

Georgia's Innovation and
Technology Agency sets its
sights on global recognition

USAID Mission Director John
Pennell talks transatlantic
relations, priorities for 2023

AmCham celebrates 24 years
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Georgia gets its first 'homegrown' green bond



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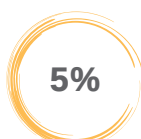
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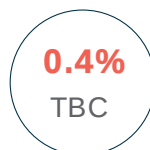
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Fund Gross Yield	3-month yield	1.7%
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*Corresponds to 5% annual yield

**Based on the actual dividend payouts to the Fund's investors net of taxes

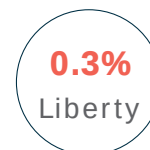
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TBC



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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.

IMF projects Georgian economy to grow 10.5% in 2022

“The International Monetary Fund predicts Georgia’s economy will grow by 10.5% in 2022,” announced Economy Minister Levan Davitashvili on November 21, noting that the country exhibited “one of the highest” growth rates in the region. He added that adjusted data by the national statistics office showed the country’s economy had grown by 10.5% in 2021 and 10.2% between January and September of 2022.

Minister Davitashvili said increased activities in transportation, storage, construction, and the industry and service sectors, including tourism, had made a “significant contribution” to growth this year. “Foreign exchange inflows received from foreign trade, tourism, international shipping, and other channels were also an important factor in the growth of economic activity,” Davitashvili added, noting that forecasts for the next five years were “quite encouraging.”

Tbilisi in National Geographic ‘100 best cities to visit’ book

The National Geographic Travel magazine has published a new guidebook for the 100 best cities in the world to visit, with the index including the Georgian

capital of Tbilisi, the Georgian National Tourism Administration announced on November 18.

Entitled *100 Cities, 5000 Ideas*, the guidebook features information on the historical districts of Tbilisi; the history of its museums, theaters, cultural monuments; tourist routes; hotels; and food facilities. It also introduces readers to the ancient capital of Mtskheta, located about 20 kilometers north of Tbilisi.

Georgia, Canada negotiate foreign investment agreement

The fourth round of negotiations on a Foreign Investment Promotion and Protection Agreement was held between Georgia and Canada in the Canadian capital of Ottawa on November 19.

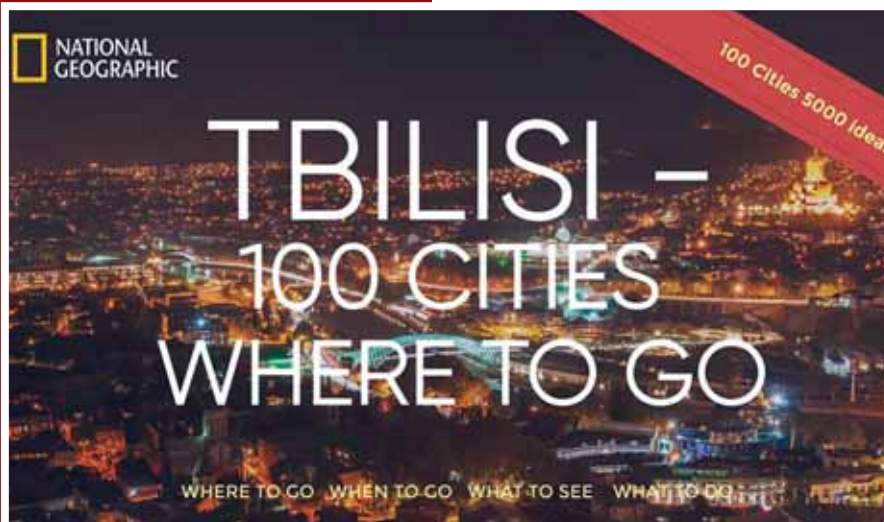
Georgian Deputy Economy Minister Genadi Arveladze said the signing of the agreement would encourage Canadian investors to increase their existing investments and explore investments in new sectors.

Minister Arveladze also noted it would stimulate entrepreneurial initiatives and the free movement of private capital, which in turn would contribute to the development of economic cooperation between the countries.

During his visit to Canada, Arveladze also met with Canadian Deputy Minister of International Trade Rob Stewart and discussed prospects for deepening cooperation between the countries in trade and investments, energy, mineral extraction and processing, and transport.

Gas distribution companies to invest \$97 million to improve supply in Georgia

Natural gas distribution companies in Georgia will invest €265 million (\$97.4 million) over the next five years to improve gas supplies in the country, the Georgian National Energy and Water Supply Regulatory Commission (GNERC)



announced on November 18.

“The purpose of the investment plans is to improve the reliability of natural gas distribution networks and the quality of service, minimize emergency interruptions, and ensure a continuous and safe supply of gas,” GNERC said.

Tbilisi Energy will invest ₾35.5 million (\$13 million) in upgrading the Tbilisi natural gas distribution network and improving the quality of its service. Socar Georgia Gas will invest ₾111.8 million (\$41 million) in improving the supply outside of Tbilisi, while Sakorggazi will invest ₾113 million (\$41.6 million).

Georgia external trade up 33.5% January-October

Georgia’s external trade turnover amounted to \$15.22 billion from January to October 2022, posting a 33.5% YoY increase, the national statistics office revealed on November 14. The value of exports rose by 34% and equaled \$4.54 billion, while imports grew by 33.2%, amounting to \$10.68 billion. The trade deficit stood at \$6.1 billion, a 4.6% increase compared to 2021.

Georgia’s top partners by exports from January to October 2022 were China (\$607.5 million), Azerbaijan (\$541.7 million), and Russia (\$530.3 million), while the top markets by imports were Turkey (\$1.91 billion), Russia (\$1.41 billion) and China (\$921 million).

