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HONEY

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STARTUP KEEPS SOCIAL
MISSION AT ITS CORE

BOLNISI MUSEUM – A GEM IN
KVEMO KARTLI

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A Magazine Of The American Chamber Of Commerce In Georgia

ISSUE 85

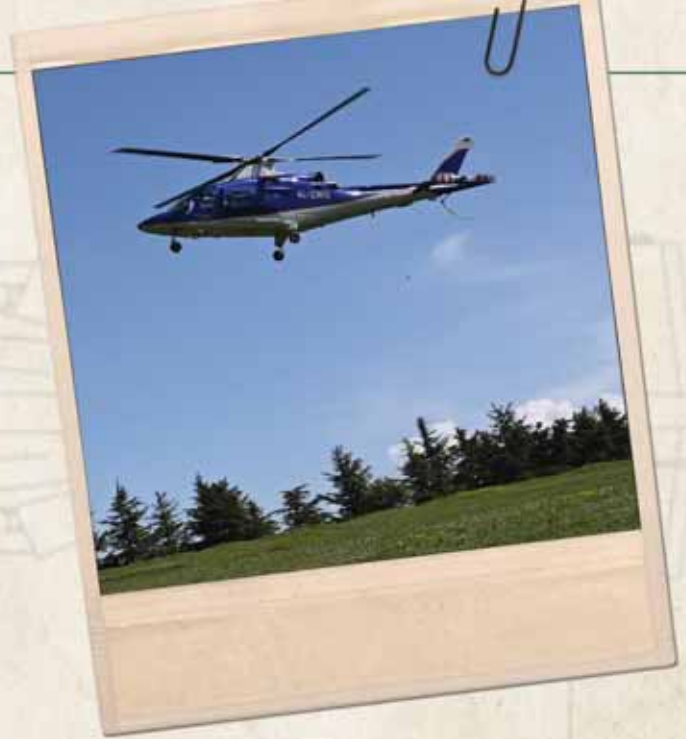
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A photograph of a man and a woman seen from behind, looking out at night. The man is wearing a white sailor's cap and a dark jacket with a light-colored fur collar. The woman has long brown hair and is wearing a light pink sweater. They are standing in front of some trees with warm, orange lights in the background. Other people are visible in the blurred background.

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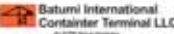
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Investment News

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

WORLD BANK: GEORGIAN ECONOMY TO GROW 5.5% IN 2022 AND 2023, 5% IN 2024

The Georgian economy is projected to grow 5.5% in 2022 and 2023, followed by 5% growth in 2024, according to the June edition of the World Bank's Global Economic Prospects report.

The Georgian economy has "shown resilience to the economic shock induced by the Russian invasion of Ukraine so far, with the growth forecast for 2022 upgraded to 5.5% from an earlier forecast of 2.5% at the start of the war in March. The resilience is driven by the strength of the services sector, particularly in tourism, with a strong recovery in the year through May," the report states.

As for Georgia's neighboring countries, the World Bank forecasts that Armenia's economy will grow by 3.5% in 2022, Azerbaijan will grow by 2.7%, and Turkey by 2.3%. Russia's economy is projected to shrink by 8.9%.

According to the latest GDP data published by the National Statistics Office of Georgia, the estimated real GDP of Georgia grew by 2.6% YoY, while

average real GDP increased by 10.8% between January-April.

\$43 MILLION ADDED TO STATE BUDGET THROUGH PRIVATIZATION SALES IN 1H 2022

Privatization sales brought in over ₾127.5 million (\$43.3 million) to the Georgian state budget in the first two quarters of 2022, the National Agency of State Property announced in June.

The privatization plan in the reported period was fulfilled by 108%, the agency said, adding that the amount of money transferred to the budget had exceeded the initially planned sum by about ₾10 million (\$3.4 million).

A total of ₾26.3 million (\$8.9 million) was transferred to the budget of local self-government units and ₾1.1 million (\$392,897) to the budget of Georgia's Autonomous Republic of Adjara.

Additionally, the data provided by the Agency showed state-owned properties worth ₾34.8 million (\$11.8 million) were sold in the first quarter of 2022, while in the second quarter of this year the figure stood at ₾92.7 million (\$31.5 million).

GEORGIA, QATAR SIGN AGREEMENTS TO BOOST TRADE, ECONOMIC RELATIONS

Georgia and Qatar are strengthening trade and economic relations by signing two agreements on Mutual Support and Protection of Investments and on Economic, Trade and Technical Cooperation, the Georgian government announced in late June. The deals were signed following a meeting between Georgian Prime Minister Irakli Garibashvili and Khalid bin Khalifa bin Abdulaziz Al Thani, the Prime Minister and Interior Minister of Qatar. Garibashvili also met Mansoor Bin Ebrahim Al-Mahmoud, the Chief Executive Officer of Qatar Investment



Authority, to discuss Georgia's investment environment and the country's prospects of becoming a financial hub.

ANNUAL INFLATION RATE AT 13.3% IN MAY

The Consumer Price Index in Georgia increased by 1.1% MoM in May 2022, while the annual inflation rate equaled 13.3%, according to the National Statistics Office of Georgia. The agency also revealed prices had increased by 5.9% in annual core inflation figures, excluding food and non-alcoholic beverages, energy, regulated tariffs, and transport, while the annual core inflation without tobacco amounted to 6.7%.

PMC RESEARCH CENTER RELEASES MAY JOBS REPORT

May witnessed a 5% YoY increase in the number of people receiving a monthly salary in the country, according to a report published by PMC Research Center in late June. The report showed a decrease in the number of individuals on a ₾600 (about \$206) wage (24.3%, which is down 5.3% YoY) and an increase in the number of individuals on a ₾2,400 (about \$827) wage (16.7%, which is up 4.3 % YoY).

From December 2021 to May 2022, the total number of vacancies posted on Jobs.ge website amounted to 33,703, which is 67% higher compared to the corresponding period of 2020-2021.

A breakdown of vacancies by categories was as follows: 11,339 vacancies posted under technical/logistics jobs; 9,635 vacancies in sales/procurement; and 7,123 vacancies in administration/management.

The unemployment rate in Georgia increased by 2.1% in 2021 compared to the previous year and reached 20.6% across the country, data from Geostat shows. The highest rate of unemployment was observed in the 15-19 age group (52.2%), while the indicator has traditionally been lowest in the 65+ age group (6 %) due to the 'low activity' of the population in this age group.

WORLD BANK: GEORGIA'S BANKING SECTOR 'AT FOREFRONT' OF GOOD CORPORATE GOVERNANCE

Georgia's banking sector has been 'at the forefront' of implementing good corporate governance practices and helping to strengthen the country's economic and financial development, says a report released in June by a joint World Bank-International Monetary Fund program.

Produced as part of the program of Reports on Observance of Standards and Codes, the report says that since the Association Agreement between the European Union and Georgia came



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- into force in 2016, the legal and regulatory framework in Georgia has undergone ‘a total transformation’ with regards to corporate governance and is now ‘closely aligned’ with good practices.

World Bank Regional Director for the South Caucasus Sebastian Molineux says that over the past 20 years, Georgia has achieved ‘noteworthy progress’ in improving the country’s corporate governance framework.

“For example, [the Government has accomplished this] by adopting the new Law on Entrepreneurs and three corporate governance codes. To ensure these improvements contribute to economic growth, we believe the focus should now be on effective enforcement of the new framework, with a particular focus on improving corporate governance practices of state-owned enterprises, as well as continuous capacity building among regulators and companies to enhance corporate governance in Georgia”, Molineux added.



TBILISI, BATUMI AIRPORTS AMONG TOP 10 IN EASTERN EUROPE

Two major Georgian airports - Tbilisi and Batumi - have named among the top 10 airports in Eastern Europe, airport operator TAV Georgia announced on June 20.

TAV Georgia said Tbilisi International Airport had been ranked fifth in



the Skytrax World Airport Awards index, with Batumi airport ranked sixth. The company said the latter airport had been ranked for the first time in the awards, while Tbilisi airport was in the index for the ninth straight year.

EXPORTS REACH RECORD MONTHLY HIGH IN MAY

Georgia exported a record \$504 million of goods in May, marking a 48% increase compared to the same month of the previous year, Geostat announced in June.

Turkey (\$1.02 billion), China (\$783.1 million) and Russia (\$764.2 million) were the top trading partners in total external trade turnover from January-May 2022, preliminary data from the National Statistics Office of Georgia shows.

Georgia’s top trading partners by exports in January-May 2022 were China (\$362.8 million), Azerbaijan (\$224.1 million) and Russia (\$210.3 million), while the top trading partners by imports were Turkey (\$830 million), Russia (\$553.9 million) and China (\$420.3 million).

The top three export items were: copper ores and concentrates (\$465.9 million and 22.1% of total exports), ferro-alloys (\$285.7 million and 13.5% of total ex-

ports), and motor cars (\$191 million and 9% of total exports).

Exports of domestically produced Georgian goods were also up 37.5% YoY from January to May 2022 and valued at \$2.11 billion, according to Geostat.

COMMUNICATIONS COMMISSION, SPACEX DISCUSS LAUNCHING STARLINK SATELLITE INTERNET IN GEORGIA

The Communications Commission of Georgia and representatives of SpaceX Starlink satellite internet project discussed the prospects of launching access to the service in Georgia in mid-June, the Commission has announced.

The Commission’s Ekaterine Imedadze said SpaceX was working to explore ‘niches of interest to it’ in the Georgian market and preparing for a commercial launch of Starlink internet in the country.

“I think this fact [launching Starlink internet] is a very important event for the country and the telecommunications sector, as after its introduction, satellite internet will be available in Georgia and it will open a window for the future development of the innovative digital services market,” Imedadze said.

In its statement, the Commission said

access to Starlink would be ‘particularly important’ in remote mountainous regions of Georgia and settlements without broadband internet coverage.

1.2 MILLION GEORGIANS SPEND \$71 MILLION ON DOMESTIC TOURISM IN Q1 2022

About 1.2 million Georgian citizens aged 15 and above made 1.3 million monthly visits within the country in the first quarter of 2022 and spent ₾210 million GEL (about \$71.43 million), the latest data published by the National Statistics Office of Georgia shows.

The figures showed the monthly average number of visitors increased by 13% compared to the same period of the previous year, while the monthly average

expenditures increased by 14% YoY, Geostat said. The average expenditure per visit increased by 2% and equaled ₾152.2 (about \$52).

GEORGIAN AUTHORITIES ADOPT IMF-SUPPORTED PROGRAM TO ADDRESS MACROECONOMIC STABILITY

The Georgian authorities have adopted a program supported by the International Monetary Fund focused on addressing macroeconomic challenges of the country, Bo Li, the Deputy Managing Director of the IMF, said on June 22.

Li said the IMF’s new three-year \$280 million Stand-by Arrangement would be treated by authorities ‘as precautionary’, with the program aiming to

rebuild fiscal buffers while reducing debt and ‘protecting the vulnerable.’

“The authorities recognize the importance of adhering to the fiscal rule to anchor policy credibility and are targeting full compliance with the fiscal rule’s deficit ceiling by 2023,” Li said. He added strengthening public financial management and reforming state-owned enterprises would also help to mitigate fiscal risks.

Praising the monetary policy of the National Bank of Georgia, which he said was focused on ‘bringing down high inflation’, Li still warned that ‘given Georgia’s vulnerability to spillovers from the war in Ukraine,’ he expected inflation to increase and the current account deficit to widen.

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Successful Partnership with Ford & Jaguar Land Rover – GT Motors Annual Summary

GT Motors has been actively cooperating with world brands for 15 years already. At this stage, the company represents the leading brands in the automotive industry, among them Ford, Jaguar, Land Rover and Suzuki, in Georgia, exclusively.

Despite the difficulties caused by the pandemic, 2021 was a successful year for GT Motors. As a result of the intensive work of the team, the company signed an important agreement with Ford Motor Company. Hence, from 2022 “GT Motors” became an authorized importer of Ford not only in Georgia, but also in Azerbaijan. From this year, the company is a regional representative of the world brand and will open a new showroom in Baku, Azerbaijan.

2021 was also a successful year in terms of cooperation with Jaguar Land Rover. This brand has been recognized by GT Motors several times as one of the best representations in the region. The region includes countries such as the United Arab Emirates, Saudi Arabia, Qatar, Morocco, Jordan and Oman. There are strong dealer companies operating in these countries and that is why the recognition of GT Motors as one of the best representatives is of special importance.

The company has hit the top five overall in the last two years, and in the top three in terms of customer service. The result of this successful and fruitful collaboration is that Jaguar Land Rover has chosen the name of a Georgian seaside town for one of the most expensive colors of the all-new Range Rover.

GT Motors intends to arrange a car service space in Batumi to create maximum comfort for customers. This year, in addition to the pandemic, the world is facing another challenge. The Russia-Ukraine war is a great tragedy for the whole world, especially for this region. GT Motors emphasizes that they support Ukraine and the Ukrainian people and try their best to help.



Ukrainian designer Etnodim featured on Phubber's app

Phubbing for Ukraine: Georgian e-commerce startup keeps social mission at its core

PHUBBER HAS OPERATED WITH A CENTRAL MISSION TO PROMOTE SUSTAINABILITY SINCE ITS INCEPTION IN EARLY 2019, SAYS CO-FOUNDER GIORGI CHUGOSHVILI. BUT AS THE COMPANY CONTINUES TO EXPAND, SO DO THE CAUSES IT ADVOCATES FOR. *INVESTOR.GE* RECENTLY SAT DOWN WITH CHUGOSHVILI TO TALK ABOUT PHUBBER'S MISSION, STARTUP SUCCESS, AND ITS RECENT CAMPAIGN IN SUPPORT OF UKRAINE.

MACKENZIE BALDINGER

The concept, akin to similar models already popular in the U.S. and EU, was to create an online marketplace that would allow those living in Georgia to buy and sell secondhand apparel and accessories. By doing so, says co-founder Giorgi Chugoshvili, users would be able to promote circular fashion and decrease their negative environmental impact.

"Around 100 billion new apparel

items are created each year, and the fashion industry is the number two polluter in the world after the oil industry," he tells *Investor.ge*. "It takes up to 10,000 liters of water alone just to produce a single pair of jeans. Here at Phubber, we are trying to tackle this sustainability problem in two ways: one is by promoting upcycling, or encouraging people to resell their used apparel and accessories. The second is by providing a marketplace for small and medium-sized Georgian designers, who create more quality apparel

and discourage fast fashion."

