

AMCHAM AND BRAND HOTELS  
TEAM UP TO REINVIGORATE  
GEORGIA'S HOSPITALITY  
WORKFORCE

BATUMI BOTTLENECK PUTS  
ADJARA ON THE MAP AS  
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TBILISI'S REAL ESTATE MARKET  
REACTS TO INFLUX OF  
WAR-AFFECTED MIGRANTS

# Investor.ge



A Magazine Of The American Chamber Of Commerce In Georgia

ISSUE 84

JUNE-JULY 2022



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# YOUR BUSINESS PARTNER IN GEORGIA

JSC Isbank Georgia started operating in Georgia in 2012 as Batumi Branch of Türkiye İş Bankası. In 2015, National Bank of Georgia issued a license to JSC Isbank Georgia. Since that, the bank continuously operates in Tbilisi and Batumi region with totally 2 branches and 1 Head – Office. In the rapidly evolving Georgian market, bank mainly focuses on the facilitating business activities of large corporate and medium size companies through issuance of cash and non-cash loans.

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## ■ BRIDGING TWO COUNTRIES

Turkey is the largest trade partner of Georgia that has its positive, constantly developing impact on the country's economy. Turkish companies operate intensively in almost every sector. Operation of the Turkey's largest private bank subsidiary in Georgia establishes a confidence for the companies and investors who already have business or willing to invest in Georgia. Alongside its core banking services, the Bank provides financial consultancy to corporate and individual investors who consider investing in Georgia. The country has a clear path and a bright future ahead, making significant progress in the tourism and energy sectors, becoming one of the key regional players. Moreover, the Georgian banking sector is one of the most developed and powerful economic sectors in the country, considering its infrastructure, access to long-term funds, and intensive use of technology.

## ■ AMBITIOUS SME SUPPORT

Bank puts all efforts into increasing its support of SME sector in Georgia. In September 2020, the bank has signed \$10 million loan facility agreement with IFC. In 2021, Bank established the partnership with the Green Growth Fund, signing €6.1 million loan facility to promote green investments throughout the country and support the de-carbonization of the local economy and transition to a greener energy sources.

Another productive cooperation, achieved under the scope of banks strategy, was the establishment of relation between the Black Sea Trade and Development Bank (BSTDB) and JSC Isbank Georgia. As a result, €7 million SME facility became available to support liquidity and working capital needs of small and medium-sized enterprises (SMEs).

## ■ OVERCOMING COVID-19

COVID 19 has severely affected almost all institutions and sectors in Georgia causing GDP growth projection number to plummet. Due to low tourism based revenues and numerous lockdown measures that caused low local economic activity, GEL started loose its value against USD. Many companies faced serious consequences already by the first months of the pandemic. Georgian government measures, aimed to sustain economic sectors proved to be efficient and diminished the effect of the pandemic.

In this period, the Bank implemented individual approach for each client. Depending on the situation and condition of the client, bank developed the list of measures that included providing grace periods for loan repayments and change of the payment schedule taking into consideration clients' revenues structure.

JSC Isbank Georgia has proved to be resilient to the challenges posed by COVID-19. Employing 60 people under the Headquarters, Tbilisi and Batumi branches; the bank has successfully applied the remote working model in the period of lockdowns ensuring Business Continuity.

## ■ ON THE PATH OF THE SUSTAINABLE AND EFFICIENT GROWTH

JSC Isbank Georgia orients itself on the sustainable and efficient increase of the loan portfolio without sacrificing of its income ratios. By the end of 2021, bank has grown by 10% percent in loan portfolio year-on-year basis and reached GEL 269 million. Energy, finance, service, construction and development sector companies have the highest share in the portfolio.

Almost all loan portfolio consists of loans provided to legal entities registered in Georgia, out of which approximately 20% consist of subsidiaries of the Turkish companies located in Georgia.

To sustain its activity, the bank focuses on increasing its customer deposit base. By the end of 2021, the bank has increased its customer deposit portfolio by 40% reaching GEL105 million.

With increased loan volume, customer deposit base and efficient approach to every aspect of the Income Statement, the bank managed to reach %12.7 return on equity (ROE) and % 3.09 return on assets (ROA) that is fourth result amongst the banks in 2021.

# Investment News

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

## GEORGIAN CENTRAL BANK LEAVES MONETARY POLICY RATE UNCHANGED AT 11%

The National Bank of Georgia announced that it was keeping the refinancing rate unchanged at 11% following a meeting of its Monetary Policy Committee on May 11.

The NBG explained that the Russian invasion of Ukraine had created “new risks” for the economy, leading to the decision based on “current and expected developments”. In particular, it noted, “the sanctions imposed on Russia due to its military actions, and supply-side disruptions, have significantly increased prices on a number of product categories on international markets”.

“As a result, inflation has increased significantly both in developed and developing economies. The global surge in prices has been transmitted to the Georgian market as well and, despite the slowdown compared to the beginning of the year, inflation in Georgia remains high at 12.8%,” the NBG said.

## ECONOMY MINISTER: GEORGIA CLOSE TO INTRODUCING DIGITAL NATIONAL CURRENCY IN PILOT MODE

Georgia is approaching the stage where it will introduce a digital national currency in pilot mode, with a “full-scale

change” to take several years, Economy Minister Levan Davitashvili announced in early May.

In a conference involving the National Bank of Georgia, the United States Agency for International Development’s Economic Security Program and the World Bank, Davitashvili noted that the digitization of the Georgian lari would be an “important stage” for the development of financial services in the country, pointing out that it would simplify, accelerate and cheapen payment systems.

“This will also simplify public services [...] more technology companies will enter Georgia, and the country should be at the forefront of innovations with these changes,” Davitashvili said.

## TURKEY, CHINA, RUSSIA TOP TRADING PARTNERS OF GEORGIA IN JANUARY-APRIL 2022

Turkey (\$766.3 million), China (\$614.7 million) and Russia (\$559.7 million) were the top trading partners of Georgia in total external trade turnover in January-April 2022, data from the National Statistics Office of Georgia shows.

Georgia’s top trading partners by exports in January-April 2022 were China (\$290.4 million), Azerbaijan (\$168.4 million) and Russia (\$156.4 million), while the top trading partners by imports were Turkey (\$637.8 million), Russia (\$403.3 million) and China (\$324.3 million).

The top three export items were: copper ores and concentrates (\$363.3 million, or 22.9% of total exports); ferro-alloys (\$195.4 million, or 12.3% of total exports); and motor cars (\$132 million, or 8.3% of total exports). The top three imports were: petroleum and petroleum oils (\$337.1 million or 9.2% of total imports); motor cars (\$319.7 million, or 8.7% of total imports); and copper ores and concentrates (\$266 million, or 7.3%



of total imports).

Overall, Georgian external trade turnover amounted to \$5.25 billion in January-April 2022, posting a 33.4% increase year-on-year, said Geostat.

### **ENTERPRISE GEORGIA LAUNCHES NEW EXPORT ASSISTANCE PROGRAM**

Enterprise Georgia has launched a new Export Assistance Program to increase the export potential of small and medium-sized local businesses, the state organization announced at the start of April.

Designed to support the diversification of export markets, identify sectors and products with export potential, and incentivize international sales, the program will provide technical assistance to export companies.

Incorporating three technical assistance components, the new program also seeks to minimize export challenges and implement mechanisms stimulating export. Technical assistance components of the program will include product licensing and certification (up to c.10,500 USD); branding and product packaging (up to c. 6,800 USD); and international network entry (up to c. 10,500 USD).

### **AFD ALLOCATES €500,000 IN SUPPORT OF SUSTAINABLE RAILWAY DEVELOPMENT IN GEORGIA**

Georgian Railway has received a €500,000 grant from the French Development Agency (AFD) to promote sustainable development of railway transport in the country and align Georgia with the European Union standards and regulations in the field.

As part of the grant, a national rail policy document, freight market research, and development strategy in the regional context will be elaborated in cooperation between the two sides. An



investment plan aiming at expanding the freight market in Georgia will also be prepared.

The Georgian company also announced the arrival of a French expert in Georgia to “properly implement” the set goals. During their visit, the professional will consult with representatives of Georgian Railway and various other official agencies. The project was launched in April and is expected to run for 12 - 18 months.

AFD has provided support to Georgia since 2012 totaling €250.7 million in financial commitments for projects for urban and rural development, infrastructure, governance, and renewable energy.

### **GEORGIAN TV STATIONS RECEIVE 79.8 MILLION GEL IN COMMERCIAL ADVERTISING REVENUE IN 2021**

Commercial advertising revenues of the Georgian broadcasters increased by 30% in 2021 compared to the previous year, amounting to 79.8 million GEL (\$25.8 million), the Communications Commission revealed in May.

The regulatory body responsible for broadcasting and electronic com-

munication said commercial advertising revenues of TV stations had increased by 18.4 million GEL (\$5.9 million) compared to last year’s 61.4million GEL (\$19.8 million).

In 2021, total advertising revenues of radio broadcasters in Georgia increased by 0.4 million GEL and amounted to 7.2 million GEL (\$2.3 million).

### **ADB: GEORGIAN ECONOMY TO SLOW TO 3.5% GROWTH IN 2022 DUE TO UKRAINE WAR**

Georgia’s economic growth is expected to slow to 3.5% in 2022 due to ongoing hostilities in Ukraine, after reaching ‘promising double-digit growth’ last year, a report released by the Asian Development Bank in April reads.

The ADB, which originally forecasted 6.5% growth in its previous publication, projected 5% growth in 2023 in view of the “increased internal and external demand, fueled by faster credit growth,” calling it a “slight recovery”.

Shane Rosenthal, the ADB Country Director for Georgia, said the country was going to see an effect from the Russian invasion of Ukraine through reduced tourism, exports, and remittances, adding



- that the Georgian government needed a “careful prioritization” of expenditures after two years of “expanded pandemic-related spending”.

The report further forecasted inflation in the country to slow to 7% in 2022 and to 4% in 2023, adding that the current account deficit was estimated to equal 10% of the gross domestic product in 2022, “with a forecasted rise in oil prices before narrowing to 7.5% in 2023.”

The ADB’s revised projections estimate a 12.1% increase in exports in 2022 and 14.9% in 2023, while remittances were forecasted to decrease to \$1.8 billion in 2022 and \$1.7 billion in 2023 due to the economic sanctions cutting growth in Russia.

#### **PASSENGER TRAFFIC IN GEORGIA UP 565% IN Q1 2022**

Georgian airports have served 700,200 passengers in the first quarter of 2022, an increase of 565% compared to the same period of last year and a 69% recovery from 2019 figures, the Civil Aviation Agency announced in mid-April.

A total of 3,978 flights were held at Georgian airports in the reported period,

with the number of regular flights equaling 2,996 and the figure for charter flights totaling 982. This marks a 207% increase compared to the number of flights in the corresponding period of 2021, and a 76.5% recovery compared to 2019, the CAAG revealed.

In the first three months of 2022, Tbilisi International Airport served 507,050 passengers (+407%), Kutaisi International Airport served 121,470 passengers (+37,047%), and Batumi International Airport served 68,474 passengers (+1,635%).

#### **ANNUAL INFLATION RATE AT 12.8% IN APRIL**

The Consumer Price Index in Georgia grew by 1.8% in April 2022 MoM, while the annual inflation rate totaled 12.8%, the National Statistics Office of Georgia announced in the first week of May.

The agency also revealed prices had increased by 5% in annual core inflation figures, excluding food and non-alcoholic beverages, energy, regulated tariffs, and transport, while the annual core inflation without tobacco totaled 5.7%.

The annual inflation rate was mainly

influenced by price changes in the following groups: food and non-alcoholic beverages (+21.3); transport (+22.4%); and housing, water, electricity, gas, and other fuels (+9.4%).

#### **OVER 500 INFRASTRUCTURE PROJECTS WORTH \$31 MILLION PLANNED FOR GEORGIA’S KAKHETI REGION**

Eastern Georgia’s winemaking region of Kakheti will benefit from over 500 infrastructure projects worth ₾96 million (about \$31m/€30m), the Ministry of Infrastructure revealed on May 11.

From solar-powered utilities to digital information initiatives co-funded by the European Union, as well as recreational spaces, irrigation systems, cultural venues and more, the region will receive both new initiatives and upgrades to its infrastructure.

#### **GOVERNMENT WRITES OFF 2021 PROPERTY TAXES FOR TOURISM SECTOR**

On April 4, Prime Minister Irakli Garibashvili announced that the Georgian government has decided to write off property taxes from the country’s tourism sector businesses. The government head noted that the decision followed studies of challenges in the sector, adding that in the global pandemic, tourism had “suffered the most.” The tourism sector, including hotels and restaurants, will not be required to pay property taxes for 2021, Garibashvili said, adding that the details of this initiative will be revealed by the country’s economy and finance ministers.

#### **GEORGIA, DENMARK SIGN SUSTAINABLE ENERGY DEVELOPMENT DEAL**

An agreement on a 2-million-euro program on developing sustainable energy in Georgia was signed in the



beginning of April between Levan Davitashvili, the Georgian Economy Minister, and Jeppe Kofod, the Danish Foreign Minister. Entitled Creating a Favorable Environment for Sustainable Energy Development in Georgia, the deal will seek to contribute to energy efficiency and renewable energy, the Ministry of Economy announced. The ministry also revealed that the Danish authorities had pledged support for the development of the country's energy efficiency via experience-sharing and the interest of Danish businesses in the Georgian market. Denmark will allocate the funds for the development of the sector in the country by 2023.

#### **GOVERNMENT TO OFFER CONSTRUCTION COMPANIES 1.5 - 2 BILLION GEL IN PROJECTS IN 2022**

The government will offer projects worth approximately 2 billion GEL (\$647million) to the construction business in the country this year, Georgian Prime Minister Irakli Garibashvili announced at the start of April. The program, which was initiated by the prime minister in February, seeks to accelerate economic growth in the country and improve its public infrastructure by investing in new development.

