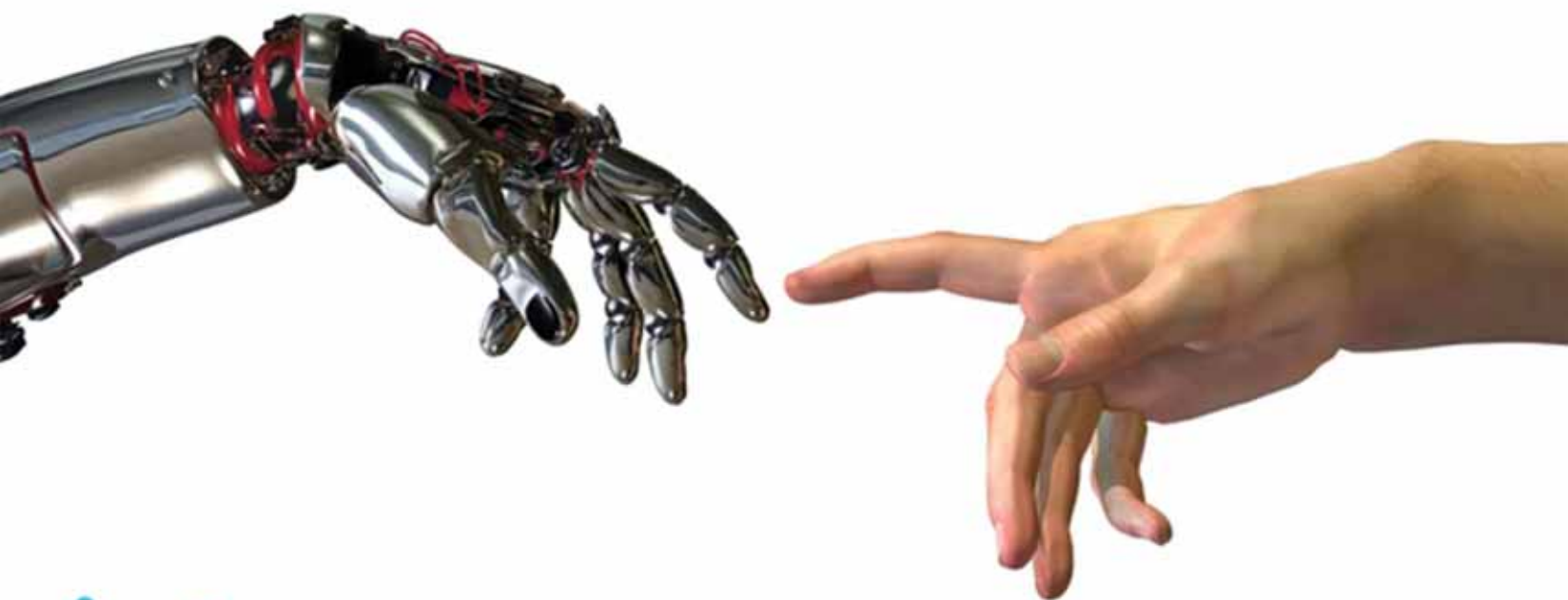
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JUNE-JULY 2021



Pulsar AI: startup dreams
come true with Georgia's
first startup exit



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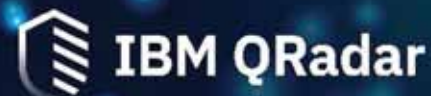
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INVESTOR.GE PROVIDES A BRIEF UPDATE ON INVESTMENTS AND CHANGES IN GOVERNMENT POLICY THAT COULD IMPACT THE BUSINESS ENVIRONMENT. INFORMATION IN THIS ISSUE WAS TAKEN FROM AGENDA.GE AND OTHER SOURCES.



GEORGIAN EXTERNAL TRADE UP 12.8% IN JANUARY-APRIL 2021

Georgia's external trade turnover amounted to \$3.9 billion in January-April 2021, which is 12.8% higher compared to the same period of the last year, show preliminary data from Geostat. The value of exports increased 19.6% in the reporting period and totaled \$1.19 billion, while imports also increased 10.1%, amounting to \$2.7 billion. The trade deficit of Georgia in January-April 2021 amounted to \$1.5 billion, or 39% of total trade turnover.

UNEMPLOYMENT UP 0.9%, TO 18.5% IN GEORGIA IN 2020

The unemployment rate in Georgia increased by 0.9% compared to 2019 and totaled 18.5% in 2020, Geostat data show. The regions with the most pronounced spike in unemployment were Tbilisi (3.8%), Kvemo Kartli (2.8%)

and Adjara (1.1%). Unemployment for women increased by just 0.2 percentage points in 2020, the data show, while for men it was up 1.3%.

WORLD'S 'MOST EXPENSIVE WINE PRODUCER' TAKES AN INTEREST IN GEORGIAN WINES

Influential French winemaker Loic Pasquet, founder of the company Liber Pater and producer of the one of the world's most expensive wines, is interested in launching his first project in Georgia together with the founder of local wine company Askaneli, Gocha Chkhaidze. The project aims to bring Georgian wine to the most expensive segment of the EU market.

"In the best-case scenario, we will be able to start producing Georgian wine that will be ready to enter the most expensive segment of the EU market in 12 years," Chkhaidze told Forbes.

Pasquet's most expensive wine is produced in quantities of around 1,200 bottles yearly. In 2015, only 550 bottles were made, fetching an average price of €30,000 per bottle, which makes this wine from Bordeaux one of the world's most expensive.

JANUARY-APRIL 21: GEORGIAN DOMESTIC EXPORTS UP 19.6%

Georgia's domestic exports came out to \$1.19 billion in January-April 2021, a 19.6% year-on-year increase, Geostat data show. The share of domestic exports in total exports constituted 73.8% and amounted to \$884.2 million, a full 25% higher than the same period in 2020. The top countries that imported goods from Georgia during this time were China (\$198.5 million), Russia (\$146.1 million) and Turkey (\$98.3 million). Copper ores consisted of nearly 30% of the total exports, with ferroalloys accounting for 12.6% in terms of value. Wine came in

third, constituting 7.5% of the total value of exports.

PECULIAR RIKE JUGS CONCERT, CONFERENCE HALL REMAINS UNSOLD DESPITE 50% DISCOUNT

Tbilisi's quirky Rike Jugs concert and conference hall, two glass and steel tube constructions located in Tbilisi's Rike Park, are still up for sale, despite efforts to auction them off at a 50% discount with an asking price of 47.5 million GEL, the National Agency of State Property announced in late April.

This was the fourth attempt to auction off the Rike Jugs, with "nobody announcing interest in them" this time around. The first auction attempt was held in February 2020 when the building was valued at 95 million GEL. The Rike Jugs were installed over 15,000 square meters of space in 2012. The facility was expected to serve as a concert hall in Europe Square, however, it was never completed. In total, 75 million GEL was spent on the construction of the building.



APRIL 2021: MONEY TRANSFERS TO GEORGIA UP 145.4%

Georgia received \$194 million from abroad in April 2021, which is 145% more than the amount received in April 2020, reports the National Bank of Georgia.

Russia (\$33.3 million), Italy (\$31.7 million) and the United States (\$24.8 million) were the largest senders of

remittances in April 2021. Overall, the vast majority (94.9%) of all money transfers from abroad came to Georgia from 18 countries. Last month, remittances leaving Georgia totaled \$25.8 million, compared to \$10 million in April 2020.

INTERNET ACCESS PROGRAM ROLLS OUT IN REMOTE VILLAGES IN GEORGIA

Half a million people living in almost a thousand settlements across Georgia, including in the highlands, will soon receive internet access and services such as e-healthcare, education and governance thanks to a new project called 'Log in Georgia.'

The project of 'universal internetization' in Georgia started from Ozurgeti municipality, in the Guria region, where 29,000 residents living in 49 settlements already have access to the internet.

By 2025, the project is planned to cover 1,000 settlements in Georgia, giving internet access to about 500,000 people.

'Log in Georgia' is implemented by Open Net in cooperation with the World Bank. The World Bank has allocated €35.7 million to support the project.

GEORGIAN WINE EXPORTS UP 15% IN JAN-APRIL 2021

Georgia exported 28.3 million bottles of wine to 55 countries in January-April 2021, which is an increase of 15% compared to the same period of 2020, says the Georgian National Wine Agency.

Wine sales abroad generated Georgia \$65 million in revenue, up 7% year-on-year.

The top five countries that imported Georgian wine in January-April 2021 were:

Russia – 17.1 million bottles (+16%), Ukraine – 3.3 million bottles (+9%), Poland – 1.8 million bottles (+2%)

China – 1.5 million bottles (+19%), Kazakhstan – 1 million bottles (+56%).

50-MEGAWATT WIND POWER PLANT IN EASTERN GEORGIA TO BE LAUNCHED IN 2022

A 50-megawatt wind power plant near the village of Nigoza in eastern Georgia is planned to begin operations in 2022, announced the Ministry of Economy of Georgia.

Turkish company Calik Enerji is implementing the project in cooperation with the Energy Development Fund of Georgia. The \$70 million project aims to employ 200 people in the construction process, while 25 people will be employed after it becomes operational.

NEW ADVISER ON FOREIGN INVESTMENTS

Georgian Prime Minister Irakli Garibashvili has appointed Vazil Hudak, former Vice-President of the European Investment Bank (EIB) and former Minister of Economy of Slovakia, as his special adviser on foreign investments.

Hudak will cooperate with the European Union, the International Monetary Fund, the World Bank, the European Investment Bank, the European Bank for Reconstruction and Development and other international financial institutions, as well as with the international business community, investment funds and banks in his new role.

GEORGIA AMONG TOP-RANKED COUNTRIES FROM WHICH TO SOURCE TECH SERVICES

Georgia has appeared for the first time in Kearney's Global Services Location Index (GSLI) 2021, taking 19th place among the top-ranked countries from which to source tech services, announced the country's export promotion agency, Enterprise Georgia.

- GSLI is a biennial ranking published by leading global management consulting organization Kearney.

For 2021's edition of the ranking, 60 countries were assessed in 47 measurements grouped in four main categories: financial attractiveness; people, skills and availability; business environment; and digital resonance.

"Georgia is at the crossroads of Europe and Asia and posts competitive rankings on financial attractiveness, workforce skills, and the business environment," the report says.

GSLI helps companies make key location decisions about where to locate offshore operations, and the Index sheds light on their complex and shifting choices through an analysis of more than 50 countries.

ANNUAL INFLATION UP 7.2% IN APRIL 2021

The consumer price index increased 0.9 percentage points compared to the previous month, with the annual inflation rate amounting to 7.2%, Geostat reported.

The monthly inflation rate was mainly influenced by price changes for the following groups: transport (+3%), clothing and footwear (+4.9%), furnishings, household equipment and maintenance (+2.1%), and food and non-alcoholic beverages (+0.3%).

As for annual inflation, prices increased in the group of restaurants and hotels (+15%), health (+13.8%), transport (+12.4%), housing, water, electricity, gas and other fuels (7.1%), and food and non-alcoholic beverages (+3%).

AFTER YEAR LONG DOWNTURN, GEORGIAN ECONOMY POSTS 44.8% GROWTH IN APRIL

The estimated real gross domestic product (GDP) growth rate in April 2021



equaled 44.8% year-on-year and 8.1% in January-April of 2021 year-on-year, show preliminary data from Geostat.

The figure is reflective of the fact that Georgia experienced its strictest Covid-19-related economic lockdowns in precisely April 2020.

The Georgian economy is expected to grow by 3.5% in 2021, rebounding with the gradual lifting of Covid-19 pandemic restrictions and the revival of domestic demand, reads the Asian Development Bank (ADB) Outlook 2021.

The ADB projects Georgia's gross domestic product (GDP) growth to accelerate to 6% in 2022, as a full reopening of the economy and expected recovery in tourism will boost travel and commerce.

The World Bank says that the Georgian economy is projected to expand to 4% in 2021 and then to firm up to 5% in 2022.

GEORGIAN WINE ADVERTISING CAMPAIGN PLACES FOCUS ON GERMANY

In order to raise awareness and increase the export of Georgian wine to Germany, a Georgian wine advertising campaign will be strengthened in Germany this year using various media platforms.

The campaign will be held with the financial support of the Georgian National

Wine Agency and German PR and marketing company ff.k Public Relations.

Numerous presentations of Georgian wine are planned both online and in person. Georgian wines will take part in various competitions, and visits of wine professionals and media representatives to Georgia from Germany will be planned, the country's wine agency says.

Germany has been included on the list of strategic markets for Georgian wine since 2020.

Last year, about 700,000 bottles of wine were exported from Georgia to Germany, posting an increase of 4%.

GEORGIAN CENTRAL BANK RAISES MONETARY POLICY RATE TO 9.5%; LOANS FOR ABOUT 125,000 BORROWERS TO INCREASE 1%

The National Bank of Georgia (NBG) has increased the refinancing rate by one percentage point to 9.50%, as a result of which, loans for about 125,000 borrowers will increase by one percent, says the non-government organization Society and Banks.

Society and Banks announced that, as of April 1, a total of 124,400 loans tied to floating interest rates had been issued since the beginning of 2021. The vast majority of these loans are tied to the refinancing rate.

TBILISI TOPS INTERNATIONAL CITIES BY BITCOIN ATMS PER \$10 BILLION GDP

The Georgian capital city of Tbilisi has the most number of Bitcoin ATMs in the world per \$10 billion local GDP, says a new study titled ‘World’s Most Crypto-Friendly Cities.’

“Tbilisi seems an unlikely contender for the top spot on this list of international cities pioneering Bitcoin adoption. But the former Soviet republic of Georgia, with a population of less than four million people, is now the second largest miner of cryptocurrency in the world. Inexpensive hydropower and a lack of federal regulation have turned the country into a ‘virtual printing press’ for virtual money, giving the 23 bitcoin ATMs in Tbilisi an outsized presence in the Georgian economy,” reads the study.

GEORGIAN FINANCE MINISTER: LOW COUPON RATE ON EURO BONDS WILL SAVE BUDGET AROUND 350 MILLION GEL OVER NEXT 5 YEARS

The Ministry of Finance of Georgia completed the placement of \$500 million in Eurobonds on the London Stock Exchange in mid-April, with a maturity date of five years and a coupon rate of 2.75%.

Georgian Finance Minister Lasha Khutsishvili said the state budget of Georgia will save about 350 million GEL thanks to the low coupon rate.

“The current bonds actually refinanced Eurobonds issued in 2011 at a coupon rate of about 2.5 times higher (6.875%) and were repaid on April 12 this year.

Due to the fact that the coupon rate now is much lower for the next five years, the budget will save about 350 million GEL,” said Khutsishvili.

He added that such a low rate “has never been seen before in our region.”

“With this transaction and this coupon rate, we have created a new, truly historic landmark [. . .] which will be important for private companies, as it makes it much easier and cheaper to attract investment to our country [. . .] This [is indicative] of confidence from international investors in Georgia’s economy [. . .] [such] investors are mainly from the United States, the European Union and the United Kingdom,” Khutsishvili said.

Khutsishvili said that one of the main determinants of such a low coupon rate was the country’s sovereign credit rating, which has improved in recent years from “B+” to “BB”.

IS NOKIA INTERESTED IN ENTERING THE GEORGIAN MARKET?

Finnish corporation Nokia has expressed an interest in entering the Georgian market, the Ministry of Economy of Georgia says.

Georgian Deputy Economy Ministers Genadi Arveladze and Irakli Nadareishvili met with regional Vice-President of

Nokia Mikko Lavanti earlier in April to discuss areas in which Nokia could invest in Georgia.

The development of broadband infrastructure, artificial intelligence, and the digital economy in general are the main directions that Nokia could find interesting in Georgia, the ministry reported.

14.5% OF GEORGIAN POPULATION RECEIVING SOCIAL ASSISTANCE

In Georgia, more than 541,000 people, or 14.5% of the Georgian population, receive social assistance from the state.

This number increased by over 83,000 individuals in 2020, announced the Social Service Agency of Georgia. In addition, social assistance is the only source of income for 151,000 families in Georgia, says the agency.

The town with the highest ratio of the number of aid recipients to the population was Mestia in the Svaneti region of Georgia, where according to the latest data, 65.9% of the local population received social assistance last year.

JOINT POLISH-SOUTH AFRICAN DRONE PRODUCTION VENTURE MAY COME TO GEORGIA

A military drone venture may set up camp in Georgia, with South African and Polish companies discussing the possibility with the government, Defense Minister Juansher Burchuladze said at a parliamentary session in late April. “We are in active negotiations with South African and Polish companies to establish a joint venture of small and large unmanned aerial vehicles at the Delta base,” Burchuladze said.

Burchuladze says an agreement may be signed as early as this year, with production beginning in 2022. It is unknown what kind of drone the venture would produce.