And although he says it has been difficult to change stigmas in Georgia around secondhand clothes, the company's ability to connect with Gen Z customers who care about sustainability has pushed it to see major success in its little more than three years in business. When the application launched in March of 2019, Chugoshvili says it registered 10,000 users in the first ten days.

This, he says, was partly due to his corporate connections from working in finance, and partly due to his co-founder, Anano Dolaberidze, who has more than ten years of experience in the fashion industry and previously served as the organizer of Tbilisi Fashion Week. Dolaberidze was able to leverage her social media presence as a well-known local influencer to get the word out about the new app. However, he notes, despite the nice boost that came from their local notoriety, "it was really the great customer experience we created that allowed us to grow as fast as we did."

"Phubber has been designed to create an enjoyable user experience," says Chugoshvili, "starting from the minute you begin phubbing [scroll through products on the app]. Our app is really an integration of a marketplace and social media," he adds. "Each seller has their own page where they can post their products for sale. Buyers can scroll through their feed and see merchandise, like posts, and even follow sellers."

Once the buyer chooses a product, Phubber takes care of the rest. In addition to an integrated payment system, a Phubber employee picks up the merchandise from the seller and transports it to the company's production facility. There, the item undergoes quality control and authentication [a major selling point for those splurging on a secondhand designer good], is wrapped in signature Phubber

packaging, and delivered to the buyer. More impressive, considering the company services the entirety of Georgia, is the turnaround time. “On average, we deliver 70% of our packages on the same or next day,” he says.

STARTUP SUCCESS

And with service and sustainability at the forefront of the company’s priorities, it has continued to find favor with customers – and investors. “In September 2019, we won a 100,000 GEL grant from GITA [Georgia’s Innovation and Technology Agency] – which really gave our company a second life and allowed us to make improvements to the app,” Chugoshvili explains.

In early 2020, the company was chosen by USAID as one of three Georgian startups that were sent to Silicon Valley. There, the team met founding engineer of WhatsApp Eugene Fooksman, who decided to invest in Phubber.

Just one month after bringing Fooksman in, the pandemic struck. While many businesses were crippled by the restrictions that ensued, Phubber’s online presence amid the mass push towards e-commerce resulted in quite the opposite, allowing it to post revenue growth of

470% in 2020. That, in turn, brought more investors on board in 2021 [as well as a 650,000 GEL matching grant from GITA] as Phubber again doubled its sales.

At this point, Chugoshvili says, expansion into the Ukrainian market became the next play for Phubber. The remainder of 2021 was devoted to shifting the app from a “one language, one currency” system to a “multi-language, multi-currency” system, with the intent to first create a market for Ukrainians to buy and sell in- then, down the line, to merge the Georgian and Ukrainian markets and allow them to buy and sell from one another.

PHUBBING FOR UKRAINE

However, as the team prepared for its official Ukraine launch in the last week of February, tragedy struck, and news emerged that Russia had invaded Ukraine. “Those first few weeks were hard for us,” says Chugoshvili. “Our first priority was our team in Ukraine and making sure that they were safe. After that, we had to figure out what to do next.”

Chugoshvili says that it was actually

the team in Ukraine that approached him and Dolaberidze about using the platform to help out those in Ukraine. “They came to us and said, ‘we already have everything in place, and there are lot of people in Ukraine who could use income right now,’” he recalls. From there, the 4UA campaign was born. After adjusting the app to allow buyers and sellers in Ukraine and Georgia to interact, Phubber launched its for 4UA campaign in partnership with Visa at the end of May.

The campaign, which is made up of three phases (two of which have already been launched), aims to bring much needed assistance to those dealing with the repercussions of the war.

The first phase, Buy Ukrainian, focused on bringing income to Ukrainian designers. “We already had about 10,000 registered users in Ukraine from our soft launch before the war. We reached out to some of the Ukrainian designers and offered for them to sell their products to our Georgian customer base.” Through this, he says, “we have been able to connect Ukrainian supply with Georgian demand, leading to tens of thousands of dollars in revenue for Ukrainian designers.” ▶▶



Shoes by Ukrainian designer NANI featured on the Phubber app.

Phubber co-founders Anano Dolaberidze and Giorgi Chugoshvili





Ukrainian designer Guzema's jewelry, featured as part of Phubber's 4UA campaign.

- The second phase, Buy From Ukrainian, launched at the end of June, and allows any user in Ukraine to sell their secondhand apparel to buyers in Georgia, expanding the base of people who will be able to benefit from a source of income while coping with the hardships brought on by the war.

The final phase, Buy For Ukrainian,

will provide a charity component to the app where users in Ukraine can create 'need lists' that users in Georgia can buy for them. Through these initiatives, Chugoshvili says they have been able to support their staff in Ukraine and allowed the Georgian public to show solidarity with their Ukrainian counterparts. "We still have staff in Ukraine that are providing

the same quality control and verification in our Ukrainian production center. And thanks to our partner, Visa, the shipping cost from Ukraine to Georgia is free for our customers."

WHAT'S NEXT FOR PHUBBER?

While the company continues to work on rolling out the third stage of their 4UA campaign, it also has no plans to let up on its expansion ambitions. In September, Phubber plans to begin operating in three more countries: Kazakhstan, Uzbekistan, and Azerbaijan. But even as the company expands, Chugoshvili says its social missions will remain at its core.

"Women's empowerment is another important part of the Phubber mission," he says. "With a predominantly women-led executive team and 90% of our user base being women, one of the things we are most proud of is the economic independence for women that our platform promotes. With Phubber, any woman who is able to go to the local thrift store and buy some secondhand clothes, suddenly has a platform where she can sell items and make her own money."

This, he notes, is particularly important in the platform's new Central Asian markets. "Economic independence for women in this part of the world is particularly low. We aim to create an accessible platform where you don't need a higher education or degree to start a business."

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A tale of two transfers – Georgia and Russian remittances

JOSEF GASSMANN

Georgia's economy has long relied on remittances, with the World Bank designating the country as the 21st most remittance-dependent economy in 2021, ranking ahead of countries such as Capo Verde, Liberia, Bosnia, and Armenia. And the volume of remittances as a percentage of GDP is on the up – from 10% in 2016 to 13.3% in 2020. But this may be a good sign, as recent data from the National Bank of Georgia (NBG) shows that Georgians are finding work in higher-paying countries, increasingly choosing employment in the EU, North America and the Middle East over more traditional labor markets like Russia.

Covid-19 and Russia's war of aggression against Ukraine have only accelerated this process.

The imaging on this trend was clear until 2022, though the war has turned the numbers on their hands, and it may be some time before we can get an accurate read again on where Georgians are going to work.

Remittances from Russia to Georgia had long been sloping downwards in the run up to Covid-19. Russia's share in total remittances to Georgia sank from approximately 45% in the early 2010s to just 18% by 2021. Meanwhile, remittances from the EU surged from approximately 25% in 2012 to 41% in 2021, NBG data shows.

This was due less to an outflow of

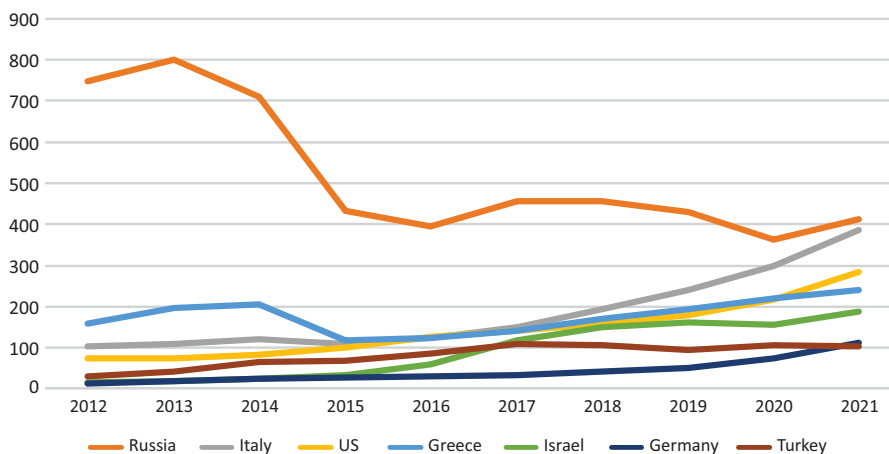
Georgian labor from Russia – which has remained fairly stable and even resilient to geopolitical friction between the two countries – but increased employment opportunities for Georgians in the EU and elsewhere, such as new labor markets in Poland and the Gulf. Part of this is the increased availability of jobs in traditionally 'male' professions. While Georgian women have been more likely to seek employment abroad where there has been high demand for them in nursing and elderly care, new employment opportunities in agriculture and construction have attracted more male Georgian labor.

But that was then, and the war is now. Data on remittances from April and May reflect a more complicated story. Money transfers (to call them remittances would be technically inaccurate) from Russia were up nearly 300% and 888% for April and May, respectively. These jumps brought Russia's share in Georgian 'remittances' back up to 43% in April and 62% in May.

There's quite a bit to explain the sharp increase in remittances, though creating a line of best fit is difficult.

TBC Capital says it believes much of the increased activity from Russia is from middle-class individuals and families who have relocated to Georgia during the instability. This must be true to some extent; though it is hard to estimate how many Russian citizens have relocated to Georgia since February, the surge in long-term housing prices is enough to justify the claim that their numbers are substantial. Galt & Taggart, the brokerage arm of Bank of Georgia, puts the number of war-affected "migrants"

Seven largest senders of remittances to Georgia (2012-2021, thousands USD)



between 80,000 and 100,000, though this figure includes Ukrainians and Belarusians.

Nevertheless, TBC Chief Economist Otar Nadaraia says, "it has been quite difficult to understand exactly what is happening. To call this large-scale capital flight would be incorrect. Our sense is that it is mostly middle class families and individuals who are moving just portions of their assets here for regular expenses. We'll have a better picture of what is happening when we can see the complete tourism statistics, as some of these funds will be double counted in visitor spending as well – many of the recipients of these transfers are non-residents of Georgia after all."

This 'double-counting', as Nadaraia points out, is a result of the fact that some of the funds from these money transfers may not be spent on general living expenses, but are rather being sent by Russian citizens vacationing in Georgia, and who cannot withdraw money in the country due to sanctions on their home banks. A clearer image of

who has come to Georgia on vacation and who has come for an extended stay will be available once a general trend for tourism expenditures for the summer of 2022 can be identified.

The National Bank of Georgia (NBG) offers several other interpretations on top of the tourist & long-term visitor explanation.

"Because a number of Russian banks have been sanctioned, small exporters may now be accepting payment using fast money transfers [ed. Western Union, Korona, MoneyGram, etc].

Customers of sanctioned banks will have had to move elsewhere and find new means to affect payment", Head of the Macroeconomics Department at the NBG Shalva Mkhatriashvili told Investor.ge.

Mkhatriashvili adds that much of this money is moving directly into and staying in the Georgian banking system; it is not simply being used as pocket money. Georgians coming back to Georgia account for a strong proportion of the money transfers being made.

"We've seen a fairly strong rise in deposits at commercial banks. Putting an exact number to the increased liquidity due to money transfers is hard but it's probably somewhere in the region of \$200 million. Some of this is likely taking place in lari-denominated accounts, which is one explanation for the strong appreciation of the lari in recent months," Mkhatriashvili says.

All of these factors undoubtedly explain a portion of the steep uptick in 'remittances' from Russia, but more data and time will be needed to ascertain for what purposes this money is entering the country and how it is being spent.

This last issue is an important one to the NBG, Mkhatriashvili notes, who stresses that Georgia is not serving as a gateway for sanctioned Russians or their money. "Remittance outflows of the last several months have remained within their historical norm. We at the central bank are doing all we can to ensure that Georgia does not facilitate the avoidance of sanctions; this is very important to us."

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Private sector investments in tourism keep Georgia thriving

Georgia's tourism industry continuously proves to be resilient and incredibly important for the country's overall economy. Fully recognizing how crucial the tourism industry is to the country's economic growth, the Government of Georgia continues to make progress to eliminate barriers and open more opportunities for tourism, including easing visa requirements, repairing roads, privatizing hotels, and offering tax cuts for tour operators. From wineries in the Kakheti region, to vibrant markets in Batumi, Georgia is an attractive tourism destination that comes in many varieties.

Tourism accounted for 7.5% of Georgia's gross domestic product (GDP) growth from 2018-2019. In 2019, the country received a record number of 9.3 million international visitors — a 7% increase from the previous year. Although COVID-19 hit Georgia's tourism industry hard as part of the global travel slowdown, it is making a comeback, as institutions such as the Georgia National Tourism Administration have worked to safely reopen the country to international travelers.

For many years, USAID has recognized the important role that tourism plays in driving Georgia's inclusive economic growth and invested in expanding that impact. The agency also clearly sees the linkages in the tourism sector between strong natural resource management, sustainable economic growth, and mitigating climate change. Georgia's thriving tourism industry is built on its natural beauty and rich cultural history; in recognition of the need for sustainable growth, USAID supports programming that will ensure Georgia's thriving tourism industry remains resilient while still climate conscious.

Many of the U.S. Embassy's 30 offices and agencies work to support Georgia's tourism industry, with USAID leading the way. Teaming up with the U.S. Department of the Interior, USAID launched a program in 2019 to help Georgia sustainably manage its natural parks and protected

areas as commercial, income-generating resources, much like the U.S.' own national park system. By supporting best practices in managing resources and tourism development, the program transitions the management of protected areas away from foreign assistance and government subsidies — creating economically self-sustaining parks that attract adventurous thrill-seekers, outdoor enthusiasts, and ecotourism guests from around the world, while simultaneously enhancing economic security in the country's rural communities.

PARTNERING WITH THE PRIVATE SECTOR

To drive economic growth, USAID partners with the private sector to build a more modern and commercially sustainable tourism sector in Georgia, and works directly with partners who can bring reach, innovation, and digital technologies to promote Georgia as an attractive tourist destination.

In the last two years, USAID partnered with the digital travel storytelling platform, Steller.co, and Georgia's National Tourism Administration to bring leading travel influencers with extensive networks of followers on social media to Georgia. These campaigns have reached more than 11 million potential visitors. By working together, this private sector partnership introduced millions of potential travelers to Georgia's astonishingly diverse landscapes and abundant culture. In total, the influencers' campaign produced more than \$5.5 million in earned media value (advertising value), more than 200 stories on the Steller Platform, and 997 Instagram stories and posts, as well as posts on TikTok and other social media platforms. The estimated economic impact of the two Digital Day campaigns conducted already exceeds \$10 million, with another group of influencers due to arrive in Georgia this summer.