"We offered the construction sector to attract additional financial resources to receive guaranteed orders for construction and rehabilitation of public infrastructure," Garibashvili said.

The PM also pointed to examples, including 800 schools that are set to be renovated to "European standards" for the Ministry of Education, and said that the government aimed to begin implementing projects originally slated for 2025 this year. The projects range from the construction of half a million square meters of residential space for IDPs to



the construction of a "Police City" as well as the building and rehabilitation of law enforcement offices and projects for rehabilitating and constructing schools and kindergartens.

#### **STUDY SHOWS SIGNIFICANT PRICE HIKES IN HEALTHCARE SECTOR OVER LAST 5 YEARS**

Prices in the Georgian healthcare sector have "risen dramatically" over the last five years, with a 64% increase in prices for medication, a 35% increase for outpatient services, and a 31% increase for health insurance, a new study by the Institute for Development of Freedom of Information, a Georgian NGO, has revealed.

The report notes the price increase has been "partly caused" by the global pandemic, adding that the price of medications rose by an average of 14.6% in the first 11 months of 2021. The Georgian government spent over ₾600 million (\$194 million) on the Covid-19 pandemic's management, the report reads. Additionally, the report notes

that the spread of Covid-19 "drastically reduced" hospital visits of patients for other diseases, amounting to a 42% reduction in 2020, with hospital revenues "sharply falling" by 7% to ₾1,078,000 (\$348,885) in 2020.

The report also revealed that the real wages in Georgia's healthcare sector have not increased in the last five years despite the growth of nominal wages by 4.7% from 2016-2021, which amounted to ₾1,108 (\$358) in 2020, noting that the purchasing power of the existing wages has not changed due to high inflation.

#### **MONEY TRANSFERS TO GEORGIA UP 58.8% IN APRIL**

Remittances to Georgia from abroad equaled \$308.1 million in April, marking a 58.8% increase compared to the same period of last year, according to data released by the National Bank of Georgia.

The largest remittance senders were from Russia (\$132.98 million), Italy (\$33.4 million), and the United States (\$25.02 million), the NBG also announced.



# Three years on, Pension Agency seeks diversification in international markets

SALLY WHITE

Just three years after its fractious launch, Georgia's pension fund seems to have been accepted by the population. Internal dissent, which caused its first director to depart with the words that he would "pray for it", is history, and it has just reported a respectable set of figures. Now, with funds under management valued comfortably ahead of the agency's own launch forecasts of GEL 2.3 billion, GEL 329 million more than at inception, it is embarking on its first foray into international markets under the guiding hand of major international investment bankers, New York-based JP Morgan Chase.

There are those who wish its funds would dally a little more at home, and provide a badly needed boost to Georgia's moribund equity market—regularly, no transactions are recorded there these days, unlike in earlier times—but this is not to be. Or at least, not yet. However, September 2023 could see the Pension Fund move into the small-company end of the economy via local specialist investment funds. The fund should also be able to invest in long-term lari bonds by the time local companies issue those. A start has already been made in that companies are opening brokerage accounts at Georgian broking houses.

## ADVOCATES PUSH FOR INVESTMENT IN GEORGIA'S CAPITAL MARKET

Among those advocating that the fund should be more active in local capital markets is Otari Sharikadze, managing director of investment bank Galt & Taggart. "Considering the amount of money already accumulated, I consider it necessary for the pension fund to become an active participant in the capital market."

Of course, he adds: "It is necessary to follow certain rules that have already been introduced today, for example, that the pension fund cannot invest money in non-rated companies. But we should give the pension fund more opportunity and freedom than it has today." Discussion on ways in which the fund's universe could be expanded are ongoing.

Included in Otari Sharikadze's suggestions is that the fund's exposure to local issuers should continue to be limited and controlled, "maybe they should try to decrease the threshold of the required ratings." He welcomes the progress indicated by discussion of the pension fund investing in Georgia alongside local IFIs.

Acknowledging the Pension Fund's potential to strengthen local financial markets, Olivier Rousseau, Chairman of the Investment Board of Georgia's Pen-

sion Agency, told BM.ge in December that: "It's not our fundamental objective by the law to develop the Georgian capital markets, but it's a logical necessary implication: to better serve the participants we need more instruments in which to invest and that is exactly developing capital markets. ....and, as the Pension Agency, being able to invest in long-term lari financings, we will make a huge change to the capital markets in Georgia."

To help prepare companies to raise money in local capital markets (rather than through bank borrowings) and to widen the investments available there, education and practical help is being offered to them by Galt & Taggart, with accountancy firm BDO acting as its subcontractor. Long-term lari bonds are one of the subjects being discussed.

Funding for this eighteen-month education program is coming from one of the leading advocates of strengthening of the Georgian financial scene, the EBRD, although all the IFIs have frequently called for more backing and activity in Georgia's markets. The program includes the possibility of qualifying for a hefty subsidy (GEL 100,000 – 200,000) to cover issue related fees.

Until this spring's first diversification, the Pension Fund's activities had been restricted in the interests of safeguarding its members' money, investments being largely in Georgian bank deposits, CDs and interest-bearing current accounts - all of which are relatively high interest bearing.

## PORTFOLIO AND PERFORMANCE

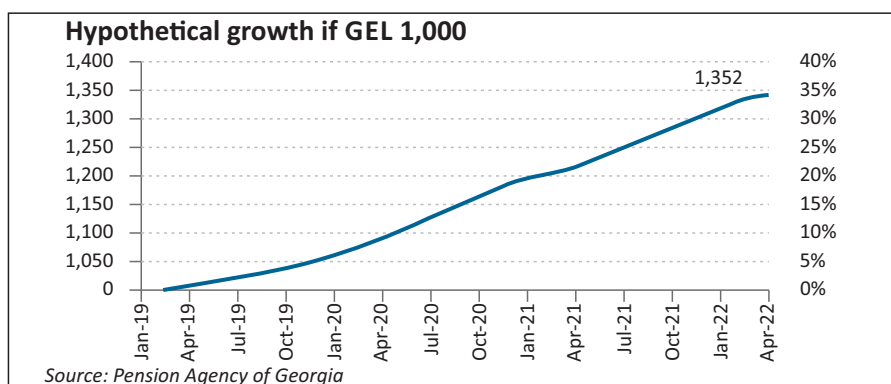
Now, with diversification started, at April's end, according to the Pension Fund, the portfolio has widened: "At present, our NAV is at GEL 2.3 billion, of which, 61% is invested in Bank CDs, 32% in bank interest-bearing current ac-

counts, 11% in iShares MSCI World ETF, and 4% in US T-bills. Fifteen percent of the portfolio is in USD and the rest is in Georgian lari. So, that means 15% of the portfolio is in foreign assets, while 85% is in Georgia,” said Pension Agency chief investment officer, Goga Melikidze.

With Georgia’s high interest rates, the performance has held up well and very comfortably above inflation levels until recently. The agency’s report to the government in March stated that the Pension Fund was showing “a profitability rate that equals to an annual 11.6%, while the profitability since the day of the launch of the fund system is at 35%...”

The new international phase has begun to take the fund into foreign currency instruments, although there is a maximum exposure of 20%. The Pension Fund, describing the MSCI World index and EFT to BM.ge, said: “This is a rather diversified index. It includes 23 developed economies. For example, the US share in the index is 68%, Japan – 6%, Great Britain – 4%, Canada - 3.5%, France - 3.2%, etc ... The index includes 1,539 companies. Companies such as Apple, MicroSoft, Google, Amazon, Tesla, Facebook, JOHNSON & JOHNSON, etc. This index covers 12 different sectors, where technologies occupy 22%, financial services – 14%, and the health sector - 12.6%.”

Currently 1.2 million people are enrolled in the pension scheme and 169,000



have exercised their right to exit (39% of those entitled to do so). There are a total of 1,809 pensioners.

Both the fund and the National Bank of Georgia say they are not worried about this inevitable exodus - it is not seen as large in the scheme of things and, in fact, was less than feared. The concept is that the population will gradually join as they can see that this is a safe way to invest; and indeed, average monthly enrollment has been running at around 10,000.

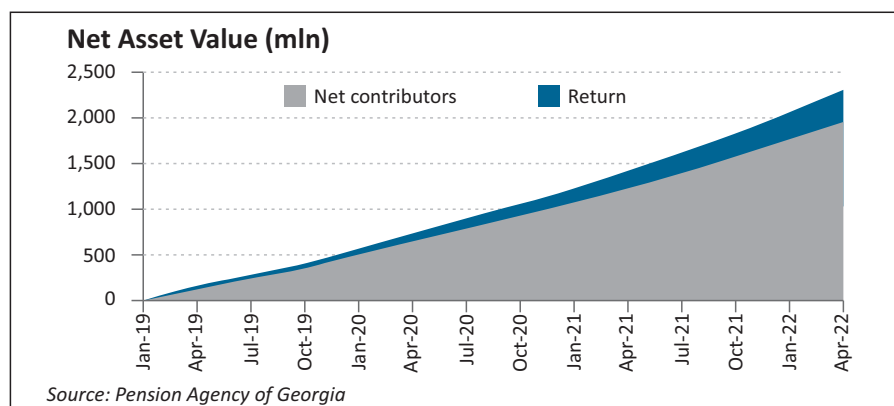
Given the relatively low level of financial knowledge in Georgia, the Pension Agency has also been busy with various initiatives to keep the public informed of its operations and achievements through the media, initiatives, meetings, and conferences. As Goga Melikidze outlined “... we actively use social media platforms (Facebook, LinkedIn) in order to raise public awareness on the details of our activities (both operational, and investment) and deliver clear and exhaustive information on the

issues of interest.” That includes monthly performance figures.

Although hard times seem likely to lie ahead, there has been no exploration as yet, anyway, of lowering contribution rates. Giorgi Nakashidze at the National Bank explained: “No such discussion has taken place yet. In general, the 2% contribution level for a mandatory pension scheme is already a low rate when compared internationally.” Indeed, according to Goga Melikidze, “... the recent trend has clarified the opposite, that is the average monthly contribution has increased compared to recent years.”

Help in formulating a long-term organisational strategy for the agency is coming from USAID, but meanwhile on the investment front, what is next for the pension fund? In terms of capital markets, it can now move as much as 20% of its money into global equities, and there is a new whopping 60% limit for bank certificates of deposit. “Although, we may invest in local GEL denominated corporate bonds aggressively”, comments Goga Melikidze.

The mandate for the first five years of the Pension Fund is that it should create a low-risk portfolio. In 2022, financial market gyrations internationally have conspired to inject risk into almost all investments and as Georgian inflation rates soar above 12%, the population’s focus on the agency’s so far excellent performance will inevitably sharpen.





# Batumi bottleneck puts Adjara on the map as birding destination



WHAT STARTED AS AN IDEA FOR A SMALL ORNITHOLOGY PROJECT HAS GENERATED, THREE DECADES LATER, A FAST-GROWING ECOTOURISM BUSINESS FOR ADJARA AND ONE OF THE WORLD'S MOST IMPORTANT BIRDING LOCATIONS.

SALLY WHITE

This is the monitoring of a million and a half raptors - 34 species of eagles, ospreys, vultures, buzzards, kites, sparrowhawks, falcons and harriers - and hundreds of thousands of other birds that has become a bi-annual event at the "Batumi Bottleneck". Their migration routes bring them through this Georgian crossroads as they navigate between African winter feeding grounds and Eurasian spring breeding areas, which has opened up a whole new branch of tourism for this part of Adjara.

The Batumi Raptor Count (BRC) began as merely a monitoring organisation when it was established in 2008, but, it says "after realising the scale of the hunting pressures that migratory birds face in the region, BRC's mission has now expanded to that of a conservation and monitoring NGO." As part of this work it has been promoting local guesthouses where visitors can watch the spectacle of more than 50,000 raptors migrating in a day while directly contributing to the local economy. "This has helped us gain support among the villagers to reduce the illegal hunting of birds."

Right now, the BRC is calling for volunteer coordinators and counters to spend at least 14 days on the watch sites at the villages of Sakhalvasho and Shuamta, north of Batumi, during the two-and-a-half month autumn migration season. This year it runs from August 12 through to October 21. "Novice as well as experienced counters are welcome", it says (more information on this opportunity can be found at <https://www.batimiraptorcount.org/volunteer>). The BRC is also, of course, seeking funding, and a target of EUR 20,000 has been set for 2022 - which is well on the way to being met.

Since internationally there are tens of millions of "birders" (the popular term for bird-watchers), mostly among the well-off middle classes, the BRC is proving to be a money-spinner. At the same time, by creating local HoReCa business, helping develop home-stays, guesthouses, and small hotels, it has made a substantial impact on the local communities and is providing an incentive that helps to protect the birds from widespread illegal shooting.

## EDUCATION EFFORTS SEEK TO ENGAGE LOCALS IN CONSERVATION EFFORTS

The need is dire, as illustrated by the following encounter at a recent count between an ornithologist and a young local falconer: "We were near one of the watch sites chatting about the weather when he broke off to cock his gun and sent a volley casually into a flock of low-flying honey-buzzards. He then turned to pick up our conversation again," the aghast ornithologist told the online journal [BritishBirds.co.uk](http://BritishBirds.co.uk). Until 2008, it was not only the number of migrating birds that was unknown, but also the size of the illegal carnage. The Georgian carnage numbers are still uncertain but

most likely run in the tens of thousands, and Georgia is just one section of the migration route.

Raptors are threatened with extinction in many parts of the world. For example, in North Africa, according to the Swiss-based International Union for Conservation of Nature, half of the raptors breeding there are threatened. A combined report from researchers at several U.S. universities, The State of the World's Raptors: Distributions, threats, conservation and recommendations states that "...18% of raptors are threatened with extinction and 52% have declining global populations." This, it warns "is concerning, not just because ....the reduced abundance of raptors can have cascading effects on ecosystems... sometimes acutely impacting human well-being because of their scavenging behaviour" as well as allowing rodent populations to thrive.