Bakuriani set to host 2023 Ski World Championship

Secretary General of the International Ski and Snowboard Federation Michael Vion praised infrastructure works in the Georgian ski resort of Bakuriani ahead of its hosting of next year’s Freestyle Ski and Snowboard World Championships, Georgia’s Mountain Trails Agency (MTA) said on November 15.

The body governing ski resort areas quoted the official as saying the work was being “done in the best way” and



adding the international federation was “waiting for February in order to see the full picture,” in reference to the coming tournament. “I’m sure together we will ensure that the event planned in Bakuriani is held in the greatest way,” Vion said.

MTA Head Irakli Burchuladze said two artificial reservoirs for a snowmaking system - which is currently being installed - had been built in the Didveli mountain area and the neighboring village of Mitarbi, while six new tracks had also been prepared for the competition.

American IT company Lineate to invest \$700,000 in Georgia, create 50 jobs

American IT company Lineate will invest \$700,000 in Georgia and create at least 50 new jobs after signing an agreement for a foreign direct investment grant with Enterprise Georgia, the state program promoting entrepreneurial activity in the country announced in early November.

The Georgian agency said Lineate was the first company to benefit from the program and will receive 15% cashback of its investment in the form of a grant after fulfilling investment requirements. Lineate opened a regional office in the country earlier this year and currently employs around 85 people.

Enterprise Georgia Director Mikheil Khidureli said the FDI grant program,

which aims to support potential and existing investors in Georgia in initiating new or additional investments in sectors with high value added, has played “a significant role” in attracting American investment in Georgia.

The FDI grant state program can be used by international companies operating in advanced manufacturing such as production of electric, automobile, and aviation parts; business process outsourcing; IT; and logistics.

Construction of Kakheti highway to be completed by 2024

Travel time from the Georgian capital of Tbilisi to the central part of the country’s eastern Kakheti region will be reduced to one hour and 20 minutes thanks to a new highway that is due to be operational within the next two years, the Ministry of Infrastructure announced in late October.

The ministry said the construction of the four-lane Kakheti highway was “actively underway,” with the ₾527 million (\$190 million) investment from the state budget aiming to “completely relieve traffic in populated areas.” The ministry said it expected improved traffic safety and reduced travel times to result from the completion of the project.

The Asian Development Bank is currently financing construction of the Ba- ►►

- kurtsikhe-Tsnori road with ₾87.8 million (\$31.6 million).

Kazakhstan to transport oil through Tbilisi-Baku-Ceyhan pipeline starting in 2023

Kazakh Prime Minister Alikhan Smailov announced at a briefing with journalists in November that Kazakhstan would begin transporting oil through the Tbilisi-Baku-Ceyhan pipeline starting January 1, 2023. Smailov said the oil would arrive from eastern Kazakhstan's Aktau port into the Azerbaijani port of Baku and would then be transported through the Baku-Tbilisi-Ceyhan pipeline.

Smailov told reporters that an agreement to transport 1.5 million tons of oil through the Baku-Tbilisi-Ceyhan route has been reached and that later the volumes will be increased to between 6 and 6.5 million tons, adding that Kazakhstan's oil producer Tengizchevroil Company had doubled the number of oil-tank cars and piloted rail shipments towards Batumi and Uzbekistan.

Central bank keeps refinancing rate at 11%

The National Bank of Georgia (NBG) has decided to keep the refinancing rate unchanged at 11% following a meeting of its monetary policy committee on October 26, noting that domestic inflationary pressure remains high (amounting to 11.5% in September) despite the fact that inflation has retreated from its peak.

The NBG said it expected inflation to gradually reduce following "positive trends observed in international commodity markets."

"Commodity prices and international shipping costs are declining. The international food price index has been falling for six consecutive months. It is expected that in line with the appreciated exchange rate, these trends will gradually be transmitted to the local market, reducing inflation. However, given the current geopolitical circumstances, uncertainty remains high," the NBG's statement read.

The statement further added that it expects inflation to remain high until the end of the year but continue to

gradually decline and approach its target level in the second half of 2023. "Taking into account the existing inflationary risks, a tight monetary policy will be maintained, and its normalization will gradually begin only after a clear trend of decreasing inflation is observed," the central bank said. The next meeting of the monetary policy committee will be held on December 21.

Georgian businesses report \$53.25 billion in turnover in 2021

The turnover received by the Georgian business sector increased 31.5% YoY and amounted to ₾150.4 billion (about \$53.3 billion) in 2021, GeoStat announced in early October.

The trade sector (including repair of motor vehicles and motorcycles) had the highest share (36.4%) in the total turnover in the business sector, followed by: arts, entertainment, and recreation (32%); manufacturing (9.8%); construction (5.5%); transportation and storage (4.6%); electricity, gas, steam, and air conditioning supply (3.2%); and other sectors (8.5%).

Georgian businesses employed around 744,000 people in 2021, which is 5.7% higher than the year prior. The average monthly salary for a person employed in the business sector in 2021 was ₾1,347 (about \$480). This was an increase of ₾124 (\$44) YoY.

Tourism revenue hits \$2.9 billion record high

Georgia received \$2.9 billion from international tourism between January and October 2022, surpassing pre-pandemic numbers from 2019 and hitting record-high markers this year, the Georgian National Tourism Administration announced on November 17.

The administration said revenues from international tourism had increased by 183% YoY in the first 10 ►►



American Hospital Tbilisi Celebrated 1 Year Anniversary!



October 20, 2021 is the date when American Hospital Tbilisi (AHT) of international standards was opened in the center of Tbilisi. After one year of successful operation, the progressive team of professionals have been gathered together by the hospital Management in Sheraton Grand Tbilisi Metechi Palace to celebrate the most memorable anniversary.

The unforgettable corporate evening was opened by the CEO of AHT, Dr. Ercan Ayyildiz, prior to summarizing the hospital's first-year achievements, he expressed his gratitude to the employees for the commitment and support that the AHT team has shown in common work.