USAID continues to facilitate private investment into Georgia's tourism and hospitality industry, supporting the devel-

opment of new products, experiences, and business models that attract high-value investors from around the world. For example, USAID is partnering with the Adjara Group, a leading hospitality company, to strengthen the inclusive development and tourism competitiveness of Georgia's Samtskhe-Javakheti region. The partnership is expected to create 286 new high-value jobs, attract investment worth \$3.6 million, and help businesses generate \$2.5 million in annual sales.

To reinforce international standards in Georgia's hospitality industry, USAID and the American Chamber of Commerce recently launched a partnership with several leading hospitality companies, including GMT Group (Marriott Hotels), Silk Hospitality (Radisson Hotels), and Sheraton Grand Metechi Palace. The partnership will advance Georgia's tourism recovery strategy by attracting high-value tourists that demand top-notch service standards and ultimately make it an even stronger competitor as a top tourist destination. The partnership is expected to help more than 100 participants secure high-value jobs in hospitality, generating over \$450,000 in annual payroll. Up to 20 hotels will increase their standards in energy efficiency, hygiene, food waste management, supply management, customer services, and food safety.

WORKING WITH LOCAL ACTORS

Tourism and hospitality, however, are not just for large international businesses. Throughout the country, USAID supports local actors to promote sustainable practices in tourism, agriculture, and resource management, while simultaneously creating local jobs and stimulating local economies. These local businesses, supported by USAID technical assistance and grants, carry on long after the assistance has ended.

For example, in 2021, Tusheti welcomed nearly 4,000 Georgian visitors and nearly 3,000 foreign tourists, more than double the numbers from 2020. USAID invested 600,000 GEL of support for the region — ranging from small grants to local guesthouses and catering businesses, to training and certifying hospitality staff and adventure tour guides, to adding solar panels to Tusheti's ranger stations to make them more sustainable, to digitizing local tourist attractions by updating their locations on Google Maps — resulting in the generation of 1.8 million GEL in revenue for the region and 67 new jobs.

These programs are just several examples of the breadth of USAID's investment in Georgia's tourism sector. By working together and continuing to spark new investments, Georgia will continue to build a stronger and more sustainable economy — which will continue to benefit all Georgians.

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Markets abuzz over revival of Georgian specialty honey

TENDING TO THEIR 'JARA' HIVES, HOUSED WITHIN HOLLOWED LOGS IN THE REMOTE MOUNTAINOUS AREAS OF GEORGIA'S ADJARA REGION, LOCAL BEEKEEPERS ARE PRODUCING A HONEY STEEPED IN TRADITION. THE GROWING NOTORIETY OF THIS JARA HONEY, AKIN TO A FINE WINE WITH ITS PRONOUNCED FLAVOR AND SPECIALIZED PRODUCTION METHODS, HAS BOTH DOMESTIC AND INTERNATIONAL MARKETS BUZZING WITH DELIGHT.

BRADEN BJELLA

Beekeeping generally evokes images of multiple boxes, kept at ground level and abuzz with activity. This method is common around the world, and for good reason; the uniformity allows for easy transport, streamlined care, and an increase of production that encourages massive quantities of honey to be produced in a relatively short amount of time.

However, something can be lost in this process. Much like how sommeliers are critical of large-scale wine production that seeks to remove the grapes from their

terroir, honey too can suffer the same fate. Its unique qualities can be stripped, its flavors muted until it resembles the simply sweet amalgam golden syrup the world generally regards as 'honey.'

There is nothing wrong with this method of production; in fact, this style of honey harvesting has allowed the culture of honey to spread around the world, piquing interest in places it would not have otherwise reached. But for those who have tasted a truly great honey — one imbued with the story of the land that birthed it — seeing the mass marketization of what could be a fascinating, complexly flavored product brings doubts about its future.

Nowhere is this conversation stron-

ger than in Georgia. In the Soviet era, beekeeping fell victim to the same pitfalls as other agricultural products. Its creation was streamlined, and while different regions offered their own distinct takes on the good, its universality brought with it questions of quality and a removal of the traditions that came with the practice.

This was especially damaging for Georgia given its strong connection to beekeeping. Historians believe that the nation was one of the first in the world to cultivate honey, citing evidence of a host of honey varieties dating back at least 5,500 years. At that time, it is speculated that honey served an otherworldly purpose as well as a culinary one: before



Beekeepers treating Jara hive in Ajara

people died and journeyed on to the afterlife, they were given a jar of honey to accompany them on their travels.

It is unsurprising, then, that honey holds such a dear position in the Georgian heart and equally saddening that some believe the honey culture to be making a comparable departure. Thankfully, as the Georgian Beekeepers Union will gladly tell you, true Georgian honey is not going away — in fact, it's only gotten better.

JARA: THE 'FINE WINE' OF HONEY

Georgia boasts an incredible range of honeys, but the one that has brought it international attention and acclaim is the 100% pure and wild harvested Jara honey, which is one of the reasons the Georgian Beekeepers Union has opted to make the sale of this honey one of its primary projects.

But what makes Jara honey distinct from other honey varieties? According to Lela Putkaradze of the Alliances Caucasus Programme, a large part of its uniqueness comes from its purity.

"The honey is 100% organic... nothing artificial is used when producing it," she explains. "It's also traditional — it's harvested in remote villages in a mountainous region where there is, I would say, no pollution, because there is a standard of distance that [beekeepers] must keep... from any kind of pollution, like central roads or factories. It is also mainly small scale beekeepers who are the producers of Jara honey, so all of the benefits go to small scale beekeepers."

Speaking of tradition, the oral history of Jara honey is an interesting one — and one that recently led the practice to be dubbed a marker of Intangible Cultural Heritage in Georgia.

Beekeeping has been common in Georgia since before the Common Era, and ancient beekeepers were obsessed

with discovering new flavors and methods of honey production. After generations of beekeeping, some beekeepers noticed that the most delicious honey came from bees that made their hives in certain trees.

Their interest in this treasure honey grew, and slowly, they began to artificially replicate this process, discovering fallen logs or chopping down and hollowing out the trees to create a natural, but controllable, home for bees. In these conditions, they could capture the complexity of the honey while doing away with the danger and uncertainty that came with a fully natural harvest.

Of course, there were issues. These logs, which came to be known as "jara," often had to be lifted high into the trees to avoid intrusions from curious bears. But the practice, and the delicious honey it produced, stuck around, creating a timeless good that has continued production into the present day.

As far as taste is concerned, Jara honey is incredibly complex compared to other honeys, with even a small touch offering an unmatched depth of flavor. The honey has a gentle touch of caramel, complemented by a range of florals rooted in the many flowers pollinated by bees in the Adjara region.

Naturally, this sophisticated flavor comes at a premium price point.

"I would say there is a large difference [in price]," Putkaradze details. When compared with other Georgian honeys, which are typically sold in simple glass jars, Jara honey often comes in exquisite boxes, each one filled with the natural honeycomb and declaring the specialness of the honey.

"500 grams of Jara honey is about 60 lari in a Georgian market," she continues. In contrast, she adds, "if you buy, for example, 500 grams of Chestnut honey, it is 20 lari... [and] Chestnut honey is



second in [terms of] price. The price range is high."

This point notwithstanding, it seems people are willing to pay a few extra lari for such a superior flavor. Now, with assistance from the Georgian Beekeepers Union along with the Alliances Caucasus Programme, the multifaceted flavor of Jara honey is spreading around the world with great success.

NEW MARKETS

Both of these organizations engaged in considerable work before getting to this point. After years spent researching the practice, the Union set a standard for Jara honey production, ensuring that everyone who purchased a natural honeycomb would receive the same beautiful flavors that inspired the creation of the tradition. They also set to work promoting the honey both locally and internationally; local beekeepers could learn how to produce Jara honey, and international consumers could welcome this Georgian lifeblood onto their dinner tables.

The results of this promotion have been notable. Since starting the program, ►►



Jara beekeeper harvesting honey from Jara hive in Ajara

- ▶ there has been a 69% increase in Jara honey producers in Georgia. Eight VET colleges have begun teaching courses on Jara honey production, with several others soon to start. The number of Georgian honey brands in shops has increased by over 250%, and the Jara Honey Mark has also been registered as an IP.

Furthermore, the actual quality of Jara honey has improved dramatically. While the product could already proclaim its high standard, teams like the Georgian Beekeepers Union have ensured that the influx of Jara producers continue to meet the high bar set by the beekeepers of yore. To do this, they have improved coordination in the sector and ensured that antibiotics be removed from production, with the amount of antibiotic use falling 48% since 2017 and the amount of organic care products increasing by 20%.

Flavor-wise, the results speak for themselves. Jara honey has been exhibited at festivals, the Gulf Food Expo, legendary beekeeping meetup Apimondia, and the London International Honey Awards, where it won four Silver Quality Awards. With credentials like these, it's no surprise that Georgian honey is now found in over 15 countries, with that number increasing annually.

There are still some issues that need to be addressed, however.

"The main constraint remaining is the volume," Putkaradze notes. "Now it's low, low volume, but it has potential."

This low volume can be observed through the Georgian honey market's current output. While over 190 tonnes of Georgian honey has been exported since 2017, just 6.4 tons of Jara honey have been commercially aggregated by the private sector since 2018. To increase

the volume, Putkaradze says her organization is working to pull out all the stops for producers, which includes increasing their testing capacities.

"We are... currently implementing laboratory testing capacities in the factories themselves for quick testing," she details. "In order to aggregate in high volumes, honey companies need to aggregate different samples from different regions from different beekeepers, and they need to test it quickly... At this time, that's not available in Georgia, or it takes a lot of time."

By improving and speeding up these testing facilities, Putkaradze hopes that Georgian beekeepers can increase production, and groups like hers can focus on marketing the product abroad.

"As testing increases, volume increases," she observes. "Then, it's mainly about promotion in export markets so that order volumes increase. It is already an increasing trend; before, there was no export, and now it's being exported to the USA, Canada, Qatar, Hong Kong, and there's a new market also for Jara honey in Japan. So we expect an increase in the export market."

But Jara honey's home is in Georgia, and locals and tourists alike can now delight in the fact that they can taste this beloved good in the same manner it was meant to be enjoyed all those years ago, putting Georgia in its rightful place atop the global honey map.

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TBC Capital: Tbilisi's residential real estate market stabilizes MoM, record high rental prices remain

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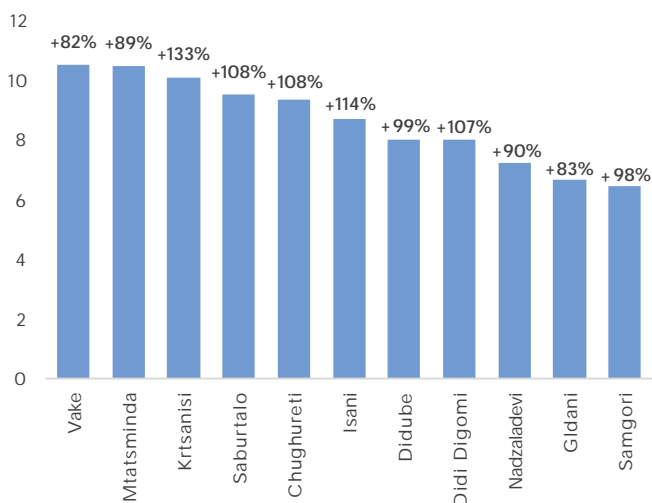
Georgia's influx of war-affected migrants in the first half of 2022 had a major impact on residential real estate in Tbilisi. But has the market adapted to this new reality? TBC Capital's latest report Tbilisi Residential Real Estate: May 2022 breaks down the latest figures.

TRANSACTIONS AND PRICES

More than 100 days into the Russian invasion of Ukraine, the war's economic impact continues to reverberate throughout the region and the world. In Georgia, one of the first sectors to feel the implications of the conflict was the real estate market, which witnessed an upswing in demand as an inflow of migrants from Ukraine, Belarus, and Russia traveled to Tbilisi. This sudden increase in demand had an immediate impact on rental prices, with TBC Capital's previous real estate reports revealing that the average rental price increased 20.1% MoM in March and an additional 21.5% MoM in April.

May figures show that rental prices have remained at an all-time high but have not continued their MoM growth, potentially signaling that the market is now experiencing the peak of the migrant effect. Despite this, YoY growth of average rental prices in May reached a whopping 101.4%, indicating that prospective renters are now facing prices double that of last year.

Average asking rent price per SQM (USD) and YoY change (%), May 2022

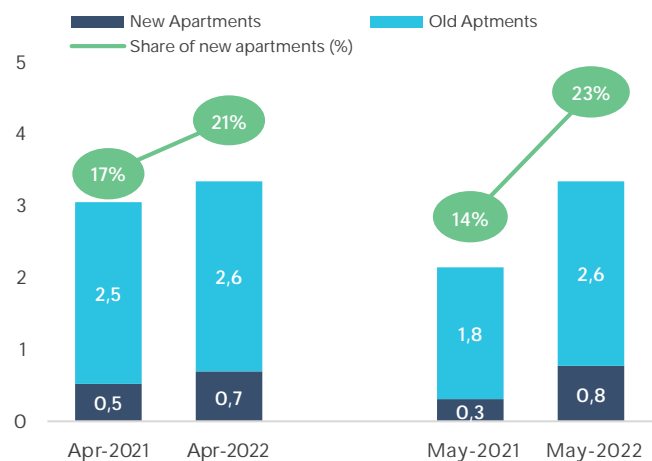


The average asking price for residential sales witnessed a subtle MoM increase of 1.1% in May but recorded noticeably higher figures than 2021 (+20.4% YoY). The number of transactions also remained unchanged relative to April but showed a YoY increase of 55.4%, which analysts at TBC Capital attribute to declared public holidays and mobility restrictions in May 2021 that limited the number of property registrations.

PROPERTIES BY CONDITION

Data shows that approximately 800 new residential properties were sold in May, a figure that is 2.5 times higher than the same month one year prior. And while old properties also posted significant growth in transaction numbers (+40% YoY), new properties continue to gain in the total share of transactions.