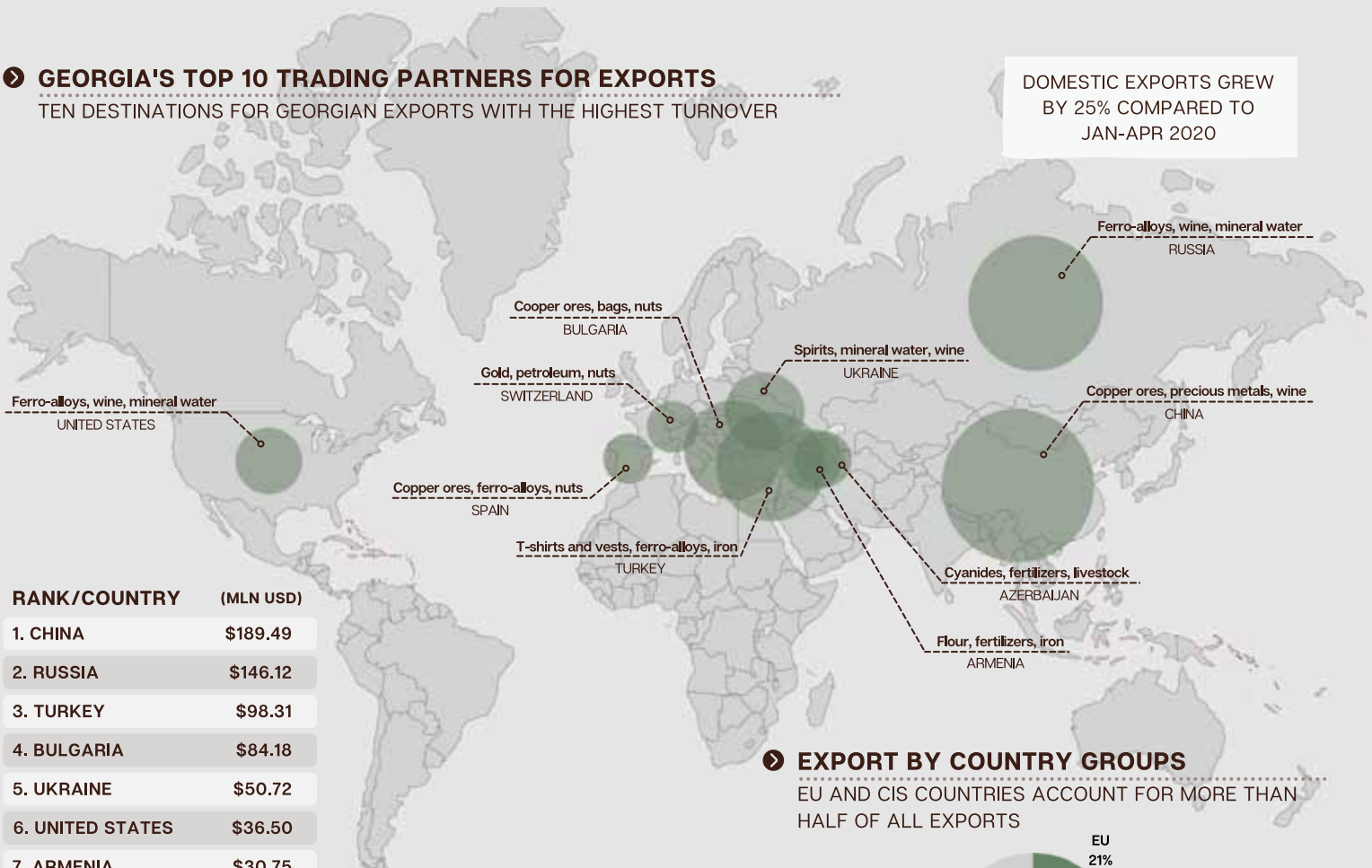
GEORGIA'S EXTERNAL TRADE

DOMESTIC EXPORTS*

➤ GEORGIA'S TOP 10 TRADING PARTNERS FOR EXPORTS

TEN DESTINATIONS FOR GEORGIAN EXPORTS WITH THE HIGHEST TURNOVER

DOMESTIC EXPORTS GREW
BY 25% COMPARED TO
JAN-APR 2020



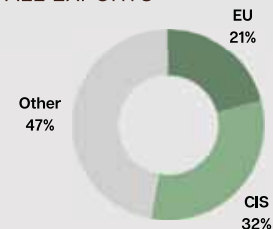
RANK/COUNTRY (MLN USD)

1. CHINA	\$189.49
2. RUSSIA	\$146.12
3. TURKEY	\$98.31
4. BULGARIA	\$84.18
5. UKRAINE	\$50.72
6. UNITED STATES	\$36.50
7. ARMENIA	\$30.75
8. AZERBAIJAN	\$26.38
9. SWITZERLAND	\$21.02
10. SPAIN	\$20.10

THESE COUNTRIES ACCOUNT
FOR 80% OF GEORGIA'S
TOTAL DOMESTIC EXPORTS

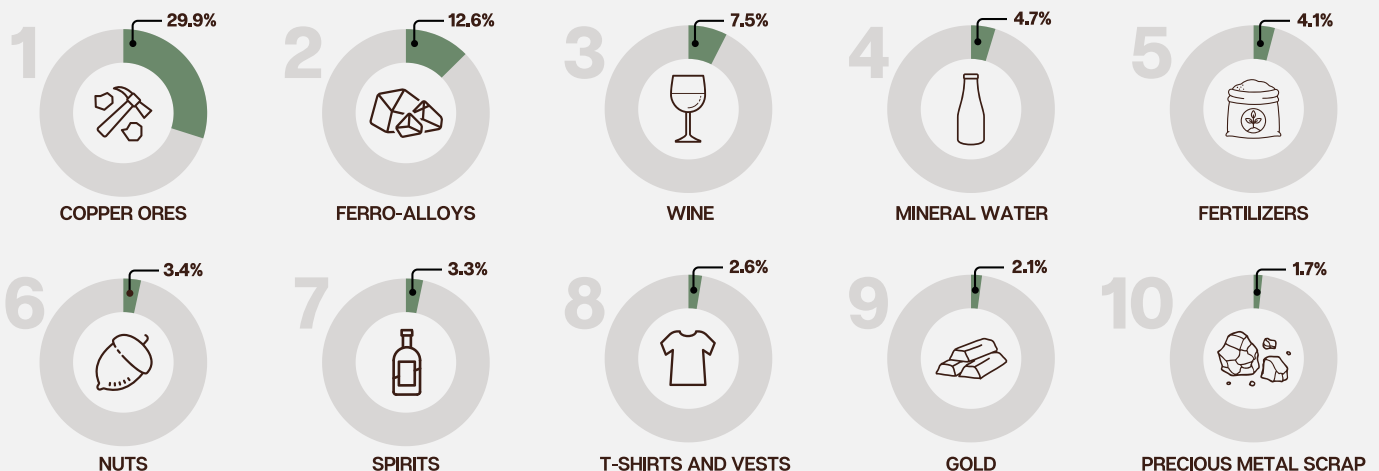
➤ EXPORT BY COUNTRY GROUPS

EU AND CIS COUNTRIES ACCOUNT FOR MORE THAN
HALF OF ALL EXPORTS



➤ EXPORTED COMMODITIES

EXPORTS RANKING BY COMMODITY POSITIONS



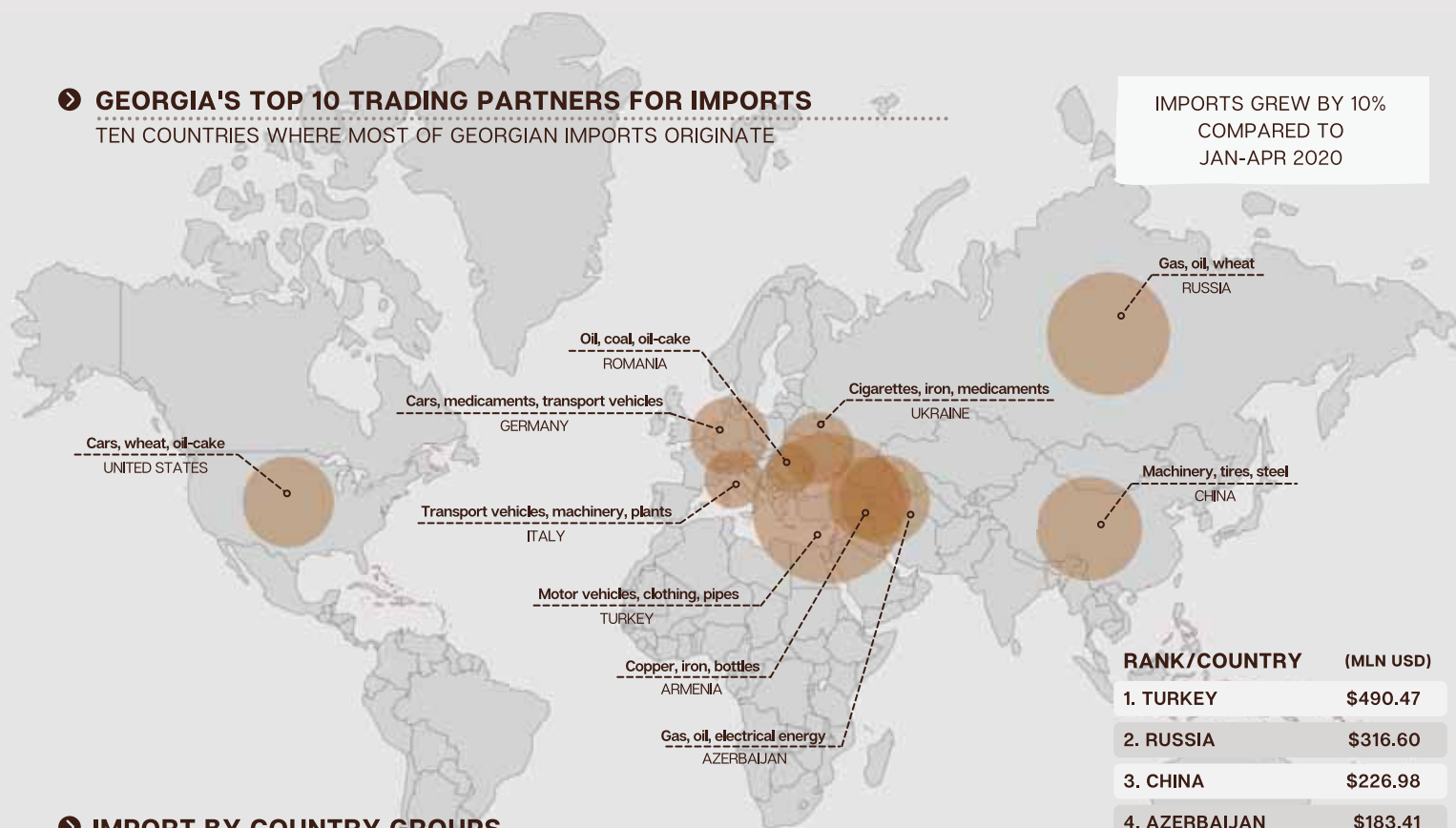
*DOMESTIC EXPORTS INCLUDE LOCALLY PRODUCED GOODS AND IMPORTED ITEMS WITH A SIGNIFICANTLY CHANGED OR INCREASED VALUE

IMPORTS

➤ GEORGIA'S TOP 10 TRADING PARTNERS FOR IMPORTS

TEN COUNTRIES WHERE MOST OF GEORGIAN IMPORTS ORIGINATE

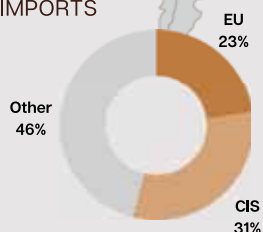
IMPORTS GREW BY 10%
COMPARED TO
JAN-APR 2020



RANK/COUNTRY	(MLN USD)
1. TURKEY	\$490.47
2. RUSSIA	\$316.60
3. CHINA	\$226.98
4. AZERBAIJAN	\$183.41
5. UNITED STATES	\$183.13
6. ARMENIA	\$148.80
7. GERMANY	\$134.73
8. UKRAINE	\$121.33
9. ITALY	\$72.87
10. ROMANIA	\$51.52

➤ IMPORT BY COUNTRY GROUPS

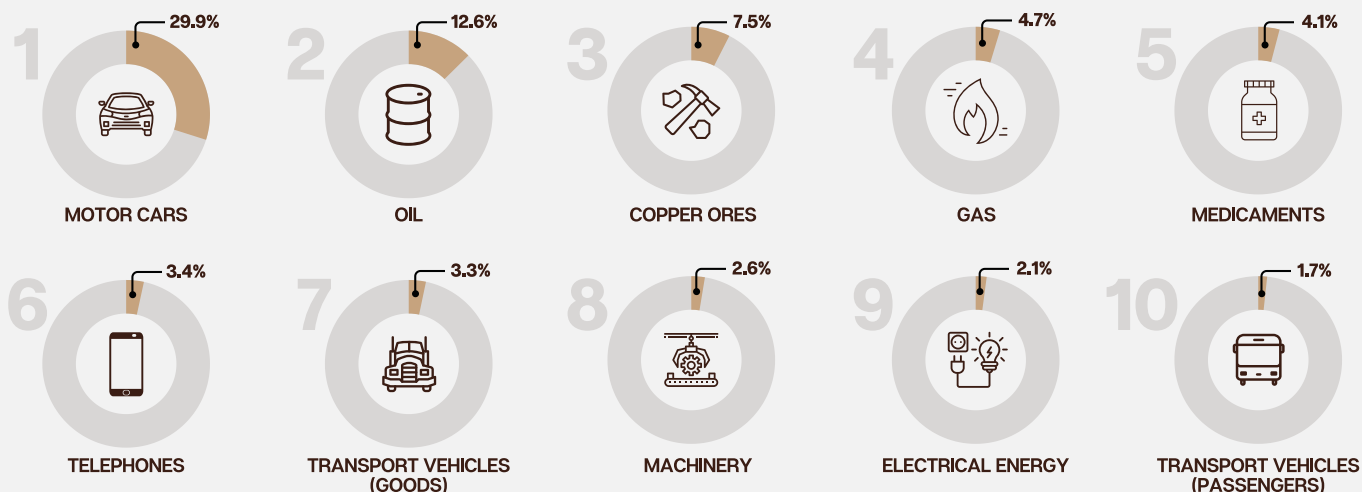
EU AND CIS COUNTRIES ACCOUNT FOR MORE THAN
HALF OF ALL IMPORTS



THESE COUNTRIES ACCOUNT
FOR 70% OF GEORGIA'S
TOTAL IMPORTS

➤ IMPORTED COMMODITIES

IMPORTS RANKING BY COMMODITY POSITIONS



Georgia Abroad:

highlights of Georgia's spring success stories

VERONIKA MALINBOYM

Despite global shutdowns and closures, Georgia has continued to make a name for itself abroad in the arts and sports in recent months. Investor.ge presents some of these most exciting victories. From winning top awards at a prestigious wine competition in London to breaking another world record in weightlifting, here's everything you need to know about Georgia's breakthrough success stories this spring.

SPORTS

Young midfielder of the Georgian national football team Khvicha Kvaratskhelia has topped the Most Viewed Players section of transfermarkt.com, a site which assesses the value of football players around the world.



Khvicha Kvaratskhelia

Following an outstanding performance last season in which he scored in consecutive World Cup qualifier games against Spain and Greece, Khvicha Kvaratskhelia has attracted interest from major European football clubs. Some sources report that Kvaratskhelia may be acquired by the Italian Juventus football club or UK's Leeds United football club, but while Kvaratskhelia's father, a former footballer himself, confirms his son's transfer from the Russian Rubin in the nearest future, Kvaratskhelia says that no concrete plans have been made other



Shmagi Bolkvadze, Source: worldsport.ge

than that he is ready to play for a major Serie A or English Premier League team

The country's weightlifting team continued to make a name for itself as well, scoring another international success as Olympic champion Lasha Talakhadze received three gold medals and broke the European and world records at the European Senior Weightlifting Championship in Moscow this April. Talakhadze beat his own record with 245/253/263 kg in the clean and jerk and 211/217/222 kg in the snatch, finishing the championship with a combined result of 485 kg.

Snowboarder Revaz Nazgaidze won the grand prize in an International Ski Federation giant slalom in Bulgaria's Bansko resort after finishing first among 23 other competitors in the men's parallel giant slalom race in early April. With his results, Nazgaidze managed to beat two other podium finishers—Emre Boydak and Uras Ucanoglu.

The might of Georgia's rugby team will be tested later this summer, as Georgia's Lelos are set to play two test games against the current world champions, the Springboks, on their home turf in South Africa this summer before hosting Scotland in Tbilisi. On July 3 and 10, The Lelos will compete against South Africa's Springboks, the winners of the Rugby World Cup 2019. This will mark the first time the Georgian team has



Nikoloz Basilashvili, Source: @BMWOpen2021

played three consecutive games against Tier 1 teams.

Georgia's spring winning streak continued with Shmagi Bolkvadze winning gold at the European Wrestling Championship in Warsaw on April 26, pushing his team to the third spot of the competition's rankings. In the final match of the 72 kg division, Bolkvadze defeated Armenia's Malkhas Amoyan with a total score of 4-1.

Star Georgian tennis player Nikoloz Basilashvili has once again brought his country into the spotlight after winning his fifth consecutive ATP Tour title at the BMW Open, defeating Jan-Lennard Struff in Munich, Germany in May. Basilashvili secured his fifth ATP Tour title by completing the BMW Open without dropping a set in five matches, the ATP Tour website reported.

Giorgi Shermadini, a player for the Lenovo Tenerife club and Georgia's national basketball team, was awarded the Most Valuable Player of the Year prize of the top Spanish basketball league. On May 27, Shermadini received the highest possible score of 100 from the league votes of fans, reporters, players and coaches.

ARTS

Georgian animation director Mariam Kapanadze's work will be screened at the international Annecy Festival for short animated films in France this June. Kapanadze's Abandoned Village short animation film was one of 205 other films that were selected to feature in the festival out of 2,700 submissions.



Mariam Kapanadze's Abandoned Village. Source: Georgian National Film Centre



Abandoned Village tells a story of a remote village slowly disappearing due to neglect and natural phenomena.

Georgia continued its cinematographic success this spring with a documentary on the lives of Georgian star female chess players, Glory to the Queen, which was featured in the South East European Film Festival in Los Angeles this April. Tatia Skhirtladze and Ana Khazaradze's work explores how four Georgian women took over international chess competitions and offers a glimpse into how they live today.

Brighton 4th, a feature film by award-winning Georgian director Levan Koguashvili, will be screened in June as part of the 20th anniversary edition of the international Tribeca Film Festival in the United States. Koguashvili's movie about a Georgian wrestler attempting to save his son in Brooklyn from gambling debts already won the Jury Prize and the ARP Selection Award at Jerusalem Sam Spiegel Film Lab in 2019.



A screenshot from Koguashvili's Brighton 4th, Source: IMDB

Another success story of the country's cinema is the Nika Award of the Russian Cinematographic Arts Academy earned by Georgia's director Dito Tsintsadze in late April for his feature Inhale-Exhale: a film about a former convict trying to rebuild her life after completing her sentence. The film has already won awards twice for Best Actress at international movie festivals in Shanghai and Minsk.

The highlight of Georgia's cinematography this spring was the news of renowned director Lana Gogoberidze receiving the French Order of Arts and Letters (L'Ordre des Arts et des Lettres). The order was passed on by the French Ambassador to Georgia, Diego Collas, who stated that Gogoberidze has become an irreplaceable persona of international cinematography and Georgian-French friendship.

In music, Georgian pianist Irma Gigani won first prize at the international Bechstein-Bruckner competition in Austria. Gigani was also awarded a special prize for the best performance of





Dito Tsintsadze's Inhale-Exhale. Source: Georgian National Film Centre

- Mozart's Piano Sonata and Bruckner's Piano Fantasia. On June 17, Irman Gigani will be performing solo at Brucknerhaus.

The country gained recognition in the visual arts as well in recent months, with Georgia becoming a first-time participant in Mexico's International Image Festival. As an invited country, Georgia saw the works of award-winning photographer Badri Vadachkoria, as well as filmmakers Nino Kirtadze and Dea Kulumbegashvili, displayed as part of the festival's program.

Georgian video artist Andro Eradze's exhibition opened at the New Museum's Screens Series in April in New York. Screen Series: Andro Eradze focuses on the space between human and non-human perception, the space between the organic and the industrial or synthetic, interconnectedness between all things and the responsibilities that humanity inevitably holds.



Georgian pianist Irma Gigani won first prize at the international Bechstein-Bruckner competition. Source: Irma Gigani, Facebook

CULTURE

And where would the country be without its wines? Almost 20 Georgian wine companies have been awarded gold, silver and bronze medals at the world's most influential wine competition, the International Wine Challenge held in London this April. Kindzmarauli Marani's Kindzmarauli Marani Kakhuri, 2013, received the principal award of the competition, and 18 other wines from Georgia were distinguished among thousands of other submissions from over 50 countries around the world.

There is big news for the country's tourism destinations: the Vardzia Cave Complex, a 12-13th century monastery in the south of Georgia, was awarded this year's Europa Nostra/European Heritage Award of the European Union. The project for the conservation and monitoring of the Vardzia complex, conducted between 2015-2019 in partnership with the National Agency for



Kindzmarauli Marani's Kindzmarauli Marani Kakhuri, 2013, received the principal award in the prestigious wine competition. Via International Wine Competition

Cultural Heritage Preservation of Georgia, the Italian National Institute for Environmental Protection and Research (ISPRA) and the Ilia State University Centre for Cultural Heritage and Environmental Studies, has become one of nine initiatives from across Europe to receive the prize for cultural heritage.