"With the support of the governments of Georgia and the USA, this project was completed - American Hospital Tbilisi was opened, is successfully operating and now, we are already celebrating the 1st anniversary together. I would like to thank the whole team! with your support and loyalty we have created a huge number of great stories and in the future we will keep establishing of our niche brand on the medical map of the region", - noted Dr. Ercan Ayyildiz.

The culmination of the event was the heartfelt presentation highlighting all the achievements the team have been able to reach in a short time of the period. Impressive number of international conferences, outstanding practice of patient care through medical services with personal touch from the detail-oriented team, thousands of successful surgeries and projects emerging from AHT corporate social responsibility are the small number of the annual highlights making the team even more proud at this memorable event.

► months. It also added the figures showed a 100% recovery from the same period in 2019. In October alone, revenue reached \$337 million, a 126% recovery from the same month in 2019 and an increase of 137% YoY.

Government: medication prices to decrease 40% in 2023

The costs of medical drugs are expected to decrease 40% next year following the anticipated introduction of reference prices, the Georgian government administration announced in early November.

The initial stage of the introduction will cover medication for chronic diseases, before expanding to other categories, with the initiative aiming to “increase access to quality medicine,” ensure “fair prices,” and create a “competitive and transparent pharmaceutical market.”

Consequently, the government estimates that almost 100,000 Georgian citizens will save up to €200 million (\$73.4 million). This follows the government's

decision in March to allow pharmaceuticals to be imported from Turkey, which it says has already created a 60-80% reduction of medication prices in Georgia.

Pension agency says net asset value of fund at \$1.03 billion

The Pension Agency of Georgia estimated the net asset value of the country's pension fund to be at €2.78 billion (\$1.03 billion) in its latest report, with the update also showing the fund's net return between 2019 and November 2022 at 38.8% (\$145mln).

The real return of the fund (considering inflation) reached 1.4% in the same period, the agency said, adding it had begun buying USD-denominated assets, with 17.5% of its investment portfolio invested in dollars as of November 9 and the remaining 82.5% in GEL-denominated assets.

The investment portfolio is currently distributed as follows: 3.6% is placed in current interest accounts; 13.5% is in local treasury bonds; 8.7% is in U.S. trea-

sury bonds; 7.9% is in global stocks; 0.9% is in Eurobonds; and 65.4% is in certificates of deposit and term deposits.

1.33 million people were registered in the pension system as of November 9. The system came into effect in Georgia in January 2019 and applies to Georgian citizens, foreign citizens living in Georgia with permanent residency in the country, and stateless persons who are employed or self-employed and receive an income. It also applies to employees of both the public and private sectors.

French Development Agency to co-finance Georgia's human capital program with €100 million

Georgia will receive €100 million from the French Development Agency to co-finance a human capital development program as part of an agreement signed on November 15 between the AFD, the Ministry of Finance of Georgia, and the French Embassy.

The ministry said the program was already being financed with €358.5 million from the World Bank, with the new agreement providing additional funding.

Improving the efficiency and inclusivity of the human capital supply system in Georgia is the goal of the program, which aims to: improve linkages between digital systems in all directions for the supply of human capital in the sectors of education, healthcare, and social security; increase the effectiveness of expenditures made for the development of human capital in these sectors; and increase the inclusiveness of human capital for the improved quality of expenditures made in the three fields.

The state body said Georgian Finance Minister Lasha Khutsishvili had met Cyrille Bellier, Department Head for the Balkans, Middle East and Asia at AFD to discuss cooperation between Georgia and the agency before signing the agreement. ■





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IBSU

TBC Capital: opportunities and challenges in creating a regional transit hub

www.tbccapital.ge

The global transport and logistics sector saw major disruptions in recent years as it was first hit by the pandemic in 2020. While 2021 showed promising signs of recovery, Russia's invasion of Ukraine in early 2022 once again rocked the industry and threatened major disruptions. TBC Capital's latest sectoral review examines the impact of these events on Georgia's logistics and transportation industry and evaluates the prospects of transforming the country into a regional transport hub.

GLOBAL FACTORS

The Covid-19 pandemic and its related restrictions had a devastating impact on Georgia's transportation and storage sector. A survey conducted in the spring of 2020 indicated that 69% of companies in the industry had seen a more than 50% decline in revenue as lockdowns, virus containment measures, and supply-chain disruptions threatened their operations. By the start of 2022, many of these pandemic-related disruptions had largely subsided; but Russia's invasion of Ukraine in February left a fresh sense of uncertainty as a new round of production and transportation delays, international sanctions, and increased commodity prices rippled through the industry globally.

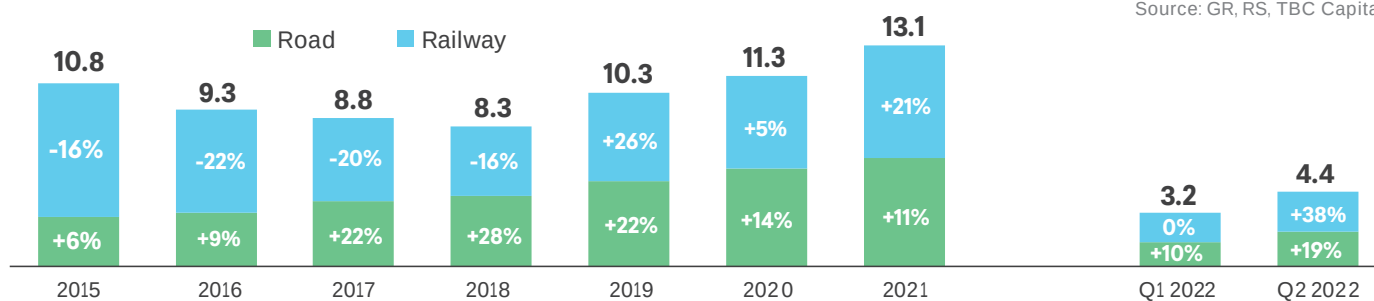
LAND TRANSIT

Cargo transit, which consists of rail and road freight services, is an important driver of demand for transportation services in Georgia. In the first half of 2022, cargo transit accounted for more than 60% of total external (transit + export + import) cargo transportation volumes.