Number of sold residential properties, New vs Old (000' Units)

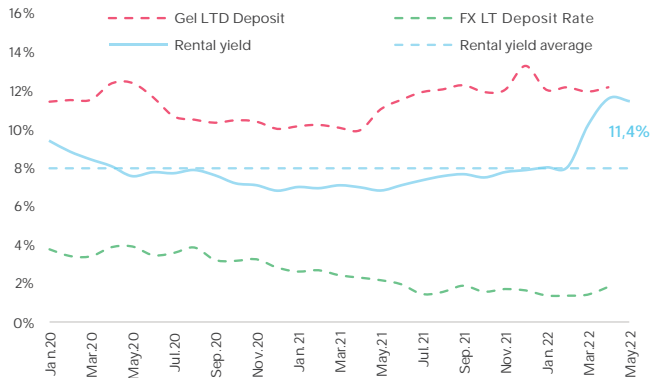


BREAKDOWN BY DISTRICT

In May 2022, all of Tbilisi's districts recorded substantial YoY growth in the number of sales transactions, which analysts again attribute to disruptions in the market in the same month of 2021. Highest among them were Chugureti (+244%), Krtsanisi (+96%), and Didi Dighomi (+92%).

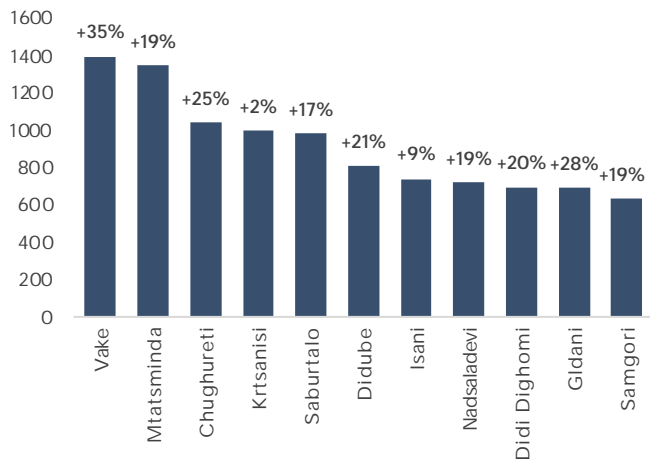
The average rental yield in May was 11.4%, up 4.6 pp compared to one year prior. The districts posting the highest rental yields were Isani (14.2%), Didi Dighomi (13.9%), and Samgori (12.9%), with some of these yields notably exceeding the long-term GEL deposit rate.

Rental yield and deposit rate dynamics



Every district in Tbilisi also recorded YoY increases in sales prices in May, with the highest growth recorded in Vake (+35%), Gldani (+28%), and Chugureti (+25%).

Average asking sale price per SQM (USD) and YoY change (%), May 2022



FLAT-SHARING MARKET

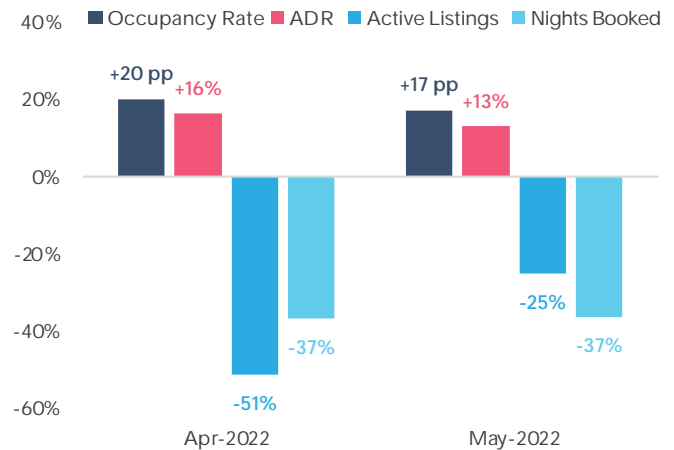
Data from Airbnb in May showed a flat-sharing rental market that largely mimicked the performance of April in terms of revenue, indicating that migration and tourism recovery are still having a positive impact. However, analysts at TBC Capital estimate that migration related to the war slowed in May, meaning improvements in the market could be more largely attributed to a post-pandemic tourism recovery and the revival of the Airbnb market.

In May, the number of active listings on Airbnb increased markedly in MoM terms but remained 25% below the same period in 2019. Despite the gradual recovery of listing numbers, ADR saw a nice bump relative to May 2019 (+13%), as did occupancy rates, which were up 17% compared to pre-pandemic levels.

Tbilisi Airbnb market revenue (USD): Change relative to 2019



Tbilisi Airbnb market major indicators: Change relative to 2019



Overall, the market's performance in May remained largely in line with the predictions laid out by TBC Capital at the onset of the war (apart from rental prices), which predicted that the average sales price (USD) in Tbilisi will increase by between 10.6% and 11.3% in 2022, depending on how the situation in Ukraine continues to impact Georgia's economy.



Bolnisi Museum – a gem in Kvemo Kartli

HANS GUTBROD

To those who have not been, the Bolnisi Museum, about an hour south of Tbilisi, is a gem worth visiting. Opened two years ago in the early months of the pandemic, the museum is the major exhibit for the archaeological site of Dmanisi, in which the first hominins outside Africa have been found. A first-class attraction, the museum is already a recipient of international acclaim, including nomination for the 2022 European Museum of the Year Award. And with its coverage of an extraordinary time span, the museum sparks thoughts that may be relevant beyond Bolnisi, too.

The museum succeeds in multiple ways – one being its location. There are obvious reasons to decentralize museums and draw visitors to an area that receives far less attention than Kakheti. Ask around in Tbilisi and you will see that many have not ventured to Kvemo Kartli in years. But this region, with its many extraordinary historical sites, should be a locale where citizens and schoolchildren can connect to their own past. The remarkable architecture, designed by Gaga Kiknadze of Architects. GE – an angular building with a metal structure jutting out on its left to proclaim prominence – does that intention justice.

The museum is the perfect size to engage visitors with four halls dedicated

to various periods. The texts in Georgian and English establish context in ways that should be of interest for most visitors. Before venturing in, we had thought of this visit as a 20-minute raid but ended up staying for more than an hour. For an outing that most visitors will combine with other activities, that seems to be a sensible proportion, even if national museums in capitals may want to be more exhaustive.

A JOURNEY THROUGH TIME

The first hall shows Kvemo Kartli's plausible claim to international fame. Excavations in nearby Dmanisi "have revealed an extraordinary record of the earliest hominid dispersal beyond Africa (1.75 million years ago)", as the UNESCO list of tentative World Heritage Sites says. The formal summary for the Dmanisi entry, submitted in 2007, adds that "this is the richest and most complete collection of indisputable early Homo remains outside of Africa," noting that it may have great potential for further finds.

A life-size drawing in the first room immediately draws attention: the hominid dwarfed by a giant ostrich, a rhinoceros, and an elephant, while surrounded by a saber-toothed tiger and other animals that look as vicious as some of Georgia's contemporary sheepdogs. As one walks by, the original finds light coming up from

behind, providing context for how the great illustration (done by the Spanish-Venezuelan paleoartist Mauricio Antón) draws on the bones that were found on site. As the lit-up bones in the back fade, you again look at the drawing and can contemplate the relationship of the parts to the whole.

The next hall offers a rich display of Stone, Bronze, and Iron Age tools arranged in luminous arcs for the visitor's consideration. The texts explain the skill it took to drill an eye into a needle made from bone. For stitching fur or stringing berries together to dry, that minor development made a major difference. The cabinets arrange tools in neat categories, each unique and independently crafted, illustrating how early humans worked with and against material that they had not yet fully brought under control.

Significant space is given to Sakdrisi, one of the oldest gold mines that has ever been found in the world, also nearby (that Sakdrisi was blown up at the end of 2014 – one of the more dispiriting chapters in the story of how Georgia has dealt with its historic wealth – finds no mention). The exhibit shows what kinds of tools were used to search and extract gold before dynamite was invented.

Almost two thousand years are covered by the third hall: stones from churches; the first Georgian inscriptions; gravestones inscribed in Arabic from the medieval cemetery of Dmanisi to the "innocent deceased ... Sherif Ed-Din," reminding readers that "this world is momentary, so be meek." Now, too, we see the first evidence of trade, with ceramics that are believed to originate from 13th century Persia.

The German settlement of Bolnisi from the early 19th century is the main focus of the fourth and last hall, showing the path of migration from Swabia along the Danube and the Black Sea. In 1816, the settlers set out in part due to climate change during the "year without a summer," which followed a volcanic eruption that led to food shortages across Northwestern Europe, increasing pressure to leave. A rolling presentation – only in German – tells more about the settlers who brought their distinct half-timbered houses to "Katharinenfeld," as Bolnisi was called then. Various objects and photos give a sense of a bygone era: choirs, cycling associations, wine-making, and a community that did

not know, of course, that it would not last. After Nazi Germany's attack on the Soviet Union in 1941, all ethnic Germans were deported to Central Asia, with the exception of those married to other ethnicities.

The exhibition ends a tad abruptly, as one steps from this extraordinary journey through time right back into the foyer of the building. It is, literally, the longest local voyage through human history that anyone can have outside of Africa. Even secular-minded visitors may experience moments of awe.

ROOM TO GROW

Fans of Georgian archaeology may feel that the museum could perhaps have said a bit more about the discipline's leading figures. Though one Austrian archaeologist is pictured meticulously excavating, other key luminaries of Georgian archaeology – Leo Gabunia, David Lortkipanidze, Abesalom Vekua, to name some who led excavations – are barely shown. Highlighting how quality scientific work often is based on both local competence and transnational collaboration may help schoolchildren imagine how they, too, could contribute to its further development. As it stands, one can have the impression that the museum landed here almost as if it was a spaceship (Perhaps the processes of archaeological discovery get more attention in the various guided tours that can be booked).

A closer look at websites and articles shows that a remarkable team was at work to create this museum. Next to the great staff of the Georgian National Museum, a broad team was engaged, starting with the Bogota-born artist, museographer, and independent curator Lina López, who designed the general concept of the

exhibition. López has also played a major role in setting up other highly lauded exhibitions in Akhaltsikhe, Mestia, and Vani. This underlines that international collaboration often is part and parcel of making local heritage great again.

One hopes that guided tours can make the museum come alive for Azerbaijani and Armenian visitors, too. While a locally-made carpet and some musical instruments are showcased, friends report that Azerbaijanis living in Kvemo Kartli have said that they do not find their history reflected in the exhibit. The texts in Georgian and English may not be accessible to minority populations at a time when "language education needs much more government attention," as a 2021 Carnegie Europe report on breaking down barriers to integration by Rusudan Amirejibi and Kakha Gabunia found.

The museum does have some flexibility. Its second floor is available for various exhibitions and contains "an art center, a creative space, a place of fun, and learning for children," according to its webpage.

In practical terms, the museum – a

recently arrived spacecraft comes to mind again – could benefit from advertising in all directions. While the reviews on Google are overwhelmingly positive, few people in Tbilisi know that this special location is in such easy reach. A bit of insider knowledge is also needed to be aware that there are two decent restaurants in Bolnisi, though one regularly hosts weddings on weekends. A call in advance can clarify whether one needs to hunt and gather one's own supplies.

Kvemo Kartli in many ways is quintessentially Georgian: the longest of histories; bones, needles and carpets; a land of complementarity but also an area of strong tectonic pressures between ethnicities and empires. To look at the angles and refractions of the diamond this region formed, too, is reason enough to dedicate a day trip from Tbilisi to wander through more than a million years of human history.

Hans Gutbrod teaches at Ilia State University and regularly contributes to Investor.GE. Hans is on Twitter at @Hans-Gutbrod.



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How will Georgian wine fare in 2022's flooded markets?

SALLY WHITE

Prizes and medals, be there many of them, are no guarantee of business.

Record numbers of awards are being showered on Georgian wine companies, but as war rages in Ukraine and the global economy contracts, they are having a nerve-wracking time. So are the thousands of Georgian farmers whose income depends on selling grapes to them. Russia is the major market for Georgian wine and while some export trade is continuing, the next big question is how payment will be made when banking links are frozen.

Elsewhere, in China, the main target for export diversification, sales fell by 22% in Q1 as the country's lockdown to enforce a "zero covid" policy imposed severe restrictions on consumer spending. The story for Europe is also a troubled one - imports forecasted by the European Commission in its "EU Agricultural Outlook" for 2021-2031 are set to dip, depressed by rising prices and taxes and the squeeze on consumer spending from rising interest rates and inflation. U.S. forecasts, such as those from Silicon Valley Bank in its "State of the Wine Industry 2022", also anticipate a decline in consumption, knocking imports.

Georgia's wine companies are thus trying like never before to sell their products in the new markets where they are winning prizes - two of those notably being the 2022 London International Wine Fair and the Raw Wine Fair (for small natural wine companies) in June. Export marketing campaigns aimed at the wealthy,

mature, and knowledgeable wine drinkers of the U.S. and UK should see a boost after success in two top wine competitions. The UK's Decanter Wine Award (the world's largest) and the International Wine Competition (IWC) both awarded six gold medals to Georgia, the largest ever numbers. At the 2022 International Raw Wine shows for amber wines around the world, too, Georgia has been the center of attention.

UK winners included a winery owned by Lopota Lake Resort (Chateau Buera), whose Saperavi Reserve won a gold from the judges at Decanter (publishers of leading international wine magazine that goes by the same name). A little Racha winery, Itsis Marini, which produces only 40,000 bottles a year, beat the competition from many big companies to win a gold for its Bimbili Mujuretuli Reserve; and a medium-sized firm, Gvaramadze Winery, won for its Tsarapi Rkatsiteli. Among the major groups, Teliani Valley won a gold at Decanter for its Khikhvi Qvevri. Tbilvino won three gold medals in all - one at the Decanter competition for its Qvevris Kisi, another at the International Wine Challenge (IWC) for its Kisi Special Reserve, and finally, for its Qvevris Mtsvane at the London International Wine & Spirit Competition (IWSC). Other IWC gold winners were Corporation Kindzmarauli's Khikhvi and Rkatsiteli and Alexandrov Wine Collections' Tsinandali.

Companies at the pole ends of the spectrum were among the Georgian companies represented on the Georgian stand at the London International Wine Fair, ranging from giant group, Bolero, to

other majors such as Askaneli Brothers, Dugladze, Kakheti Traditional Winemaking, Telavi Wine Cellars, Teliani Valley, Tbilvino, and Winery Khareba; medium sized groups included Kakhuri, Tsereteli, Twins Cellar, and Winery Gurjaani.