Were it not for the pandemic, Tbilisi may have experienced a flood of bookworms this tourist season. Tbilisi has formally accepted the official status of UNESCO Book Capital of 2021, for which it will hold book festivals, publisher events, conferences, performances, and organize author residencies. Along with students and artists, the Union of Tbilisi Museums, the Georgian National Film Centre, the United Nations Population Fund, the National Parliamentary Library, the Writers' House of Georgia, the Giorgi Leonidze Museum of Georgian Literature, and the Georgian Publishers and Booksellers Association will participate in the upcoming prestigious international literature project hosted by Georgia.

Online events aren't always dreary. Mercedes-Benz Fashion



The project for the conservation and monitoring of the Vardzia complex has become one of nine initiatives from across Europe to receive the prize for cultural heritage. Image via Georgia's National Agency for Cultural Heritage Preservation

Week was held in a digital format in Tbilisi between May 6-9. A total of 15 selected designers showcased their collections to viewers worldwide on a digital platform with free access. On top of fashion shows, the Mercedes-Benz Fashion Week Tbilisi platform offered a variety of multimedia content including virtual showrooms and interviews with designers.



Mercedes-Benz Fashion Week was held in a digital format in Tbilisi between May 6-9. Source: Mercedes-Benz Fashion Week Tbilisi

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GOING PLACES TOGETHER



Pulsar AI: startup dreams come true with Georgia's first startup exit

Georgian artificial intelligence startup Pulsar AI has made local history by being the first homegrown startup to be acquired by a US company: digital automotive merchandising platform SpinCar.

The cash and stock deal, signed in May, totaled eight figures, and has set a number of precedents in the Georgian startup world. The small group of Georgian investors who bet on Pulsar AI in its seed round had the opportunity to enjoy their first startup exit following the acquisition, but have decided instead to double down—a strong message in a country where investors have historically

sought quick returns.

The initial investment in Pulsar AI was a mix of Georgian and Silicon Valley investors, and is significant for the country as it was the first organized angel investment in a startup which has produced returns of this sort.

Startup Grind Tbilisi Director Colin Donohue, who works to create connections between startups and international resources and has supported Pulsar AI in various ways, hopes the deal will encourage more investment in Georgian startups.

“It’s a great day for Georgia as \$1.2 million in investment produced such a

large outcome in such a short timeframe. It’s also encouraging that investors decided to keep betting on Pulsar’s future. Investors overwhelmingly are converting to stock in the new company, following the Pulsar team’s expectations of continued rapid growth.”

IN THE BEGINNING WAS THE (CHATBOT’S) WORD

Friends Dachi Choladze and Zaal Gachechiladze formed Pulsar AI in 2016 having decided to put their talents to work to get in on the artificial intelligence game.

Machine learning problems were be-

coming increasingly relevant and exciting: Facebook had just enabled chatbots on its Messenger platform, and the time was ripe to help Georgian companies accelerate the adoption of these new tools.

The duo developed a successful business on the Georgian market contracting for local companies in need of AI and machine learning tools. While such existed for English, Pulsar AI had to build them from scratch for Georgian.

While eventually Pulsar AI would end up developing voice-recognition tools for English, “much of what we learned at that time”, CEO Dachi Choladze says, “would become the foundation on which we would later create our other processing tools.”

Revenue on the Georgian market was good for the young techies, but they were dreaming much bigger. Pivoting away from individual contract projects, they began building a conversation engine which could learn and be adapted to other uses more quickly and potentially scale faster than custom development.

The challenge they faced: being in Georgia, how were they to enter new markets and in what product segment?

MAKING FRIENDS, HELPING OTHERS

In early 2018, Pulsar AI accepted the invitation of Startup Grind Tbilisi Co-director Giorgi Tukhashvili to be part of a group the chapter was sending to Silicon Valley.

“It wasn’t clear at the time what this could lead to,” Dachi says, “but we understood that connecting with the world center of innovation and startups would give us a good perspective on the field and maybe some leads.”

The trip to Silicon Valley was organized around the Startup Grind Global conference—a 10,000 person event showcasing some of the top names in

the startup world, from top-tier VCs like Sequoia and Andreessen Horowitz to founders from top startups like Stripe, Airbnb and Tesla.

Two of the core SG values are ‘make friends, not contacts’ and ‘help others’. Trip organizers Giorgi Tukhashvili and Colin Donohue felt these values were important to drive success in Georgia’s nascent startup ecosystem. Extending the ‘help others’ mantra beyond the conference, Giorgi and Colin took the approach of bringing together specific groups of people whose connections could be powerful and helpful.

Georgia had sent a delegation of startups to Silicon Valley the year before, paying ‘insider’ consultants to organize meetings with VCs, but the trip did not produce results and was costly. This time around, Georgian startups were connected with individuals who would naturally have more of an interest in supporting Georgian founders.

PLANNED SERENDIPITY

Donohue and Tukhashvili researched successful Georgians in Silicon Valley and worked to introduce the top prospects to Georgian founders in a welcoming environment.

They arranged small side events with specific groupings of individuals. To provide a venue for the side events, the eight people on the startup trip crammed into a 2-bedroom AirBNB next to the ocean in Pacifica.

One of these events was the ‘Diaspora Dinner’, where a small group of hand-picked Georgians in the Bay Area were introduced to the Georgian founders.

Enter Irakly George Arison, one of the most well-known Georgians in the startup world. Born and raised in Georgia in his teenage years, Arison is the founder of Shift Technologies—a used car buying



Pulsar AI CEO Dachi Choladze



Pulsar AI COO Sopho Chkoidze



Pulsar CTO Zaza Gachechiladze

platform which George successfully placed on NASDAQ where it trades as SFT with a market cap of \$700,000,000 at time of writing.

George had built a personal brand in Silicon Valley which fostered investments from heavy hitters as Goldman Sachs, with hundreds of millions of dollars invested into Shift under his leadership.





Startup Grind Tbilisi Director Colin Donohue

Other Bay Area Georgians who came to the dinner included NBA Champion Zaza Pachuli, who was actively developing his knowledge and experience in venture investing, and ‘mentor capitalist’ Nicholas Zaldestani who carried a track record of work with Oracle and tech startups as well as a family legacy of philanthropy.

Having two or three hours of time over dinner and drinks allowed the Georgian founders to really connect with Silicon Valley Georgians, producing some solid connections. It also gave a dose of Silicon Valley pace.

Dachi Choladze remembers his first meeting with George Arison:

“When I first met him, he invited me to talk about what we’d done in Georgia, but while I was talking he was texting on his phone. I thought he wasn’t really paying attention to what I was saying. He suddenly said he had already scheduled three meetings for us.

I realized that while listening to me he was pitching the same thing to other people in order for us to get those meetings.

That’s when I realized that in the US, people make use of every second to move forward and to grow. This was the first time I had the impression that [the US] was the right place to be.”

A STARTUP IS BORN

Arison and Pulsar continued talking: he gave the fledgling startup a project to test their capabilities, and later access to Shift data, which enabled them to develop a conversational AI tool specific to the automotive industry. He also positioned them with investors and industry contacts, giving generously of his scarce time because he believed in the team and saw an opportunity to help make them succeed.

Following his initial investment, Arison later came on as Pulsar AI’s board chair when the company incorporated an entity in the US focused specifically on conversational AI tools for the automotive industry.

Dachi and Zaal realized they would need to expand the management team to be ready for this new direction and rapid expansion, so their team member Sopo Chkhoidze became co-founder of the new entity and joined the c-suite as chief operating officer.

The team rushed to get a prototype to share with investors. Though at the time there was not a dominant player in conversational AI in the automotive industry, it would be just a matter of time before someone occupied that niche.

Pulsar AI worked hard and fast to build a system they trained on the data

brought by their cofounder George and were able to achieve remarkably high accuracy in responses.

The AI chatbot could understand questions, even complex multi-part questions, was able to search the database of cars to provide relevant answers to customers without bothering sales teams and chewing up time.

Pulsar successfully raised funds from Georgian and Silicon Valley investors totalling \$1.2 million. A small seed round for Silicon Valley but a tremendous opportunity for the Georgian team. Dachi comments:

“Five of the nearly 25 investors that bought into Pulsar’s vision were from Georgia, many of whom were making angel investments for the first time. The fact that we had Georgian investors on board meant a lot to Silicon Valley, and vice versa. We’re happy to have created this precedent to show that it’s worth investing in a tech company in Georgia.”

ADAPTING TO THE AMERICAN MARKET

Cash and prototype in hand, Pulsar AI moved to push its product onto the American market.

“The vision about the product that we started with was pretty different from the end product. That’s mainly due to

the customers we were dealing with”, CTO Zaal Gachechiladze says. “Being a dev shop for a customer and a product developing startup are two very different things”.

The needs and preferences of customers shaped the product and required the team to be nimble and continually adapt and iterate to get closer and closer to a product-market fit.

The technical development of the product was continually informed by conversations with customers, which Sopo shares were surprisingly natural and informative, somewhat unlike what the team had experienced in Georgia.

“Customers were very insightful and it was amazing how helpful it was to have at least a 15 minute conversation with each of them. They were very open about sharing their experience, their value, and their vision, how they saw the product evolving. I feel they appreciated the solution that we were building and the devotion we had. That was one of the differences that I saw – they were committed to building a long-term relationship with us.”

Soon the team’s work and attention to customers showed signs of turning into something very significant.

“We felt confident that we’d get noticed if we found the product-market fit, and created the tech to solve that problem. But we didn’t expect it to happen so soon”, CEO Dachi Choladze says.

And soon they did get noticed. Major market player SpinCar, in the business of online merchandising of vehicles with the help of 360 degree visuals, began to take an interest.

SpinCar’s initial approach to Pulsar AI’s came with an offer to become the startup’s exclusive reseller, which the team felt would limit their space to increase the value of the company. SpinCar agreed to a regular reseller agreement.

Several months after working together, SpinCar told Pulsar they had been receiving positive feedback from customers, and thus began a conversation on possibly acquiring Pulsar, a prospect the team evaluated very carefully and “a little slow”, as Dachi puts it.

In the end, however, Pulsar AI decided the growth they were aiming for would be easily achievable with SpinCar, and decided to accept the acquisition offer.

But the founders and investors were not the only ones to benefit; the team that had spent long days in pursuing the dream of Pulsar AI will continue to be part of that dream and to benefit from the deal.

In the process, Tbilisi also has become more prominent and will continue to be the home of the team, says Sopo Chkoidze: “All of our team members are part of the SpinCar family now. We’re in the process of merging the two cultures together, and we’re really focused on that right now. SpinCar has visited Georgia twice, they recognize that the product we create is backed by the people and the team. They see it as a big asset and want to expand that. They see Tbilisi as one of the assets behind Pulsar that they can use to accelerate the growth that they are anticipating.”

The partnership opens up more growth potential for Pulsar AI’s products which had been used by over 50 dealerships prior to the merger.

The automotive sales industry has lagged behind new technologies in recent years, but Covid-19 has left many of them with no choice but to adapt.

The initial product with which SpinCar appeared on the market was a tool to help dealers provide better (360*) visualisations of their vehicles, and support nearly 3000 dealers with their products. Pulsar AI comes into play

when customers are done looking at pictures and want to ask questions about the vehicle. Its technology can even pick up on the specific desires of customers from the verbal interaction, and if they’re interested in something else additionally, creating new leads.

“In doing so, Pulsar AI’s tech creates enormous value for dealers, because dealers know what customers like, what they’re interested in. And they can answer these questions as well and help their customers find a perfect match”, Dachi comments.

SIGNIFICANCE FOR THE GEORGIAN STARTUP ECOSYSTEM

“People often ask me if Georgians can compete on the global level”, Startup Grind Tbilisi’s Donohue says. “Pulsar’s performance gives us a sense of that answer. They were faced with massive challenges of quickly building a product for a foreign market, and then that of responding rapidly to customer feedback and reworking the product to customers’ needs and preferences.”

The Pulsar AI acquisition will send positive vibes throughout Georgia’s startup ecosystem, Donohue adds:

“For young Georgians it’s amazing to see Pulsar founders making ‘life changing money’ in a short time. A good startup exit means that you may never have to work again, but also that you have money to do amazing things.

I also think it’s time investors start ‘getting real’ about startups as something to invest in. We will see inexperienced individuals claiming to be able to make money on startups and it will be a dangerous time. But for the people who learn about best practices and invest with experienced VCs or experienced angel groups, there are great opportunities to grow wealth and create new opportunities for Georgia”.

WhatsApp Up, Doc?

Georgia dials in to telemedicine



COVID-19 HAS SPED UP THE ADOPTION OF E-HEALTH PLATFORMS BOTH IN GEORGIA'S PUBLIC AND PRIVATE SECTOR. INVESTOR.GE TAKES A LOOK AT SOME OF THE MAIN PLAYERS IN THE NASCENT INDUSTRY AND FORECASTS FOR THE COMING YEARS.

ANA MEZVRISHVILI

The medical profession has traditionally been distrustful of telemedicine, citing concerns of the feasibility of dispensing quality medical care at a distance.

However Covid-19 has made the sidelining of additional medical care an unaffordable luxury, and been a life-saver for overburdened medical institutions—and patients too.

Some studies claim telemedicine has the potential to reduce the number of hospital admissions by more than 30%, in addition to creating serious savings for patients.

Following on the back of a global uptick in use, telemedicine has cropped up in Georgia as well. The government

was quick to identify and react to the need for telemedicine, setting up 25 online clinics in the initial stages of the pandemic, with that number growing to 87 e-health platforms by the end of 2020.

The private sector responded to the increased demand for medical support as well.

Mamuka Monavardisashvili, co-founder of myDoc.ge, a company which has been on the market since 2018 and which calls itself the first Georgian digital healthcare platform, told Investor.ge that demand for medical services without leaving home increased dramatically in the past year.

“Traffic has significantly increased. Although we had customers before, the number of remote consultations with doctors has grown rapidly, especially for general practitioners (so-called family doctors),” Monavardisashvili says, adding that the reason for low traffic in the pre-pandemic period was not skepticism, as might be expected. “Many simply didn’t know that the possibility was there. And some were unable to use the platform for reasons of technological know-how,” he says.

In the case of myDoc.ge, this may have been partially due to the platform’s leveraging of artificial intelligence and machine learning in delivering diagnoses. The platform combines information from more than 3,500 medical textbooks, used by an algorithm to process user-entered data (symptoms) and compare the data with potential diagnoses available in the medical literature.

After receiving a potential diagnosis, users can receive a video consultation from more than 50 doctors to receive further treatment.

Despite the increase in traffic, Monavardisashvili hesitates in calling the phenomenon a ‘boom,’ and instead expects that the industry will really take off

in the next two-to-three years, predicting that nearly 30-40% of visits to the doctor will be carried out through telemedicine channels in five-to-six years' time.

Those put off by the use of artificial intelligence have been able to find help on Facebook. The group Med Guide has nearly 90,000 members and more than a 1,000 actively participating doctors.

Co-founder of the group, Nutsa Zurabiani, says interest in the group rose especially quickly during peak Covid-19 periods when ambulances and hotlines were overloaded, with more than 1,000 to 1,500 people joining daily at peak times after its creation in October 2020.

The group sought to help dispense Covid-19 advice, and facilitate communication between doctors and patients, Zurabiani says. Group members post health-related questions, and then receive doctor recommendations and contact information from administrators in the group.

"We had contact with many doctors, so we were easily able to connect patients with them. Based on the interest in the group, I see a very pressing need for medicine to be further digitized in the country, and even brought onto social media," Zurabiani says.

A number of other e-health resources

are available in the country's digital space. Redmed.ge, an e-health platform that appeared on the market before the Covid-19 pandemic, allows users to browse and contact doctors, plan appointments, and receive e-consultations.

The platform onlineclinic.ge works on a 'one window' principle, wherein customers can select a package of services ranging from calls to doctors and e-consultations to discounts on select medications. Prices start from 12 GEL and go up to 25 GEL per month.

Online psychotherapy platform speak.help also made its debut during the pandemic in Georgia, and offers the virtual services of psychologists in Georgian, English, Russian, and Turkish.

Critical infrastructure to support telemedicine came into place shortly before the pandemic began: Georgia launched an electronic medical record system (EMRS) in January 2019, which at that time was in use only by state medical institutions in Tbilisi, Kutaisi and Batumi.

By the beginning of 2020, all medical institutions, both public and private, inpatient and outpatient, were obligated to produce electronic medical records.

Dr. Sergo Chikhladze says both the state and patients could stand to gain from the large-scale introduction of e-

health:

"For the patient, this means minimizing time and effort in providing information to medical staff, reduced waiting times, and increased access to medical care for individuals living in rural areas. More support for early detection and treatment of disease is another benefit. Meanwhile, increased data from electronic health records will give physicians a more complete picture of a patient's health," Chikhladze says.

In addition to doctors, Chikhladze believes that health system managers, researchers and statisticians will significantly benefit from medicine going digital and online:

"The availability of reliable and up-to-date statistics is one of the major challenges that our current healthcare system faces. Without reliable and up-to-date statistics, it is impossible to plan future programs and budget properly."

What remains to be seen is whether telemedicine will follow the trend of food delivery. Will e-health companies be tempted to expand abroad? And if they do, how well will local market players be able to stand up to the newcomers? A follow-up appointment to check in on the industry might be called for if the pandemic is brought under control.

ADVERTISEMENT





Old routes, new parks for both digital and traveling visitors to Georgia

SALLY WHITE

Georgia is taking its natural wonders online and expanding its range of trekking options to in-country visitors, as the spaces designated as Protected Areas and National Parks in Georgia are steadily growing.

Currently around eight per cent of Georgia's land mass is under formal protection of one category or another, but the aim is to increase this to 20 percent in the next eight years.

In time for the opening of the trekking season, recognizing the allure to international tourists of Georgia's nature, the government has announced a new protected area in Guria to help preserve the forests there and a new walking route for Adjara. Newly protected territories promoted on tourism websites will also open up new opportunities for tourism-related small businesses and jobs with facilities for walkers, cyclists and campers.

This new initiative in Guria will first be the subject of "various types of studies by local and foreign experts as a preparatory phase." Protections in the IUCN

system are graded from Strict Nature Reserves, where access is controlled and limited, to Wilderness Areas, where recreational as well as scientific research access is allowed, to National Parks and National Monuments, where there are specific provisions for tourists, to Habitat or Species Management Areas and lastly, to Protected Landscapes and Seascapes.

"The forested areas found in Guria

Georgia's Environmental Informational and Education Centre (EIEC), which works under the wing of the Ministry of Environmental Protection and Agriculture, currently lists 87 protected areas of different categories (based on criteria of the International Union for the Conservation of Nature (IUCN): 14 state reserves, 11 national parks, 41 monuments of nature, 19 wilderness areas, and two protected landscapes.

are recognized for their environmental importance through their inclusion in the World Wide Fund for Nature (WWF)'s Ecoregional Conservation Plan for the Caucasus and are also considered a Key Biodiversity Area of the region," the Ministry of Environmental Protection and Agriculture says. The project for the new national park is backed not only by the WWF but the Embassy of Sweden in Georgia.