Historically, migrating birds have

been hunted to capture live birds for Georgia's thriving age-old tradition of falconry. Falconers trap juvenile Eurasian sparrowhawks and goshawks to train. Some are killed for food, or most often, surveys found, are shot just for pleasure, according to the report "Mapping the conflict of raptor conservation and recreational shooting" by academics at Hungary's European University.

The BRC has ambitions to increase its local conservation impact not only by promoting western Georgia's avitourism but also working with local schools and universities. Its team has been "putting Batumi on the map as a top birding destination during spring as well as autumn; to expand our reach to other communities in the region by developing educational materials and supporting teachers in establishing 'bird clubs'; and to build an alliance with traditional Georgian falconers as stewards for raptor conservation..... The more

people that visit Georgia because of the raptor migration, the more alliances we can build with Georgian stakeholders."

Money from WWF Holland is financing a training program to help relationship-building with young falconers, and funding from British Birds Charitable Trust and BirdLife Netherlands is training teachers in environmental programs and conservation. With all these efforts, says BRC, "attitudes towards raptors have changed in our host communities." There was already a basis on which to



Raptor watch points in Adjara



Birds of prey fly over Batumi



View from Sakhalvasho raptor watch point

- work in that “hunters have a positive attitude towards hunting ethics – such as no shooting in spring and the concept of quotas.”

## BLACK SEA FLYWAY ON THE RADAR FOR BIRDERS

Twice a year, billions of birds migrate vast distances across the globe. According to BirdLife International, an international partnership of conservation NGOs, typically, these journeys follow a predominantly north-south axis, linking breeding grounds in arctic and temperate regions with non-breeding sites in temperate and tropical areas. Many species migrate within migration systems along broadly similar, well-established routes known as flyways. Recent research has identified eight such pathways: the East Atlantic, the Mediterranean/Black Sea, the East Asia/East Africa, the Central Asia, the East Asia/Australasia, and three flyways in the Americas and the Neotropics.

Batumi is in the east African-Pale-arctic migration system and on the Black Sea flyway, with many other smaller

local flyways feeding into it. Africa is “one of most important wintering regions, the birds’ destination being tropical non-breeding areas during the rainy season from August to October. There, at constantly high temperatures, rainfall promotes the development of vegetation and, consequently, determines the abundance of herbivorous invertebrates”, according to The Royal Society, the world’s oldest scientific academy.

In preparation for the flight from Georgia, substantial numbers of raptors converge in large valleys and along watershed areas in both the Greater and Lesser Caucasus range, for example at Kazbegi, the Mtkvari valley, Alazani, and the Javakheti Plateau. “The Black Sea, in combination with the lush subtropical foothills, which in the hot and humid fall produces warm updrafts or thermals, present an energetically ideal gateway for passive migrants like soaring birds-of-prey (for example thousands of Honey-buzzard *Pernis apivorus*), but also to countless more active flyers like Accipiters, harriers and falcons and other birds....”, comments a report by

Econatura in Raptor Migration and Bird Conservation Challenges along the Eastern Black Sea Coast.

According to a report in BritishBirds, Batumi was, for a time, “something of a blind spot for the international birding community.” This is despite the fact that Russian ornithologists noted the massive aggregation of migrant raptors at Batumi way back in the 19th century. More recently, Georgian anthropologist Andrew Abuladze organised counts through Georgia in the 1970s, and a number of reports commented on the volumes of migrating birds along the Black Sea coast. Counts were very limited at the end of the last century and serious efforts to prospect for a raptor count were not launched until 2007.

At that time, two Flemish biology students (Brecht Verhelst and Johannes Jansen, who still run the count) developed the idea after observing thousands of honey buzzards darkening the sky for hours on end as they flew along the bottleneck where the Lesser Caucasus meet the eastern Black Sea coast. There, they hatched a plan to conduct a two-

month autumn raptor migration survey with international volunteers, bringing in biology students from Georgia and abroad. It was effectively an international youth exchange and was funded by the EU's Youth in Action initiative (which would later become Erasmus+). The high level of raptors counted put the Black Sea flyway on the radar of bird migration enthusiasts worldwide. Last autumn, 1.4 million raptors were counted, with honey buzzards accounting for a third.

While raptors are the main focus of the count, many other species of birds are observed from the station – hundreds of black and white storks, cranes, turtle doves, pelicans, pigeons, owls, swifts, strikes, buntings, bee-eaters, orioles, nightjars and European rollers fly through - sometimes daily - negotiating the thermals and autumn's dense cloud cover.

Another attraction of the count, especially early in the season, is “the sheer numbers of birds combined with the ‘organised’ nature of the bulk of the migration. It makes for an excellent introduction to raptor identification and migration dynamics,” says BritishBirds.

Publication of the data with open access says a paper on the count from University of Amsterdam, should “reinforce the global importance of the eastern Black Sea flyway for migrant birds.” Considerable work has been put into systems to avoid double counting, automating the count, and validating the data after intensive searching for errors.

Encouragement that such projects can work can be found from the conclusion drawn in the U.S. report “The State of the World's Raptors: Distributions, threats, conservation and recommendations” as it points out that “conservation efforts have saved several raptor species from the brink of extinction”. Education is the most powerful driver for conserva-

tion, and there are a number of organisations funding it, including the U.S.-based Peregrine Fund, which runs a Global Raptor Impact Network.

Tourist revenues are, however, the raptors' best hope, persuading local populations to protect the birds. Hence, one of the important activities of the BRC is promoting it. They have even initiated a Batumi Birdwatching Festival, which this year takes place from September 2 to 8. Fortunately, birder numbers seem to be rising.

In the U.S. alone, bird-based tourism attracted 47 million people a few years ago, and interest is increasing, according to the U.S. Fish and Wildlife Service (FWS), with 38% of that number taking trips away from home. Interest was greatest, it said, “among higher income

groups” and college graduates - more so for women than men (56% as opposed to 44% were birders). The FWS gave a somewhat staggering figure for trip and equipment-related income, which generated \$41 billion and recorded total industry output of \$107 billion. Another U.S. study from the USDA Forestry Service found similar birder numbers. In Europe, the UK registers the largest number of birders, with spending put at around \$500 million a year by Acorn Consulting Partnership. Moreover, 37% of all European tour operators offer birdwatching tourism.

A measure of success for BRC is that Batumi birdwatching is now well established on the tourism map - a Google search for bird-watching holidays in Georgia brings hundreds of results!



An imperial eagle spotted at the Batumi raptor count

# TBC Capital: Growth of FMCG market expected to stabilize following record pandemic gains

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

The fast-moving consumer goods (FMCG) market has represented a steadily growing segment of the Georgian economy in recent years. However, pandemic-related consumer behavior changes and inflation led the sector to record significant revenue gains in 2020 and 2021.

TBC Capital's latest report, **FMCG Market Overview 2022**, provides insights on pandemic-related trends, supply chain disruptions, and sectoral expectations for the coming years.

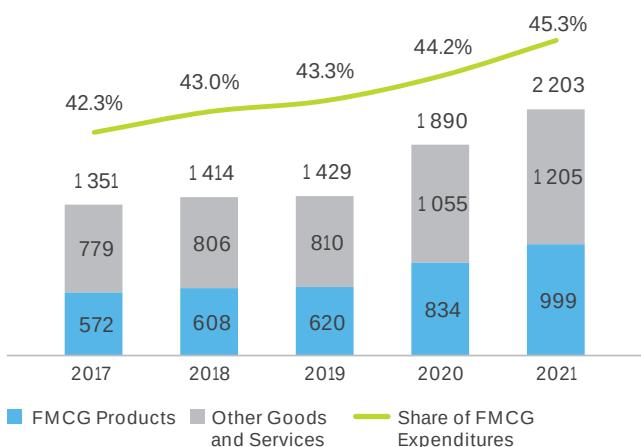
## OVERVIEW OF THE FMCG MARKET IN GEORGIA

The FMCG market in Georgia registered steady growth in the years leading up to the pandemic, with a 3-year CAGR of 6% from 2016 to 2019. Growth in the sector has historically been attributed to mild increases in expenditures by the general population and restaurants combined with rapidly increasing tourist expenditures.

However, with the pandemic came a shift in both consumer behavior and the FMCG market's revenue breakdown. When the Covid-19 pandemic hit and travel restrictions ensued, tourist expenditures in the FMCG market shrank significantly, declining 84% YoY in 2020 and only recovering to 43% of 2019 levels in 2021.

Despite this massive decrease in tourist expenditures, increased spending by the general population in Georgia led the FMCG market to unprecedented growth during the pandemic, registering revenue increases of 26% and 22% YoY in 2020 and 2021, respectively. While average monthly household expenditures continued to rise, so did the share of FMCG expenditures, which grew to 45.3% of average monthly expenditures in 2021.

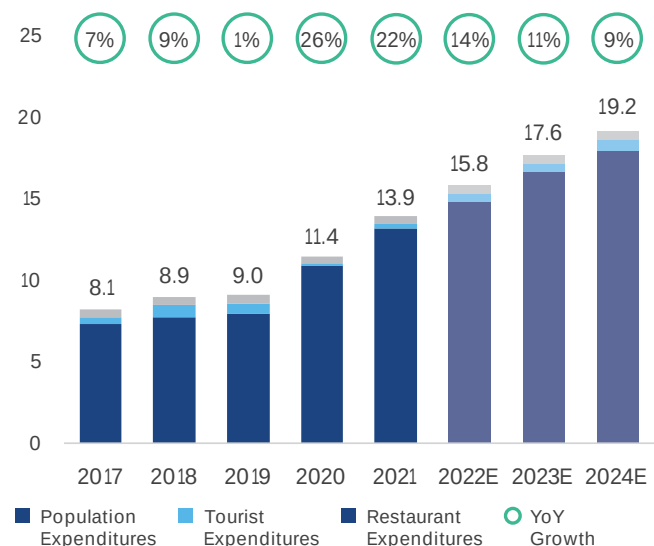
### Average monthly expenditures of household (GEL)



TBC Capital's Head of Research Irina Kvakhadze attributes this growth to two primary factors: "The pandemic created a situation where a lot of goods and services were initially restricted, leading FMCG purchases to constitute a greater share of household spending. The second driving force of this shift was inflation, which drove up the cost of goods and led many households to allocate more of their spending for primary goods."

In the coming years, TBC Capital predicts that growth in the market will continue at a steadier pace. As consumer behaviors normalize and tourist expenditures slowly recover, analysts expect more stabilized revenue growth rates of 14% and 11% in 2022 and 2023, respectively.

### FMCG market revenue breakdown (GEL bn; including VAT)



## SUPPLY CHAIN DISRUPTIONS

Inflationary issues continue to dominate headlines worldwide, and Georgia's FMCG market has seen no exception. In fact, Kvakhadze says that the country's FMCG market is expected to see even greater inflationary pressure in the coming months due to the war in Ukraine. "The most notable trend in Georgia's FMCG market right now is the pressure on prices. The pandemic had already created supply chain disruptions and caused significant price hikes, but Georgia's dependency on the Russian, Ukrainian, and Belarusian markets for goods like wheat, sunflower oil, and corn will require market substitutions. Our sectoral sources say the full price effect of these substitutions will not be fully felt until the end of this year."

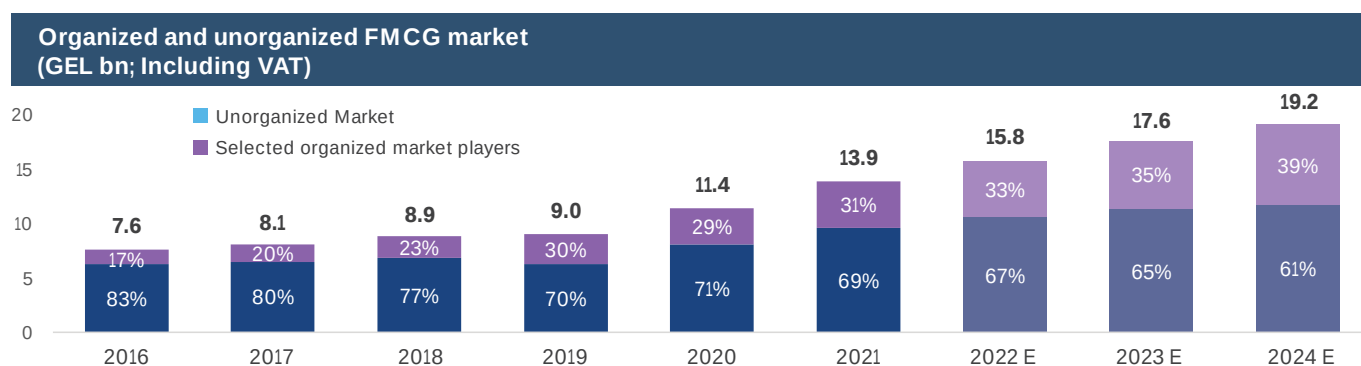
While analysts at TBC Capital warn that the rapid increase of prices may eventually have a negative effect on consumption, they also see a silver lining for the market. "While this need for substitution from other markets will have a negative short-term effect on prices, it will also push market players to diversify their source markets, which will make the FMCG sector more resilient in the long-term," notes Kvakhadze.