However, as they found, Georgia is still an unfamiliar foreign location. When it comes to increasing sales in Western markets, Georgia does not have the advantage of other Eastern European wine producers of being a major western tourist destination - such as Croatia or Romania. Western wine drinkers often discover new wines when on holiday, but last year, fewer than 50,000 international visitors to Georgia from Europe were recorded, which far outnumbered those from (non-drinking) Islamic countries. By contrast, Croatia attracted nearly 14 million (mostly European and U.S.) tourists.

Another blow for the wine companies who travelled to the European wine fairs - ProWein in Dusseldorf in May and the London International Wine Fair in June - was that attendance by trade buyers was much lower compared to pre-Covid times. ProWein alone announced a 38% reduction in attendance. This is explained by Nick MacSwiney of UK wine importer and exporter, Ehmanns Wines, as reflecting an "increasing view in the European wine trade that local, targeted regional wine events are gaining popularity as they are much easier on the work schedule and budget than omnibus events in foreign cities."

However, by whatever route they are finding their way to Georgian wines, new international buyers have been drawn by the growing level of sophistication, generating forecasts (but on a business-as-usual basis) from Georgian investment house TBC Capital that 2022 would bring an 11% rise in exports to \$260 million. This followed on 2021's rise of 14%, taking export revenues to \$234 million. The challenge now facing the Georgian wine industry is diversifying away from its traditional buyers in the CIS at a time when world competition is so fierce, and first-time, but top quality, producers are emerging in Japan, India, and China.

As TBC Capital's latest publication on the Georgian wine industry states, a negative impact from the Russian war seems inevitable, and the fear is that it could cut exports by as much as 44%. "As the overall situation on the market worsens and more

wine is left unsold, the financial value of this excess is \$116 million," estimates the TBC Capital research team in its forecasts.

"Despite discovering new markets, dependency on the Russian market remained significant since the cancellation of the embargo in 2013, ranging from 47% to 67%. In 2021 the share of Russia in Georgian exports was 56%, followed by Ukraine with a 10% share, China - 7%, Poland - 6%, Belarus - 5%, and Baltic countries - 4%," states the TBC Capital report Wine Industry Back to Turmoil.

The situation is worsened, says the TBC research team, by the fact that exports are the main driver for sector revenue, contributing 79% of the total. Plus, Russia consumes the cheapest of Georgia's wines, which will be hard to redirect to non-CIS countries.

And that is not the only problem: Georgia has 19% of the Russian market, with other exporters to Russia including Italy with 24% and Spain and France both with 15%. "Georgia will face increased competition on alternative export markets as the world supply of wine will seek to substitute the Russian market," says TBC Capital. Adding to the difficulties for Georgian producers, the type of wines preferred by

Russia and Ukraine, red semi-sweet, are not popular outside CIS markets.

At the moment wine from everywhere seems to be getting into Russia, but European exporters may decide to stop sending their products, which would bring the threat of a wine flood and sharp competition to international markets. Leaving the Russian market may be done on reputational or ethical grounds, or because of difficulties in transferring payment through a frozen banking network, as key Russian banks have lost access to the global payments system SWIFT.

The numbers in the TBC Capital forecasts range from a 38% drop in exports to Russia if there is a near-term resolution of the war, one of 90% to Ukraine, and 10% to other countries. The falls increase to 55% for Russia and 14% to other countries if the war drags on.

"The question is how will companies manage reduced demand on critical markets and unsold stock? Will they attempt to redistribute the stock on alternative markets or reserve it for a better future?" asks TBC Capital.

The Georgian government has been backing expansion of the wine producers export forays into Europe, Asia, and



Decanter Co-Chair Andrew Jefford judges a wine at the 2022 Decanter World Wine Awards

the U.S. with increasing budgets - and this has been paying off. But it will face a severe challenge this year deciding how to handle subsidies for the companies.

At the London Fair, many of the small wine Georgian companies seemed remarkably relaxed, perhaps because they have diversified their business models by adding a guesthouse and tourism. One such company is Anapea, a small Kvareli family winery run by a professional couple who have built a collection of 33 indigenous Kakhetian grape varieties and are planning a qvevri museum. Or Akmeta, co-owned by tobacco marketing consultant Nick Garsevanishvili, who has used his expertise on trips to U.S. natural wine fairs to win several importers. Or like Itsis Marani's Sulkhan Turmanidze, whose investment in his Bimbili wines from his day-job earnings as a traffic-flow consultant has won him a Gold Medal in London - and hopefully, export buyers. Medium-sized Winery Gurjaani has avoided Russian markets and expanded widely, its solution being diversifying into fruit and vegetable juices and grape concentrate, reaching markets as far as Africa.

More difficult is to devise a beverage strategy for 2030 for a giant wine and spirit producer, such as Bolero, which is part of one of Georgia's largest industrial groups and has its own Poti Port Free Zone bulk stock terminal. It has huge business in Russia, Ukraine, China, and Central Asia and has specialised in the lower price ranges. However, it is already selling in Europe and it has not yet broached the U.S. market.

Another factor will inevitably change: profits. The wine and spirit business has been one of the most profitable businesses in Georgia, as investment bankers Galt & Taggart pointed out last year in their regular industry review. "The sector posted 30.2% gross profit and 20.8% operating profit margins in 2019, 1.4x and 1.7x above business sector averages." The numbers are bound to look a bit different in 2022.



Tbilvino Kisi Special Reserve, which took home the gold from the IWC 2022.

Seasonal sounds

Georgia's favorite summer festivals are back



Photo by Art-Gene

THREE YEARS ON, GEORGIA IS FINALLY ENJOYING ITS FIRST SUMMER FREE FROM COVID-19 RESTRICTIONS. WHETHER YOU'RE PLANNING TO SPEND YOUR SUMMER SWEATING IT OUT IN TBILISI OR HAVE SET YOUR SIGHTS ON THE SEASIDE, WE'VE GOT A ROUNDUP OF THE MAJOR FESTIVALS AROUND THE COUNTRY THAT YOU WON'T WANT TO MISS.

JULY

ART-GENE FESTIVAL

Taking place from July 15-17 and July 22-24, the Art-Gene Festival will take place this year at the Open Air Museum of Ethnography in Tbilisi. This wonderful outdoor museum consists of traditional houses relocated from around Georgia – come festival time, it bursts to life with folk music, traditional crafts, culinary demonstrations, and winemaking displays from various regions. This year, visitors will also enjoy performances by the Sukhishvili National Ballet.

ROKVA MUSICAL FESTIVAL



Feeling the call of the mountains? Then make your way to the breathtaking resort town of Shovi in Racha for the 2022 Rokva Festival. After being forced to cancel last year due to Covid-19 restrictions, the festival is back on and will run from July 29 – 31, featuring 50 Georgian and

international artists playing a variety of genres, including alternative and electronic music. Head to the festival's Facebook page to see the full lineup and more information on tickets.

AUGUST

SWING FESTIVAL 2022

Need a break from the bustle of Batumi? Then head up the coast an hour to Poti, where the second edition of Swing Festival

will kick off on August 5 at Golden Lake. Lasting three days, the festival will feature an array of local and international artists performing on three stages.

BLACK SEA JAZZ FESTIVAL

If you missed the Tbilisi Jazz Festival that took place in early July, have no fear! You can boogie on down to the Black Sea Jazz Festival, taking place in Batumi from August 12 – 14. One of Georgia's biggest music festivals, Black Sea Jazz brings together local and international acts from a range of genres, including jazz, hip-hop, and soul.

KEFAL FEST 2022

Looking for a festival fit for the whole family? Then look no further than Kefal Fest, which will be taking place at Maltavka Beach in Poti on August 20. Activities include a fishing competition, family sports games, and a Megrelian picnic. Head to kefalfest.com for more information.

SEPTEMBER

TSINANDALI FESTIVAL



For those wishing to soak up the last bit of summer, look no further than the annual Tsinandali Festival, which will take place this year from September 2 -11.

A classical music lover's paradise, the festival will take place at the historic Chavchavadze Estate in Tsinandali and include performances by the Pan-Caucasian Youth Orchestra as well as a number of wine-themed events.

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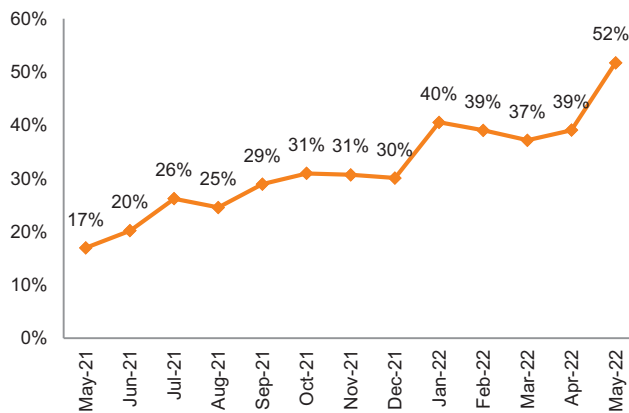
Galt & Taggart: May tourism numbers point to possible full recovery in 2022

WHILE TBILISI STARTED ITS SUMMER WITH Milder temperatures than usual, the tourism sector saw no such tepidity, boasting accelerated revenue growth, visitor numbers, and hotel demand. G&T's latest report **TOURISM IN GEORGIA: MONTHLY MARKET WATCH MAY 2022** looks at the most recent tourism figures that point to a bumper summer season – and, potentially, year.

VISITOR NUMBERS & TOURISM REVENUE

Pent-up travel demand and the easing of the last of Covid-related restrictions (both in Georgia and its source markets) have given the tourism sector a strong boost as it begins its busiest season. Total international visitor numbers in May came in at around 320,000, a more than 200% YoY increase and its highest level in two years. Tourist arrivals registered noticeably higher than in April (52.3% of 2019), coming in at 62.3% of their 2019 level.

Figure 1: Recovery of int'l visitors as % of 2019 level



Source: GNTA

Note: 1) Total international visitors combine tourist (overnight stay) and same-day visits.
Note: 2) Tourism arrivals (reported by GNTA) capture only visitors leaving Georgia in reporting month and do not include migrants, moving to Georgia since Russia-Ukraine war started.

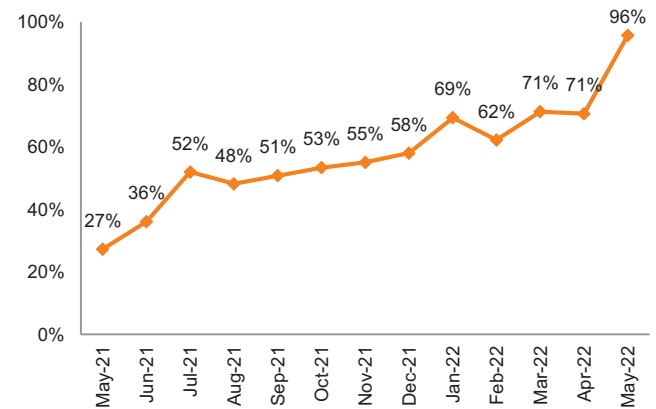
Notable among May's growth in traveler numbers was the increase in single day trips and the growing number of visitors hailing from Georgia's neighboring countries. With Turkey accounting for the largest portion of visitors in May (18.8% of total arrivals), Russia (16.1% of total arrivals), and Armenia (13.3% of total arrivals) followed in second and third place, respectively.

Galt and Taggart's Head of Research Eva Bochorishvili says that this is largely thanks to the easing of border restrictions. "While single day trips remain much lower than before the pandemic, their recovery in May at 28.6% of 2019 levels is a significant acceleration compared to the previous month. We largely attribute this to the easing of restrictions at the border. We also anticipate further easing of border restrictions with other neighboring countries, which we predict will bring another boost to visitor numbers."

And higher visitor numbers have certainly translated into higher revenue for the sector. In May, tourism revenue amounted to more than \$250 million, 3.5 times more than the same month in

2021 and 96% of its 2019 level. But analysts see this acceleration in growth as attributable to more than just an increase in tourists. As G&T's Bochorishvili points out, this figure also includes spending by the estimated 80,000 to 120,000 war-affected migrants from Ukraine, Belarus, and Russia that are currently staying in Georgia.

Figure 2: Recovery of tourism revenue as % of 2019 level



Source: NBG

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

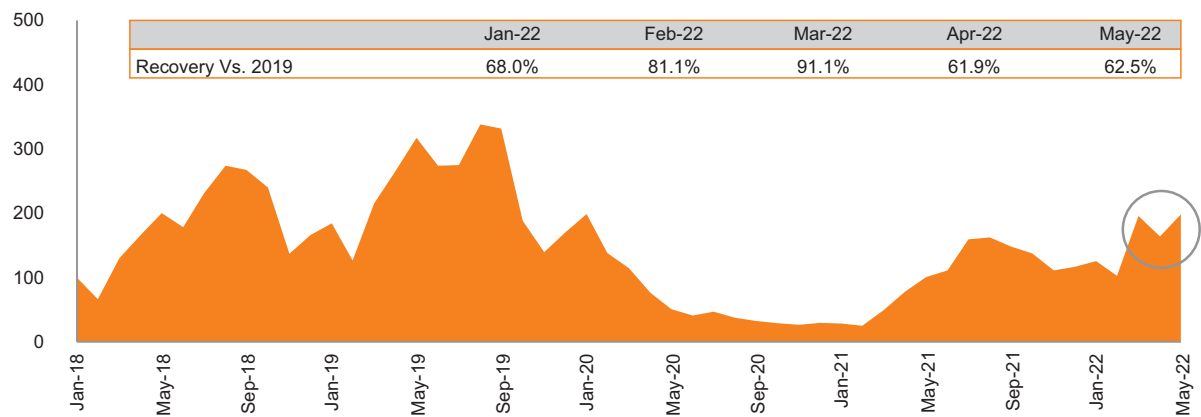
AIRBNB & HOTEL MARKET

The Airbnb market, which saw a significant spike in demand in March as a large influx of migrants traveled to Tbilisi, cooled off in April but seemed to heat up slightly in May. G&T's Bochorishvili says that Airbnb demand in May, which amounted to 63% of its 2019 level, is largely thanks to tourism recovery and not the migration effect: "We believe that the rate of migration from war-affected countries has decelerated, and many migrants that arrived earlier in the spring have now moved to long-term accommodation. Therefore, we estimate that the current level of demand is predominantly tourism related."