And for those who can't make it, Georgia's immense floral diversity is now viewable internationally, despite the travel restrictions of the Covid-19 pandemic, on the new dedicated Museum of Georgia website (<http://museum.ge/herbarium>). Plants are presented in high resolution, to enable zooming in for close-ups, and in their actual environments. These are from botanical collections amassed via expeditions held across the South Caucasus since 1852, as well as from contributions, organizations and private collections.

Further armchair viewing of Georgia's diversity of flora and fauna is now accessible on <https://map.nationalgeo-> ►►

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► graphic.ge/en/, a map which will cover the whole Caucasus region when finished and which is being built by National Geographic Magazine-Georgia and the Georgian National Museum, supported by Silknet and the German Society for International Cooperation (GIZ). Currently, this project incorporates 120 illustrations and basic diversity information.

At the same time as new funding and legislation are increasing the protection of some of Georgia's most beautiful landscapes and the country's biodiversity, access is being enhanced. The most notable example is via the Transcaucasian Trail (TCT), funded by the Austrian Development Cooperation agency, Jaguar Land Rover, and voluntary contributions, which is a hiking trail that will traverse Georgia. When finished, this will be a world-class, long-distance hiking trail more than 3,000 km in length, following the Greater and Lesser Caucasus Mountains and connecting roughly two dozen national parks and protected areas in the region.

This international project is not only organizing volunteers to install the actual paths but is organizing the production of maps as well.

As its website comments: "[. . .] the best available topographic maps are Soviet-made military maps dating back to before the Cold War, unavailable to

the public and decades out of date. Public domain aerial imagery is inconsistent and often at too low a resolution to be useful to the hiker. Open-source mapping varies enormously in accuracy and completeness, often having been created by untrained hobbyists from second-hand sources. It is this broad-reaching problem of access to the outdoors across the modern-day nations of the Caucasus—a real barrier to an appreciation of geography and thus a responsible and caring attitude toward nature and the wilderness that the Transcaucasian Trail aims to solve." The site, available at <http://transcaucasiantrail.org/en/home>, currently carries a guide for Svaneti and for three routes in Armenia.

Georgia is also providing more walking routes, of which the Adjara route is the latest. The Department of Tourism

and Resorts of Adjara says the route will connect the towns of Kobuleti and Shuakhevi. Indicators and information boards are being installed on the tourist route from Kintrishi National Park to Chvani Valley, which will connect the national park to Jvarimindori and Gomis Mta. Tourists will be able to see several destinations while hiking along the new route including, but not limited to, Kintrishi National Park, Khinotsminda Monastery, Tbiliki Lake and Jvarimindori," they add. As of now, 15 tourist routes have been created in the mountainous Adjara region.

One of Adjara's protected areas, Mtirala National Park (according to records, the rainiest place in Georgia), won a 2020 World Travel Award and was named 'Georgia's Leading National Park 2020' beating Borjomi-Kharagauli





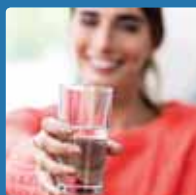
National Park, Kazbegi National Park, Kolkheti National Park and Lagodekhi National Park. Adjara's botanical garden is also being expanded.

Recent additions to the protected territories have totaled around 100,000 hectares, according to the Ministry of Environmental Protection. The Ministry of Environmental Protection has announced plans for a Racha National Park and Shovi Nature Reserve and a 4,000-hectare expansion of the Borjomi-Kharagauli Protected Area, adding to its current 60,000 hectares. Borjomi-Kharagauli National Park is known for its diversity of flora and fauna with 57 percent of the park covered with forests that contain red deer, chamois, roe deer, brown bears, wolves and lynx. Also announced was a 5,000-hectare expansion of the Mariamjvari protected territory to form a Tsiv-Gombori Reserve, in a move to protect the brown bears and red deer native to the area, in addition to safeguarding highland oak and evergreen conifer trees.

Funding to help pay for rangers and equipment for the protected areas has come from The Caucasus Nature Fund (CNF), which last year contributed \$1.3 million to help make up for the shortfall resulting from lack of international visitors, and from the German government. The CNF also decided to increase financing to attract tourists, set up infrastructure, and provide services in the protected areas of Georgia. Other support for the parks has come from the U.S. government, which has funded a five-year, \$1.6 million program, 'National Parks and Ecotourism,' to protect Georgian national parks and make them economically sustainable and more attractive for tourists. The United Nations Development Programme (UNDP) and the Global Environment Facility (GEF) have a \$10 million program for the parks, "to strengthen their management and financial sustainability, which will help the country conserve and protect its unique biodiversity."

In a quest for more assistance and funding to protect its natural environment, Georgia has just joined the first 30 countries to launch a national BIOFIN process (a United Nations project), aiming at closing funding gaps in biodiversity conservation and in mobilizing resources. The BIOFIN financing initiative, which works with the United Nations Development Programme, helps countries find creative and practical solutions—from managing government budgets to ecotourism structures—as they seek to protect their environments.

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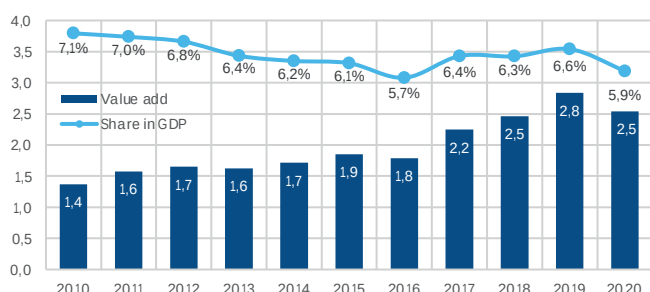
GEORGIA'S TRANSPORT SECTOR GETTING BACK ON THE RAILS

www.tbccapital.ge

Georgia's transport and logistics sector had been steadily picking up pace before the Covid-19 pandemic put the brakes on forward momentum. But as global markets recover from the initial shock, so too is the country's transport sector, a recent report released by TBC Capital shows.

The transportation and storage sector posted positive accelerating dynamics prior to the pandemic, with the sector's total contribution to Georgia's GDP having increased since 2016, reaching 6.6% of GDP in 2019, and dropping down to 5.9% in 2020.

Transportation and storage value add (GEL bn) and share in GDP (%)



"The pickup in the sector in 2016," TBC Capital's Senior Analyst Andro Tvaliashvili says, "was due to the rebound in external trade that began in 2016, after a downturn in 2011-2016. External trade is the main driver of transport and logistics, and that's why we see that rise."

By the sector's share in GDP, Georgia surpassed the EU average in 2019, but 'trailed' behind neighboring Azerbaijan and Turkey, as well as countries in the extended region, such as Ukraine and Kazakhstan.

The sector's prominence in the country's GDP is attributable to its geographic location, but the TBC Capital report notes that its export and import policies are also to thank:

"Georgia stands apart from other regional and European countries for the ease with which items can be imported and exported...in the Doing Business 2020, among 190 countries only 31 performed better than Georgia in the time it takes to export the largest export product to its main purchaser."

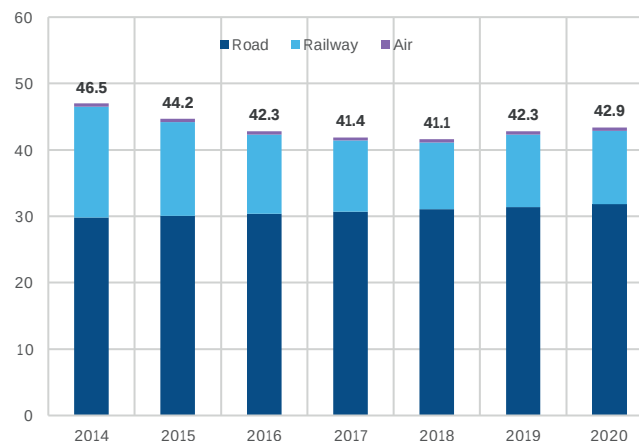
This in turn is thanks to the trade benefits and privileges Georgia enjoys with a number of third countries, which is one of the main drivers of re-exports, constituting around one-third of Georgia's total exports.

Room for further growth remains. Interconnectability and infrastructure supporting contact with other markets remains a problem, TBC Capital states. As of 2018, Georgia stood in 119th place (out of 160 countries) in the World Bank's Logistics Performance Index (LPI), up by 11 spots since 2016. Compared to two years prior, Georgia made serious gains in customs clearance, infrastructure and logistics quality and competence, but took a hit in tracking and tracing.

Internally, the dynamics of the country's transportation and freight system remain fairly stable, with roads the preferred mode of transport for the majority of market players. In 2020, a total of 42.9 million tonnes of cargo was transported in Georgia domestically, a 1.4% Y-o-Y increase despite the pandemic and a second consecutive year of growth after a downward sloping trend since 2014.

Historically, road transportation has the largest share of total transported cargo in the country, averaging at around 72% in the 2014-2019 period, followed by railway and aviation standing at 28% and 0.06%, respectively, over the same period.

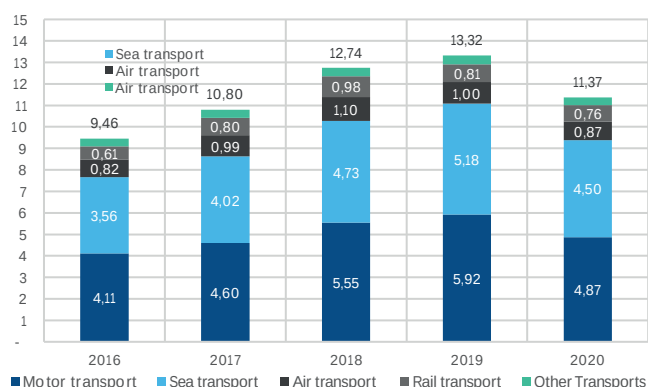
Transported cargo in Georgia (mln tons)



Tvaliashvili comments: "The predominance of the country's roads in freight transport (from 64% in 2014 to 76% in 2018) has come at the expense of decreasing volumes of railway freight and decreased petroleum product volumes between 2011-2018. However, in 2019-2020, there was a slight reversal of this trend as volumes picked up, and road freight's share in total inland freight transportation reverted back to 74%."

As for external trade in USD terms, the transfer of goods is mostly allocated among sea and motor transport, with rail, air and other means being responsible for on average 20% between 2016-2020.

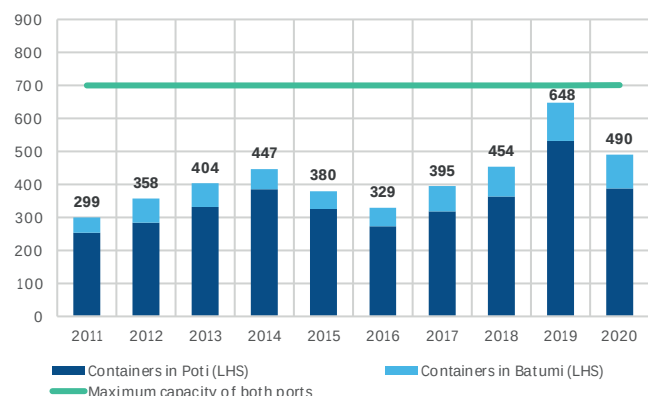
External transport turnover by modes of transport USD bn



In 2019, Georgia's two operating ports handled more than 647,000 TEUs, a historic maximum and a 43% YoY increase. However, due to the pandemic and the wearing off of the one-time effect related to the suspension of car imports into Armenia because of its customs obligations as a member of the Russia-led Eurasian Economic Union, the amount of handled TEUs dropped 24% YoY in 2020.

Despite the major decrease in the amount of TEUs handled at the ports, the amount of vessels accepted sustained a less severe, -8% YoY decrease during the pandemic, with tankers and bulk carriers even posting growths of 16% and 25% YoY, respectively, in 2020.

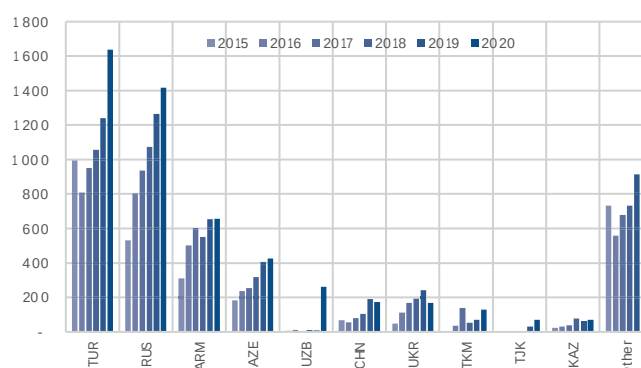
Batumi and Poti port container throughput ('000 TEUs)



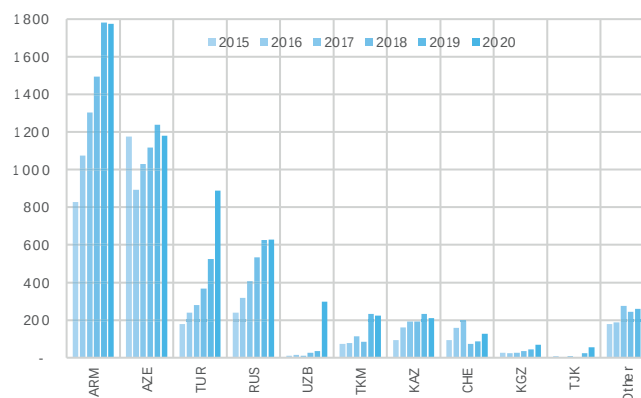
Throughout the past six years, on average 82% of road transit cargo transported in Georgia originates from the same 10 countries, with immediate neighbors making up on average over 70%. In 2020, this share increased to 87%.

In terms of specific trade partners, in 2020 Georgia was used as a transit corridor the most by Armenia and the Russian Federation, totaling 1.8 million tons and 31% of total transit cargo throughput of the year.

Road transit cargo in Georgia by top countries of origin



Road transit cargo in Georgia by top recipient countries



The short term, TBC Capital writes, looks good for the sector: despite the difficulties caused by the pandemic, and the decrease in the sector's 2020 turnover is likely to rebound as international and domestic demand recovers.

As for the medium and long term, one of the most pressing questions is how recent events in Karabakh will shape out for Georgia in terms of its continued position as a transport corridor. But TBC Capital's Tvaliashvili is optimistic, noting that "the numerous amount of investments poured into the Baku-Tbilisi-Kars railways project, as well as the numerous pipelines that connect the countries, provide a solid expectation that Georgia can remain a transit corridor for Azerbaijan and the greater Caspian Basin region in the medium to longer term."



Georgia delivers: the food-delivery startup boom

FIVE NEW FOOD-TECH SERVICES HAVE APPEARED ON GEORGIA'S DELIVERY SCENE IN THE PAST YEAR. WHILE THEY FACE FIERCE COMPETITION FROM MULTINATIONALS, THEIR NICHE STRATEGIES AND INNOVATIVE OFFERINGS MEAN THEY MIGHT NOT ONLY HOLD OUT UNDER PRESSURE, BUT MAY POSSIBLY EVEN HAVE THE CHANCE TO EXPAND ABROAD THEMSELVES.

ANDREW BRAUN

There were just three food delivery platforms operating in Georgia at the beginning of 2020: Wolt, Glovo, and Menu.ge. By the end of the year, the only Georgian company on that list—Menu.ge—had gone under, but had been replaced by a flood of local startups

and a third multinational competitor, Bolt Food.

Due to COVID-19-induced bans on in-person dining, already-growing delivery markets across the world have seen revenues doubling and tripling, inducing new suppliers to enter.

Georgia was no exception: by early 2021, there were at least five new Georgian delivery-focused foodtech services on the scene, as well as a flood of individual restaurants working to set up their own online systems.

While Wolt and Glovo are still currently the biggest players by far, the Georgian companies believe that their local market focus, more restaurant-friendly terms, and innovative features can give them an edge—at least domestically. The international food delivery market is largely going through consolidation, so expansion beyond Georgia may be a difficult proposition. Many other countries

with similar market characteristics have managed to successfully field at least one or two local competitors, though, so it wouldn't be surprising to see at least one success story emerge.

ELVIS: LIKE LIGHTNING



Elvis (ელვის) alludes to the word “lightning” in Georgian, a hint as to how it hopes to differentiate itself from other services with speedy point-to-point delivery. Its couriers only handle one order at a time, making their trips more direct and, theoretically, faster.

It also seems to offer significantly larger delivery areas than the big players, allowing diners to choose from a wider range of restaurants. And, crucially for restaurants, delivery fees are lower than competing multinationals like Wolt, Glovo, and Bolt Food.

Currently, Elvis operates solely via a smartphone app (developed by Tbilisi-based software company Lemondo), while most of its competitors maintain both web and app interfaces. That said, the app functions fairly well and, as of May 2021, is the most downloaded local delivery app.

Elvis responded to requests for comment, but hasn't released any information on their growth plans. However, it's probably the best-executed Glovo/Wolt/Bolt competitor on the Georgian market at the moment, so if it can gain

a sufficient foothold by offering better terms to restaurants and users, differentiate itself, and implement a plan for the post-COVID-19 slowdown, it stands a good chance of surviving.

KOVZY: TURNKEY RESTAURANT DIGITALIZATION

KOVZY

While a lot of the other apps on this list are competing with existing multinationals, Kovzy is targeting a space that's only just begun to take off around the world: managed digital infrastructure for restaurants. Its service focuses on three main things: deploying an e-commerce website for the restaurant, connecting the business to local low-cost delivery services, and providing a QR-code menu builder for in-person dining.

The goal is for restaurants to have more control over their online business, build stronger customer relationships, and, of course, retain a higher percentage of profits compared to using third-party platforms. Basically, as Kovzy's CEO Sandro Darsavelidze says, "We are giving them the opportunity to get direct sales."

Kovzy's delivery system is another point of differentiation: rather than operate a network of couriers, it provides only the digital ordering and tracking infrastructure that enables restaurants and couriers to work together.

These courier services then compute delivery fees based on distance rather

than order percentage—a significant potential draw for restaurants tired of paying 30 percent or more to delivery platforms.

So, what does a Kovzy restaurant look like? At its core, it has a website with a menu, an ordering system, and online checkout. Customers can visit the site, order, and receive tracking information for their order. Restaurants receive the payment immediately and can coordinate with a courier to make the delivery. And after a successful order, as Darsavelidze says, "they have the opportunity to build relationships and get recurring sales."

Though it is, to some extent, competing with Wolt, Glovo, and other platforms, Darsavelidze believes that there's room for both sales channels in a restaurant's business, citing a Deloitte study's findings that customers prefer to order directly from restaurants. Indeed, he says, "we should thank Glovo and Wolt for changing customer behavior."

Another Deloitte study shows that there are similar efforts on the restaurants' side, as "many brands are working to bring delivery back to a store-led basis and away from third parties so they can wrestle back control of the ordering experience, marketing to the customer, and ownership of customer data they need to inform digital and loyalty experiences."