Prior to 2019, cargo transit through Georgia was on the decline; however, since 2019, the fading impact of the 2014-2016 crisis and increased throughput by Georgian Railway has led to steady double-digit growth in transit volume. This upward trend was further augmented by the outbreak of war between Ukraine in Russia. While Q1 of 2022 registered modest 4% YoY growth of cargo transit in Georgia, Q2 witnessed surging demand and a 29% YoY increase.

Land transport transit (Mln tons) and YoY growth (%)

Source: GR, RS, TBC Capital



TBC Capital's Senior Research Associate Giorgi Mzhavanadze says that this increased demand is largely the result of companies looking for alternative routes of transport. "Our data indicates that most of this increase is cargo coming from Kazakhstan and Uzbekistan as companies choose not to transit through Russia." Cargo transit from Kazakhstan and Uzbekistan, he notes, spiked by 1173% and 185% YoY, respectively, in the first half of 2022.

Mzhavanadze says that this shift in preferred routes indicates the increased level of risk and the stigma associated with transiting through Russia. "It is important to note that current sanctions do not preclude rail transit through Russia. For instance," he notes, "transit from China through Georgia grew negligibly in the first half of 2022. This could potentially indicate that Chinese companies are continuing to transit through Russia and are not seemingly concerned with the associated risks."

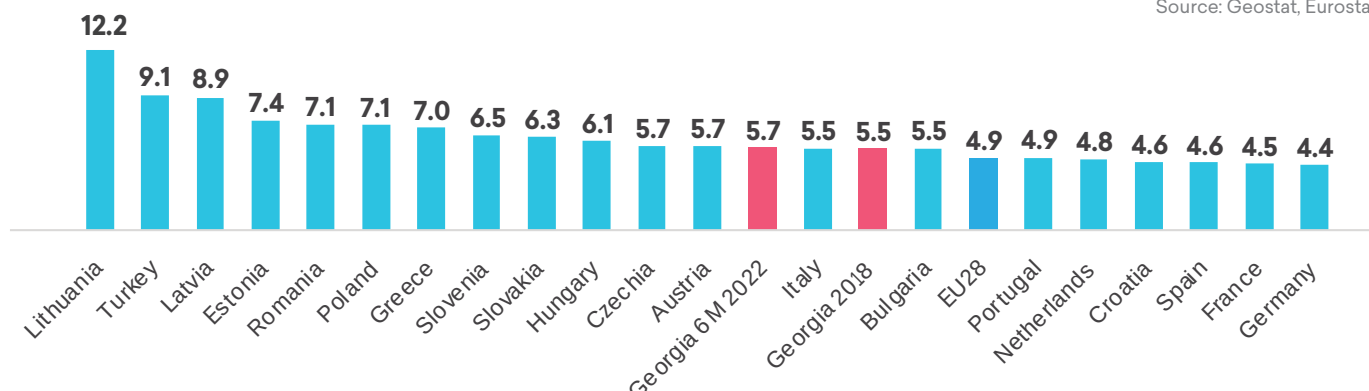
Cargo transit by road also grew substantially in the first part of 2022, primarily due to increased demand from Russia (+66% YoY), Turkey (+11% YoY), and the EU (+27% YoY). This, in part, was due to sanctions against Russia, including those on Black Sea ports, that pushed it to increasingly utilize Georgian roads for transit. Georgian roads were particularly impacted by Russia's increased trade with Armenia and Turkey as it jumped to compensate for Russia's lack of access to other parts of the global market.

OPPORTUNITIES AND CHALLENGES

As data from land transit indicates, the current geopolitical situation in the region has the potential to increase Georgia's attractiveness as a major transit hub. The transportation and logistics sector represented 5.7% of the country's GDP in the first half of 2022, which, while surpassing EU levels, trails behind Turkey, the Baltics, and most of Eastern Europe. This indicates that Georgia has considerable opportunities to further unlock its potential as a major gateway for international trade routes.

Land transport transit (Mln tons) and YoY growth (%)

Source: Geostat, Eurostat

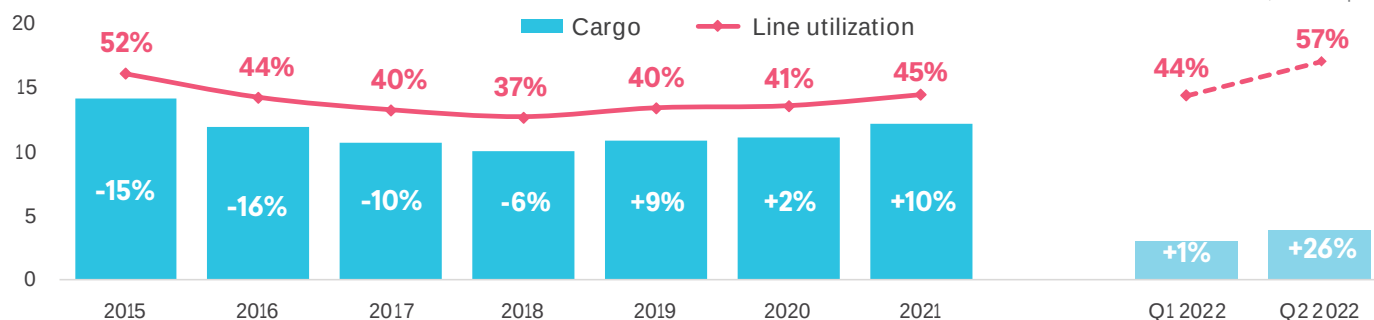


One potential area of growth for Georgia is through gas pipelines. Following the 2018 expansion of the South Caucasus Pipeline and the recent deal between the EU and Azerbaijan to double gas exports from Azerbaijan by 2027, Georgia will benefit from both increased gas transit and favorable purchase prices far below market rates.