Hotels also registered higher revenue in May. POS payments in Tbilisi's medium and large hotels registered at 78.6% of their 2019 level, a figure that G&T analysts also estimate to be exempt from the migrant effect that has impacted general tourism revenue figures. Most notable was the acceleration of revenue recovery in Adjara hotels, which was up 178% YoY in May and even posted growth at 168% of 2019 levels.

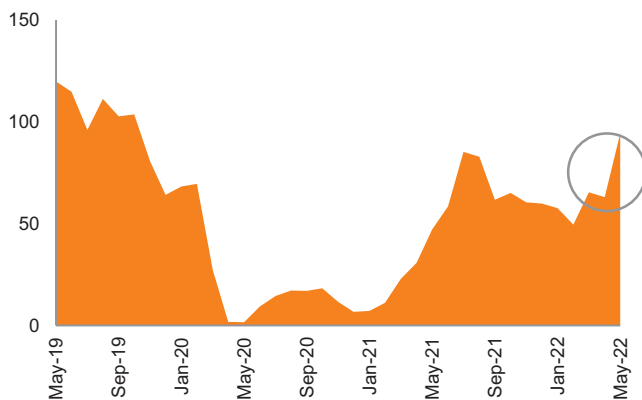
Figure 5: Pos payments in medium and large hotels in Tbilisi, index, Apr-19=100
Figure 6: Pos payments in medium and large hotels in Adjara, index, Apr-19=100

Figure 3: Airbnb rental demand in Tbilisi, index Jan-18=100



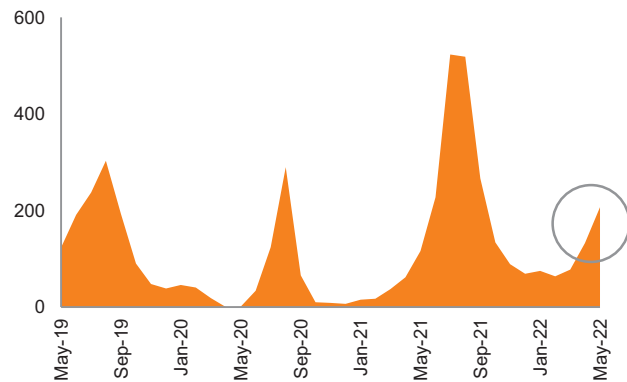
Source: Airdna, Galt & Taggart Research

Figure 4: Pos payments in medium and large hotels in Tbilisi, index, Apr-19=100



Source: BoG, Galt & Taggart Research

Figure 5: Pos payments in medium and large hotels in Adjara, index, Apr-19=100



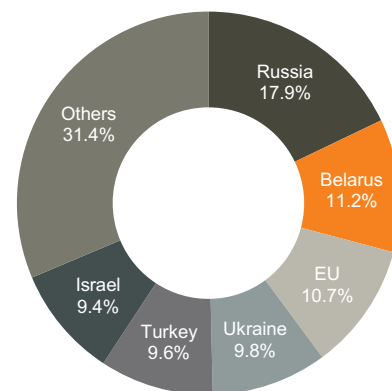
Source: BoG, Galt & Taggart Research

EXPECTATIONS FOR THE REST OF 2022

G&T's latest tourism report notes that total arrivals in the first five months of 2022 amounted to around 1 million visitors, which is 42% of its 2019 figure. Total international tourism revenue stood at \$841 million for 5M22, which is 75% compared to the same period in 2019.

Looking at the figures from May, G&T's Head of Research says that performance exceeded expectations, leading to optimism that revenue may recover to a higher level than was originally anticipated this year. "At the start of the year, we forecasted that tourism revenue would recover to 85% of its 2019 level in 2022," says Bochorishvili. "When the war in Ukraine began, uncertainty in the region led us to downgrade our expectations; but spending by migrants has given this figure a significant boost. Currently, we expect tourism revenue to reach 100% of its 2019 level in June, and we do not rule out the possibility that revenue levels could continue to fully recover throughout the rest of 2022."

Figure 6: Int'l tourism revenue by country, 5M22



Source: GNTA

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

Tbilisi joins the breakfast club – where to eat before 9 AM

BRADEN BJELLA

In previous years, Tbilisi was not a great city for early-risers. While the Georgian metropolis boasts beautiful parks, entrancing nightlife, and plenty to see during the afternoon hours, in the mornings, the streets were often deserted, with many businesses not opening their doors before 11 AM.

This early-morning inactivity also meant that the only places to enjoy breakfast were high-end hotels. Slowly, however, this is changing. A morning walk through Tbilisi today will introduce one to dozens of cafes, each one populated with locals and expats alike beginning work or simply taking the time to start the day off right.

With the rise of cafes has come an abundance of breakfast destinations. Here are just a few to satisfy those early morning cravings.



KIKLIKO

28 Mtskheta St. Open every day from 8:00 until 15:00

There's truly no better Georgian breakfast than kikliko, a fried bread dish similar to French toast. Unsurprisingly, Vake's 'Kikliko' is one of the best places in the city to try the dish. Opened in 2018, the restaurant offers everything from kiklikos to coffee, and fresh juice to waffles, eggs benedict and goat cheese salads.

This dish is close to the heart of Georgians, one of the founders explained in an interview with Culinary Backstreets.

"Our grandmothers and mothers would make this for us. It is every kid's favorite," said co-founder Tamara Mutata. "Whenever you hear 'kikliko' it makes you smile. We want people to be happy here."

People are, in fact, happy at Kikliko. Every day, content customers can be found sipping on a cappuccino in the restaurant's small outdoor area or enjoying their meals at one of the interior's large table settings. While the location is popular, wait times for tables are generally short, meaning you can head over and get your coffee and food soon after arrival. Be sure to say hello to the large orange cat that likes to hang around outside!

HURMA

21 Petre Melikishvili St.

Open every day from 9:00 until 22:00

Who says breakfast is only for the morning? While Hurma has a full breakfast menu for those early-risers (read: until 12:00), the restaurant also offers all-day breakfast, allowing visitors to enjoy synniki (cottage cheese pancakes), omelets and more at any time they desire. Customers can also pick up a homemade fresh juice, smoothie, or lemonade while they wait for their meal.

For those who want a true breakfast experience, however, it is recommended to arrive before noon. That way, one can experience Hurma's take on a full English breakfast, scrambled eggs with salmon, and all the other breakfast delights that make Hurma a must-visit.



Photo by Hurma





Photos by Hello Breakfast

HELLO BREAKFAST

40 Mikheil Zandukeli St. Open every day from 8:00 until 20:00

The latest entrant into the Tbilisi breakfast landscape is Hello Breakfast — and if one needed proof that Tbilisi breakfast has become popular, they needn't look further than this Vera locale. The restaurant is frequently packed to the brim with guests, allowing visitors to sample its many tasty and Instagram-friendly dishes.

Along with the expected offerings of coffee and juice, Hello Breakfast welcomes visitors with a scrumptious menu that includes matcha pancakes, avocado toast, acai berry superfood smoothie bowls, and more. The restaurant also has several gluten free options, including a range of gluten free bagels.

BAGELIN

5 Luarsab Sharashidze Street

Open Wednesday through Monday
from 9:00 until 17:00

BAGELS

32 Zandukeli St

Open daily from 9:00 until 20:00

Bagel craving not sated by Hello Breakfast? Why not head to not one, but two of Tbilisi's tasty bagel spots?

Bagelin was one of the originators of the recent Georgian bagel trend, offering customers an incredible spread of bagel varieties that take influence from both the classic New York bagel and the rich culinary history of Georgia. Additionally, visitors to the location, which boasts ample seating room, can pick up a range of other culinary treasures, such as spiced meats, baked goods, local beers, and even frozen bagels that can easily be reheated at home.

Recently, Tbilisi welcomed another bagel destination, this one simply called Bagels. Much like Bagelin, this bagel spot welcomes visitors with a place to sit and enjoy both plain bagels and a menu of sandwiches, naturally accompanied by a delicious cup of coffee.



Photo by Bagelin



SOL

28 Vasil Petriashvili Street
Open daily from 8:00 until 22:00

Sol is an all-day breakfast and cocktail spot that is seeking to redefine Georgian breakfast culture. Opened earlier this year, the trendy restaurant says on its website that "the morning determines the rest of the day," with SOL starting as a way to "create and develop a Georgian breakfast culture" that encourages people to set the pace for their day the right way.

Their menu does just that. Alongside a range of cocktails perfect for a boozy brunch, guests can enjoy porridges, soups, omelets, smoothie bowls, and more in its cozy interior or out on its spacious patio. Plus, if you're already awake — but breakfast food isn't your style — visitors can delight in a spread of delicious sandwiches composed with home-made bread.



Photos by Sol

CHADUNA

18 Galaktion Tabidze St. Open Tuesday through Sunday from 9:00 until 23:00, Monday from 9:00 until 15:00

Chaduna says it offers food "full of veggies and experiments" — and a quick visit to this Sololaki destination proves just how true that claim really is. While the restaurant offers snacks and coffee throughout the day, its star dishes are its breakfast items. Come by this cozy locale for everything from shakshuka to quesadillas and a frittata. And if you find your breakfast itching to carry over into the evening, the cafe welcomes afternoon visitors with a selection of local wines, bruschetta, salads, and more.



Photo by Chaduna



Photo by Puri Guliani.

PURI GULIANI

Saarbrucken Square
Open daily from 9:00 until midnight

Closing out our breakfast list is Puri Guliani. Housed in a picturesque location on the water near Saarbrucken Square, this upscale eatery is home to a fully customizable egg-based breakfast menu that customers can partake in alongside fresh-baked pastries, including delectable cinnamon rolls and buttery croissants served with seasonal jams. For the less egg-inclined, the restaurant also offers crepes, porridge, and more.



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GETTING THERE:

how three women forged successful careers in Georgia's hospitality industry

IF YOU'VE VISITED ONE OF GEORGIA'S INTERNATIONAL BRAND HOTELS IN RECENT WEEKS, YOU MAY HAVE EXCHANGED PLEASANTRIES AT THE CHECK-IN DESK OR BEEN USHERED TO YOUR TABLE BY ONE OF THE INAUGURAL TRAINEES OF A NEW HOSPITALITY SKILLS TRAINING PROGRAM.

To better understand the appeal of a career in hospitality, Investor.ge recently sat down with a few of the sector's most accomplished women. These women, who all hold senior management positions at international brand hotels in Georgia and have more than 40 years of combined experience in the industry, shared their career journeys and offered up some advice for those looking to enter the sector.

ANA CHECHELASHVILI

Cluster Director of Sales and Marketing, Tbilisi Marriott, Courtyard Tbilisi, Moxy Tbilisi

Years of experience in hospitality: 10

On how she got her start: "When I was 19 and just finishing my stud-



ies in finance, I went to a job fair being held at the Courtyard Tbilisi Hotel. I had never considered a career in hospitality, but luckily for me, I met the Director of Food & Beverage, who was looking for candidates for several positions in his department. I remember him being so enthusiastic about the industry – I had never seen anyone so excited about their job before. I was instantly convinced I needed

to work for this industry."

On the journey: "I started working at the most entry level position you can imagine, as part of the banquet service staff. From there, I was promoted to the position of Food & Beverage Assistant. While working in F&B, I showed initiative and an eagerness to learn different aspects and areas of hospitality. It was this initiative that attracted the attention of the Director of Sales and Marketing at the time, who was looking for a new sales executive and recruited me to join his team. From there, I continued to show initiative and worked my way up, moving from EBC Sales Executive to Sales Manager, to Senior Sales Manager, and finally Director of Sales and Marketing. I actually left Marriott for three years to explore a career in the development industry. However, from the day I left, I was 100% convinced that I would come back. As soon as I had the opportunity, I returned to work for Marriott, convinced that hospitality remains the right fit for me.

On opportunities in the hospitality sector: "I think it is important for those who are interested in hospitality to know that it is truly one of those sectors where hard work and initiative can translate into huge growth in your career. I started in the lowest possible position at the hotel with no background in hospitality, and now I represent three different brands managed by Marriott International and serve on the executive committee. Here you can achieve a lot, just work hard and believe in your success."

The program, which is being implemented by AmCham and Georgia's international brand hotels (GMT Group [Marriott Hotels], Silk Road Hospitality [Radisson Hotels], and the Sheraton Grand Metechi Palace) with the support of the USAID Economic Security Program, welcomed its first cohort of 52 participants in early June. For the next five months, trainees will receive 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. The training program is part of a wider effort to introduce international standards of service to the hospitality sector and revitalize the industry's workforce as it emerges from the pandemic.



SOPHO MESKHI
Director of Sales at Silk Hospitality
Hotels

Years of experience in hospitality:
 13

On how she got her start: "I joined Radisson Blu Iveria Hotel in 2009 as a group coordinator when the hotel was still in its pre-opening stage. I would say this was one of the most exciting periods in my career, where I had the opportunity to interact with both international and local clients."

On the journey: "After working as a group coordinator, I was promoted to sales manager, and I am proud to say I was part of the development that saw Georgia receiving more MICE requests, meaning we started to see more groups, conferences, and events. Later, I moved towards the leisure market, which was not an easy transition and required me to familiarize myself with a whole new type of clientele (local and international agencies, wholesalers, and tour series from different markets like Europe, Japan, or the Americas). However, this is part of why I love working in hospitality – it's a dynamic industry that pushes you to constantly improve and take on new challenges. Soon after, I joined a cluster team as the Radisson Blu Hotel Batumi was opening, which was our first trial in synergy. I was

promoted to Director of Sales and Marketing soon after and led my department through the opening of the Radisson Collection Tsinandali Estate in 2018 - a feat that would not have been possible without the hard work and collaborative efforts of my incredible team. Throughout my career, I have never had two days be the same – this allows me to always move forward!"

On how to succeed in hospitality: "Hospitality is all about people – it's a people business. That means there is no such thing as weekends or holidays for us. You really need to love what you sell and believe in it – if you do that, success will follow."



NATALIE CHANADIRI
Director of Sales and Marketing
at Sheraton Grand Tbilisi Metechi
Palace

Years of experience in hospitality:
 17

On how she got her start: "My hospitality journey started when I moved to London in 2004, and it really began as more of a job than a career. My first position was in Food & Beverage as a waitress. But one of the things that I quickly learned while working for Marriott International was that they always look for people with a spark – that spark that shows you want to progress and learn. If they see that in you,

they really develop you and give you the resources to be successful, which is how I worked my way up to where I am today."