Kovzy is still getting off the ground and is relatively untested as of yet, but it has support from TBC and Visa, and the team is hopeful that they can make their mark not only locally, but internationally, as one of the first movers in this market. Says Darsavelidze of the turnkey restaurant digitalization industry: "We do not have any global leaders, some kind of Shopify like in E-commerce. We can say that here in Georgia our company is in the same stage as other global startups and we are building them together."

OFOODO: GEORGIA'S RESTAURANT MARKETPLACE



Want an app that does everything? You might be looking for OFOODO. As its CEO, Beka Khatiaashvili, says, OFOODO is a "platform and solution for restaurants and the food industry, which combines all digital service in one application." So, what's in this package?

- Food delivery/takeaway via both web and smartphone app
- QR code menus
- A fully digital menu, ordering, and in-restaurant service platform
- Table reservations
- Restaurant directory

As far as delivery goes, the OFOODO system uses the currently prevalent third-party app model: restaurants and couriers both receive their tasks via the intermediating platform, and OFOODO takes a percentage of the sale as a commission.

Where it seeks to set itself apart, though, like Elvis, is on speed: "Each order is served by one specific courier," says Khatiaashvili, "which means that the delivery time is optimal and the quality of the dish is preserved."

That's not all it's trying to add to the experience, though: OFOODO's other features are fairly unique in the Georgian market at the moment. "OFOODO is not only a food delivery service," says Khatiaashvili.

"It helps restaurants in digitalization through our different services and



► platform, so they can get more guests at a place as well.” That not only includes QR menu systems, table reservations, and event booking, but even an informational resource on restaurants, so that, ultimately, Khatiaashvili says, “OFOODO will be the guide and planner for food-lovers and travelers.”

While OFOODO is directly competing with other food delivery services that run courier networks and charge restaurants a commission on orders (by far the most popular approach), it sets itself apart by integrating in-person dining, restaurant discovery, and self-service pick-up options.

Given that delivery will likely take a dip as people begin to physically visit restaurants again, this is a smart move on the company’s part and may give it an edge.

Khatiaashvili says they saw a 30-40 percent drop in delivery volume in the summer of 2020, but, “we have another solution—business diversification ... because then [after COVID] people will start table reservations.”

Already working in Tbilisi, Kutaisi, and Batumi, with over 200 restaurants, OFOODO has international aspirations—its QRMenu website already lists phone numbers for seven countries, and the team plans to expand into Georgia’s neighboring markets in 2022.

MALLY: SERVING TBILISI'S SUBURBS



What sets Mally apart is that most of its activity is currently centered in Tbilisi’s northern suburbs, especially Gldani and Dighomi. Investor.ge reached out for comment but weren’t able to obtain any information from the company, apart from the information that their tech is being developed by local software company Softgen.

Mally’s terms of service seem to describe a third-party app system similar to Wolt and Glovo, though what sets them apart from these services, apart from being local (and claiming to be the cheapest and fastest on their social media pages), isn’t completely clear.

Mally started as a phone service, with customers calling in orders to Mally, which would then dispatch couriers. In February 2021, though, Mally released a functioning version of its website and smartphone app, signaling its plan to join the broader app market. It has been adding restaurants and maintaining a social media presence since then, though its software still definitely has a beta-testing feel to it.

Mally has demonstrated an intent to move down into the more active Vake-Saburtalo area of Tbilisi, which will put its viability to the test. Hopefully, as it continues to improve, the app will be able to clarify its value proposition to consumers and restaurants.

TELIVERY: FOOD DELIVERY IN TELAVI



The name pretty much tells you everything you need to know about Telivery: it’s a food delivery service located in, wait for it . . . Telavi! Most delivery services thus far have only shown up in Tbilisi, though some have expanded to Kutaisi and Batumi and a few are targeting even smaller cities. Telivery is one city’s answer to being overlooked—and, depending on how it goes, it could end up either expanding as a small-city solution or becoming a model for startups in other areas.

Telivery started up in response to the COVID-19 pandemic as a phone service, taking orders from customers via phone and dispatching couriers. Since then, it has released a smartphone app, though it’s still very much under construction. Nonetheless, it seems intent on expanding with what the team describes as “ambitious plans.” “Our goal,” they say on their site, “is to introduce a high standard of delivery service in the [Telavi] region.”

The platform is unlikely to face a lot of competition in its hyper-local market, though whether it will be sustainable after the likely post-pandemic drop-off in orders remains to be seen. There isn’t any mention of expanding to other small cities, but if Telavi turns out to be a profitable market, it may either branch out or inspire other cities to follow its lead. Investor.ge reached out for further information on Telivery’s business model and plans, but was unable to establish contact.

COMPETITION STRATEGIES

There aren’t that many different ways for delivery drivers to drop off food at doors, but everything that makes that completed order possible is a potential point of competition. Georgian startups are, currently, catering to a single market, enabling them to react and innovate more



quickly, and, thanks to their home-field advantage, operate at a lower minimum efficient scale. However, as OFOODO CEO Beka Khatishvili says, one of the major challenges is that “on the Georgian market we have world-leading companies who have more money, and they are spending a lot on marketing.”

Mally and Telivery are avoiding the competition to some extent by getting first-mover advantage in Georgia’s underserved areas. According to a University of Oxford study, delivery services tend to enter larger markets first, so local startups could potentially gain and retain small market dominance.

Improving the experience of restaurants is another way local apps are competing. Kovzy and OFOODO for example, offer opportunities to recapture

customer relationships by increasing the points of direct contact between the restaurant and the customer.

As Wolt and Glovo take at least 30-35% of every order, fees are another big pain point for restaurants. Elvis, Mally, and OFOODO are competing here by offering lower fees, while Kovzy calculates fees based on distance.

According to 2021 data from Second-Measure, the majority of U.S customers use multiple food delivery apps. Switching costs in Georgia are currently even lower, thanks to the crowded ecosystem, so providing a smooth customer experience is basically table stakes at this point. That makes competing on price, features, and user experience vital—until the markets consolidate, at least.

Despite the multinational competi-

tion, local food delivery startups have managed to survive all around Europe, from Armenia to Portugal. This bodes fairly well for Georgia’s prospects to have at least one local app in the running, though international expansion will be much more of a challenge.

Startups that are working to set themselves apart from the crowd, like Kovzy and OFOODO, could be the most likely to make it in the long run. Ultimately, though, this is a quickly shifting market that may be set to shrink in the next one to two years as the Covid-19 pandemic fades, so where it will end up is anyone’s guess. The one thing these apps almost certainly indicate, however, is a thriving startup ecosystem in Georgia—going from almost zero local solutions to five in under a year—is fairly impressive!



Mtatsminda makeover – reviving Tbilisi’s iconic ridge for generations to come

The pine forests of Tbilisi’s iconic Mtatsminda Ridge are turning brown. The culprits include fungi, pests, and climate change, but work is underway to revitalize the urban forest, led by the Development and Environment Foundation, under an agreement with Tbilisi City Hall and funded by the Cartu Foundation. This four-year project will enhance the forest’s resilience, reduce natural hazards, and improve recreational infrastructure.

In the coming years, between 500,000-800,000 trees of nearly 40 different species will be planted on Mtatsminda Ridge, including diverse understory plantings to enhance the forest floor.

A MOUNTAIN WITH A MULTI-LAYERED HISTORY

Mtatsminda’s contemporary forests are the result of mid-20th century climate amelioration projects. Few trees are adapted to the mountain’s dry, exposed slopes and limited soil cover, so foresters used dynamite to create “soil pockets”

to plant pine trees. Each generation in the modern era has left a mark on the mountain. In this generation, the forest will be diverse and climate-adapted.

“In the past, there were oak trees in the immediate vicinity of the city”, the Development and Environment Foundation’s Executive Director Gocha Koberidze told Investor.ge, “but multiple razings of the city—a step taken by many an enemy because Tbilisi forests provided shelter to guerilla fighters—and deforestation for timber have hampered green growth.”

As Tbilisi grew in the 20th century, Soviet planners moved to ‘ameliorate’ Tbilisi’s surroundings by setting aside several large-scale landscapes such as Lisi Lake, Tbilisi Sea, and Mtatsminda mountain to provide ecosystem services. They prescribed forest plantations to reduce wind speed and improve air quality, limit summer temperatures, and reduce landslide hazards; they set aside swathes of land for the flow of fresh air and rainwater infiltration zones to prevent catastrophic flooding.

Starting In the 1920s-30s, foresters planted pine trees, selected for their ability to grow quickly in poor soil conditions, throughout the city and its periphery.

Planting later accelerated throughout the 1950s-60s, and it is these plantations that are dying due to infestations of pests and fungi.

In addition to the pine forests, these essential landscape infrastructures are in poor condition due to lack of maintenance, investment, climate change and urban encroachment.

“But there is no tragedy here”, Koberidze explains. “At the time, the decision to go ahead with pine trees was correct. They have a life expectancy of up to 120 years, but given the harsh conditions, this 60-70 year life-span we are seeing is not unexpected.

Throughout the years, these trees have stimulated the growth of a humus – a solid, nutrient-rich layer of topsoil, thanks to which we will be able to plant other trees that will make the landscape more

interesting and be more durable in the local environment.”

PLANNING AND BUILDING THE FOREST OF THE FUTURE

Work to protect and bolster the resilience of Mtatsminda is backed by 16 million GEL (nearly 5 million USD) in funding. This large-scale investment in the forest will ensure the survival and enhancement of this vital natural resource for future generations.

A resource for both humans and wildlife, Mtatsminda has great biodiversity due to its steep slopes, meadows, plateaus and wooded ravines. The Tbilisi Urban Forest project will join the work of scientists and designers together to grow a truly Georgian landscape over what will span nearly 700 hectares.

Experts have gathered data for over a year, using both remote sensing and field data to generate a master plan.

The team includes geographer Giorgi Gotsiridze of Geographic, biologist Irina Danelia, botanists Nikoloz Lachashvili, zoologist Niko Kerdikoshvili, environmental scientist Gia Sofadze and economist Etuna Munjishvili. The team analyzed this data to identify areas of critical concern, such as landslide-prone slopes and wildlife zones requiring protection and reduced human impact, and defined the bound-



This photo from the burial of famous Georgian writer Ilia Chavchavadze from 1907 depicts the mountain's more usual appearance.

aries of the project to limit further urban encroachment.

NEW TRAILS AND INFRASTRUCTURE

In addition to the reforestation project, workers are rehabilitating Mtatsminda's multi-use trail system. Improvements include rubbish removal from trailheads, new wayfinding and signage, overlooks

and rest spots, erosion mitigation, and separate trail systems for hiking and mountain biking. A new environmental center will be built near Tsavkisi that will include interpretive exhibitions about the urban forest.

THOUSANDS OF SEEDLINGS

This summer, the project is in full swing. At Kakheti's Karibche, a tree nursery in



Karibche nursery in Sartichala



At the Ruderal studio, physical models reveal the spatial and atmospheric impacts of proposed planting schemes. Here, paper trees and pins capture the different plant communities that will be used to revegetate the Narikala Ridge.

► Sartichala, director Vakho Tsulikidze and his team are propagating the thousands of seedlings required to reforest the mountain. On the slopes of Okrokana, workers are digging holes to prepare for fall planting and installing irrigation to support the seedlings through the dry summers. The planting project for the entire mountain will take at least four years.

Urban forestry specialists at Ruderal, a landscape architecture and planning studio in Tbilisi, collaborated with local experts to develop species mixes to replace the monocultural plantings of the past. Mtatsminda features a wide range of exposures, moisture levels, and soils, so each “forest patch” is adapted to a specific ecological niche.

“In Tbilisi, most public spaces are planted with a generic palette of trees and shrubs imported from abroad. Our hope is the new plantings on Mtatsminda will bring attention to the form, beauty, and function of Georgia’s endemic tree and shrub species. Ultimately, we hope this work will increase demand for the use and propagation of local species for civic and commercial projects”, said Sarah Cowles, director of Ruderal.

The patches include low-growing shrubs and taller trees to provide cover

for birds and wildlife and provide visual interest. Unlike the pine and cedar monoculture planted in the late 20th century, the new patches create varied conditions and experience. They include texture-rich open shrubland (the ‘Savanna Edge’ patch) to silver-canopied mountain woodland (the ‘Celtis Forest’ patch) to the immersive, colorful, bountiful forest (the ‘Fruit Grove’ patch). Each of the patches is distributed across the mountain in massive drifts.

“Planting in large groups, rather than scattered fragments, increases the ecological potency and regenerative potential of each patch type,” said Christian Moore, landscape architect at Ruderal. “The large drifts will also have a significant aesthetic impact, both from within the forest and from far away, especially when the trees will bloom and the leaves change color.”

SCRIPTING FOR DIVERSITY AND ADAPTATION

The scale and complexity of the urban forest project required innovation in design technology. Ruderal’s designers developed a custom planting design tool in Grasshopper, a digital modeling software, that allows designers to inte-

grate broad-scale GIS with field-sourced data such as soil depth and composition. Dubbed ‘Okrokana’, the tool produces rapid visualizations of the patches at different scales, optimizes plant quantities, and allows designers to simulate the interaction of diverse species over time.

“Our practice is engineered to address these exciting urban landscape rehabilitation projects, and we can apply the methods and technologies we applied to Mtatsminda to afforestation projects throughout Georgia”, says Ruderal’s Cowles, noting the same model could be implemented throughout Tbilisi’s large-scale open spaces like the Tbilisi Sea, Khudadovi forest, and the Lisi Plateau.

ENCOURAGING PUBLIC PARTICIPATION

The Mtatsminda Urban Forest aims to exemplify a new direction of environmental imagination in Georgia.

Public works of this scale are meaningful to young people, including those who moved abroad for work or education, like Natia Kapandaze of Gori, who is now a landscape architect in Austin, Texas.

“I decided to study landscape architecture in the US, where a professional landscape architecture education includes the study of large-scale urban landscapes. The Mtatsminda project is a huge step forward for our community to address climate change and the quality of life in Tbilisi. We have already experienced the consequences of several ecological and environmental mistakes. I believe this project will be the turning point and become a model for future projects”, said Kapanadze. The Development and Environment Foundation’s Koberidze agrees, who hopes the project will enable thousands to ‘leave their mark’ on the mountain for centuries to come and develop a stake in the city’s greener future:

“We’re keeping a list of everyone involved. We have tried to include students in forestry, biology and other faculties in the project in order for them to learn something. Right now, we’re busy digging holes [for the trees] on the south slope between Okrokana and Mtatsminda, and 90% of those involved are from Okrokana itself, and they tell us that their grandparents were involved in the creation of the first forest. It’s so gratifying to see the joy they feel that their own grandchildren will be proud of them for giving new life to the city.”

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Plants for the future

— improving Georgia's nurseries

SOURCING QUALITY PLANTS AND SEEDLINGS IN GEORGIA REMAINS A SERIOUS HURDLE TO THE EXPANSION OF AGRI-BUSINESS. TO ADDRESS THE PROBLEM, NURSERY ENTREPRENEURS HAVE ESTABLISHED THE NURSERY ASSOCIATION, WHICH WILL WORK TO ENSURE GEORGIAN FARMERS HAVE ACCESS TO HOMEGROWN, HEALTHY PLANTS AT REASONABLE PRICES.

HANS GUTBROD

In recent years, parts of Georgian agriculture have gained significant momentum. There are more and more exports to Europe and Asia. Blueberries are emerging as a thriving sector. Drive from Sagarejo to the David Gareja monastery, and you will look out over hundreds of hectares of newly planted almond orchards. The Georgian government, in turn, has been running a 'Plant the Future' program, which, since 2016, has helped more than 1,000 farmers set up a total of 6,000 hectares of fields, orchards and vineyards.

Entrepreneurs in the sector, however, face a major problem: how to source quality plants. Healthy and vigorous plants

are needed to develop a thriving farm. Such quality plants, however, are barely available in Georgia right now. What can be bought locally is often of uncertain pedigree and uneven quality.

To address this problem, nursery entrepreneurs, with support from the Food and Agriculture Association, have established the Georgian Seed and Sapling Association (GEOSSA, also referred to as the Nursery Association), which seeks to contribute to the agriculture sector by ensuring that Georgian farmers can get better and healthier plants, at a reasonable price. The director of the Nursery Association, Aleksandre Sakandelidze, says this is "the right time for fundamental changes in agriculture in Georgia." Informing farmers and entrepreneurs about the Nursery Association's activities and contributions is one key focus in this initial phase, following the founding of the Nursery Association at the end of last year.

EXTENSIVE IMPORTS, UNEVEN LOCAL QUALITY

Currently, most entrepreneurs seeking to develop quality orchards bring their seedlings from abroad. Hazelnut rootstock has been brought from Italy or even Switzerland, almonds from Spain, blueberries from Poland or the U.S., plums from Armenia, and a small feijoa orchard has flown in plants from New Zealand. Customs data shows that these imports have grown considerably in recent years, reaching a total value of \$15 million in 2019.

For Georgia, importing seedlings and saplings in great quantities is suboptimal. Money that could be earned in the country flows abroad, while fields in Georgia that could grow these plant stocks remain idle. Many people in rural areas would be glad to have permanent employment that could otherwise be generated. Imports can also bring in disease—viruses and bacteria—that are not in the country yet. Transport takes time and has its own hazards: one importer in Samegrelo found that a strike by harbor workers in Alexandria, Egypt, delayed a refrigerated container with his seedlings for an additional 10 days. The plants survived, but he recalls it was a tense time.

"Agriculture is already laced with terrible uncertainty even under the best conditions. The last thing farmers need is unpredictable crop outcomes from sub-standard plants," says James Ricard, an

American-Canadian nursery expert who lives in Tbilisi and has been working in the Caucasus region for more than ten years.

There are several problems with many of the plants that were used in the past, according to Ricard. Some of the plant stock is physically damaged or underdeveloped. There are phytosanitary concerns of all kinds—microbial problems, infestations of small worms called nematodes, or of insects. Inexperienced nurseries have struggled to manage their herbicide and insecticide application. Both too little and too much can do long-term harm to their plants. Entrepreneurs also report that they get plant seedlings that are not "true to type."

It is hard to create a successful orchard when your fruit type and size is inconsistent, as it comes from a diverse stock. There is, therefore, much to do for the Nursery Association.

PROPAGATION AND INTELLECTUAL PROPERTY

To ensure sustainability, the Nursery Association is seeking to work as a membership-driven association. The Nursery Association is governed by a board, with a full-time executive director. Sakandelidze, its founding director, says that he wants to promote nurseries as a cluster of businesses and institutions that help each other thrive. One major focus of collaboration is with the packaging cluster, as seedlings and saplings require good packaging for sales, transport and to ensure traceability. Ricard points out, too, that in the U.S., plants are usually grown in containers, rather than planted in local soil and dug up.

The financial support of the European Union has made it possible for the Nursery Association to set its initial membership fee at a nominal amount. Eventually, the work of the association should be supported by fees, which will be the major test for its ability to serve members' interests. Sakandelidze brings extensive experience from other industries, having previously worked in the insurance industry, with transportation and logistics, and with Sarajishvili, the Georgian brandy producer. Sakandelidze holds an MSc in Business Administration from Jönköping International Business School in Sweden.

With this background, why did he join the Nursery Association? Sakandelidze replies that he "got very excited to join the Georgian seeds and saplings association,

as seeds and planting material represent the base of agriculture, and their quality can be [the key] determinant for successful agriculture” overall.