As part of the Trans-Caspian International Transport Route (TITR), known as the Middle Corridor, which links China to Europe through Kazakhstan, the Caspian Sea, Azerbaijan, and Georgia, the country has the potential to benefit from increased transit as routes through Russia are increasingly perceived as risky. Recent updates to Georgia's railway network are expected to increase its annual capacity from 27 million to 48 million tons annually once its modernization project is completed in 2023. And even with increased demand in the first half of 2022, the railroad's utilization rate came in at 57%, which, according to Georgian Railway, indicates that it is equipped to handle even higher levels of demand.

Railway cargo (Mln tons) and YoY growth, railway utilization level

Source: GR, TBC Capital



Despite this increased capacity of Georgia's railway, there are signs that the rest of the Middle Corridor was not prepared for the recent surge in demand. "One of the major bottlenecks the route is experiencing now is in the Caspian Sea," explains Mzhavanadze. "There has been a huge queue of cargo and containers stuck in Kazakhstan waiting to be transported to Baku. Unless the entire route is updated, these types of bottlenecks will increase transit times and make the Middle Corridor less attractive."

Another challenge to the corridor is the capacity of Georgia's ports. "In Poti, container cargo is currently at a utilization rate of around 67%, so there is room for increased utilization. However, in the case of bulk cargo, Poti is already working at its maximum capacity. Updating Georgia's ports and increasing their capacity will be essential to boosting the potential of the Middle Corridor."

These issues are further compounded by the Middle Corridor's multi-modality and transit times, according to Mzhavanadze. "In terms of time, compared to the North Corridor through Russia, the Middle Corridor is, on average, about 5 or 6 days slower. Furthermore, more than 90% of trade from China to Europe is still transiting through the sea."

And while these limitations are substantial, Mzhavanadze says there are still significant opportunities for Georgia. "We need to establish long-term relationships with the companies that are temporarily turning to Georgia as a transit route. Many of the Georgian logistics companies who have created short-term contracts with transport companies abroad have said that they believe 30% to 40% of these companies will remain in Georgia in the long term if they feel they are receiving high quality service."

"For a country like Georgia," he notes, "an additional 5 to 10 million tons of cargo per year – while negligible in the global scale – has the potential to make a significant impact on the economy."



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Felt carpet by Ana Lagidze.

Felt - Georgia's oldest fabric finds new favor

Woolen goods apart from carpets get scant attention from the Tbilisi tourists thronging the stalls and shops on Rustaveli Avenue and in the Old Town. Yet the history of Georgia's textiles is quite as ancient and prestigious as that of the jewelry and ceramics which tourists favor. Felt, one of the oldest of fabrics, however, is now enjoying growing demand both among Georgians and internationally via the websites of crafts people, artists, and overseas interior designers.

SALLY WHITE

Much of Georgia's feltwork is basic items, "simple products for women to turn into a business," as Vanda Mujiri, owner of the Vanda Gallery in Mtatsminda, puts it. The materials are easy to find, inexpensive, and can be worked in a wide variety of ways – made with dry or wet felting or with needles and embroidered or combined with other material. At Tbilisi's Dry Bridge Market, there are usually lines of brightly colored scarves, slippers, and toys swinging in the wind, most for under 70 lari.

At the up-market end, prices can be

in hundreds if not thousands of dollars for throws, jackets, and artwork. The traditional wool centers, such as Tusheti, display local felt art and craft. But trailing around Tbilisi boutiques or hitting the search engines may not result in a good find. The best opportunities can be found on websites such as Etsy, FeltArt, Pinterest, Facebook (if you know the artist's name) and Amazon, or at the annual EthnoFest craft fair in Tbilisi.

Then there is the Shardeni Street atelier, which shows among others one of Georgia's most famous felters, Tinatin Kldiashvili, whose work (priced at up to \$2,000) has featured at fashion shows and in galleries in Europe, the U.S., and

Canada. A professor at Tbilisi State Academy of Art (and formerly its dean), she has led the revival of interest in Georgian traditional textiles and established a craft school to teach the making of felt, a strong factor in its increasing production. She also led the restoration of the manufacture of Georgia's UNESCO-recognized 'blue tablecloth.'

Artists' interest in felt is giving a welcome boost to the quality of Georgian textile crafts, which the Georgian Arts and Cultural Centre bemoaned a few years ago as being "often of low quality." Regretted were the "garish synthetic dyes," "clumsy stitching," and "souvenirization" of works created with more thought to time-saving than skill.

"There are several prominent Georgian artists working in the technique of felt. Artists create decorative panels, as well as accessories and clothing. Some of them collaborate with art galleries and exhibit their work at Art Fairs in Georgia and abroad," explained Vanda Mujiri, whose Vanda Gallery has organized textile exhibitions.

Many artists have turned their hands to this traditional Georgia medium using various techniques with a vast range of outcomes. Among the many are the bold work of Ana Lagidze, the intricate textiles of Maia Tsinamdzgvrishvili, the glorious

colors of Russo Bukhnikashvili, the fascinating textures of Ia Gulisashvili, and the sophisticated clothing styles of Tina-tin Kldashvili.

Felt through the ages

Production of felt historically played a central role in life in the Caucasus, Central Asia, and parts of the Middle East, it being one of a woman's traditional tasks. In the mountain regions of Georgia "a major source of income was the rearing of sheep and production of wool fabric," and in particular, felt, says the U.S. website Felt & Tapestry Art.