On the journey: "In my first four years in F&B, I took every opportunity I could to cross-train, spending time in the front office, housekeeping, concierge – really any department. I felt it was strategically wise for me to know as much about hotel operations as I could if I wanted to move up to senior management one day. In 2008, I moved to sales, and this represented an entirely new chapter of my career that was hectic but also filled with travel, new clients (many of which became friends), and so many amazing memories. I still remember the highlight of my time working in events and groups sales when I got to handle the main sponsors of the 2012 London Olympics - the city was buzzing! I worked in various senior management roles in sales and marketing before taking a position at Marriott International HQ, where I led a team that looked after 30 brands and over 7000 hotels around the globe. In 2021, I chose to move back to Georgia and take on my current role as the Director of Sales and Marketing for Sheraton Grand Tbilisi Metechi Palace, where I also serve on the executive committee board. Being in hospitality allowed me the flexibility to seamlessly continue my career in a different country – which you can't say about a lot of industries."

On the importance of mentorship: "Great mentors and leaders have played a major role in my career. A great mentor will have your best interest in mind and will encourage you to reflect on what you are good at; but most importantly, they will boost your confidence through their continued support. My advice to anyone just entering the sector – find that person. And once you find your success, become that person for someone else. To this day, some of my mentors and mentees remain my greatest friends."

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



Georgian agriculture sowing a tech revolution

GEORGIAN FARMERS ARE TAKING A CLOSER LOOK AT WHAT TECH HAS TO OFFER IN THE WAKE OF INFLATION, INCREASED LABOR COSTS, AND CLIMATE CHANGE.

Challenged by the task of bringing a tech revolution to Georgia's agriculture, international donors have taken heart that digital literacy and interest in technology in Georgia is high.

In its look at *The Status of Digital Agriculture in Georgia*, the United Nations Food and Agriculture Organization's (FAO) latest report noted the country-wide and "well developed mobile-broadband market," as well as relative low costs. Good data and its widest possible dissemination have been priorities for FAO, EU, and USAID programs in Georgia – not just information on farming activities, but about domestic and international markets, along with prevailing prices and land ownership. These organizations have also lent backing to the introduction of modern digital technologies and innovations in agriculture.

So crop-spraying drones, precision farming technologies, mechanical harvesting, sub-surface irrigation, weather monitoring, and information gathering systems are increasingly being deployed

on farms, fruit and nut orchards, and vineyards across the country by those who can find the financing. Driving the switch to mechanization, says farming information and marketing website EastFruit, is the lack of labor for harvesting and soaring wages. This year's base wage for blueberry picking, it reports as an example, is starting at GEL 1 per kilo, against last year's range of GEL 0.65-1.1.

As one horticulture company, Mkisa, which has 200 hectares of almond and blueberry orchards and maize in east and west Georgia, told EastFruit: "We've invested in a weather station, plant and soil sensors as well as drones so far. In combination, these tools allow us to plan and manage almost all operations based on precise and live data." Driven by the labor shortage, said executive director Gigi Gachechiladze, the company will make its almond orchard fully mechanized by next year and plans to buy a harvester for its blueberry fields.

Even smaller farmers are mechanizing. One, owned by Tengiz Dolidze, who has just 20 hectares of hazelnuts in

Samegrelo, told EastFruit a few months ago that he thought it was well worth investing in a harvester because an Italian or Turkish machine "can replace 35 workers a day and last 15-20 years." Otherwise, he would need 20 workers for two weeks for his harvest, and even last year he was paying GEL 50 a day for each of them.

According to Otar Sherozia at the Farmers Union in an interview with EastFruit, almost a third of its commercial hazelnut grower members were already using or planned to invest in a harvester. The cost is around 7,000 to 10,000 euros for an Italian one, less for one from Turkey.

At Georgia's largest blueberry farm, GeorgianBlue, Rati Morchiladze explains that last year's season had "shown the inevitability of a shortage of labor," and as the company expanded, the situation would worsen, hence its move to mechanization.

Drones, robots, and sensors are the solutions being brought in by dairy farmers to increase their production, and these

need a high level of digital proficiency. As DeLaval, a world leader in dairy farm technology which has been supplying farmers in Kakheti, explained to farming website Alltech.com: “A glaring gap for dairy farmers is data. Farms, especially large ones, don’t know how much an individual cow eats, how much she drinks, how much she moves, her body temperature, stress levels, sickness, etc. Even individual milk production isn’t always recorded in a consistent manner.”

“Without precise, real-time, smart data, the task of managing individual cows is nearly impossible. But emerging digital technologies can fill that data gap,” DeLaval added.

Robotic milking machines are probably the most well-known application for robots in the dairy industry, increasing efficiency and replacing expensive or unavailable labor. DeLaval’s Voluntary Milking System, for example, can not only cut labor costs, but also allow cows to decide when they want to be milked. Robotic milkers (milkbots) clean the udders, identify the cow’s teats, and milk automatically.

Fostering land registration and markets is another of the main objectives of the digitalization process in Georgia, and the focus is now on the lagging rural areas. Today, digital registries include not only land records and data on land transfers but also spatial zonings and the digitization of geo-referenced soil data. Government-backed work has been going on in the last few years with one of the leading Bitcoin mining companies, locally based Bitfury, to build a cutting-edge Blockchain land-titling project.

A country-wide agricultural produce price information system is another innovation brought in with government backing, and weekly data is now available on the Ministry of Environment and Consumer Protection website.

More tech-sourced data is coming in on the Farming Association’s mobile app Agronavti, which aims to help farmers to market their products by placing them on the platform and linking to a buyer. By downloading the application, a farmer is able to get information on weekly market prices established for agro products, research and innovations in agriculture, local weather forecasts, land auctions, trade fairs, and more.

To help them cope with all this technology and give easy access to online training and an electronic library “packed with training courses and information,” a new digital platform for farmers has been launched with the support of the United Nation Development Programme (UNDP), the Swiss Agency for Development, and the FAO. And there is further online help funded by USAID on two digital platforms for small farmers connecting them to the larger value chains: Kalo.ge and Tractor.ge.

All this effort is badly needed – Georgia’s agriculture may be, according to the World Bank in its report entitled A vision

of the future of agriculture in Georgia by 2030, “on a path of structural transformation.” Yet, currently its productivity is “low and stagnant for most crop products” and “yields have not shown marked improvements in the last decade and are lower than world averages,” states this report, which explores how to scale-up Georgian agriculture. And this is before it is hit in the coming years by the “significant water resource challenges due to risks related from climate change,” and worsening soil degradation.

Yet, the World Bank believes that there are reasons for optimism in the agriculture and agro-processing industry, Georgia’s largest employer and responsible for around 12% of Georgian GDP (2020 figures) and 28% of the country’s exports. In the past decade, “the value of food production has increased sharply... and export-orientated producers and agribusinesses have successfully developed sustainable value-chains.” Still, it adds, Georgian farmers have to take fuller advantage of the technology available to help them.



Weather station. Photo courtesy of Mkisa

TBILISI

it takes more than great wine to create an arbitration hub

International arbitration is the preferred method of resolving cross-border disputes for 90% of respondents, according to the 2021 International Arbitration Survey¹ by Queen Mary University (London) and White & Case LLP. In addition to the top five traditional seats for arbitration – London, Singapore, Hong Kong, Paris, and Geneva – the same survey also found that regional seats are growing in reputation and popularity. These include, for instance, for the African region – Cairo and Nairobi; for the Asia-Pacific region – Shenzhen; and for the Caribbean/Latin American region – São Paulo, Miami, Madrid, and Lima.

Tbilisi too has great potential to be transformed into a regional arbitration hub – the benefit of which cannot be overstated. The prospect of attracting commercial parties from Central Asia, the CIS region, or Turkey to Tbilisi as a seat of arbitration in their contracts could drive millions of dollars to the state budget annually through dispute resolution and related services.

However, parties chose a seat of arbitration not for convenience, good food, or nice wine (although Tbilisi boasts all three). The most important driver in choosing a seat is the formal legal infrastructure. In other words, users seek out a seat where arbitration laws and the local judiciary are supportive of the arbitral process and provide sufficient indications of predictability and impartiality. While modern arbitration law is essential, a good track record in enforcing arbitral awards and agreements to arbitrate are key components to making a particular jurisdiction attractive as an arbitral seat. While Georgia can pride itself on its arbitration law, which is based on UNCITRAL Model Law and is thus considered to be a state-of-art legislation, Georgian courts still present an issue.

In its most recent decision², the Tbilisi Court of Appeals set aside an arbitral award rendered in an arbitration seated in Georgia on the basis that the parties had not entered into a valid arbitration agreement.

¹ 2021 International Arbitration Survey: Adapting arbitration to a changing world, by White & Case LLP and School of International Arbitration Centre for Commercial Law Studies, Queen Mary University of London.

² Decision of Tbilisi Court of Appeals, dated 19 November 2021.

The court noted that the parties had previously agreed that each party could appeal the decision of a dispute board in arbitration within the specific deadline. In absence of an appeal, the decision of the dispute board would be final and binding for the parties. The court's decision stated that the express will to arbitrate is an essential element for the validity of an arbitration agreement; it continued that in a hypothetical case when neither party appeals the decision of the dispute board, nor the losing party complies with it, effectively, there would be no express will of the parties to arbitrate. Therefore, the court concluded, the arbitration agreement was not validly established between the parties. It also noted that Georgian law is not familiar with the notion of a "dispute board", so the court was not able to assess the validity of the decision of the dispute board.

The reasoning of the court in this case is highly unsatisfactory and problematic for Tbilisi's aspirations to establish itself as a regional arbitration hub. A dispute board is one of the most frequently used dispute resolution tiers in construction contracts, especially in FIDIC standard contracts or contracts tailored under FIDIC drafts. This decision potentially undermines the validity and enforceability of arbitration clauses under such agreements as well as awards rendered thereunder. This court's decision presents two other major concerns. First, it was rendered almost two years after the application was made by the party (while the statutory deadline is only 30 days); second, the court noted that failure of the party to raise an objection to the jurisdiction of a tribunal during the arbitration process does not preclude the parties from raising such objection later in court (notwithstanding that the Georgian law on arbitration expressly provides that such failure shall amount to a waiver of the right to object).

As a comparison, in its recent decision, the Paris Court of Appeals upheld a \$44 million ICC award against Albania over a mountain highway project – issuing an apparent first-of-its-kind decision that a party's failure to submit a dispute to a dispute board provided for in an FIDIC contract raises an issue of admissibility and does not deprive the arbitral tribunal of jurisdiction to hear the dispute. The court held that the ICC panel's decision to uphold a VAT-related claim against Albania that the claimants had not raised in a prior dispute³ board proceeding was an issue of admissibility – not one related to the tribunal's jurisdiction. In

other words, such failure did not undermine the will of the parties to arbitrate the dispute and thus, the jurisdiction of the tribunal. With this decision, it is unsurprising that Paris ranks fourth in the world for most preferred seats of arbitration.

To conclude, an arbitration-friendly approach from the local courts is one of the major determinants of having a successful seat of arbitration. The failure of Georgian courts to respect the will of the parties to arbitrate, apply the law with pro-enforcement bias, and comply with statutory deadlines makes it unappealing for potential clients. On a more positive note, Georgia already has modern arbitration law and a pool of knowledgeable arbitration professionals (and, of course, good wine) to make arbitration work in Georgia. For now, the city's reputation as a regional arbitration hub depends on the will of the government to modernize the local courts and join efforts with all stakeholders. Perhaps then we will spot Tbilisi as an emerging regional seat in the next arbitration survey.



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³ Decision of the Paris Court of Appeals on case N58 /2022 dated 31 May 2022, Albanian Road Authority vs. AKTOR S.A. et.al. on applicant's motion to set aside the ICC award on case ICC n° 23998/MHM/HBH dated 1 September 2020.



Investors get new opportunities - and 5% plus

PROPONENTS OF GEORGIA'S CAPITAL MARKETS ARE DELIGHTING AT THE NEWS THAT TWO NOVEL FUNDS ARE ENTERING THE MARKET. BUT WHAT'S ON OFFER? AND WHO'S BACKING THEM? *INVESTOR.GE* TAKES A LOOK.

SALLY WHITE

Suddenly there is choice in Georgia's savings market. June brought two innovative new funds and a new industry player to the market. While hardly a revolution, this does double the Georgian funds that are on offer, even though only to institutions, foreign investors, and rich individuals. So, the market

currently remains polarized – the bulk of the population has just low-interest bank deposits in foreign currency, or higher local currency rates, which brings currency valuation risks. This leaves the Georgian capital market still lagging behind most of its peers. However, more funds are promised: one being “green” and one, perhaps, for ordinary investors.

These two new funds come from TBC Asset Management and one from a fresh name on Georgian capital markets, Foresight Investment Management, although it is run and supervised by a team of highly experienced Georgian ex-bankers, investors and entrepreneurs. Both managements state that they are responding to gaps in the market, offering diversity, and minimalizing risk - and both offer a return of 5%. Both funds have been in the pipeline for some time; work started following the National Bank of Georgia's announcement of revisions to the Law on Investment Funds, which was passed the summer before last.

TBC ASSET MANAGEMENT

The reason for the TBC Group's fund, says TBC Asset Management director Tamar Kuridze, is that the “current local market does not have much diversity in the offerings, the choices are limited to deposits, real estate, and bonds.” In the current climate, deposit rates are falling and bonds look too risky.

TBC Asset Management has already raised \$5 million for what is planned to be a \$30 million fund, with most investors so far being foreign individuals. The fund is investing in diversified Georgian credits with a portfolio of loans issued to Georgian blue chip companies.

Giving further details, Tamar Kuridze explains: “We will invest the proceeds mostly in a diversified credit portfolio and some part in liquid assets. Loans that we invest in should be issued in EUR or USD, be secured by collateral, and issued by the Georgian credit institutions. The loans are issued to Georgian Blue Chip companies. The fund offers a better risk/reward profile to investors interested in

the Georgian market, as the risk is lower than bonds and the benefit is higher than the one Georgian deposits offer.”

Tranches in the fund will be offered every 1-2 months, driving its growth, and investors will be able to redeem part of their shares twice a year. The return target is 4.5% plus six months LIBOR (an interest rate benchmark used in international financial markets). The LIBOR is currently 2.6% (meaning there would have been a yield of 7.1% based on the rates prevailing in early July) and is expected to rise, thus so will the targeted return for the fund, as all the loans in the fund’s portfolio will have floating interest rates. The fund will pay out twice yearly all the profit it earns, for the periods ending in June and December. The dividends will be denominated in USD.