## GEORGIA'S ORGANIZED FMCG MARKET

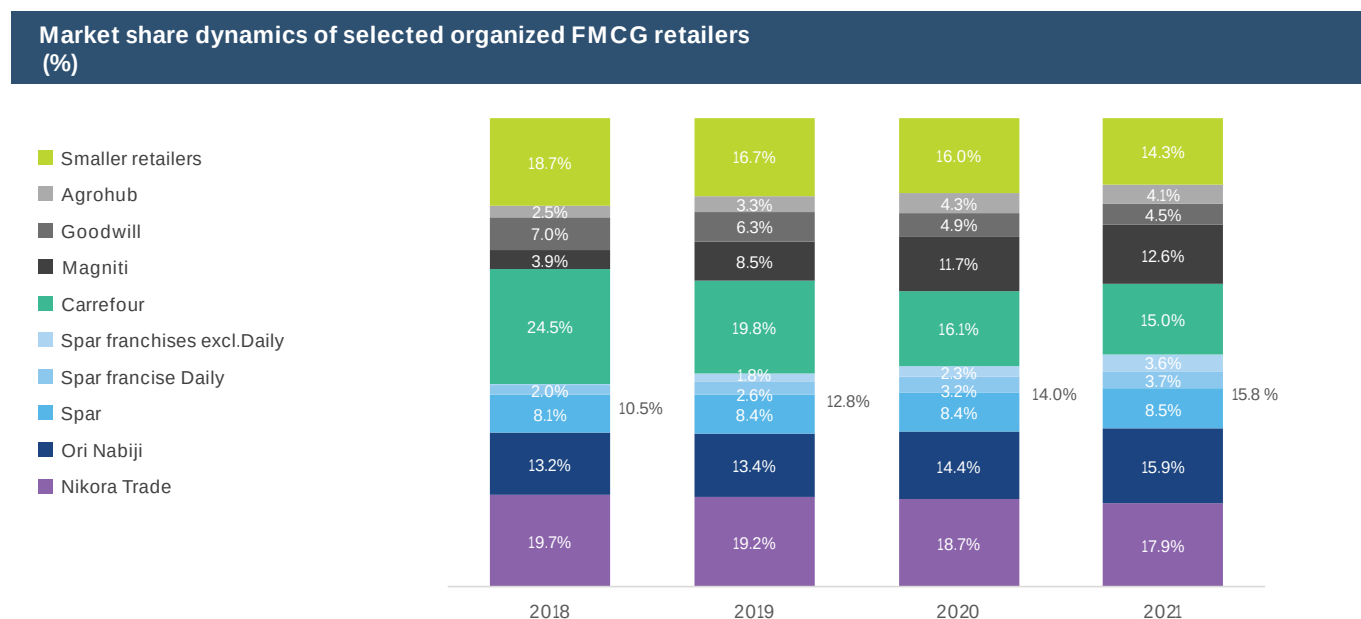
The FMCG market in Georgia continues to be dominated by unorganized actors; however, market penetration by organized retailers has showed impressive growth in recent years, particularly in Tbilisi. From 2016 to 2019, organized FMCG players increased their market share in Georgia from 17% to 30%, and

although this trend stagnated slightly at the onset of the pandemic (market share dipped to 29% in 2020), a 2% increase in 2021 indicated that the organized market's growth was back on track.

Analysts at TBC predict that this trend will continue, with organized retailers expected to make up to 40% of the FMCG market by 2024.

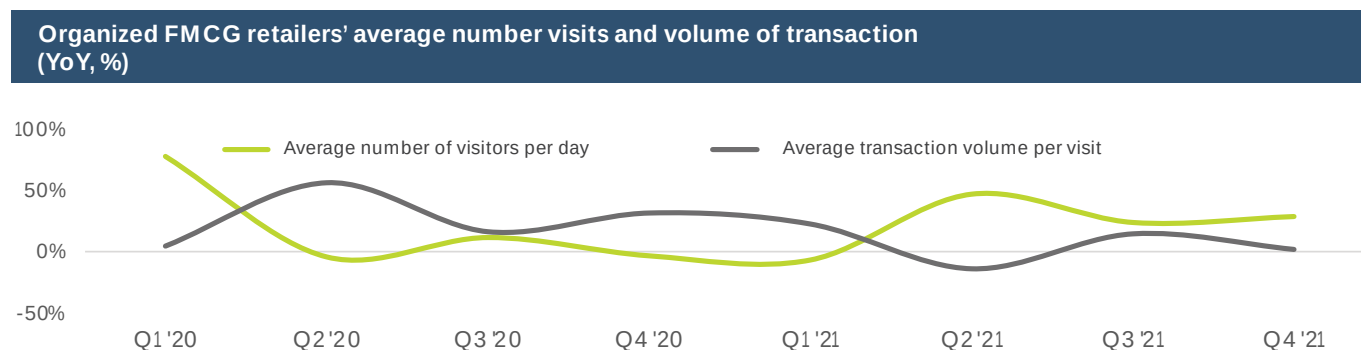


Tbilisi remains the most penetrated market by organized FMCG actors (61%), while the rest of the Georgian market remains largely untapped (organized market share ranges from 5 – 20% in the regions).



## CONSUMER BEHAVIOR DYNAMICS

Data collected from selected FMCG retailers in Georgia indicates that consumer behavior shifted at the onset of the pandemic, with Q2 2020 showing a massive drop in the average number of visitors per day at retailers and a significant increase in the average value of each transaction. While these behaviors are associated with pandemic-related closures and social avoidance tactics, data from the remainder of 2020 and 2021 shows that these behaviors have gradually reverted to their pre-pandemic norms.



Worldwide, the pandemic encouraged the rapid development of retail store digitalization, with global e-commerce sales jumping 27% YoY in 2020. In Georgia, however, the growth of e-commerce and digitalization in the FMCG market continues to lag. Data collected from transactions made through TBC Bank channels shows that only .15% of grocery purchases made in 2021 occurred online.

Despite these low figures, Kvakhadze remains optimistic about the future of e-commerce in Georgia. In addition to almost 80% of major FMCG retailers being present on third party delivery platforms, she also notes that “we do see positive, yet slow, growth in the share of e-commerce transactions.”



# Georgian gems to visit this summer

BRADEN BJELLA

## ENGURI DAM

**As a new visitor to Georgia, there are sure to be many “must-dos” on the tourist list. Of course, one has to see the off-kilter buildings of Tbilisi’s Old City, get a perfectly-timed photo of Batumi’s Ali and Nino monument, gorge themselves on khachapuri and khinkali, and maybe even scale Kazbegi for an unbeatable Facebook profile picture.**

**But for those who have made Georgia their home — or those who simply want a different lens for the country they love — there are many destinations throughout the country that haven’t yet found their way into the guidebooks. If you’ve already laid out a few summer trips to Georgia’s many hotspots, here are some of our favorite selections for nearby destinations that you need to add to your to-see list.**

Before you set out to the towering peaks of Mestia, we recommend starting your journey off with the daring heights of the Enguri Dam.

For as long as the Enguri Dam has stood in Georgia, it has been a technical and physical achievement. Located across the Enguri River near the northwestern town of Jvari, the Enguri Dam is second only to China’s Jinping-I Dam in terms of height, offering anyone who walks across its 271.5 meter-tall slope a breathtaking view of the Georgian wilderness. For years, this view was only accessible to those who worked on the dam — but now, the dam, which produces a substantial portion of Georgia’s electricity, has been given a parallel life as a tourist destination.

Visitors to the Enguri Dam receive a two-hour guided tour of the dam’s facilities, allowing guests exclusive access to an important element of Georgian infrastructure while they learn the impressive story of how this technological marvel came to be. Fans of hydrotech can ogle at the dam’s staggering scale and monumental output, while the more nature-minded can take in the awe-inspiring splendor of the surrounding area’s waters and greenery. Paired with a stop to the nearby Intsira Waterfall, a trip to the Enguri Dam is sure to inspire, amaze, and intrigue. Tickets for the guided tour are 20 GEL, with discounts given for students, pensioners and more.



celebratory place of history, health, and, as is often the case with Georgia, wine.

Visitors to Tetra Cave can experience the story of its history while breathing in its unique air, making it a perfect destination for speleo-healing. Not only that, but its consistent year-round temperature

has attracted wine-makers, and today, countless wines are aged within its pale stone walls. Those who enter Tetra Cave can not only take in the cave's well-lit beauty, but enjoy a tasting of cave-aged Georgian wine — a truly once-in-a-lifetime experience! ▶▶

## TETRA CAVE

Tskaltubo is known the world over for its spa destinations. But if you've left the spa and found you're not quite done letting loose, a stop at Tetra Cave is definitely in order. Located just 1.6 kilometers northwest of Tskaltubo, the "White Cave" — so called owing to the natural chalk limestone that lines its interior — first made international headlines when discoveries of human and animal life dating back over 300 centuries were made within its dark corners.

Today, thanks to two years of renovations funded by the European Union and the Czech Development Agency, the space has been revitalized and reimagined, casting the once dreary cave into a





## DASHBASHI CANYON

There are few natural landmarks in Georgia that parallel the beauty of Dashbashi Canyon. Lush forestry envelops the canyon, with natural and manmade paths allowing visitors to descend into the ravine to see an entrancing series of waterfalls. While Dashbashi Canyon has been an exciting destination for decades, recently, development company Kass Group has taken it upon itself to develop the land as a tourist attraction. Set to open later this summer, the new Dashbashi Canyon will feature a series of facilities and experiences. These will

include a full service restaurant, horse-back riding, a zipline, campgrounds, luxurious hotel rooms, a spa, and most eye-catching of all, a glass bridge with a diamond-shaped viewpoint and cafe at its center.

“The aim was to create an extreme, exciting, and unforgettable moment that would arouse all five senses of the guests and will manage to stay imprinted in their memory,” chief designer of the concept Tomer Mor Yosef told Georgian Journal. “The feelings at the ‘diamond’ are just impressive – it feels like you are hanging in the void and staring at God’s creation, these two massive walls of the

canyon from a 360 angle...What matters the most is that we made nature as accessible as possible to its visitors.”

The Kass Group also says they hope to have concerts and other events in the space and surrounding area. While most of these attractions are still to come, Kass Land is currently receiving guests, allowing all visitors to walk along an elevated cliffside trail before traveling into the canyon for an experience like none other. Plus, with national parks and striking nature dominating the nearby landscape, Dashbashi Canyon makes a great first stop before a trip deeper into Georgia’s wildlife.





## **“SECRET POOL” IN LAILAISHI, RACHA**

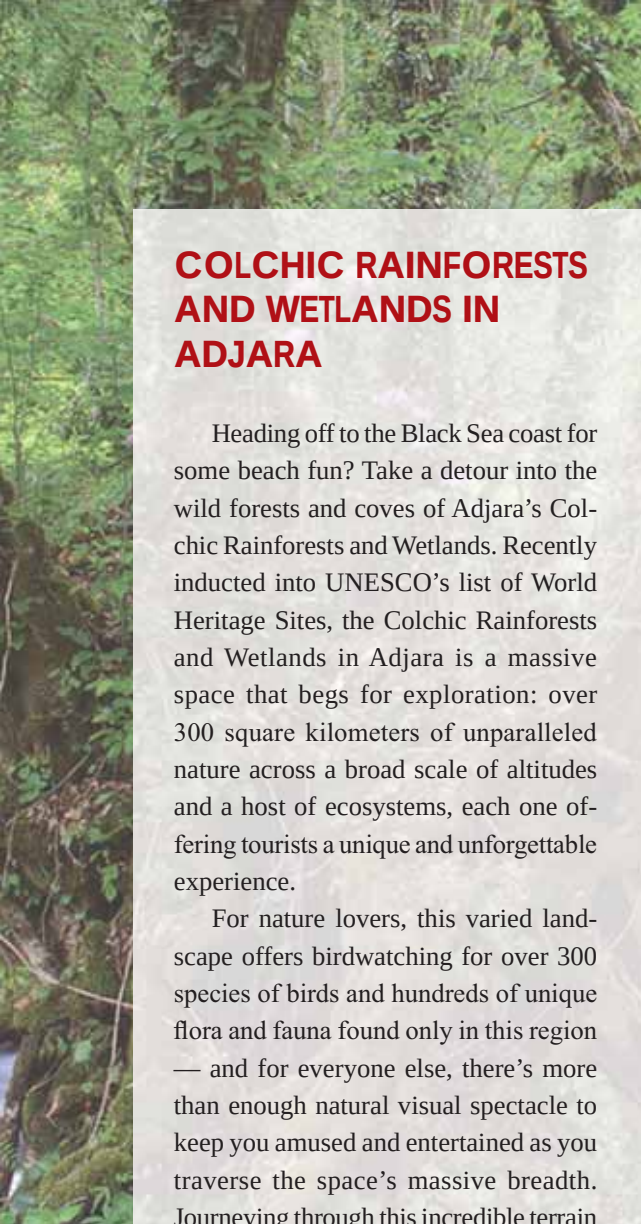
Can you keep a secret? If so, you better hurry, because this hidden spot isn't going to stay hidden for much longer. The village of Lailaishi in Racha was once a trading settlement where a diverse mix of Georgians, Jews, Armenians and Greeks lived, exchanging information and knowledge while adding to the breadth

of Georgia's multifaceted culture. While much of the buildings from that period have been lost of time, today, the area is still calling to people from all over the world and from all backgrounds — only this time, the interest is not trade, but an incomparable photo spot. Nestled among the hills of Lailaishi is a small swimming pool encircled by gorgeous Georgian forestry where numerous travelers go to take a one-of-a-kind pic. The pool is

public, so if you spend a few hours in its picturesque waters, you're sure to have a social delight unlike anything you've ever experienced before. However, if you're just in it for the peculiar swimming experience and an outstanding picture for your Instagram feed, get there early, snap your pic, and then head out into the rest of Racha, where terrific food is abundant and the naturally skyscraping wonders are second to none. ►►