"Wool, the raw material, was readily available, the technology was portable and the fabric itself provided the highest level of insulation for clothing, floor coverings, and even for tent walls. From around 2,500 years ago, early nomadic peoples lined their tombs with felt, laid their dead on it, made decorations from

it, wore felt clothes, and dressed their horses in masks made from it," states the International Feltmakers' Association's (IFM) website, expanding on felt's history in this region. It adds:

"Across the centuries, felt has been used for shoes, flooring, hats, sieves, armor, coats, tent covers, and bedding, not only by nomadic people but also by numerous sedentary populations in this region. Indeed, few societies in the past were entirely without felt."

The IFM continues: "Felt fabric is also used for the treatment of various diseases due to its 100% natural wool composition. Wool contains the active substance - lanolin, which protects it from external pollution. It is known for its positive effects in the treatment of rheumatism, arthritis, sciatica, lumbar and spine pain."

Felt has always featured in Georgian traditional dress – the arkhalig (hood), chokha (high-necked, swing-back coat), and kabalakhi (skull-cap). Even in Soviet times, wool production and wool crafts were encouraged (though this was largely a response to soaring international prices for Georgian carpets, according to the Georgian Arts & Cultural Centre.) GeoStat figures show the sheep population in the 1950s at around 2.2 million.

Sheep shortages and profitability problems

Since the 1990s, sheep numbers have plummeted, fluctuating around a million following the loss of grazing pastures adjacent to the Caspian Sea. The result of that loss was "...unsustainable management of pastures, which was mainly expressed by intensive grazing and an excessive number of sheep. As of today, the nomadic-pasture system is widely spread practice in Georgia, which requires the use of pastures for feeding during the year and the shepherds have to walk hundreds of kilometers between winter and summer pastures," states a report, "An Overview of the Sheep Sec-



Hand felted white bridal jacket by Ia Gulisashvili

tor," from Tbilisi State University's ISET Policy Institute.

Unlike in France's wild Ardeche region, where young people have been drawn to the eco-life-style of farming sheep for cheese, meat, and wool in its vast chestnut forests, Georgia's young people see little that is attractive in this way of life. Add in the low profit-margin on wool, and it is unsurprising that those (usually in Kakheti, Kartli, and Samtskhe Javakheti) who do go in for sheep-rearing tend to be focused mainly on the live sheep export trade. So far this year, Georgia has earned \$17 million exporting live sheep and goats to Azerbaijan and the Middle East for meat.

Given the lack of storage and processing facilities, as well as the low levels of interest in the coarse wool of Georgia's most common sheep breeds, many farmers do not even bother to keep the wool and either burn it or throw it away. Great though it is for carpets and ease of felt-



Felt manteau designed by Russo Bukhnikashvili



Felt artwork by Maia Tsinamdzgvrishvili



Decorative felt work by Ana Lagidze

► ing, is not comfortable to the skin. Much of what is sold goes as exports in its rawest form, and thus has very little remunerative added value. So some Georgian craftspeople making clothes import soft wool felts and spun wool from Europe and elsewhere.

While USAID and EU training, sustainability and women's programmes, Tinatin Kldiashvili's craft school, and growing consumer interest in natural as opposed to synthetic textiles have all helped improve Georgian wool's status and use, sheep farming and felt production remain in relative decline. By contrast, the global felt market is booming, with a forecast of 15.4% compound annual growth to \$1.6 billion by 2026 coming from India's Transparency Market Research group, which puts natural fibered textiles as the fastest growing. The pure wool market for all textile products is forecasted to reach \$32 billion.

The disparity between Georgian and global trends comes mainly because it is missing one major market. Although around 60% of felt generally is used in clothing, according to IndustryArc researchers' report, there is increasing international use of felt for architectural insulation. Heidelberg Cement's Georgian operation has been, it is reported by ISET, talking to the famous wool production center in Tusheti, but no large-scale consumption of wool can be envisaged.

There are signs of innovation in Georgia as shepherds struggle to defy the odds against them. In Tusheti, with the help of the Czech Development Agency, local shepherds have formed a co-operative to shear sheep and the Arindauli family have established a badly needed processing plant. Yet this wool production is aimed at Azerbaijani carpet makers just over the border rather than Georgian felt production. Georgian farmers desperately require more help if they are to supply the wool needed for the country's thriving clothing-as-art market. ■

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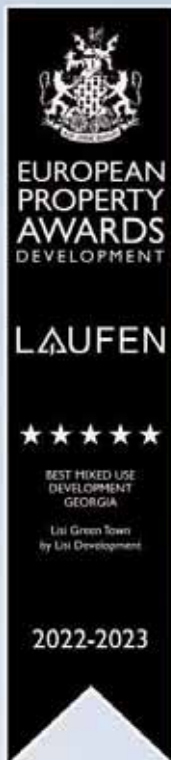
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Georgian startup Theneo wins the 2022 PITCH contest at Web Summit in Lisbon, Portugal.

Georgia's Innovation and Technology Agency sets its sights on global recognition

Georgia's innovation ecosystem has bagged some major wins this year - attracting new investment funds, winning international pitch competitions, and securing four more years of a global accelerator program. *Investor.ge* recently sat down with the head of GITA, Avtandil Kasradze, to hear how the agency's priorities have evolved and how it plans to put Georgia's startup ecosystem on the global map.

MARIAM TSINSTABADZE

News that Georgian startup Theneo had clinched first prize at the 2022 Web Summit PITCH contest in Lisbon in late November marked a major win for both the company and its founder and CEO, Ana Robakidze. In addition to international recognition at one of the world's largest tech summits, which this year hosted more than 70,000 attendees from 160 coun-

tries, Theneo also stands to gain significant investment prospects from the win, with 2021 winner Smartex announcing recently that it had raised \$25 million in its Series A funding round.

But her victory goes far beyond the confines of one company; it also represents a milestone for Georgia's innovation ecosystem, marking the first time a Georgian startup has won a major global startup competition.

"We are the first Georgian company

to ever go this far in any kind of big start-up competition," Robakidze told reporters at the summit. "I feel like it's beyond just me or my company. It also means a lot for my country. There are so many great startups [in Georgia], and I feel like I'm also representing them."