Tamar Kuridze says TBC Asset Management has a number of new funds in the pipeline, one of these to be a retail fund (aimed at individual investors), where it also sees a gap in the market. TBC Asset Management is a new subsidiary of TBC Bank, but despite its small size, it has sufficient in-house experience to manage a range of funds. The team’s experience encompasses international financial services, strategy and corporate management, as well as investment. Its supervisory board also has broad experience in investment banking, private equity, and capital markets.

FORESIGHT CAPITAL

Foresight Capital, the other new fund, is also a response to what its founder, ex-banker and entrepreneur Gia Morchiladze, saw as unattractive bank rates. As he told BM.ge “I went to one of the banks to extend my deposit and when I was offered a rate of less than 1% in foreign currency. I was indignant, and then I realized how many opportunities there are in the market!”

With 20 years of banking experience behind him topped by 15 years building a commercial property asset portfolio and a diversified range of businesses (from agriculture to mining), he lost no time in registering an investment management company to take advantage of the opportunities he saw. He then embarked on months of negotiations on his fund to show his team had the suitable experience and competence. He describes his unusual (for Georgia) fund objectives, emphasising its solid asset backing, secured by commercial real estate. Returns are expected to be “at least 5% per annum,” he says. Although aimed at qualified investors, it can try out the retail market as technically 20 ‘uninformed’ investors are allowed.

“The fund will invest in fixed-income debt instruments as well as, in certain cases, participate in equity ownership of income-producing assets. The fund will invest in instruments issued in and assets located in Georgia.”

According to Morchiladze, “It will invest in the following types of financial instruments:

- Commercial bank current accounts and deposits (USD, GEL)
- Commercial bank deposit certificates (USD, GEL)
- Private and public secured debt instruments issued by local companies
- Direct secured loans to local business entities

- Equity investments in local business entities that own real estate; only with fixed equity repurchase agreement.”

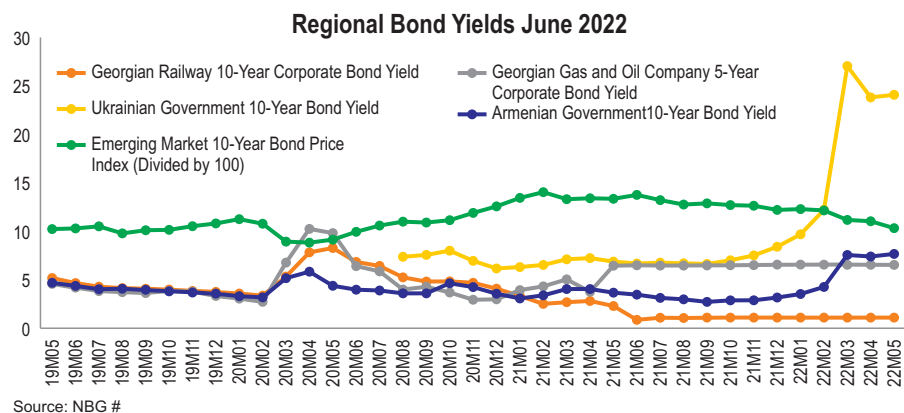
“All of the fund’s investments must be secured by real estate,” he adds.

Sectors in which the fund will invest right up with the current international investment preferences are: energy (only renewable); agriculture (only export-oriented); healthcare (with medical tourism potential); development/construction; commercial real estate (only with existing lease agreements).

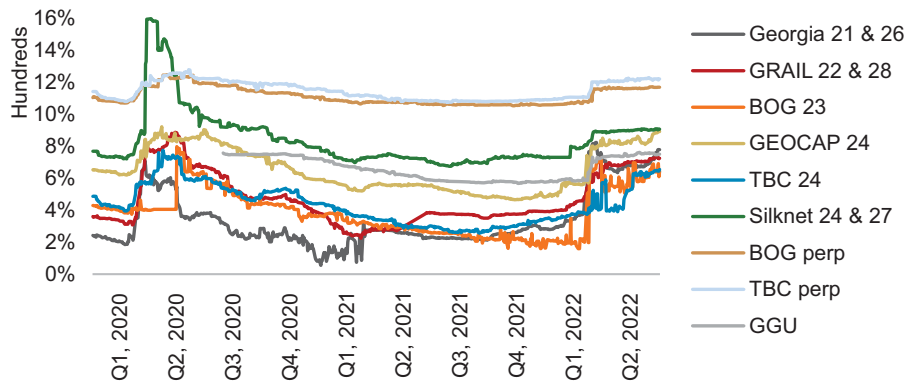
“The fund investors will receive dividends monthly or quarterly from the fund’s income generated from portfolio investments (interest income and dividend income). In case an investor wants to exit the fund before the fund closes, we help them find a buyer for their units in the secondary market,” he said.

He recently explained to BM.ge what he sees as Foresight Capital’s competitive advantage. “First of all, our main task is to protect investors, which we achieve by securing our investment in real estate - this is one of the most important aspects of our offering,” he said.

Second is his optimism about the returns that Foresight Capital will be offering. It is based on the fact that the group team’s wide expertise already includes successful investment in commercial real estate, which offers a better return than residential property or bank



Georgian Eurobonds, YTM



Source: Galt & Taggart

► deposits - and in various industry sectors.

“And what I want to mention about the team that is the founder or managing team of this company, is their professionalism, experience and dedication to the work and knowledge that they have acquired in international and local markets,” said Morchiladze. He could also have added their long individual track records. This explains why the NBG welcomed this new group into its capital markets, which have long been deprecated by the international financial institutions as underdeveloped. Plus, he has reassured that he has no plans to compete with the banks.

Other co-founders of the Foresight Asset Management company are Archil Melikadze and Giorgi Gogotchuri. Archil is a finance professional educated in the U.S. with top-level international experience, working for many years in major

international and local private and public organizations. Giorgi Gogotchuri has extensive experience managing successful businesses and has “a distinctive talent for discovering remarkable business opportunities.” The Supervisory Board, apart from Melikadze and Gogotchuri, comprises Vano Vakhtangishvili and Levan Diasamidze, the former having been in banking for decades (he was also Vice President of the National Bank of Georgia in the 2000s). Diasamidze is also a senior ex-banker.

Finally, according to Gia Morchiladze, “the third advantage is portfolio diversification.”

BACKING FROM THE NBG

Outlining the regulatory backing, the NGB says that: “The updated regulatory framework is based on the EU directives (UCITS and AIFMD) as well as

experience of international best practices in this field. We have also taken into account the level of financial market development in Georgia and therefore we created a framework for two types of retail investment funds (classical UCITS and Retail Investment Fund). Both categories are subject to the NBG Regulations. However, Retail Investment Funds are subject to less investment and eligible asset restrictions than UCITS but are subject to a regime more restrictive than the Alternative Investment Fund (Registered Investment Funds) Regime.”

It further added that “we do not foresee any more regulation to come nor do we believe that existing legislation is complex and onerous.”

The reason that there are, as of yet, no retail funds for “the man in the street”, says the NBG, is that: “Development of retail funds at the moment is mainly a result of lack of experienced fund managers in Georgia, who are first-time managers and are more suited for operating non-retail (registered) funds before they accumulate enough track record to manage retail funds.”

However, here are two fund management groups that seem to have the experienced teams needed and which have already started to establish a track record. So, there is hope yet for an alternative to deposits or crypto for the ordinary investor.

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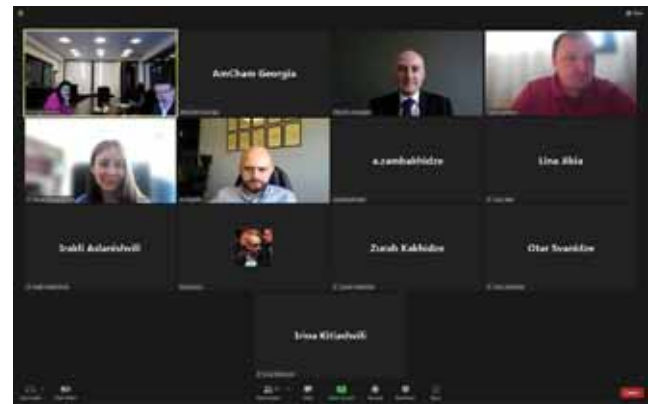
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AMCHAM HOLDS FIRST MEETING OF FMCG COMMITTEE



AmCham Georgia held the first meeting of the newly launched FMCG Committee on May 19. Members had the opportunity to join and discuss ongoing issues within the FMCG sector. Following a fruitful discussion, committee members formulated future activities.



AMCHAM MEMBERS MEETS WORLD BANK REGIONAL DIRECTOR



AmCham Georgia organized its first Members-Only Luncheon since the pandemic on May 25 with the World Bank Regional Director for the South Caucasus Sebastian Molineus at the Sheraton

Grand Tbilisi Metechi Palace. Mr. Molineus was joined by Program Leader Ahmet Levent Yener and Sr. Education Specialist Nino Kutateladze. Speakers presented the details of the World Bank's

recently announced \$400 million human capital program for Georgia. The presentation was followed by a Q+A.

AMCHAM HOSTS CHAIRMAN OF NATIONAL BANK OF GEORGIA



On June 28, AmCham Georgia hosted a business roundtable meeting at the Tbilisi Marriott with the Chairman of the Board of the National Bank of Georgia

Koba Gvenetadze who presented on the country's macroeconomic outlook and reforms in the financial sector. 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 to attend the meeting in person or online.

COCKTAIL RECEPTIONS AT IVERIA CAFÉ AND STAMBA HOTEL



On June 3, AmCham Georgia hosted a cocktail reception at the beautiful outdoor space of Iveria Cafe. AmCham President Sarah Williamson greeted the guests and announced updates and the upcoming events of AmCham.

AmCham Georgia also hosted a cocktail reception on June 21 at Stamba Hotel, which was attended by AmCham members and friends.



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AMCHAM HOSTS ANNUAL 4TH OF JULY PICNIC



On July 2, AmCham Georgia jointly with the U.S. Embassy in Georgia hosted a family picnic celebrating the 246th anniversary of the signing of the U.S. Declaration of Independence.

Around 2500 American, Georgian, and international guests enjoyed an



American style picnic with a giant barbecue, live bands, bouncy castles, popcorn, ice-cream, face painting, caricaturists, clowns, and toys for children. The picnic also featured art classes for kids, gif-me, a photo booth, a photo bus, and a rodeo horse.



The U.S. Ambassador Kelly C. Degnan and AmCham Georgia First Vice President Irakli Baidashvili welcomed the guests. The event ended with a display from the U.S. Marines, national anthems, and a phenomenal display of fireworks.









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ExpatriHub, LLC Corp A

ExpatriHub provides Tax, Legal, Accounting and Real Estate services to foreign entrepreneurs and SMEs relocating to or operating in Georgia. The company brings international standards and level of service to an industry where quality and reliability are notoriously difficult to find.

expatrihub.ge



McCann Erickson LLC Corp A

McCann is an American global advertising agency. McCann Tbilisi first network global agency operating in Georgia since 1998 and provides Marketing, Media, Creative, Production and BTL solutions for global and local brands.

www.mccann.com.ge



Georgian Property Management LLC Corp B

Georgian Property Management LLC is a company with real estate portfolio which contains commercial spaces and "A" class offices for rent. The company owns two business centers on Melikishvili and Kazbegi Avenues.

Currently GPM (Georgian Property Management LLC) runs development and construction of high class apartments on Kipshidze Street 1, where besides the residential properties, commercial spaces and offices will be also available (more than 100k sq. construction area).

www.facebook.com/propertygeo



Nestle Georgia LLC Corp B

Nestle is the world's largest food and beverage company headquartered in Vevey, Switzerland, where the company's history began more than 150 years ago. The company has more than 2000 brands ranging from global icons to local favorites, and are present in 186 countries worldwide.

Nestle in Georgia is represented by Nestle Georgia LLC. It is the supplier of products manufactured by Nestle group of companies. It widely supports relations with the distributors, consumers and other organizations, as well as mass media and marketing agencies, and actively cooperates with both - the society and local companies.

www.nestle.com



Vinichio Valley LLC Corp B

"Vinichio Valley" LLC is an investment company established with foreign capital. The company has been implementing huge investment projects in Georgia in the fields of agriculture and food industry.

Today, the largest project of the company is development of "Vinichio Valley" farm in the Sagarejo region of Kakheti. The project is producing industrial scale pistachio, wine and stone fruit. After a lot of years of intensive work the unique species of pistachio created, ideally corresponds to the land and climate conditions in the region.

The company is also planning to build processing factories on the site. The company strongly supports the growth of Georgian economy.

aric.ge



Credit Expert Georgia Visiting

Credit Expert is an online platform where customers can quickly and easily register a debt and transfer it for the collection, create their own user area and monitor the collection process; quickly contact lawyers and get the money back without any difficulties and lengthy litigation.

www.creditexpert.ge

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www.adjargroup.com

Alliance LLC

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www.alliancegroup.ge

Alta LLC

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Tel: 2510111
www.alta.ge

American Hospital

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www.ahtbilisi.com

Anaklia Development Consortium

6 Marjanishvili St.
Tel: 2959910
www.anakliadevelopment.com

Avon Cosmetics Georgia LLC

37/39 Kostava St., Grato Business Center 7th Floor
Tel: 2203175
www.avon.com

BAT/ T&R Distribution

2 Chirnakhuliani St., Samgori district
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www.bat.com

Budget Rent a Car - Otokoc Georgia LLC

37 Rustaveli St.
Tel: 2234112
www.budget.com.ge

Caucasus University

1 Paata Saakadze St.
Tel: 2377777
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Coca-Cola Company

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Conformity Assessment International (CAI) LLC

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DAI Global (Implementer of the USAID Economic Security)

7th Floor, 29 I. Chavchavadze Ave.
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www.dai.com

Dasta Records Management

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Tel: 2900112
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Deloitte

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Tel: 2158811; Fax: 2158822
www.ey.com

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Gazelle Finance Georgia LLC

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www.gazellefinance.com

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www.gau.edu.ge

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www.granthornton.ge

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Tel: 2393138; Fax: 2311107
www.greco.ge

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

GULF Georgia by Sun Petroleum Georgia LLC

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Hilton Batumi

13 Takashvili St., Batumi
Tel: 292092
www.hilton.com

Hilton Garden Inn Tbilisi Chavchavadze

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Tbilisi 0162
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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.

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Investor.ge is printed by CEZANNE

AmCham Georgia:
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