## COLCHIC RAINFORESTS AND WETLANDS IN ADJARA

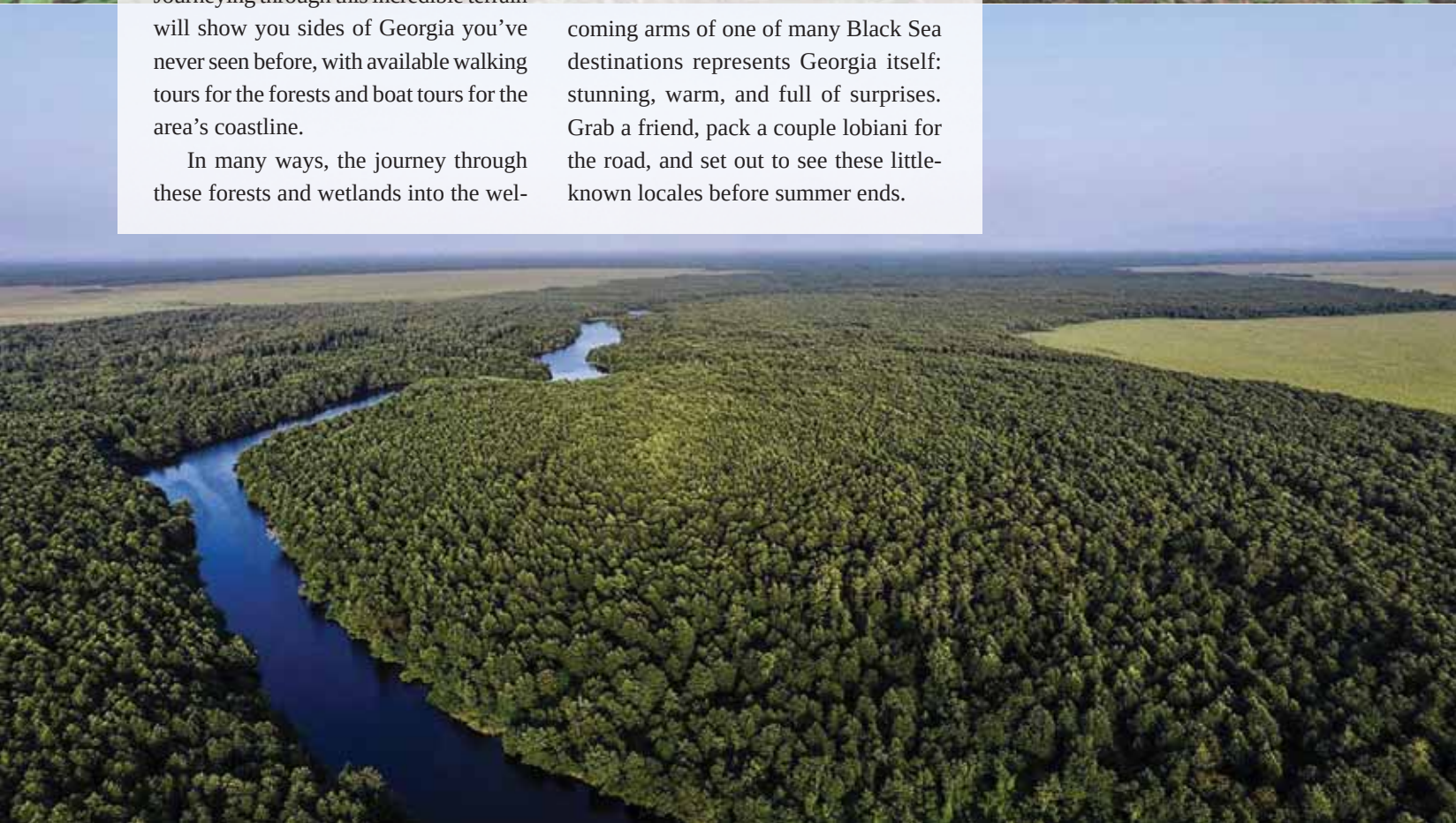


Heading off to the Black Sea coast for some beach fun? Take a detour into the wild forests and coves of Adjara's Colchic Rainforests and Wetlands. Recently inducted into UNESCO's list of World Heritage Sites, the Colchic Rainforests and Wetlands in Adjara is a massive space that begs for exploration: over 300 square kilometers of unparalleled nature across a broad scale of altitudes and a host of ecosystems, each one offering tourists a unique and unforgettable experience.

For nature lovers, this varied landscape offers birdwatching for over 300 species of birds and hundreds of unique flora and fauna found only in this region — and for everyone else, there's more than enough natural visual spectacle to keep you amused and entertained as you traverse the space's massive breadth. Journeying through this incredible terrain will show you sides of Georgia you've never seen before, with available walking tours for the forests and boat tours for the area's coastline.

In many ways, the journey through these forests and wetlands into the wel-

coming arms of one of many Black Sea destinations represents Georgia itself: stunning, warm, and full of surprises. Grab a friend, pack a couple lobiani for the road, and set out to see these little-known locales before summer ends.





# Tbilisi's real estate market reacts to influx of war-affected migrants

THOSE SEARCHING OUT A NEW PLACE TO CALL HOME IN TBILISI MAY HAVE EXPERIENCED STICKER SHOCK AT THE START OF MARCH AS EXPECTATIONS OF A LARGE INFUX OF MIGRANTS FLEEING WAR PUSHED THE AVERAGE RENTAL PRICE IN THE CAPITAL UP 20.1% MOM AND 48.4% YOY.

BUT ARE HIGH RENTAL PRICES HERE TO STAY? AND HOW WILL THE SALES MARKET BE AFFECTED? INVESTOR.GE LOOKS AT THE CURRENT STATE OF TBILISI'S REAL ESTATE MARKET AND HOW IT'S BEING IMPACTED BY THE WAR IN UKRAINE.

MACKENZIE BALDINGER

Initial predictions at the onset of war seemed to spell out dark days ahead for Georgia's economy as pundits warned that exports, tourism, and remittances could all take a huge hit as the region faced both political and economic uncertainty.

Despite these less-than-optimistic forecasts, analysts also noted that the

economy could see a boost if war-affected migrants were to relocate to Georgia. These migrants, which number between 80,000 and 120,000 according to estimates in Galt and Taggart's latest tourism report, could inject up to 110 million USD (depending on how and when the war in Ukraine is resolved) into the economy and stimulate the residential real-estate market.

## RESIDENTIAL RENTAL MARKET PRICES SURGE

Any realtor or apartment-seeker can attest that the start of March witnessed a considerable influx of interest in Tbilisi rental properties. Reports in the first week of the month showed that popular real estate site Myhome.ge witnessed a spike in searches from Ukraine, Russia, and Belarus, with more than 68,000 new users from those countries using the platform in the last week of February and the first two weeks of March.

Co-founder of Rentals.ge and Co-Chair of the AmCham Real Estate and

Construction Committee, Zurab Eristavi, says that inquiries about residential rentals at his agency reached record levels in the first weeks of March: "When the war broke out, we started receiving 500 or more inquiries a week. This was more than we see, on average, throughout an entire year."

Most common among the inquiries, he notes, were those seeking out economy price rentals. "The majority of the requests coming in were not for premium apartments but more economy flats. We do not generally offer economy flats, so we were not able to help these people, but I know that these types of flats were soon in short supply. I can say that we have higher occupancy levels than normal in the premium class market [note: apartments starting at 1,000 USD per month]-at least a 10% increase- but there is not a shortage. However, it's almost impossible to find a centrally located apartment for \$400 anymore."

Accompanying that high demand and short supply was a rapid jump in ►►

► prices, with the average rental in Tbilisi increasing 20% MoM and 48.4% YoY in March. These price hikes were most notable in central, expat-favored districts like Mtatsminda, Vake, and Saburtalo, where Eristavi says he witnessed some apartments jumping more than 100% in price from February to March. “It was not uncommon to see an apartment that previously went for \$400 now being advertised for \$800.”

And while the main districts seemed to be the most desirable for many of the migrants coming to Tbilisi, both March and April statistics show that rental prices in the outlying districts have witnessed substantial year-on-year increases as well. TBC Capital’s Head of Research Irina Kvakhadze says this is partly due to the fact that higher prices are pushing many to seek more affordable accommodation in the outer districts of the capital: “As demand and prices for central apartments have increased, many who used to be able to afford living in these districts have been forced to look for more affordable options outside of the center.”

“We also can’t discount that part of this is the market reacting to what it sees as an opportunity,” she adds. “Just

because an apartment in Gldani is advertising prices that are 72% higher than the previous year does not mean that they are necessarily getting people to rent at that price. We do expect that this factor should stabilize in the coming months as the market adjusts to the new reality.”

So, are high rental prices here to stay? A look at the April figures on residential real estate rentals seems to indicate that the market is not slowing down. Rental prices continued to surpass their pre-pandemic levels and reach record highs, with MoM growth at 21.5% and YoY growth at a whopping 83.3%. However, TBC Capital’s Kvakhadze stresses that price levels are highly dependent on the war situation: “because migration has a major impact on prices, they may fall if the situation in Ukraine changes.”

## AIRBNB MARKET REVEALS MIGRANT IMPACT

While the traditional rental market continued to heat up in April, data from Airbnb showed mixed metrics, perhaps revealing one of the best snapshots into the migrant effect on the current market. In the month of March, when much of the war-affected migration occurred,

the Airbnb market in Tbilisi saw a large uptick in bookings, with occupancy rates 31% higher than in 2019 and average daily rates up 12%.

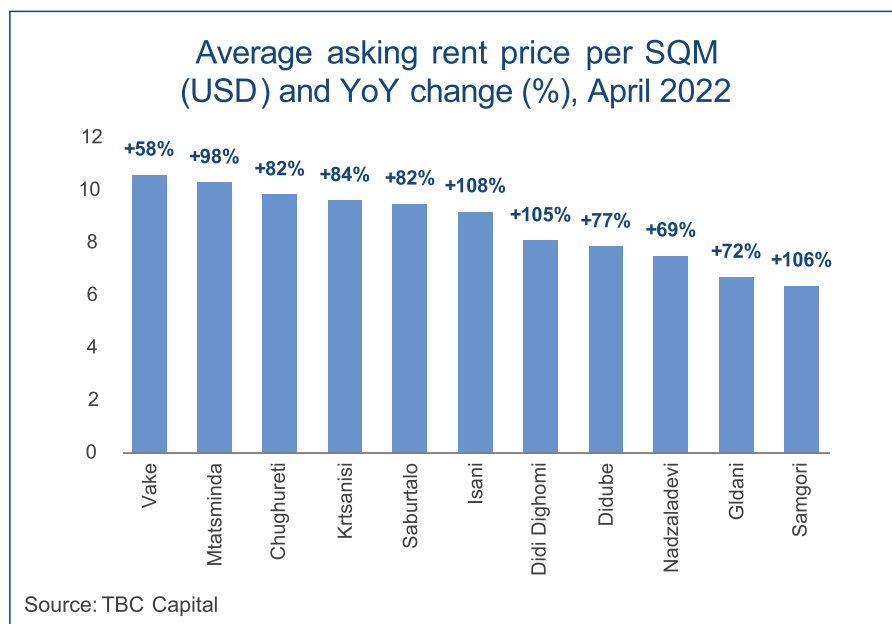
April figures showed a slump in occupancy rates, a fact that Galt and Taggart’s Head of Research, Eva Bochorishvili attributes to many migrants moving to more traditional renting agreements. “March demand was most likely due to new arrivals in the country who sought out temporary accommodation,” she explains. “Now, we see that demand is slumping.” Also interesting, Bochorishvili adds, “is the drop in listings on the platform from March to April.” This 10.2% decrease in the number of listings from month to month, she says, “is likely due to more lucrative opportunities for landlords to rent long-term instead of on Airbnb, given the current market.”

## HOW ARE RESIDENTIAL SALES PRICES BEING AFFECTED?

While some migrants impacted by the war have sought residential reprieve in Tbilisi, uncertainty surrounding the conflict has meant that many have been hesitant to sign long-term rental contracts, let alone purchase property. However, current demand has had an impact on real estate prices that had already been rising.

Before the war broke out, analysts at TBC Capital predicted that 2022 residential real estate prices would grow by 9.4% (in USD); however, data from March residential sales has already pushed that prediction up to 11%.

So, what is happening in the sales market? While not as pronounced as the growth in rental prices, sales prices in March showed MoM growth of 2% (in USD terms). April growth in sales prices was more pronounced and up 7.3% compared to the previous month. However, whether this is due to migrants purchasing property remains hard to say.





G&T's Senior Analyst Kakha Samkurashvili recently told BM.ge that one factor affecting the market is the increasing attractiveness of real estate as an investment due to high demand and rental prices. "The fact that the demand for rent has increased has a positive effect on the value of real estate as an investment product. However," he adds "a second factor, which is the instability in the region that accompanies this process – well, this factor is working against the other."

And this regional instability is doing more than just deterring foreign investment in the market. It's also affecting already high construction prices. The war has had a profound impact on the prices of construction materials, and rising energy costs are making it more expensive for new real estate development, says Samkurashvili.

Rentals.ge's Eristavi says that new building code regulations are also playing a role in increasing the costs for developers. "There is a new regulation in Tbilisi that requires high rise apartments to feature two fire exit stairwells in each building. This has decreased the size of square space that is able to be sold per building and affected profitability." All these factors – increased demand, costs of materials, and new regulations - point to rising prices for residential real estate, at least for the foreseeable future.

How high prices may go still depends largely on how long the war lasts and how permanent the relocation of these migrants is, says G&T's Bochorishvili. "It's hard to say at this point with so much uncertainty." One thing she isn't worried about? A housing market bubble. "I don't see much risk of a housing bubble," she notes. "There is an expectation that real estate prices will come up as costs rise, and this may be reflected in the rental market as well. However, if you look at the market in Georgia in recent years, we have a large supply of new construction, but we also have consistent demand."

### **COMMERCIAL PROPERTY DEALS PUT ON HOLD, DEMAND FOR COWORKING UP**

While housing demand has skyrocketed in the face of migration, Rentals.ge's Eristavi says that the situation for commercial real estate is not as straightforward. "The largest positive impact we have seen on commercial properties is from co-working spaces. Many of the migrants coming here, whether it be from Ukraine, Belarus, or Russia, are working remotely now," he notes. "So, they are in search of an immediate workspace like a coworking area."

Rusudan Chakvetadze, Regional Manager of REGUS, a coworking company with multiple branches in Tbilisi,

told BM.ge in mid-March that demand for space since the war began had gotten so high that they could not satisfy it: "Today, demand is up ten-fold, mostly from IT companies that have offices in Russia and Belarus. The main reason for the change of offices is sanctions. Both international companies as well as local Russian and Belarusian companies are looking to rent offices for their employees who move to Georgia."