In its first months, the Nursery Association held a series of training sessions via Zoom on plant propagation with an expert from CREA, the leading Italian agricultural research organization. Growing plants just from the seed can produce inconsistent results for farming purposes. To achieve consistency, nurseries employ various cloning techniques, in which the same plant is replicated. Nurseries often use cuttings (in which you cut a branch, often finger-thick, dip it into a growth solution, and then plant it into substrate, hoping that it will develop roots), or grafting (for which branches are grafted onto rootstock, which sometimes can even be a different variety, selected for vigor or heartiness).

Another recent training, again with an expert from the Italian CREA, focused on Intellectual Property and Plant Variety Protection. In many fields of agriculture, research institutions develop new varieties that are optimized for specific climates, for increased disease resistance or for longer storability. Yet developing a variety, which may well be done with the traditional patience of plant propagation rather than genetic modification, is expensive and can take years. The developers, including some state-funded institutions, often seek to recoup their investments by licensing new varieties, which in turn can fund further development.

When it comes to plant varieties, the protection and enforcement of intellectual property rights in Georgia is still evolving. For agricultural entrepreneurs, it matters that Georgia is recognized as a reliable partner in which intellectual property rights can be enforced; without such a reputation, it will be difficult for entrepreneurs in Georgia to obtain the licenses for newer varieties. In this regard, too, intellectual property rights—and their enforcement—matter beyond just the sectors that most people first think of, such as software or the pirating of movies. Some blueberry experts, for example, estimate that proprietary varieties will dominate the European market by the end of the decade.

BROADER IMPACT AND INTERNATIONAL STANDARDS

Having good nurseries is of relevance

beyond agriculture. Landscape architects such as Sarah Cowles, an American based in Tbilisi, say that they find it hard to get the right trees and plants in Georgia. Currently, they source some of their trees abroad, which adds considerable expense, especially if trees already have a well-developed crown, making them harder to transport longer distances. During the conversation in her office in Vera, one of her colleagues leafs through a catalog from a Spanish nursery and casually mentions that a single well-developed tree can cost more than \$10,000, before it even begins its journey. At this price point, few real estate projects in Georgia can afford comprehensive landscaping.

Some entrepreneurs in the agricultural sector are only moderately enthusiastic about the increased regulation of plant propagation, which will come with the mandatory National Seedling Certification scheme to be introduced in 2024. They fear overreach and intrusion, and have concerns that even propagation for use on one's own farm may be regulated. “Why should they mess with what I do here, on my own farm?,” is one oft-heard comment in this context. Yet they, too, concede that current standards in the sector fall far short of what is needed, and hope that the Nursery Association can contribute to a sensible balance, and bundle entrepreneurs' interests vis-à-vis government agencies. Moreover, to achieve certifications such as Global G.A.P., the plants need to come from certified sources, too.

Government representatives have pointed out that this increased regulation of nurseries is part of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union. The upside is that Georgian nurseries will be able to sell into the European market, but, in exchange, need to meet minimum standards, which ultimately serve the purpose of providing healthy and safe food at an affordable price to citizens of the European Union and its partner countries.

Nor is regulation just a feature of EU agriculture. Ricard, who gained some of his first work experience in a nursery in Arizona, highlights that the United States also “sets detailed horticultural standards prior to sale: propagation conditions, plant size requirements, accurate identification, pruning specifications, root-ball dimensional rules” and more. The protocols on how to

control bacteria, disease, and pests are enforced “from the wholesale side all the way through to the retail end,” he says.

One encouraging aspect is that the nursery sector has developed significantly in recent years. One farmer in western Georgia says that now windbreak plants are available in Georgia that two or three years ago simply were not on the market. He hopes that, with these saplings, he can recreate the windbreak lines required for successful agriculture, which were cut down for firewood in the early 1990s.

There is more awareness of varieties, says an almond farmer in Kakheti, though he thinks more attention should be paid to rootstock. Gone, too, are the days in which one farmer bought hundreds of seedlings, grew them for three years, only to realize, eventually, that he had been sold all-male plants with zero prospect of ever bearing a single fruit. Ricard says that he has “seen Georgian smallholders accomplish miracles with limited tools and few resources at their disposal”, but they would of course be served better if there was more consistency in the sector.

Sakandelidze and Ricard agree that, in principle, the prospect for nurseries in Georgia should be good. For grape vines alone, some estimates say that demand will be as high as ten million grape vines per annum, as plants need to be replaced regularly. Next to consistent quality, diversity of supply would be a big help. As Ricard puts it: “There are thousands of fruits and vegetables that are perfect for our climate, but to which Georgia has only recently gained access.” It would be transformative, he says, “if many small farmers would have a clear, affordable way to acquire and experiment with such plants.” In these ways, the Nursery Association can play an essential part in helping agriculture, and Georgia itself, thrive.

Dr. Hans Gutbrod heads the agribusiness committee at AmCham, and also works as the Regional Representative of Berlin Economics.

The Georgian Seed and Sapling Association e-mail is info@geossa.ge; its website is still under construction. Alexandre Sakandelidze, its director, can also be reached at 599121274.

James Ricard, a Canadian nursery consultant resident in Tbilisi, can be contacted through his website at <https://ricard.carrd.co>



Photo: Forbes Georgia / Khatuna Khutsishvili

‘The law will set you free’ – lawyer Zviad Kordzadze on the origins of the legal profession in Georgia

KORDZADZE LAW OFFICE HAS BEEN OPERATING ON THE GEORGIAN LEGAL MARKET FOR MORE THAN 25 YEARS, DURING WHICH TIME IT HAS ESTABLISHED ITSELF AS ONE OF THE COUNTRY’S LEADING FIRMS. INVESTOR.GE TALKED TO MANAGING PARTNER ZVIAD KORDZADZE ABOUT THE ORIGINS OF THE FIRM, THE IMPORTANCE OF THE LAW IN THE DEVELOPMENT OF A FREE COUNTRY AND WHAT FREEDOM REALLY MEANS.

War and instability ruled the first part of the 1990s in Georgia. Why open a legal firm at that time?

Graduating university in 1994, I went out into the world and saw there was nothing out there. Becoming a member of the Georgian Young Lawyers Association at that point was the only way to survive and find like-minded people. There was a real idea at the time in the association to establish several legal firms. We were idealists, not in it for the money. And so I started my own firm in 1996 with the belief that I could help turn the situation in the country around.

My dedication to the idea that Georgia needed change in the legal sector was solidified during a three-week trip to America in 1996 organized by the U.S.

Embassy for local professionals.

Imagine what it was like. The war here had recently ended, but there was still no electricity, no hope for the future: even the airport from which we left was dark. And straight out of this situation I found myself in Washington, New York, Chicago. And I saw that life elsewhere was the same—the only difference being that those people worked, while we still didn’t. This gave me the confidence that things could turn out alright in Georgia as well.

What were some of the other cultural takeaways of that trip?

It made me reflect on what freedom actually means. In Georgia we often discuss freedom through the lense of independence, but that’s just one part of

it. A country’s freedom isn’t enough if you’re not free inside. I mean personal liberation, the ability to speak, be heard and not face repercussions. In Georgia we still haven’t understood that freedom of speech means that when a person says something with which you disagree, you at the very least have to listen until the very end and let them speak. But I think the generations growing up in today’s Georgia should be able to achieve this freedom fully.

Another thing I took away from this trip to the U.S. concerned the speed of life in America, and the effect it has on the country’s welfare. Georgia—as does the rest of Europe—moves along at an entirely different pace. I realized that it’s important to keep up the momentum, because if you ever lose it, getting back in the saddle becomes very difficult.

In my opinion this dedication to work has contributed much to America’s success in the sense that it has turned into a lifestyle, and everyone knows that working hard is the rule of the game. I don’t think Georgia will be able to live at this speed, and I’m not saying it has to. But there are some takeaways from this: you must apply yourself. Without hard work, nothing will happen. You have to use your ideas, your energy for the cause; nobody will do it for you.

Another thing I found interesting about America is that it’s a union of separate states that are quite different from one another. And yet there is consensus about the importance of the stability of the law as a mechanism, as a condition that allows so many players to continue playing the same game. As it stands today in Georgia, there is too much legislative instability. This instability is bad not only for the local population, but for the prospect of attracting investors.

Did you have any sense of the likelihood of whether you would sink or

float when you were just starting out?

Lawyers at that time were more like mediators who went between the prosecutor, the police and the court to move a case along to its end.

I knew I wasn't going to follow this path. We knew what being a lawyer meant elsewhere, through films and other depictions. So that's what we started doing. To tell you that back then we knew what the future held, that we'd be where we are now 25 years later, would be wrong. But there was enthusiasm. There were ideas. And there was believing in your ideas. And most importantly, I wasn't alone.

You see, at that time it was very clear: we knew that whatever existed at that time [mid-1990s] was undesirable. If we didn't try and do something new, then it wasn't going to be a field to stick around in. And now we can see how much that worked. The legal profession is entirely different today to what it was in 1996. The lawyers of my generation have played a great role in this process.

The risks at the time never hindered me. When you defend someone, you become their hope. And then this role becomes a part of your character after some time.

Two and a half decades later, there are now multiple law firms in the field. How do you differentiate yourself from your competitors?

We have one advantage which sets us apart quite a bit. In the beginning, I decided we would offer a full array of legal services. There are firms that work with foreign investments, firms that specialize in criminal law, and so on. But we have all these services available. So when a client comes to us, they don't need to then go elsewhere to receive another type of legal service. This sets us apart from most other firms, which have taken a narrower approach.

What about advertising?

Billboards and the like don't help. Advertising is done more by word of mouth, and satisfied clients. Interviews, on the other hand, aren't so much about advertising for me. It's more about allowing people to see your firm's philosophy, and to learn about the people with whom they'd be working. It's one thing to be a professional in your field, and another thing to gain the trust of clients. You must have some values in common.

You've now been around for more than 25 years. What have been the main benchmarks of your firm's development?

Most of the benchmarks coincide with the crucial points of the country's history. The first one was, as I mentioned, our starting moment and then self-assertion. It took us about three years to gain some recognition. Then there was the first wave of judicial reform at the end of the 90s, when we enjoyed a brief period of functional courts and judges.

The next stage came after the Rose Revolution, when the entire system was changed on a legislative level, and corruption in the courts was addressed.

Following that there was a breakdown in the court system, and things took a bad turn. This was a very bad period for lawyers, as they lost their role. What saved me was the fact that I worked both in the criminal and civil sectors. I wouldn't take up criminal cases, as there was no point. From 2006 to 2013, I didn't have any criminal cases.

The change of government once again altered the situation. These political processes automatically influence the profession.

At the same time, I have to add, your own aging is an important aspect of all of this. It's one thing when you're a 23-year-old boy. You're full of enthusiasm and ideas. Now at this stage, it's

more about responsibility. If you lose when you're young, it's not much of a problem—nobody really notices. Now we don't have that luxury. When you are on a certain level, you must maintain that level. That's how I'd divide our development into stages, both based on the country's development and my own aging.

In the past eight years I've been giving lectures, and I'm not seeing the generation I brought up is already opening legal firms. We keep in touch, they call and ask for advice. I'm on a different level now. When you are an authority for somebody, making a mistake is not only about you. You are responsible for the generation that you taught.

Last but not least, what future plans do you have?

By the end of June we'll probably have moved into our new office on Gorgasali Street in Ortachala, Tbilisi. In addition to being a lawyer, I'm a wine-maker. We've been on the market for two years now. We found a 20th century cellar in Gorgasali, which I bought and renovated for the business, Barbale's Marani. Then I discovered that having two different businesses in different locations was tough, so I took up the first and the second floors. The legal firm will be on the first and second floors, and the wine cellar will be below. Conceptually, it will be interesting. Also, we're not a large legal firm and such a location suits us better.

As for business-related plans, we'll have several new offerings in the coming months. I don't want to talk specifics yet as we're still in the finalizing process. But the changes will regard service affordability, some new concepts which will be new for the local market. If these endeavours work well here, we may introduce them in neighboring countries as well.



IF YOU BUILD IT, THEY MIGHT NOT COME

Georgia's mountain tourism conundrum

MIGHT GEORGIA'S PUSH TO TRANSFORM ITS MOUNTAIN VILLAGES INTO HOLIDAY GETAWAYS FOR TOURISTS BE DOING MORE HARM THAN GOOD?

SALLY WHITE

Leveraging tourism as a strategy to ensure the livelihoods of Georgia's 1,731 mountain villages, and the quarter of a million people who live in them has been taken for gospel in recent years, with most recommended solutions to the decline in local populations and the economy focusing on the development of tourism, new roads and hotels.

But could it be doing more harm than good to the country's fragile mountain regions?

A conundrum presented in a report from academics at Tbilisi State University and University of Zurich voices this view that is now being heard more often: while tourism brings a short-term economic fix, tourism could do long-term damage.

The danger is, this group of tourism specialists says, that for mountain livelihoods any decline in tourism "leaves local residents with an underused tourist infrastructure, developed mainly at the expense of agricultural land—and hence rootless and without resources and prospects for the

future." This speeds up the exodus of the population and further increases poverty.

Mountain villagers have been quick to latch onto tourism opportunities—"[E]very second family has built a guesthouse," is the comment in "Is Tourism the Beginning or the End? Livelihoods of Georgian Mountain People at Stake," published in the journal *Mountain Research and Development* at the end of last year.

However, what needs to be overcome, the report states, is "a narrow view of the opportunities that tourism offers." For example, local residents "mostly associate tourism with agriculture, neglecting alternative non-agriculture activities."

What is vital, says the report, is "understanding the transformation of rooted livelihoods."

Another report on mountain development, "Supportive Tourism," this time from a group of Georgian, German and Austria academics and published in *Annals of Agrarian Science*, also voices concerns about the narrow focuses of tourism development program: "[...] strategies mostly consider tourism's impact on [mountain,

rural] communities in terms of its direct consequences such as new constructions in accommodation and catering units, ski trails, etc."

Campaigns for mountain tourism, it continues, "should be directed towards encouraging local, traditional, authentic and innovative production rather than promoting a mass-tourism market with similar product chains in every destination."

Mountain regions, with their extreme complexity, require more integrated economic development than the lowlands, and it would be better "to build on the strength of their assets, such as traditional knowledge and niche production."

The view that tourism must be handled with care has also been shared by 7,000 Tush and other locals. This was the number that signed a petition several years back against mass tourism plans and a \$88 million mountain road project to connect Georgia's northern Khevi region with the northeastern Tusheti region, going through the Khevsureti region, and linking up with the Pankisi gorge.

The Tush petition stated that motorized mass tourism was not at all what the petitioners wanted and that the new road going through virgin territory would degrade the region's habitat. Thus, it would damage highly successful niche adventure, equestrian, trekking and eco-tourism businesses that they had been building, aimed at high-spending international tourists.

"We strongly believe that repairing existing roads is the solution," the petition stated. Subsequently, this new road project was dropped on the grounds of the complexity of the physical terrain involved.

For the World Bank, skill building is a vital component in mountain development, for everything from landscape management to tourism, farming, forming enterprise structures and encouraging women entrepreneurs, all of which is set out in its report "Development of High Mountain Regions of Georgia 2019-23."

The World Bank's aim has been to ensure that any short-term responses create greater resilience and avoid exacerbating existing system failures. The World Bank has thus been funding training and grants and incentives for small- and medium-sized enterprises (SMEs), strengthening all the national and regional government agencies that touch on tourism, from cultural heritage to municipal development and mountain resources, improving tourism

management, destination management, branding, marketing, and promotion and training for the development of skilled workforces.

The World Bank report is wide-ranging and detailed on integrated development and focuses mainly on niche tourism and its spin-offs.

However, it states that “success depends on concentrated investments in transformative improvements of core tourist hubs; connections between these hubs and secondary attractions and any supplementary tourist infrastructure/ services in peripheral locations should be carefully assessed and ranked.” While the project does incorporate spending on infrastructure, it is mainly small-scale, such as the restoration of historic buildings, water systems, hospitality structures and tourism facilities (including huts along trails), improved solid waste management, and rehabilitation of selected access roads (rather than building major new ones).

Its concept “aims to promote a sustainable, green, and efficient use of the available natural and cultural assets to leverage mountainous regions for niche tourism sectors and related economies (e.g., adventure, homestays, gastronomy, agrobusiness, handicrafts, etc.).” Also included is the building of strong partnerships with local government and NGOs as well as with the private sector.

Another angle, in the report “Supportive Tourism,” is the need for “understanding and utilising tourism as a starting point for other local economic actors,” to increase demand for local services and products and as a supportive platform for the local economy to enter into new markets. For example, tourists wanted regional dishes and local produce, and often these were not available, with supplies having to be brought into the mountains.

Studies in the Kazbegi region showed, the report states, that “[. . .] while advancement of tourism is rapid, the indicators of agriculture activities are significantly decreasing in the region.”

The absence of professional food processing infrastructure made it challenging for local small-scale farmers to deliver agrifood products that conform to safety standards. Lack of price competitiveness compared to mass-produced, low-quality goods available from outside the region depressed local demand.”

The Tush tourism entrepreneurs had

done their homework. Tourist preferences, according to Geostat and the Georgian National Tourism Administration, indicate that while overall international tourists are mostly interested in shopping (67.0%) and in eating and drinking (66.6%), those coming from “high-spending countries” (around 20%) want to “visit nature.” The mountain destinations come near the top on the bucket-lists of high-spending tourists.

There is no shortage of ideas to enhance local production in the reports.

“Supportive Tourism” lists the following ideas, which are designed primarily for building up the local food industry and organic production to widen the market and farmers’ sales networks for local tourism, as well as ideas for the products, digital markets and e-platforms for local farmers that could be developed locally.

The creation of agri-bazaars and festivals, delivery services for local agri-foods, and cold storage for meat and dairy products are some of the other ideas, including the promotion of the construction of greenhouses to produce a variety of products and to overcome seasonality—a practice already in place in Mestia, Svaneti.

Proper branding and labelling, it continues, especially for organic products, will help overcome resistance to the higher-than-mass-produced prices.

“Ecologically clean products will become distinctive and demanded in the market, which will ensure their recognition by consumers and increase their competitiveness.”

Better communication was a plea from the writers of the Mountain Research and Development journal’s report “Issues with Applying the Concept of Community-Based Tourism [CBT] in the Caucasus” published by the International Mountain Society after surveying mountain villages: “Better communication with locals also helps them to promote and preserve both tangible and intangible culture in mountainous areas. Farmers’ associations and rural tourism development organizations spoke about the role of CBT in the valorisation of traditional products, particularly organic, locally produced products.”

They noted that the involvement of CBT practices encourages farmers to restore forgotten traditions, because it increases their awareness of and access to the market.

The World Bank also sees communication as vitally important and wants to help the small mountain entrepreneurs “increase their capacity to be globally (and virtually) connected [. . .] to offer relevant and authentic experiences that would allow them to take full advantage of the growing demands of higher-spending travellers.”

The World Bank wants to “expand the tourism industry to more remote areas of the country” but realizes that this requires “more integrated and innovative approaches to tourism development along selected value chains (e.g., nature and adventure, ecotourism, arts and heritage, educational.”