Less than a decade ago, this level of global recognition seemed unimaginable for Georgia's largely nonexistent startup scene. In fact, just eight years ago, Georgia's Innovation and Technology Agency (GITA) was created with that exact mission of "forming the necessary ecosystem for the development of innovations and technologies in Georgia."

"When GITA first started in 2014, we were really focused on creating a community around innovation. Few people in Georgia even knew what a startup was," says GITA Chairman Avtandil Kasradze. "At that point, we primarily used activities like hackathons or olympiads to stimulate creative thinking and encourage the exploration of new ideas."

And while GITA's mission has remained the same, major developments in Georgia's startup scene over the last

few years have pushed the agency to adapt its priorities and keep pace with the shifting needs associated with a growing ecosystem.

Finance focused

The first of those major shifts came only four years after the agency's inception as fledgling startups struggled to fund their new ventures. "As we saw a community around startups really starting to grow in Georgia, we turned our direction to the challenge of financing. Georgian investors were hesitant to invest in startups, which are inherently riskier than the traditional forms of investment they were used to, so we stepped in to bridge that gap," says Kasradze.

In 2018, the agency began its first startup grant program, which offers a semi-annual competition with funding of 100,000 GEL for 20 startups [editor's note: as of 2022, this program offers 150,000 GEL]. "This program," says Kasradze, "was designed for early startups who mostly have just an idea or a product in a very early stage of development - often regarded as too risky by private in-

vestors. The main criteria here for startups we select is that they have globally innovative ideas that work beyond just Georgia."

To further assist startups in more advanced stages of development, GITA unveiled an ongoing call for a 650,000 GEL matching grant in 2019. This grant, Kasradze says, was created for startups that already have a validated product and need the investment for scalability. It also requires a private investor to invest 650,000 GEL as an equity investment to qualify for matching funds from the agency.

Through these programs, GITA has invested in more than 200 startups to the tune of 30 million GEL. Of those, 37 have gone on to raise additional capital amounting to 350 million GEL. However, Kasradze says the growth and investment that GITA's grants have created is increasing exponentially.

"To give you an indication of how fast the sector is growing," he notes, "7 million GEL of additional capital was raised by the startups we supported in 2019. In 2020, despite Covid-19, this figure was 35 million GEL. In 2021, these startups com-

bined raised more than 200 million GEL. And this is only from 37 of the 200 startups we have financed - we still expect many of the early-stage startups we've supported to raise additional capital."

Georgia as a global innovation hub

Despite this clear financial success, GITA's chairman says that the agency and Georgia's innovation ecosystem still face notable challenges, one of which is branding. "Georgia is often branded as a wine country. We are working to change that so when you hear Georgia, you think about wine *and* a globally recognized innovation ecosystem."

To do that, GITA has teamed up with 500 Global, one of the most recognized accelerators in the world, and Bank of Georgia (BOG) to run an accelerator program. Following an initial two-year run that saw more than \$2 million invested by BOG in startups that went through the program, GITA signed a four-year renewal in August that will see an additional \$5 million invested by BOG.

"Not only is this program bringing in more investment, but it is also establish- ►►





Head of GITA Avtandil Kasradze (center) signs an agreement with representatives of 500 Global and Bank of Georgia in August.

► ing Georgia's cooperation with one of the top accelerators in the world, which is attracting talent from outside of Georgia into the country."

With applications from Ukraine, Azerbaijan, Turkey, Armenia, UAE, the Baltics, and the Balkans, Kasradze says Georgia is already establishing a reputation as a place for innovation. "One of the conditions for this program is that participants register their company in Georgia. This is a big win for Georgia, not only to get global recognition of its innovation ecosystem, but also to bring new talent in from abroad, which we welcome."

Networking is also extremely important in the startup world, according to Kasradze, who adds that GITA is working to forge close relationships with Silicon Valley experts. "We have done this by, for instance, welcoming Silicon Valley investors to run our 100,000 GEL grant program. They choose the finalists for the grant programs, after which they conduct one-on-one training to prepare Georgian entrepreneurs to pitch their products. This gives the startups more

validation and creates a direct link between participants and interested investors who have those key connections – particularly in the U.S., which is where 90% of the additional funding for GITA grantees comes from."

Through these efforts, Georgia's innovation ecosystem has seen some big wins in the last two years. In addition to Theneo's success at Web Summit, Pulsar AI, a conversational AI startup that previously won GITA's 100,000 GEL and 650,000 GEL grants, was the first Georgian startup to have a successful global exit when it was acquired by U.S. company SpinCar in 2021.

Further to that, Payze, a Georgian fintech firm, has already expanded into multiple CIS countries. And from this year's cohort of 150,000 GEL grant winners, Kasradze says to "keep an eye on DataMind," a startup focused on creating business intelligence solutions for big corporations that has already closed a round of angel investments.

Looking into 2023, Kasradze says GITA will continue to adapt its programs

to meet the shifting demands of Georgia's startup ecosystem. "We are currently in the process of reforming a number of our programs," he tells *Investor.ge*. "We have temporarily halted our 650,000 GEL matching grant program and are considering raising it to 1 million GEL with new stipulations."

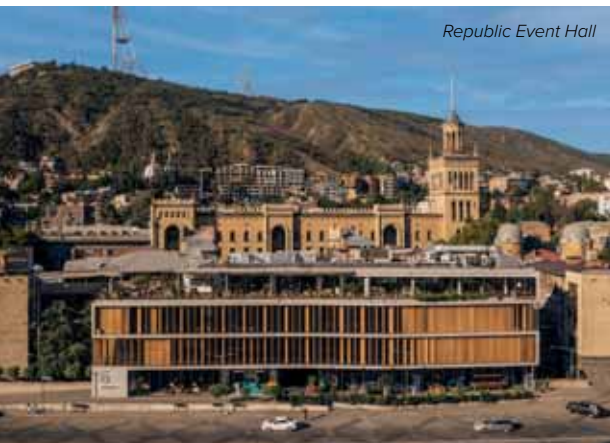
He also foresees changes to the 15,000 GEL micro-grant program that was previously offered to startups looking to create a minimally viable product. "We are now thinking of refocusing that program outside of the capital to foster innovation in the regions and attract new talent into our growing innovation community," Kasradze adds.