Eristavi says that this trend has not carried over to more traditional commercial real estate. "We had in the pipeline a number of international companies looking for 2,000 to 10,000 square meters of office space. When the war began, most of those requests were suspended or downsized, which is a direct result of fear over regional security issues."

Despite this development, he says prices have not noticeably changed in the commercial property market. "Prices were definitely affected during the Covid-19 pandemic – however, we have not seen any drastic changes related to the war situation as of yet," he says, noting that a resolution to the war or increased interest in relocating international companies to Georgia could positively impact commercial real estate in the coming months.

*This article was prepared with the support of the USAID Economic Security Program.*

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# AmCham and brand hotels team up to reinvigorate Georgia's hospitality workforce

LIKE TO TRAVEL? WANT TO SPEND YOUR DAYS SURROUNDED BY WARM AND WELCOMING PEOPLE? HOPING TO MOVE UP THE MANAGEMENT LADDER IN ONLY A FEW YEARS? THEN HOSPITALITY IS THE INDUSTRY FOR YOU, SAY THE GMS OF GEORGIA'S INTERNATIONAL BRAND HOTELS AS THEY LOOK TO BRING IN NEW BLOOD AMID SECTORAL CHANGES.

"Never a boring moment." That's how General Manager of the Sheraton Grand Tbilisi Metechi Palace Iva Trifonov describes a career in the hospitality industry. "There's so much opportunity for growth. You can travel to different countries, meet new people, work in a luxury environment, and even become a GM at the age of 30."

It's this message of opportunity and an exciting new career path that three of Georgia's international brand hotel partners, GMT Group (Marriott Hotels), Silk Road Hospitality (Radisson Hotels), and the Sheraton Grand Metechi Palace, are hoping to impart on prospective applicants as they gear up to begin their new hospitality skills training program.

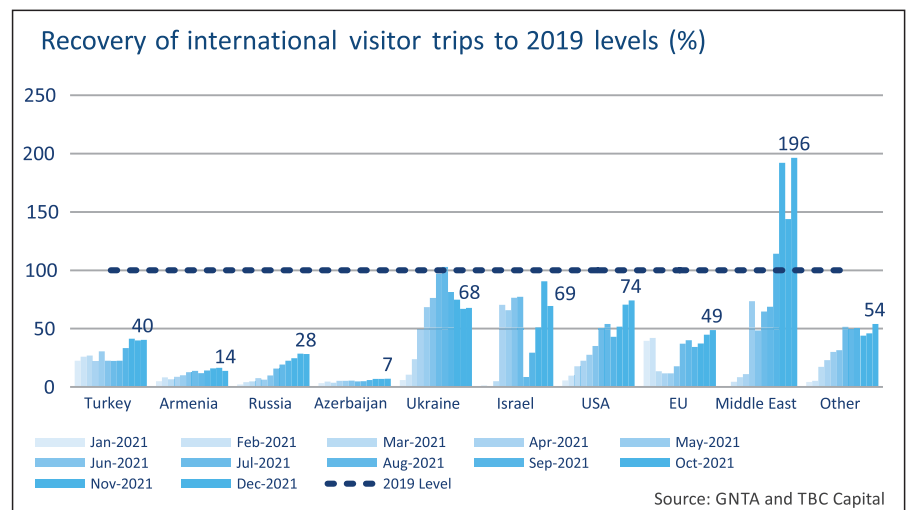
The training program, which is supported by the USAID Economic Security Program and implemented in partnership with AmCham, is part of a wider project that aims to revitalize the hospitality industry's workforce and introduce international standards of service at a crucial time as the sector emerges from the pandemic and aims to revamp its existing models.

## NEW OPPORTUNITIES FOR GEORGIA'S TOURISM INDUSTRY

Prior to the pandemic, tourism represented one of the main drivers of the

economy as Georgia continued to garner a reputation as "a good value for money" destination. However, as Covid-19 brought the tourism industry to a screeching halt, its gradual reopening also witnessed a change in the demographics of those visiting the country.

Data collected by the Georgian National Tourism Administration shows that in 2021, tourism numbers rebounded from historically less represented origin markets, like the Middle East, Ukraine, and Israel, at a much swifter rate than visitor numbers from those in neighboring countries. Notably, two of those



countries, Saudi Arabia and Israel, represent the highest revenue per visit (RPV) markets for Georgian tourism.

This growing diversification of origin destinations has also been accompanied by a shift in spending habits, according to a report compiled by TBC Capital in December. In the first ten months of 2021, the average revenue per visit increased 69%. This figure, compared to annual growth rates of approximately 3% in the years leading up to the pandemic, indicates that tourists are, on average, spending more money per trip - a shift away from the country's previous high-volume, low-value model of tourism.

And as the sector attempts to capitalize on these new origin markets and recalibrate into a more sustainable, low-volume, high-value model, a greater emphasis is being placed on integrating internationally recognized levels of service – a feat that has become all the more challenging in the face of major sectoral staff shortages.

The pandemic's multiple closures and prolonged restrictions led to layoffs and left many in the industry unsure of its reliability as a career path. "The last couple of years have been unprecedented for the hospitality industry," says AmCham Tourism Committee Head and Marriott General Manager Cameron McNellie. "We had to make some tough decisions, and it's been difficult to bring back the existing workforce. Now, however, we are facing two years of pent-up travel demand that we've got to be ready for. We need to show people how cool it is to work in this industry, and we need to make them trust us again."

### **SKILLS DEVELOPMENT PROGRAM AIMS TO IMPACT WIDER HOSPITALITY INDUSTRY**

With this objective in mind, the hospitality skills training program, which is

set to welcome its first cohort this month, will invite up to 60 trainees to commence a five-month internship and get a glimpse of what it's like to work at an internationally branded hotel. Throughout the internship, participants will circulate through various departments, receiving more than 800 hours of on-the-job instruction from internationally certified trainers, with a focus on topics like hospitality basics, housekeeping, food and beverage service, human resources, health and safety, and sales and PR.

CEO of Silk Hospitality Jordi Kuijt says that he hopes this program will enhance the visibility of the sector as a desirable career path and dispel the common misconception that the only opportunities in hospitality revolve around the most visible jobs, like reception and housekeeping. "Within hospitality, there is really a wide variety of jobs available in service, but also in the technical side – IT, accounting, sales, and marketing."

And in addition to raising awareness of the various avenues available for those wishing to embark on a career path within the hospitality industry, the program's partners also expect the effects of this program to go far beyond the walls

of their own hotels, raising the quality of service within the wider sector.

As part of the project's activities, a job fair will be held at the end of the training program, where up to 20 SME hotels from throughout Georgia's regions will be able to recruit the internationally trained staff. It will also welcome local colleges and TVETs to attend some of the training and include online workshops led by the project's hotel partners, offering small and medium-sized HoReCa enterprises training on best international practices in hospitality.

"This project should spill over to the smaller private hotels and enhance experiences across all points of contact," says the Sheraton's Trifonov. "This will help Georgia to move from 'great value for money' to a 'great tourist experience' destination, allowing everyone to get a better return on investment. Tourism will remain the focus of the Georgian economy, and the need for qualified personnel, private entrepreneurship, and supporting services is only going to continue to grow."

*This article was prepared with the support of the USAID Economic Security Program.*



**Representatives of partner hotels participate in a panel discussion on challenges and opportunities for the hospitality sector at the project's opening event**

# How to Host a Modern Supra like Head Chef Arthur Linikevich

If the Georgian proverb that “guests are a true gift from God” does not provide enough of a testament to the unparalleled level of hospitality embedded in Georgian culture, attendance at a time-honored *supra* (Georgian feast) most definitely will. Steeped in tradition and complemented by copious amounts of Georgia's finest wine and culinary offerings, the *supra* represents a culmination of the country's vibrant heritage and cultural emphasis on the importance of coming together over a delicious meal.

But with all great traditions comes the need for exploration and innovation. Just ask Head Chef Arthur Linikevich, who recently debuted his Georgian fusion menu at the Sheraton Grand Tbilisi Metechi Palace's premier restaurant, Ati. After training and working in some of the highest rated restaurants in Latvia, England, and France, Linikevich has embarked on his latest culinary adventure, offering up a contemporary take on some of Georgia's most traditional dishes.

Investor.ge recently sat down with Chef Arthur to hear his perspective on how to create an unforgettable modern *supra* that combines international culinary techniques with Georgia's rich gastronomic history.

**On choosing the right location:** Georgian traditions regarding the *supra* rely as much on the atmosphere as their cuisine. That's why I can think of no better place to host a modern *supra* than Ati. Its location on the tenth floor of the Sheraton provides a breathtaking panoramic view of Tbilisi's old town, immersing visitors in the rich history of the country. Its interior combines a level of contemporary classic style with touches of traditional Georgian culture, which aesthetically sets the tone for a multi-sensory fusion culinary experience.

**On combining the traditional with the nontraditional:** My culinary journey throughout Europe and here in Tbilisi has really served as inspiration for this menu. When I arrived in Georgia, I found an entirely new array of dishes and flavor combinations to explore. I set out with my team to taste each traditional dish the way



that their mothers and grandmothers had served them. I then infused some of my French culinary training, staying true to the local ingredients and flavor combinations. The Georgian *supra* is traditionally served family style, but I've created a menu centered around individualized portions, which has given me the opportunity to innovate in terms of

presentation. Let me give you one example. Georgian cuisine is known for its acidity. So, in creating my version of *chikirtma* soup, I wanted to explore this taste in a novel way. I constructed lemon and lime caviar, which is served atop our chicken dumplings and pulled smoked chicken. As hot broth is poured over the dish, the caviar melts slightly. But, when

you take a bite, you experience these small bursts of acidity, which play around in your mouth, offering a classic Georgian taste in a new and exciting way.

Even after debuting the new menu, I've continued my exploration into the nuances of Georgian cuisine. Just last week I took a trip to Imereti to meet local chefs and study the flavors and culinary techniques endemic to the region. I am looking forward to bringing these discoveries to the table soon to share with our guests.

**On choosing the right dishes:** When holding a modern supra, the key is to bring contemporary elements to your dishes while paying homage to the brilliance of Georgian traditional gastronomy. Let's take my signature dish, for instance – the crispy cod. This dish is all about maximizing the use of local ingredients. My deep-fried cod is stuffed with local *dambalkhacho* cheese and mushroom butter, served with fresh Kakhetian truffles alongside a locally sourced porcini mushroom puree. And of course, we cannot forget our mini shrimp *khinkali*, which provides a modern twist on the classic Georgian dumpling. Served alongside oyster mushrooms and a cognac mousse – now, whether you wish to use your hands and eat this dish the traditional way, that is up to you!

**On choosing the right wine:** While the traditional supra experience centers around a *tamada* (toastmaster) that offers toasts throughout the event with his wine of choice, Ati prides itself on offering the finest Georgian and international wine pairings to complement the flavors of each individual dish. Our restaurant manager may offer a white, dry Kisi to complement my crispy cod or a Saperavi to accompany our take on the classic *shkmeruli* – or you can choose a more traditional *gevri* wine offered by our local partners.

**On finishing the meal on the right note:** Every good tamada understands the importance of sending guests off on the right note. My personal recommendation for ending any modern supra would have to be our Tvishi wine jelly. This dish is especially sentimental to me because it evokes memories of childhood deserts prepared by my mother in Latvia. The jelly is created from semi-sweet Tvishi wine and infused with tarragon as well as local lemons and oranges. It's served with poached peaches and topped with whipped cream and a tarragon garnish. Fresh, light, and a little boozy- the perfect final toast!





# Galt and Taggart: outlook sunny for summer tourism season despite regional uncertainty

LEAD: GEORGIA'S PEAK TOURIST SEASON IS JUST GETTING UNDER WAY, WITH WARMER WEATHER EXPECTED TO BECKON AN INCREASING NUMBER OF TRAVELERS AND ADDITIONAL REVENUE FOR LOCAL BUSINESSES. HOWEVER, THE ONGOING WAR IN UKRAINE AND REGIONAL SECURITY CONCERNS HAVE LEFT MANY WONDERING WHAT THIS SUMMER SEASON MAY LOOK LIKE FOR THE TOURISM INDUSTRY.

G&T'S LATEST REPORT TOURISM IN GEORGIA: MONTHLY MARKET WATCH APRIL 2022 EXPLORES THE LATEST FIGURES AND THE WAR'S EXPECTED IMPACT ON THE INDUSTRY IN THE MONTHS AHEAD.

## VISITOR NUMBERS AND TOURISM REVENUE

The month of April registered international arrivals of around 214,000 people, a figure that was up 160% YoY but stood at only 39% of its 2019 level. The largest share of visitors came from Turkey (16.8% of total visitors), followed by Russia (15.6% of total visitors) and Armenia (15% of total visitors).

While international arrival numbers continued their gradual recovery, tourism revenue rebounded at a notably faster rate, with data from Galt and Taggart's latest report revealing that March and April registered the highest levels of revenue recovery since the pandemic began, coming in at 71.3% and 70.6%, respectively, compared to the same months in 2019.

This mismatch in recovery between visitor numbers and revenue, while existent for some time, has become more pronounced since the outbreak of war in Ukraine, says G&T's Head of Research Eva Bochorishvili. "The general trend we see is that international arrivals are seeing slight growth, but we have seen a significant increase in tourism revenue since March."

This, she notes, is partly due to the way data is being collected. The Georgian National Tourism Administration (GNTA), which reports on visitor numbers, only counts those who have come and left the country in its tourism statistics. This has left the sudden influx of war-affected migrants (which G&T estimates is in the range of 80,000 – 120,000 people from Ukraine, Russia, and Belarus) omitted from this figure. However, data compiled by the NBG on tourism

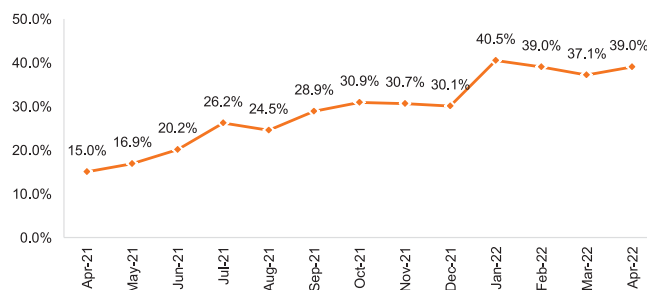
revenue is inclusive of spending by these migrants, which has led to a significant bump in revenue numbers.