One area in which it is hopeful is in helping to remedy the depopulation of the mountains. “International experience [. . .] shows that young urban entrepreneurs are willing to move out of cities and back to the countryside when new opportunities for tourism-related businesses and services emerge in remote areas. Previous World Bank-financed regional development projects in Georgia also provide evidence that the tourism industry is particularly amenable to creating employment for women (in Georgia there is evidence that an estimated 55% of guesthouses are run by women).”

Assistance for women is particularly welcome, as a high number of mountain households are led by women, the men having left. In addition to guest houses, women have been adept at starting new tourism-related businesses that have wider appeal—another Mountain Research and Development report, “Is Tourism the Beginning or the End? Livelihoods of Georgian Mountain People at Stake” lists one newly established, women-run, small local enterprise producing quality linen in Mestia.

There are signs of other businesses growing out of tourism, ones which are transplantable elsewhere in the country if local demand fails. The same report describes woodworking, stone and block workshops, ice-cream making and confectionery among them.

However, it concludes that this is mainly in the larger settlements, and it will be necessary to introduce measures to “soften existing barriers” (for example, with grants and training) to other economic sectors to prevent mountain residents from relying on tourism as their sole source of income.



BUSINESS PROCESS OUTSOURCING IN GEORGIA the sweet spot in the back room

GEORGIA HAS MORE THAN 130 BPO PROVIDERS, WITH ANNUAL REVENUES CURRENTLY AMOUNTING TO 20.5 MILLION USD AND PLENTY OF ROOM FOR GROWTH.

ALEKSANDRA SHALIBASHVILI

While a call-center operator might not seem like a lucrative job to many, on the Georgian job market it is seen as a successful office job and offers highly competitive pay.

Salaries at some of the largest local companies average 1,500 GEL [440 USD] monthly for an entry-level position that only requires the knowledge of a foreign language without any specific work experience. This is about 30% higher than the supposed national average monthly salary of 1,150 GEL [335 USD].

This is made possible by Georgia's growing BPO (Business Process Outsourcing) sector—the practice of contracting an outside group to perform the standard corporate operations of a company.

Most commonly outsourced services include customer support, accounting, payroll, and HR management. The international BPO sector in Georgia ranges in

its offerings from customer service and IT to film-industry and architectural services.

The advancement of technology and globalization has fostered cross-country business outsourcing, transforming some of the traditionally non-tradables, i.e., services for which the producer and the customer were previously required to be in the same location.

Since many jobs nowadays are location-independent, it is possible for, say, a German brand to employ a customer service operator based in Georgia at a relatively smaller cost, while at the same time offering a competitive wage for the worker, thus driving local salaries up.

According to Deloitte, Georgia has more than 130 BPO providers, with annual revenues amounting to 20.5 million USD.

On top of affordable salaries, Georgia has a number of advantages that make it attractive for the BPO industry to set up camp.

These include the widely cited World Bank ease of doing business index—in which Georgia currently ranks 7 out of 190 countries—a low tax burden, and a generally open economy. Certain fields, such as customer support, also benefit greatly from the high number of Georgians who speak at least one foreign language.

One of the largest players in the BPO sector in Georgia is Majorel—a global BPO services provider headquartered in Luxembourg. It operates in 29 countries

spanning five continents with more than 48,000 employees globally. The company provides customer services to various brands in 36 languages.

The company's Georgian branch started operating in 2016 with a single office in Tbilisi. In the past five years, the organization has expanded to four offices in Tbilisi, Kutaisi, and Batumi, and its team currently consists of some 2,000 employees.

Notably, Majorel created approximately 900 new jobs during 2020 despite the recession caused by the pandemic, which saw shrinkage of jobs in many industries.

Majorel operates on a customer relationship management (CRM)/call-center basis, providing customer support outsourcing for major international brands in industries such as travel, IT, and online sales. The company's offices in Georgia mainly cater to German companies; thus, they are most often looking for German speakers in Georgia. Other languages in demand include Italian, French, Russian, Spanish, and Dutch.

Interestingly, the company does not employ a large number of English speakers, which is explained by an over-saturated market of English-speaking customer service providers from many other countries.

The company's management attributes its interest to expand in Georgia to the business-friendly investment climate and simplified formal business registration procedures, which are on par with the similar operations in the EU. The company's management also emphasizes the enthusiasm and motivation of local staff to provide high-quality service to Majorel's clients as one of the keys of their growth in the country.

"I personally have worked on several Majorel sites, and I can say that the energy, enthusiasm and dedication of local employees is unmatched to some locations I have been part of. People truly take ownership of their tasks and deliver good results. Besides growth on the market, our objective is to create a top work environment, healthy leadership, and offer tangible development opportunities for our employees," notes Alexander Mironenko, Country Manager of Majorel in Georgia.

Another large outsourcing company in the CRM category is Evolution Gaming—a company providing live-stream solutions to casinos across the world. Evolution Gam-

ing was established in Sweden in 2006, and entered the Georgian market in 2018. The company currently employs more than 3,000 people in its Tbilisi offices, where it provides services in English, Turkish, and Russian, among other languages.

The company was forced to close down temporarily in March 2020 due to the pandemic, but reopened along with the rest of the economy in following months, during which time, as part of a CSR campaign, Evolution Gaming announced its openness to partnering with local businesses who had to cut their staff due to the pandemic, and provide openings for those businesses' former employees.

"This kind of partnership does not require any responsibilities from the partner companies' side. This is a partnership based on the exchange of information, which will create a brighter future for many people," explains Nato Gvazava, HR Manager at Evolution Gaming.

Another booming BPO industry in Georgia and elsewhere is IT. Some IT companies in Georgia initially catered to the local market, for instance in the banking system, and later started exporting their services or products. One of these examples is Azry, which was founded in 2006 by a group of Georgian entrepreneurs. Azry, whose name in Georgian means "idea," has developed a number of products, including a public transport payment system, and has introduced some of them to the Central Asian market.

Other IT companies mainly work with clients in the U.S. and Europe, providing coding or web-development services. These include MaxinAI, a Georgian company founded in 2017 providing custom AI and machine learning solutions; Asseco, a Poland-based international tech company operating from 60 countries, including Georgia; Qarva, a software company founded in 2004 providing solutions for Internet Protocol Television, TV and Over-The-Top media services, and many more.

The BPO sector in Georgia also includes other areas, notably the film industry. For the last decade, local Georgian companies have been providing production support to Bollywood movies, as well as, more recently, the Hollywood blockbuster "Fast & Furious 9." The success in this industry is attributed to the "Film in Georgia" program of Enterprise Georgia, which aims to bring revenue from the film industry and showcase Georgia as a tourist destination. One of the most attractive factors for foreign filming companies is the 20-25% cashback option, which allows foreign companies to get partial reimbursements for their local costs.

It is a commonly shared opinion among BPO companies' management that the biggest challenge in operating from Georgia is the deficit of an adequately educated workforce, particularly regarding technical knowledge needed in IT, architectural design, and other specialized fields.

While BPO companies working for the international market and providing competitive wages generally easily attract highly motivated and able employees, managers say it is difficult to source staff with technical skills. Many companies have had to incorporate an internal training program to teach new employees to use relevant software. Such training has time and scale-bound limitations and is associated with additional costs.

Equipping more young people with skills that are in demand, particularly in STEM-related professions, could further stimulate the sector, and could be achieved by opening more educational institutions providing technical skills, as well as minimizing the information asymmetry between college applicants and the market.



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GALT & TAGGART: as the power comes back online, so does the economy

Decreased electricity consumption, struggling electricity providers and the impending temporary shutdown of the Enguri hydro power plant (HPP) were just some of the many topics that rose to the top of the public agenda last year when Covid-19 saw the lights go out in shops, restaurants and other public spots.

But the relative degree of stability and predictability in regards to the pandemic in recent months has allowed the lights to be flipped back on.

Responding to the trend, Bank of Georgia's brokerage and research arm Galt & Taggart (G&T) recently published a report highlighting the most interesting trends the energy sector exhibited in 2020 and Q1 2021.

CONSUMPTION

If energy consumption is a measure by which to measure the awakening of the economy, the report reads, the Georgian economy seems to be stirring.

In 2020, electricity consumption in the entirety of Georgia including the breakaway Abkhazia region plummeted 4.9% y/y to 12.1 TWh due to Covid-19 lockdowns and the subsequent reduction in economic activity.

In the rest of Georgia without the Abkhazia region, consumption was down a full 10% in 2020. However, the same data set for Q1 2021 shows that electricity consumption was down just 1.4%, indicative of significant recovery given the height of pre-pandemic activity of the

first two months of 2020.

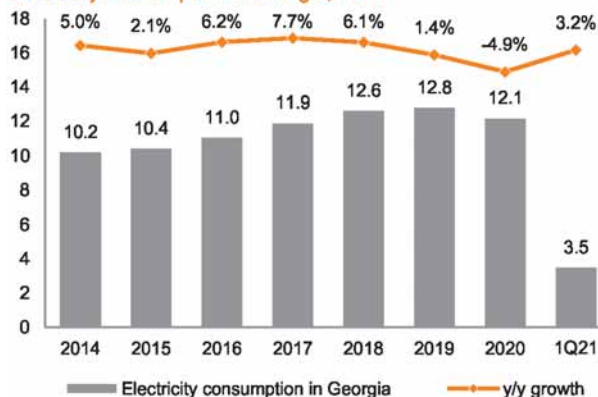
Meanwhile, in the Abkhazia region, electricity consumption was up a whopping 23.9% y/y in 2020, and 18.6% in Q1 2021.

The picture of energy consumption in the past year is not one of decreased consumption across the board, however.

"The pandemic showed us just to what extent the electricity system is dependent on the commercial sector for demand. The downtowns we saw in 2020 are in fact more demonstrative of the effect shutdowns had on businesses," G&T Senior Analyst Mariam Chakhvashvili told Investor.ge. In fact, residential electricity consumption increased 4.2% y/y in 2020 as many workers were kept away from the office and 'took their work home with them.' This turn of events broke a five-year trend of an on average 0.1% growth rate in residential consumption.

G&T's Electricity Market Watch report highlights another interesting trend brought to us courtesy of the pandemic: the electricity consumption of residential subscribers of Energo-pro Georgia increased by 7.4% y/y, while Telasi subscribers' consumption decreased by mere 0.4% y/y, illustrating an outflow of the population from Tbilisi to the suburbs and regions.

Electricity consumption in Georgia, TWh



Source: ESCO

Electricity generation and imports, TWh



Source: ESCO

Foreign trade of electricity, TWh



Source: ESCO, Geostat, G&T & Tagger

Installed capacity of Georgia by year, GW



Source: ESCO

GENERATION AND IMPORTS

Nearly two-thirds (64.6%) of electricity demand was met by hydro generation, 22.1% by thermal generation, 0.7% by wind generation and 12.6% was imported in 2020.

While wind and solar continue to have negligible contributions to Georgia's domestic energy production, there are five wind power plant projects that are ready to commence the construction phase, G&T's Chakhvashvili notes.

"Feasibility studies have been carried out, and the projects are ready to go. Several barriers remain, however. Companies interested in implementing such projects would like to see incentive mechanisms from the government, such as power purchase agreements (PPAs). Moreover, there are limitations from the state electrosystem, which limits the volume of variable renewable energy that can be hooked up to the network.

For this, distribution and transmission grids will have to change, or power plants will have to have higher reserve capacities.

These issues are directly written into the 2020-2030 development plan for Georgia, which provides for a tripling of the currently allowed volume of variable

energy," Chakhvashvili explains.

Georgia remained a net importer of electricity in 2020 with trade deficit down 16.8% y/y to U.S. \$58.7 million in value terms and up by 5.3% y/y to 1.4 TWh in volume terms. In 2020, Georgia imported 1.6 TWh (-1.0% y/y) electricity and exported a mere 0.2 TWh (-36.8% y/y), resulting in a net import of 1.4 TWh (+5.3% y/y).

The reduction of the trade deficit in value terms is explained by the comparatively low cost of electricity imports via the Salkhino line for the Abkhazia region (22.8% of total imports), decreasing the total cost of imports. Revenue from exports was also down (by 25.4% y/y to U.S. \$5.8 million) in line with the reduction of electricity exports.

Despite decreased consumption in 2020, the import of electricity and thermal generation remained flat to fill in for the winter deficit and compensate for the drop in HPP generation caused by less-than-ideal weather conditions.

In 2020, 45.1% of imported electricity came from Azerbaijan, 35.4% from Russia and 19.5% from Turkey. Turkey was until recently an export market for Georgian production, but in line with decreased market prices, import from

this direction has now become the norm.

Georgia's installed power generation capacity increased 432 MW in 2020, including a 230 MW thermal power plant in Gardabani, the 178 MW Shuakhevi HPP in the Adjara region, and six small HPPs with a total capacity of 23.4 MW.

HPPs commissioned in 2020 satisfied 2.2% of electricity demand of 2020, out of which 2.0 percentage points fell on the Shuakhevi HPP.

Following the shutdown of the Enguri HPP situated on the administrative boundary line between Georgia and its Russian-occupied region of Abkhazia, which underwent urgent renovation work that promises to bolster the capacity of the country's largest HPP by up to 30% in the coming years, the volume of electricity imports nearly doubled in (+93% y/y) in Q1 2021, with Abkhazia receiving energy from Russia via the Salkhino line.

With the extra capacity of the Enguri HPP coming online, Georgia will cut back on some of its need for imports. But as the economy continues to recover, G&T's Chakhvashvili points out, consumption will also be on the rise, and Georgia will need to boost the offerings on its renewables market to ensure a degree of energy security.



The case for waste

Georgia's new strategy on plastics

PLASTICS AREN'T ALL BAD. BY INCENTIVIZING COLLECTION AND SORTING WITHIN THE CONFINES OF A CIRCULAR ECONOMY, A SIGNIFICANT PORTION OF PLASTIC WASTE CAN BE REDUCED AND EVEN TURNED INTO CASH.

NANA TAKVARELIA, CENN

Municipal waste in Georgia piles up to 1.1 million tonnes per year, of which nearly 14% is plastics, statistics from the Caucasus Environmental Knowledge Portal show. 83% percent of marine litter found in Georgia's Black Sea waters is plastic. On average, one person consumes 85 plastic bottles per year in the country, most of which ends up in landfills and rivers, where they can last and languish for hundreds, if not thousands of years, if action is not taken.

And action must be taken—in addition to purely environmental concerns, for a country whose tourism sales pitch is much dependent on its natural wonders and agriculture, it is imperative that the country work on keeping its grounds clean.

Action plans to this end do exist in Georgia, such as the 2016-2030 National Strategy and Activity Plan of Waste Management, with which the state hopes to achieve the ambitious task of reaching a 50% plastic recycling rate by 2025 and an 80% plastic recycling rate by 2030.

However, given that the recycling industry is rather new in Georgia, the country is developing an action plan that looks at the entire value chain in order to reach these numbers.

It will be a step-by-step process. In addition to the already existing plan for waste management, a targeted National Plastic Waste Prevention Program is in the works, which will largely mirror the EU's own Plastic in the Circular Economy Strategy.

The initiative to develop the national program in Georgia is being supported by the Embassy of Norway in Georgia and implemented by CENN in tandem with the Ministry of Environmental Protection and Agriculture of Georgia.

The plan is set to be finalized later this year with the Ministry of Environmental Protection and Agriculture.

In bringing the country's stance on plastics into alignment with that of the EU, Georgia stands to reap many benefits from a circular approach to the plastic economy.

WHAT IS THE PLASTIC CIRCULAR ECONOMY?

Plastics aren't necessarily a pest to be entirely eliminated as is often portrayed—they can have their place in the economy too. After all, they have been vital in the development of light and innovative materials in automobiles and planes to save fuel and cut CO2 emissions. Plastics can form high-performance insulation materials, which help save on energy bills. In packaging,

plastics help ensure food safety and reduce food waste. Combined with 3D printing, biocompatible plastic materials can save human lives by enabling medical innovations.

As for more immediate consumables, there is money to be made in the process of recouping plastic waste and recycling it to make new products. In the circular economy, plastic is treated as a resource and recovered in a closed loop to avoid waste.

Currently, the so-called linear system (production, purchase, use, disposal) of how Georgia consumes and disposes of plastic fails to capture these economic benefits of plastic.

To gather the environmental and economic benefits of plastic, an overhaul of the value chain is needed, in addition to a redesign of products that takes into account the product's end of life stage.

In 2018, the EU developed its Strategy for Plastics in a Circular Economy, which aims to transform the value chain and ensure minimal leakage into the environment.

The strategy addresses things like product design, e.g., avoiding over-packaging and single use plastics; designing products to increase their recyclability; strengthening the recycling industry by stimulating markets; establishing multi-sectoral cooperation; setting out investment priorities. The strategy integrates Extended Producer Responsibility (EPR) schemes and sets out targets to be met by 2030.

The EU has been pushing its stance on plastics beyond its own borders and is closely examining global value chains, particularly since waste flows have changed following China's late-2017 decision to ban the import of plastic waste.

Single-use plastics and over-packaging and how to deal with them will feature prominently in Georgia's national

plan, as they are the most problematic materials, and are a major source of littering and environmental pollution. They are not easily recyclable, are often used on the go and quickly discarded. They are among the items most commonly found on beaches, including on the coast of the Black Sea.

And yet these plastics have become so deeply ingrained in modern life so as to make their extraction from it practically impossible. This, however, is not a tragedy, but rather, an opportunity. While one does have to ask how much of such packaging is really needed, one can also review its benefits, for example, in reducing food waste and carefully assess existing alternatives so that society does not move the problem of pollution from one wastestream to the other.

The role of the private sector in this aspect of Georgia's national plan, in reviewing their plastic footprint and making reductions where possible without compromising the benefits of some packaging, is an important one.

Excess packaging is an area in which significant reductions can be made. For example placing fruits and vegetables in separate plastic-covered packages is often unnecessary and has no storage benefits. To add to the problem, most of the excess packaging currently used in this way is either non-recyclable or not easily recyclable.

Both the EU's and Georgia's strategies will be looking at how to phase out this problematic and often unnecessary packaging. The EU strategy also explores opportunities for reusing packaging and refers to EPR schemes that can help set up deposit schemes that can boost recycling.

The program will also consider trends in imports, exports, and re-exports to regulate the flow and the quality of the plastic coming in, which will dictate

whether Georgia can benefit economically by re-exporting material that is in demand and avoid contaminated waste imports.

Product design will be another aspect of the program, as arguably the most widely discussed issue when it comes to transitioning to a circular economy.

The reality is that most of our products are designed to become waste, and the combination of chemicals and materials used in most products make them harder to recycle. Per the plan, during the design process producers will have to think about the entire lifecycle of their product and design materials which makes them reusable, refillable, repairable or recyclable. This also means looking at the chemical composition of the materials and regrouping to ensure the product's recyclability.

In Georgia, 'ecodesigns' will be encouraged; however, since Georgia has fewer plastic producers, Georgia's main strategy will be focused on ensuring that packaging placed on the local market can be reused or recycled.

The plan also sets out to improve the traceability of chemicals and address the issue of legacy substances in recycling streams. There are industry guidelines already in place that help manufacturers and other companies in how to design for recyclability and what to avoid to simplify the recycling process.