### Apr-22: Int'l visitors (tourists and same-day) by country, persons

|                       | Apr-19         | Apr-21        | Apr-22         | % change, 2022 vs 2019 |
|-----------------------|----------------|---------------|----------------|------------------------|
| Turkey                | 95,063         | 21,106        | 35,959         | -62.2%                 |
| Russia                | 113,138        | 8,518         | 33,556         | -70.3%                 |
| Armenia               | 94,391         | 8,331         | 32,228         | -65.9%                 |
| Georgia (Nonresident) | 35,809         | 8,253         | 20,936         | -41.5%                 |
| Israel                | 14,343         | 10,098        | 15,709         | 9.5%                   |
| Ukraine               | 11,991         | 5,922         | 13,018         | 8.6%                   |
| Azerbaijan            | 99,073         | 5,287         | 11,360         | -88.5%                 |
| Belarus               | 2,348          | 1,463         | 7,507          | 219.7%                 |
| Kazakhstan            | 5,621          | 1,639         | 6,032          | 7.3%                   |
| Iran                  | 10,505         | 1,024         | 5,994          | -42.9%                 |
| Uzbekistan            | 1,237          | 2,711         | 3,291          | 166.0%                 |
| Germany               | 5,670          | 657           | 2,787          | -50.8%                 |
| Poland                | 4,761          | 265           | 2,087          | -56.2%                 |
| USA                   | 2,887          | 650           | 2,013          | -30.3%                 |
| India                 | 5,243          | 553           | 1,964          | -62.5%                 |
| Others                | 47,681         | 6,042         | 20,203         | -57.6%                 |
| <b>Total</b>          | <b>549,761</b> | <b>82,519</b> | <b>214,644</b> | <b>-61.0%</b>          |

Source: GNTA

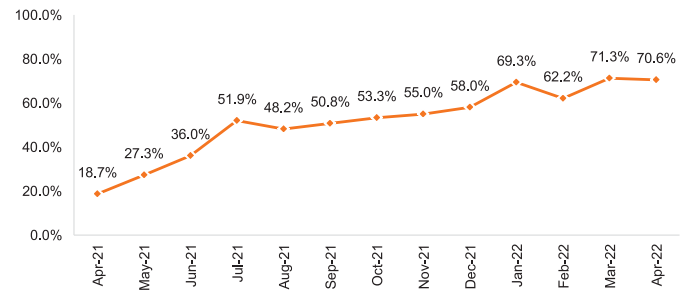
### Recovery of int'l visitors as % of 2019-level



Source: GNTA

Note: Total international visitors combine tourist (overnight stay) and same-day visits.

### Recovery of tourism revenue as % of 2019-level



Source: NBG

Note: Data include migrants' (from Russia, Belorussia and Ukraine) spending from March 2022.

## MIGRANT IMPACT ON AIRBNB DEMAND

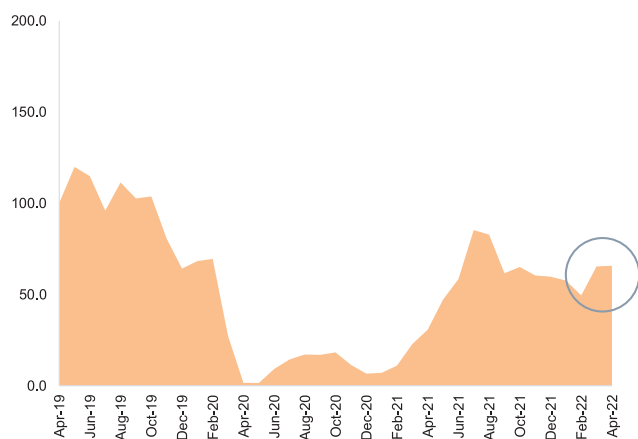
Another notable trend that can be gleaned from the March and April data is the impact that the war-related migration is having on the short-term rentals market. The Airbnb market in Tbilisi took a significant hit during the pandemic, but March data revealed a substantial recovery, with demand reaching 91% of March 2019 levels, a trend that Bochorishvili says is unsurprising. "This increase in demand is most likely due to the fact that migrants coming to Georgia sought out short-term accommodation before finding long-term accommodation." April data revealed a drop in demand compared to the previous month (63% of its 2019 level), which could be attributed to the possibility that conflict-related migration is slowing as the war in Ukraine enters its third month. Also noteworthy was the reduced number of listings present on the platform in April, down 10.2% compared to March, a trend that G&T analysts attribute to the current high demand and appeal of inflated rental prices in the long-term rental market.

## THE HOTEL INDUSTRY

As the sector prepares for its busiest season, G&T's report shows slight growth in the hotel industry, albeit significantly less than what the Airbnb market registered, a deviation that analysts again attribute to the migration situation and its minimal effect on hotel occupancy.

POS payments in medium and large hotels in Tbilisi recovered to 65.7% of 2019 levels in April, while hotels in Adjara experienced a more significant boost as seasonal demand increased, registering POS payments that outperformed their 2019 levels and grew 115.6% YoY.

### Pos payments in medium and large hotels in Tbilisi, index, Apr-19=100



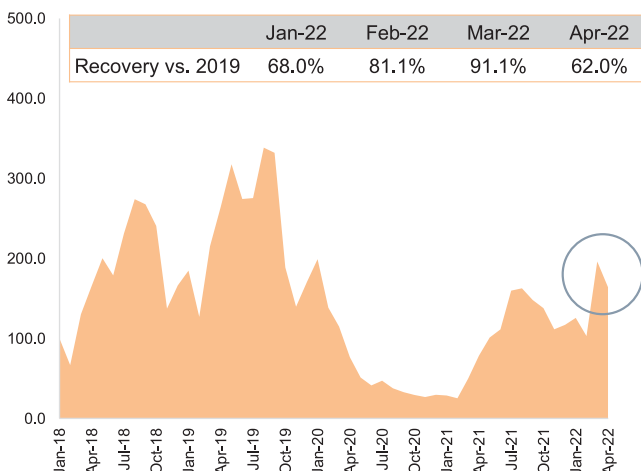
Source: BoG, Galt & Taggart Research

## LOOKING AHEAD

Going into the summer months, G&T's head of research says sunnier days could be ahead for the industry. When asked if she sees regional security issues as having a significant impact on Georgia's peak tourist season, Bochorishvili expresses cautious optimism.

"We have heard reports of tourists, particularly from Europe, that have canceled their bookings in Georgia

## Airbnb rental demand in Tbilisi, index Jan-18=100

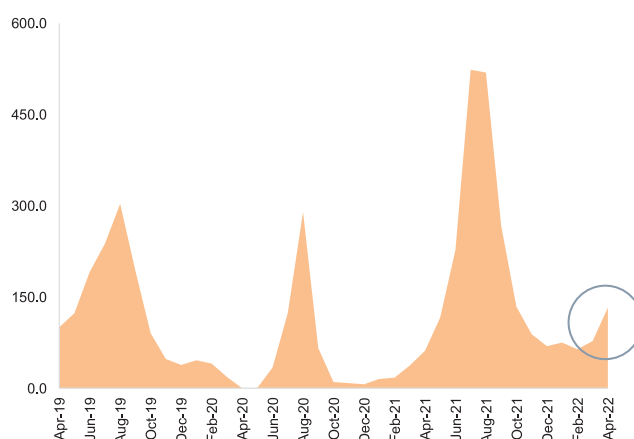


Source: Airdna

amid the regional uncertainty. However, we have seen Georgia's tourism market continue to diversify in recent years, with a significant amount of interest coming from the Middle East. We have reason to believe that even if one source market is affected, increased interest from others can help compensate," says Bochorishvili.

"We can also report that the migrant effect on tourism revenue has caused us to positively reassess our forecasts." While G&T's pre-war prediction for 2022 originally expected tourism revenue to recover to 85% of its 2019 level, the outbreak of war in February led analysts to downgrade

### Pos payments in medium and large hotels in Adjara, index, Apr-19=100



Source: BoG, Galt & Taggart Research

their expectations to 75% recovery in a timely resolution scenario and 60% if the war is prolonged. "So much has changed," Bochorishvili notes, "that these scenarios are no longer relevant. The April data supports a recovery of 75% this year. However, revenue levels have continued to outperform expectations, so we cannot rule out the possibility that the migrant effect may push this figure back to its pre-war forecast of 85% recovery."



# Drifting: Georgia's latest (and loudest) sport skids onto the international scene

THE 140-DECIBELS HOWLS AND SCREECHES FROM SMOKING TIRES AS THE CUSTOM-BUILT RACING CARS GYRATE AND SKID AROUND THE TRACK -THIS IS WHAT FIRST STRIKES SPECTATORS! THEN COMES THE SIZE AND AGE OF THE CROWDS – THOUSANDS OF (MOSTLY YOUNG) PETROL-HEADS! THIS IS DRIFTING, GEORGIA'S FASTEST GROWING SPORT.

SALLY WHITE

In the next few years, millions of lari will be spent building dedicated circuits of international standard across the country to add to the brand new arena at Lilo and the established facilities at Rustavi.

But drifting is becoming more than a sport in Georgia; it is a burgeoning consumer industry with accumulating ancillary activities. Put together those watching the drivers at the tracks plus the followers on social media, according to Sandro Lomadze, president of the



Graphic depicting the new Motor City planned at Lilo

Georgian Automobile Sport Federation (GASF) and a racing driver himself, and you can get up to a million fans.

“Our plan is to expand the motorsport infrastructure in Georgia, and build four compact race tracks which can be used for Drift, Rally Cross and Kart,” says Sandro Lomadze. Following on from the Lilo Arena plans is one in Kutaisi, for which talks with investors have already started, and then Kakheti and Adjara.

While there are official drift races at the Rustavi International Motorpark, it does not have a dedicated drift track. At Lilo Arena (on a site near the Kakheti

side of the market), Tbilisi City Hall has allocated over nine hectares for the construction of a multi-functional motor complex, including a drifting circuit that is sophisticated enough to host international drift competitions. A formal grand opening is planned for September, although the main track is finished and races have already started.

Official backing has come, as the aim of the project is not only for professional racing, but to help move reckless amateur street-racing to a safe and organised space and provide driving training. The sport and its major players are big public

advocates of safe driving and backers of road safety initiatives. (Racing already gets support from the government in the form of tax exemption for racing cars, and the municipality was happy last year for Tbilisi to host an international drift race through its streets, though Covid-19 complications led to its cancellation.)

The first stage of Lilo completed, next will come an off-road track and a children's off-road zone along with training areas, other motor-related activities, catering, and the necessary parking. The cost of the whole project is put at around \$5 million and the time period estimated for completion is around five years.

Georgia's most famous drift driver, multi-time champion and vice-president of the GASF, Mevlud Meladze, who devised the idea for the Lilo complex, announced to journalists last year that the 2023 European Drifting Championships will be held at Lilo Arena. Its architecture

contains ideas from top tracks around the world, with state-of-the-art design incorporating difficult corners, jump sections, and flat-out layouts.

As Sandro Lomadze describes, this layout "gives us the opportunity to bring into Georgia international competition series in 2023-24, such as Drift Masters European Championship, the FIA International Drift Championship, and the FIA RX World Championship" (The FIA is the Fédération Internationale de l'Automobile, the governing body of much motor racing, including Formula 1). Along with that comes the pay-offs for Georgia of badly needed upmarket tourists, drift car manufacturing, and export opportunities as well as a higher country profile.

#### DRIFTING DEFINED

So, what is drifting? As described by drifting journals and websites, it is

a driving style in which the driver uses the throttle, brakes, clutch, gear shifting, and steering input to keep the car in a state of oversteer while manoeuvring from turn to turn. Drifters emphasize car control by coordinating the amount of counter-steer (or opposite lock) with the simultaneous modulation of the throttle and brakes to shift the weight balance of the car back and forth through the turns. Also, they strive to achieve this while adhering to the standard racing lines (or designated "clipping points" if drifting in competition) and maintaining extreme slip angles. Aficionados say it is the most difficult, demanding, and exciting way to drive a car on a track.

Competitors in races must complete a pre-defined course and are judged on how close they get to "clipping points", as well as their car's set up, speed (faster is better and time is irrelevant), driving strategy, and style. Following individual



Vakho Khurtsidze, one of Georgia's leading professional racers



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runs, winning drivers are paired against each other for twin battles, the aim being for the chase driver to follow the lead driver as closely as possible - the high point of the meetings as cars speed at 160 km/hour-plus while just 10 - 15 cm from each other. The essence is superb control and for spectators, loads of adrenaline rush!

Drifting, which began as informal racing in the 1970s on the twisting mountain roads of Japan, gave drivers ample scope to refine new control techniques. When drifting first took off, it was hardly legal and very much underground, which added to the excitement generated. It gained even more popularity after the release of the 1995 manga series Initial D, which highlighted the world of illegal Japanese street racing first in magazines and then on TV and films. It is now an accepted part of the world motor racing scene, with both professional and amateur drivers (female as well as male) competing.

Japan retains a strong influence, with Japanese cars dominating. Drift cars are usually light-to moderate-weight rear-wheel-drive coupes and sedans offering a wide range of power levels, and internationally, drifters use local versions of the most popular cars. The main modifications are to the drivetrains, clutches, gears, brakes, steering and suspension; a racing seat and five-point harness are also installed. Tires typically used by drifters are around the DOT tread wear of 200, which makes them one of the greatest expenses for racers.

Sponsors are a diverse bunch globally and range from tire and car manufacturers and petrol companies to alcohol and soft drink firms (the Red Bull energy drink company sweeps the field with heavy international sponsorship.) In Georgia, as can be seen from the logos on social media and the cars around the tracks, similar types of companies are backers here, too, with SOCAR being a major sponsor and Wissol also backing championships. Tire companies are also among the sponsors, as is the microfinance group Euro Credit. SOCAR and Euro Credit, among others, sponsor whole teams.

"For many years, the leading product and major industry direction of the company has been auto loans and finances and we have a very good understanding in this field. The number of people interested in motorsport is increasing daily", Euro Credit's Mikhail Nonikashvili told BM.ge last autumn. As proof, he pointed to the FIA Rally Star Georgia's qualifying round, which was held in four parts, each of which drew 100 drivers.

What woke Georgia's petrolheads up to the delights of official drifting (as opposed to the nation's widespread amateur efforts on wet, windy and mountain roads) was the coverage this century in international films, ads, and social media. It is

a very showy sport. As online magazine [grassrootsmotorsport.com](http://grassrootsmotorsport.com) comments: “ Drifting is seen as an adrenalized expressway to the youth market, and its brink-of-control drama made for terrific photo stills and video to spice up any advertisement.”

## GEORGIAN RACERS WELCOME INTERNATIONAL INTEREST

There are, says Sandro Lomadze, 69 professional racers registered in Georgia and 130 amateurs (male and female). Leading personalities include, as well as Mevlud, Nodar Kodua and Vakho Khurtsidze.

Mevlud, now 50 and still racing internationally, has long been a promoter of motorsports after spending his early years winning international prizes competing in martial arts. It was his success in international drifting competitions in recent years that has helped put Georgia on the map of world drifting, says Sandro Lomadze. However, Mevlud has also made a very public point of campaigning for road safety and works as a driving instructor and advisor to, among others, the Ministry of Internal Affairs and its police academy.

Two other highly successful, younger drivers who are winning through to international competitions include his former pupil Nodar Kodua (24) and, a few years older, Vakho Khurtsidze.



Irakli Pipia participates in the Khoni Drift Series

Georgia’s vibrant drifting scene and low costs have attracted not just international spectators, but those seeking racing training as well as foreign buyers for modified cars. One of the ways professional drivers support themselves is to modify and sell cars to foreign enthusiasts. Latvian racers are regular buyers as drifting is highly popular there, but engineering work to modify cars in the Latvian market costs considerably more. Though, one of the appeals of the sport is that it is just as possible to compete with a \$10,000 car as it is with a \$200,000 one.

The lifestyle of a professional drift driver is expensive, and not for sybaritic reasons: the bills for car modification and especially for tires are steep. As Irakli Pipia (31), one of the successful professional drivers, says: “..owners of racing cars spend \$50,000-100,000 during the racing season.” So, not only do the professionals have to run a second

career to support themselves, but they also need sponsors. Pipia trains new drivers, sells drift cars, and helps to manage a 20 hectare vineyard. And for those entering international competitions, the costs are even higher - hence the value of government help.

Unsurprisingly, he welcomed the plans for the new arenas which, by attracting greater crowds along with a rising number of amateurs and professions drivers, will “ ... make this sport more interesting for companies and encourage them to sponsor more drivers than they are doing today.”

A drifter since his early teens, Irakli is fervent about the attractions of the sport: “To understand why people like drifting, you must visit an event and feel that energy and atmosphere, see how two cars are drifting (dancing) and touching each other - you will remember that all your life.”



# **BLC** Founding Partner **ALEXANDER BOLKVADZE** on the Georgian legal market: **then & now**

Interview by **Rusa Tchkuaseli**,  
Legal Director of BLC Law Office

I recently sat down with Alexander Bolkvadze, the founding and senior partner of BLC Law Office, to get his perspective on how the legal market has changed in his 27 years of practicing law. Alex founded BLC in 2000 and is now a senior partner at the firm. He is recognized as Eminent Practitioner by Chambers Europe since 2017 and entered the Legal 500 Hall of Fame in 2018.

#### **What excites you most about the legal profession?**

It is a compelling intellectual profession. It requires a tremendous amount of hard work, so one needs to be passionate. I feel very satisfied when I help a client foresee potential risks and can prevent or mitigate them. I also feel a great deal of usefulness when finding solutions to a problem that looks hopeless at first glance. It is the added value which we create for the client that excites me most about the legal profession.



*It is the added value which we create for the client that excites me most about legal profession.*

#### **How do you think the profession has changed since you started practicing as a lawyer?**

I started my legal practice in 1994, a few years after Georgia gained its independence from the Soviet Union. Back then, we designed a tailored and fit-for-purpose roadmap for first-to-market investments. We handled the first privatization, M&A, concession, and IPO transactions in Georgia. In parallel, we were continuously involved in the process of drafting of primary and secondary legislation in unregulated areas. We served the first FDIs on the market - those were very interesting times for the country and for the legal profession.

Today, the practice is more sophisticated, and the competition is far stronger. The legal practice is no different to any other business. We compete with not only local but also international players. The increased use of technology and entrance of Georgian businesses to foreign markets has also shaped our practice.



*Back then, we designed a tailored and fit-for-purpose roadmap for first-to-market investments*

### How would you describe the firm's current market position?

BLC is the market leader and a go-to firm in many practice areas, such as energy & infrastructure, banking & financing, capital markets, M&A, and dispute resolution. For many years now, leading legal editorials such as Chambers & Partners, Legal 500, and IFLR1000 put BLC in Tier 1 / Band 1 for all practice categories included in the editorials' Georgia rankings.

I often do what I call a "reality check". I look up recent medium to large transactions on the market to see if we were present in such deals, and it gives me much pleasure to say that we are (except in cases when we are not able to act due to a conflict of interest). This exercise gives me a better sense of our market presence, which is remarkable.



***BLC definitely is the market leader and a go-to firm in many practice areas...***

### How do you differentiate yourself from your peers in the industry?

Our firm has the overall ability to provide sound, precise, and pragmatic advice while simultaneously delivering the expected results. I strongly believe that robust and solution-oriented legal advice is what actually helps our clients in their decision-making process. Perhaps our client testimonials say it best:

*"Very open minded, dynamic, and solution-driven individuals."*

*"We have been working with BLC for many years already, and their expertise, knowledge, attention to detail, and ability to deliver good results has been consistent and top notch."*

I must add here that I could not have been prouder of the BLC team of solution-oriented, remarkable professionals. The hard-working team we've put together over the years is one of my greatest achievements. We do not hire partners; instead, we promote internally and grow organically.



***I strongly believe that robust and solution-oriented legal advice is what actually helps our clients in their decision-making process***

### The year 2020 was marked by the start of the Covid-19 global pandemic. What do you think are the most important lessons for the legal community that came out of the pandemic?

History teaches us that regardless of difficulties, the world moves forward. The ability to adjust in the long term to new businesses models, like the work-from-home regime, while still delivering the same quality of work is key. The fundamental lesson learned during the Covid-19 pandemic is that law firms should embrace technology as an essential tool for efficiency.

### How do you see the legal practice changing in the next 10 or

### 20 years?

At the international level, new technologies will change the legal practice, albeit not replacing human judgment in the near term. While some tools create an opportunity for significant cost savings, others require new investments. New regulations for blockchain technology, smart contracts, and crypto mining will certainly bring new legal challenges as well.

At the regional level, I believe that the Ukraine-Russian war will radically shift the regional dynamics and will inevitably result in more investments coming our way. Georgia has never been this close to EU membership. This in itself will result in further approximation of Georgia's legal system towards the European Union's, both at the legislative and institutional level.



***I have confidence that we have the right footprint in Georgia and great potential to expand regionally***

As for BLC, I have confidence that we have the right footprint in Georgia and great potential to expand regionally. Eventually, all good things will happen at the right time!



**Alexander Bolkvadze**  
Senior Partner of BLC Law Office

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## AMCHAM HOLDS FUNDRAISING EVENT FOR UKRAINE



On April 15, AmCham Georgia organized a fundraising social event for Ukraine at Rooms Hotel Tbilisi. AmCham First Vice President Irakli Baidashvili, the Charge d’Affaires of the Ukrainian Embassy Andrii Kasianov, and U.S. Ambassador Kelly Degnan all spoke to members about the importance of the

current conflict and as well as the need for continued support from Georgia and America for Ukraine. The event also sold Ukrainian-flag themed items and photographs by Ukrainian photographers. Over 120 AmCham members attended and we raised over 130, 000 GEL. Slava Ukraini!

## AMCHAM HOSTS MINISTER OF ECONOMY



On April 28, AmCham Georgia hosted a business roundtable meeting at the Courtyard by Marriott Tbilisi with the Minister of Economy and Sustainable Development of Georgia Levan Davitashvili and Deputy Ministers Genadi Arveladze and Irakli Nadareishvili. All three guests discussed the current activities

and future plans of the ministry. The presentation was followed by a Q+A, which covered a wide range of issues.

The event was held in a hybrid format, which allowed participants the chance to attend the meeting either in person or online.

## AMCHAM COCKTAIL RECEPTION AT MERCURE HOTEL



A cocktail reception was hosted by AmCham Georgia on May 6 at Mercure Hotel Tbilisi.

AmCham First Vice-President, Mr. Irakli Baidashvili greeted guests and announced updates as well as upcoming

events for AmCham. Members used the opportunity to reconnect with friends, colleagues, and fellow representatives of member companies while enjoying cocktails and Georgian wine along with delicious food.



# AMCHAM LAUNCHES HOSPITALITY TRAINING PROGRAM WITH PARTNER HOTELS



As part of the celebration of 30 years of diplomatic relations between Georgia and the United States, the launch event of “Best Practices and International Standards to Hospitality Industry” was held on May 11th at the Tbilisi Marriott Hotel.

The event was attended by U.S. Ambassador Kelly Degnan, Deputy Minister of Economy Mariam Kvrivishvili, and representatives of the hospitality industry. During the event, the general managers of the program’s partner hotels discussed

existing challenges as well as opportunities in the sector and underlined the main goals of the initiative.

The new program aims to strengthen the standards for the hospitality and tourism sectors by establishing internationally certified training courses and paid internships for up to 100 participants. It is being implemented by AmCham in partnership with GMT Group (Marriott Hotels), Silk Hospitality(Radisson Hotels), and the Sheraton Grand Tbilisi Metechi Palace.



### Business and Technology University LLC Corp B

Business and Technology University (BTU) represents a higher education and research unit in the country of Georgia that combines and integrates business and modern technology and supports development of innovative and creative entrepreneurial markets locally and globally. BTU unites University, school, regional technological hubs, business incubator and accelerator, IT academia, media centers, research center, AI, Industry 4.0, blockchain and cyber security labs.

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



### Tegeta Motors LLC Corp B

Tegeta Holding is the largest automotive Georgian company in the Caucasus Region and Central Asia. The company offers customers a full range of automotive ecosystems, including light, heavy and construction. Further, commercial, passenger and industrial transport is available. Tegeta has 29 service centers country-wide. The holding conducts international trade on four continents. Tegeta exclusively represents auto brands Porsche, Volvo, Toyota and Mazda. The holding's partners are truck and special equipment premium brands, among them MAN and JCB. Tegeta is the largest importer of more than 300 leading automobile brand products in Georgia, including Bridgestone, Michelin, Varta, Bosch, Shell, Motul, Pirelli and others. Tegeta Holding is today one of the largest employer in Georgia, with around 2,500 employees.

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



### Primera Golf and Residence LLC Corp B

Primera Golf & Residence LLC is a development company, the principal activity of which is development of Tbilisi Hills Golf and Residences complex. Tbilisi Hills Golf & Residences is a unique project which combines golf courses and a residential real estate complex, which has no analogs in the residential real estate market in the Caucasus region. The project covers 331 hectares of land able to host up to 10,000 residents. The real estate portfolio of the complex includes exclusive land plots, private houses, and premium class apartments with spectacular views of Tbilisi and the Shavnabada Monastery.

The pride of the project is an 18-hole golf course with an area of about 60 hectares. It fully complies with international standards and hosts international tournaments. The adjacent restaurant with an open-air terrace offer one of a kind European cuisine. Tbilisi Hills Golf & Residences was developed by a team of professionals, who have created a lot of modern and respectable residential compounds in different countries of Europe. Only high-quality and eco-friendly construction materials are used in construction.

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



### Webster University Georgia Non-profit

Webster University was founded in 1915 as a private nonprofit entity, headquartered in St. Louis, Missouri, USA. Webster Global Network has more than 50 branches in more than 10 countries in North America, Europe, Asia and Africa. Webster University opened its new campus in the country Georgia, and will receive its first students in fall semester 2022.

Webster University Georgia is fully authorized internationally by HLC and in Georgia by the local MOE. Webster Georgia offers fully accredited (HLC) undergraduate and graduate programs in three directions: Business administration, International relations, Mass Communications.

[www.webster.edu](http://www.webster.edu)



### TCA LLC Corp B

TCA Airlines was founded in 2012 by pilots to level up travel experience and ensure maximum quality and safety of flights. During this period until 2022 the company operated 11,895 flights, which is 65,195 flight hours, in 71 destinations worldwide.

Dynamics, speed, time and distance, accessibility and simplicity, the pursuit of comfort and harmony have become an integral part of the modern world. The aspiration of TCA Airlines customers to feel the real difference, to help them achieve their goals, to create a safe environment and conditions tailored to them individually is the core value and main mission of company. Services include:

Helicopter (Agusta A-109K2 and Airbus H125 Helicopters):

- Transfer of passengers to any direction of Georgia as well as to neighboring countries.
- Tourist route services.
- Extreme tourism / Sports tourism services.
- Shipping of cargo and oversized cargo.

- Rescue operations.

- Medical evacuation services

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- Transportation of passengers by private Jet to almost any country in the world, offering the highest quality service on board according to the world standards.

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Special thanks to all the contributors to the magazine, especially our member companies for their contributions, AmCham Georgia staff and all our contributors.

This magazine would not be possible without your help.



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Investor.ge is printed by CEZANNE

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