The program will also include an examination of the short, mid and long-term investments necessary to achieve what is set out in the strategy.

Plastic recycling has much more potential than what is being currently exploited. However, compared to other waste streams, the rate of plastic recycling remains significantly low. Reasons for this range from the lack of proper sorting infrastructure and a lack of demand for recycled products to product

design and lack of trust in recycled consumables.

The EU has come up against these last two issues in recent years, with confidence and demand in recycled products remaining low.

In response to this, the EU has pledged to stimulate and strengthen the market through investments, brokering cooperation between companies, and increasing the demand for recycled materials.

In Georgia, the recycling industry is relatively new and is only just beginning to gain momentum. Plastic recycling in Georgia mainly consists of collection and export, with actual processing on a limited scale.

Georgia has a relatively small domestic plastic industry; imported plastic products rank ahead of the in-country production of raw materials. But Georgia has potential to develop the industry in a positive direction through recycling. At this stage, reusing and recycling end-of-life plastics remains quite low, rates of landfill disposal are high, and demand for recycled plastics is also quite low.

Targeted investments can play a key role in strengthening the recycling sector. Georgia's strategy will mimic that of the EU, which underlines the cardinal components of what those targeted investments could look like: improving product design to increase recyclability rates; expanding and improving the separate collection of plastic waste; expanding and modernizing sorting and recycling capacity; and creating viable markets for recycled and renewable plastics.

Similarly, Georgia will also be focusing on creating viable markets by incentivizing the uptake of recycled content. Among other things, Georgia's national program will look at international practice, EPR schemes, collection system, policy design and investments.



Something smells fishy but that may be a good thing for the Georgian seafood industry

ZURA KHACHAPURIDZE

For a country with thousands of rivers and lakes, the fact that Georgia has to import nearly 75% of its consumed fish and seafood products might raise more than a few eyebrows.

In 2020, Georgia spent \$31 million on 16,500 tonnes of imported fish products, exporting just 4,200 tonnes worth \$6.82 million. But plans have been set in motion to reverse the flow of fish (and capital), with the government hoping that in the near future the country's fisheries will be able to both satisfy domestic demand and, perhaps, even export their own catch on a larger scale.

The 26,000 rivers, 860 lakes and 12 reservoirs in Georgia, experts say, could be capable of producing between 40-50,000 tonnes of fish annually.

Much excitement in the industry was generated by the recent Law on Aquaculture from 2020, which was drafted with the participation of UN FAO experts. The CEO of Georgian Fish and Caviar, Malkhaz Shubalidze, says that the regulations laid out in the plan for fish and seafood production in line with European standards and market expectations are

likely to increase the appetites of the European market for Georgian fish goods.

"This law provides a roadmap to the possibility of unobstructed entrance to the European market. The trustworthiness of our fish should increase, and Europe will know that if, for example, I feed my fish with feed produced in Georgia, it will comply with European standards," Shubalidze says.

The Georgian Ministry of Agriculture is particularly interested in the development of storage, refrigeration and processing facilities.

"This requires a complex approach, and will need support at every stage of the production process. The state will continue to actively support private initiatives, as close cooperation with the private sector will enable us to develop both aqua[culture] and mariculture in Georgia," Minister of Environmental Protection and Agriculture Levan Davitashvili notes.

The aim of raising the country's fish production more than 20 times over may seem ambitious, but Ministry of Agriculture Rural Development Head Archil Partsvania says it is enough to look at the example of Armenia to see just what is achievable in Georgia.

Armenia already produces four times as much fish as Georgia per year, approximately 12,000 tonnes, Partsvania says, and it accomplishes this in artesian waters since, unlike Georgia, Armenia does not have seaboard access, nor does it have the numerous rivers or lakes Georgia enjoys.

Georgian Fish and Caviar's Shubalidze says Georgia has other advantages over Armenia in the fish market, namely that of quality, thanks to its water resources. Armenia's main market, Shubalidze points out, is Russia, and Russian distributors are allegedly dissatisfied with the quality of Armenian fish and are eagerly looking for new partners in Georgia. However, Georgia continues to lag behind in the infrastructure needed to produce the necessary quantities.

The Chairwoman of the Fish Producers Association of Georgia, Nino Chobanyan, says low production capacity is largely attributable to the currently low skills of fish farmers, a deficit of industry specialists and lagging infrastructure. For example, she says, the country lacks fish pathologist experts, which means there are few specialists who can identify and treat fish diseases. Chobanyan says it is common for 30 to 40 percent of fry purchased for reproduction to die.

Chobanyan adds that a study on the price chain of aquaculture in Georgia is in presently process with EU assistance, and as soon as the study is completed, an additional long-term action plan for this industry will be developed based on its results.

Presently there are nearly 700 fish production sites officially registered in Georgia. The main focus of these sites on carp, trout, salmon, and sturgeon.

Georgian Fish and Caviar says that with qualified management, fisheries in the country could easily compete with imports, and described to Investor.ge its

own growth as an example:

In 2019 the company's fish farm had 15,000 sturgeon fry, rising to 75,000 in 2020. In 2021, the farm was already counting 240,000 fry. Malkhaz Shubalidze states that such growth has significantly influenced import and retail prices. For example, big producers in Georgia that supply sturgeon to trade networks have started getting their supplies from Georgian Fish and Caviar. Correspondingly, no more sturgeon fry is imported from Armenia and Russia, and the wholesale price for sturgeon decreased from GEL 27 to GEL 24 in the past year. In other conditions, given the devaluation of the lari, 1 kg of sturgeon could have gone up to 33 GEL on the market, Shubalidze says, however, the increase of production that the company achieved caused a correction in the other direction.

A similar situation exists for black and red caviar. Before the Georgian Fish and Caviar produced its own caviar, black and red caviar of Moldovan and Italian production was sold at Georgian supermarkets for GEL 3,000 and GEL 350 per kilogram, respectively.. Today, customers have the option to choose caviar produced in Georgia, and instead of paying GEL 3000 for one kilogram of black caviar or GEL 350 for kilogram of red caviar, customers can pay, if they feel so inclined, a mere 2500 GEL or 150

GEL, for a respective kilogram of black or red caviar.

For Georgian Fish and Caviar, the cost to raise one kilogram of sturgeon is approximately 18 GEL, of which around 80% goes to fish feed.

Increased production of feed in Georgia would be very beneficial to the market, Shubalidze says, with quality feed already available in the country but at a hefty price (up to 35,000 euros per tonne).

Georgia exported the majority of its fish products to the following countries in 2020:

Turkey – 2,190 tonnes
Azerbaijan – 1,330 tonnes
Russia – 345 tonnes
Armenia – 212 tonnes

It was the high cost of imported feed that convinced Manana Metreveli to open her own feed production facility in Tsnori, which has been operating for nearly a year. Partially supported by a cheap loan, she purchased equipment and produces 20 types of feed for poultry, fish, and other animals. 70% of the raw materials for production are sourced from Poland, Turkey, Belgium and France. Shubaladze says he has used this feed as well, and that if it turns out that the feed produced in Georgia holds

up in terms of quality against European options, it will be a big boost to farmers.

This year the Tsnori feed production facility increased its production from 300 to 1000 tonnes. Manana Metreveli says that this is related to the high demand for her product. However, she notes, she faces hurdles in convincing farmers to switch from traditional methods of feeding milled barley and wheat. She hopes this attitude will soon change, as the nutritional value of two kilograms of extruded feed equals nearly eight kilograms of traditional feed. Besides, it is difficult for the fish to digest such traditional feed, which can often lead to fry losses. Metreveli points at this dynamic as one of the major reasons for the country's dependence on fry imports.

While in Metreveli's opinion it is still a bit early to be discussing prospects for exporting fish from Georgia, the prospect of displacing imported products at a competitive price is real.

Industry specialists say that simply fulfilling the needs of the domestic market would already generate significant income, despite the country's rather lower annual fish consumption per capita (eight kilograms) compared to the European average (24 kilograms). But given the market is just beginning to take its first steps now, there is plenty of room for growth in the near term, and larger prospects may be on the horizon.

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has adopted a number of new laws and regulations, on the basis of which certain reforms are to be undertaken: the unbundling of generation from distribution and distribution from facility ownership; the increase of competition; the implementation of day ahead and intraday markets; the implementation of an energy exchange; the increase of energy efficiency; prioritizing consumption from renewable sources and others. These are all aimed at establishing a legal framework to ensure the proper operation of the sector.

From a contractual perspective, the State's liability is usually differentiated in case of physical (non-political) and non-physical (political) force majeure events. While customarily the State cannot be held liable for non-political force majeure (natural occurrences like earthquake, flood, etc.), in most cases investors seek certain relief from the State in case of political force majeure similar to riots and social turbulence. The extent of contractual remedies, as well as the list of negotiated political force majeure events, is largely dependent on the bargaining power of the investor, which is often in direct correlation with the overall significance and scale of the project in question. However, notwithstanding the contractual remedies or the lack thereof, the State of Georgia may not be shielded from international liability derived from the investor protection instruments below.

In pursuit of attracting foreign direct investments, Georgia has entered into around 38 bilateral investment treaties with different countries, including major capital exporting countries, such as USA, UK, China and the UAE, just to name a few. Georgia is also a party to the 1994 Energy Charter Treaty (ECT) that provides a multilateral framework for energy cooperation and investment protection that is unique under international law. Currently there are fifty-three signatories and contracting parties to the ECT, including the European Union.

Such bilateral or multilateral investment treaties offer foreign investors substantive protection against the host state's potentially unlawful actions, which, on certain instances, may include inaction or failure of the host state to ensure physical security of the investment from unlawful interference of third parties. Treaties also offer foreign investors access to international arbitration for settlement of their disputes against host states. Depending on the applicable treaty regime, such tribunals are the World Bank's International Centre for Settlement of Investment Disputes (ICSID), the International Chamber of Commerce (ICC), or an ad hoc tribunal constituted under the United Nations Commission on International Trade Law (UNCITRAL).

In terms of substantive rights, for instance, under Article 10 (1) ECT: ***"Each Contracting Party shall, in accordance with the provisions of this Treaty, encourage and create stable, equitable, favourable and transparent conditions for Investors of other Contracting Parties to make Investments in its Area. [...] Such Investments shall also enjoy the most constant protection and security [...]"*** Similar requirement of a host state to afford foreign investors stable environment and fair and equitable treatment is found in most bilateral investment treaties. It generally involves consideration of the consistency, transparency, fairness and proportionality of governmental measures, and places decisive weight on

investor's "legitimate expectations" when investing in the host state. This standard of protection is arguably breached when the reality is at odds with what the investor was led to believe would be the case when investing in the host country.

Further, host state has an obligation of full legal and physical protection of investor's investment. It is generally accepted that the standard extends to the liability of the host state to protect the investment from riots, violence, or similar destructive actions from third parties. Host state will have to exercise "due diligence" and will have to take such measures to protect the foreign investment as are reasonable under the circumstances. The degree of diligence expected of states is high, and it is not necessarily proportionate to the resources available. Lack of resources to take appropriate action, generally will not serve as an excuse for the host state. In one of the first cases interpreting this standard, the tribunal noted that due diligence ***"is nothing more nor less than the reasonable measures of prevention which a well-administered government could be expected to exercise under similar circumstances."*** [Asian Agricultural Products Ltd. (AAPL) v. Republic of Sri Lanka ICSID Case No. ARB/87/3].

Therefore, even though the hindrance is caused by local population, it is very important to analyze and understand the obligations of Georgia, as a host state, under the international law. Providing reasonable assistance to the investors to ensure access to and peaceful enjoyment of their investment is clearly an obligation of the State, breach of which may result in not only the lost opportunity of developing Georgia's water resources to achieve energy independence and attract significant volumes of foreign direct investment, but also, investment disputes piling up against Georgia before international tribunals.

Ironically enough, damaging Georgia's reputation as a favorable investment destination will, in the end, have negative effect on the quality of life of very population vigorously protesting against development of hydropower resources. Alas, by then, it may be too late.

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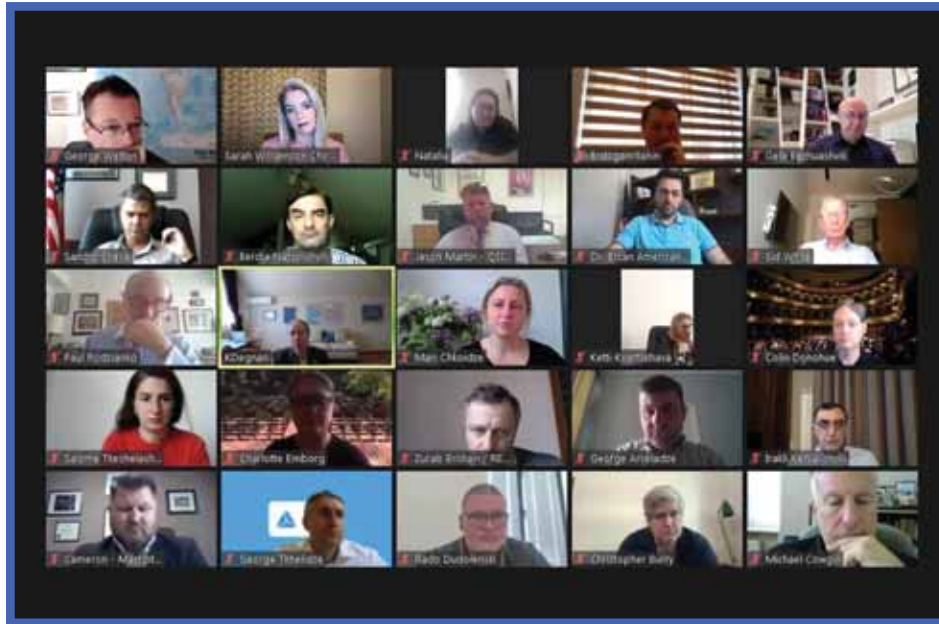
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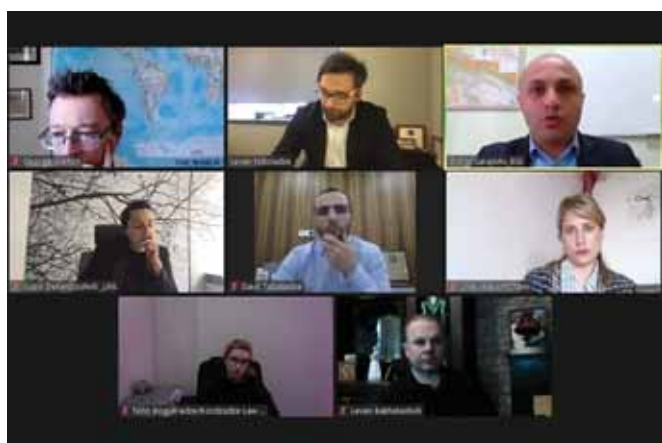
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CLT COMMITTEE MEETING

AmCham hosted a virtual CLT Committee meeting on April 12 to discuss employment dispute practice in Georgian courts.

AMCHAM MEETS WITH FORMER US AMBASSADOR TO GEORGIA JOHN F. TEFFT

AmCham Georgia organized a virtual meeting with Ambassador John F. Tefft, former Ambassador to Georgia, Ukraine and Russia on Biden's policy towards the region on April 21. The meeting involved a lively Q+A



TOURISM COMMITTEE MEETING WITH USAID



AmCham Georgia organized a virtual meeting of the Tourism Com-

mittee with the USAID Economic Security project team who presented their tourism support programs on April 27. In addition, AmCham Executive Director George Welton reported on the meeting he recently had with the Deputy Minister of Economy and the head of the GNTA. Members had an opportunity to update each other on current challenges in the field.

AMCHAM HOSTS LUNCH WITH ACTING ASSISTANT SECRETARY PHILIP REEKER



The meeting included Ambassador Reeker and US-Ambassador Kelly Degan as well as Irakli Baidashvili, First Vice President of AmCham and high-level business guests.

The discussion was wide-ranging. The group discussed opportunities and challenges in the Georgian marketplace and ways that the US can continue to help. Mr Baidashvili, in par-

ticular, highlighted AmCham's gratitude for the recent pledge by US President Biden to provide Covid vaccines to Georgia and also thanked Ambassador Kelly for her help in securing the recent parliamentary agreement. Ambassador Reeker confirmed that this support represents the continued importance that the United States places on its relationship with Georgia.

ONLINE MEETING WITH US AMBASSADOR TO GEORGIA KELLY C. DEGNAN



AmCham Georgia hosted Her Excellency, Kelly C. Degan, US Ambassador to Georgia, at an online meeting with members on May 4. The ambassador discussed the current situation in Georgia, the United States and the region and US-Georgia relations.

AMCHAM GEORGIA HOSTS UK AMBASSADOR TO GEORGIA MARK CLAYTON



UK Ambassador to Georgia Mark Clayton spoke with AmCham members on May 27 about UK-Georgia relations, the idea of a Global Britain and what it means for the rest of the world. The presentation was followed by a dynamic Q+A.



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www.cleanplace.ge



Georgian Outlet & Resorts Group Corp B

Georgian Outlet & Resorts Group is the developer of the first regional outlet village in Georgia - Tbilisi Outlet Village (TOV). TOV is allocated over 10ha territory, with carefully selected 120 brands and 2000 car parking. It will become a destination for shopper not only within the country but also of entire region and the world. Numerous new globally recognized fashion brands will be introduced, enhancing Georgia's touristic attraction and potential. Also putting Georgia on a global fashion map.

After successful opening of the TOV, the company plans to continue developing unique destinations and business in the real estate and retail industries, bringing various worldly renowned retail, fashion and hospitality brands.

www.tbilisioutletvillage.com



Meama Ltd. Corp B

Meama is a Georgian company that produces high-quality coffee capsules and offers innovative services to its customers. The company brings coffee beans from 17 countries all over the globe to create unique aromas. Meama factory simultaneously produces both - European and American coffee capsules alongside unique blends of capsule tea. The full process of capsule creation takes place in the high-tech factory of Meama in Tbilisi. The company built a diverse and user-oriented sales ecosystem consisting of E-commerce and innovative coffee vending machines such as Dropper (for offices) and Outdropper (for outdoors) and brand spaces, where visitors have the chance to experience the brand more closely, discover their favorite tastes and buy various Meama products. Meama also offers innovative Take-away spots - Meama Collect where coffee lovers can taste coffee-based unique cocktails.

The company is oriented toward progress and implementing unconventional ideas on the market. Meama has its hardware, engineering, and software team so all the innovative machines and devices are created in the Tbilisi factory. With the help of state-of-the-art digital platforms, Meama creates a cutting-edge delivery service and a modern company management system. Meama's mission is to change the centuries-old tradition of drinking coffee and transform the culture with the power of innovation.

www.meama.ge



Salvation Army Non-Profit

The Salvation Army, an international movement, describes itself as an evangelical movement and part of the "universal" Christian Church. It has a quasi-military structure and was founded in 1865 in the United Kingdom as the East London Christian Mission by William and Catherine Booth. It is well known for its evangelical, social and charitable work. The Salvation Army seeks to bring Christian salvation to the poor, destitute and hungry by meeting both their physical and spiritual needs.

www.salvationarmy.org

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