"Looking ahead, we are hoping to get to a place where government intervention will be needed less and less," he concludes. "By 2026, we hope that our work with universities and pre-accelerator and incubation programs will create a more sustainable ecosystem. Ultimately, the goal is to get to a place where GITA's role is replaced by private sector involvement." ■

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McCann Tbilisi Group includes 3 companies that work in different fields - McCann itself, which is a creative/marketing company, Universal McCann, also known as UM Georgia, which is a media agency, and also Kedi/Momentum, which works in production and BTL. However, we serve the majority of our customers with single window approach, meaning that every partner has one project manager and receives all services through him/her, which is convenient for the most partners, both in terms of time and finances.

It's also important that the group is represented in almost all countries of the world, including Caucasus and Central Asia. We directly own the

Armenian office and have close partnership relations with Azerbaijan and Central Asian offices, as well as European offices, which is reflected in the fact that we serve a number of clients regionally, not only in Georgia. Supervising of our office is done directly by the London office.

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Business units of GaaHolding.com include various companies in Georgia, Armenia, United Emirates, Europe and USA. The holding's one of the main business focuses are General Trading and Transportation.

USAID Mission Director John Pennell talks transatlantic relations, priorities for 2023

John Pennell recently joined USAID/Caucasus as its new mission director. He is a career diplomat and served as Mission Director for USAID/Libya from 2019 to 2022, as well as Deputy Mission Director for Ukraine and Belarus from 2015 to 2019. *Investor.ge* recently spoke with Mission Director Pennell about Georgia - U.S. relations, the country's economic development, and USAID's priorities in Georgia for the coming year.



this posting compare to previous ones?

John Pennell: First, thank you for the opportunity to answer your questions. USAID and AmCham have been natural partners for a long time. We have been – and still are – working together for a more prosperous Georgia that is increasingly linked to diverse international markets.

I have found Georgia to be welcoming – very much living up to its reputation for superb hospitality and friendliness. I have been impressed by the creativity and innovation people throughout Georgia demonstrate. This is not limited to art, culture, agriculture, etc. for which Georgia is famous. Georgians are exceedingly talented in developing IT start-ups, tapping into international creative industries, and developing modern tourist experiences.

And, everywhere I have been, I hear a desire for more cooperation with the United States and stories of how USAID's work has made a positive difference in the lives of people throughout the country.

Georgia has come a long way since its independence. USAID is proud of our cooperation with Georgia during that time,

but we are also at a critical juncture in Georgia's trajectory. The European Commission's recommendations for Georgia to implement for its potential to achieve European Union member candidate status are clear; there is still a lot the government must accomplish to keep its stated commitment to the people of Georgia that it will achieve Euro-Atlantic integration.

Regarding previous posts, each country where I have worked is different and has its own challenges as well as its opportunities. I have benefited from having the opportunity to work in every region where USAID is present. I try to draw insights and lessons from each as appropriate. Not long ago I served in Ukraine: there are parallels between the two countries in terms of Ukraine's own Euro-Atlantic aspirations that are relevant here. Certainly, dealing with active Russian aggression is another.

This year marks 30 years of cooperation between Georgia and the United States. Throughout those 30 years, Georgia's economy and business environment have undergone a major transformation. What has USAID's role been in this process and how have its development objectives adapted to keep pace with these changes?

Pennell: USAID started by working with Georgians to create a stable, secure economy that can support growth that benefits people throughout the country. In the first decades of our work here, we provided commodities and equipment so that people could obtain necessities and the economy could find a solid footing.

USAID adapted that approach as Georgia's economy matured and modernized. We're focused on creating high-value jobs in modern, in-demand areas. We're focused on protecting those jobs from international economic downturns by connecting key economic sectors, including agriculture and light manufac-

We would like to start by offering you a belated welcome to Georgia and thank you for taking the time to speak with *Investor.ge*. You have been in Georgia serving as the Mission Director for USAID/Caucasus for a couple of months now. What are your first impressions of the country and how does

turing, to diverse international markets. We're connecting talented Georgian tech and other entrepreneurs with international investors. Our partnerships are strengthening a tourism industry geared toward visitors interested in longer stays and high-value experiences such as gastro-tourism and adventure tourism.

And, we're helping to put Georgia on the map as a partner for Hollywood and other creative industry centers. Look for Georgia as a filming destination, but also watch the credits for Georgian companies contributing sound design, animation, and other services.

That's a huge change compared to what USAID was doing here 30, 20, or even 10 years ago. It's really exciting to think where these trends are taking Georgia's people and its economy.

We also recognize the continued importance of agriculture to the livelihoods of so many throughout Georgia. We're focused on a modern approach that places Georgian produce in diverse international markets. Through our cooperation with agricultural associations, high-value agriculture like berries and nuts now meet the standards of EU and Gulf markets, with great results for farm-



USAID Mission Director John Pennell at the opening of the USAID-supported hazelnut process and storage facility in Lanchkhuti. Photo credit: USAID/Georgia

ers. For example, one crop we're focused on is hazelnuts. Georgia exported \$115 million worth of hazelnuts in 2021/2022, with 60% going to the EU..

Political developments over the past year have presented challenges to U.S. – Georgia relations that have been concerning for both civil society and the private sector. What role do you think businesses can play in maintaining and strengthening this relationship?

Pennell: The short answer is that Georgia's business sector can keep doing

what it has been doing: remain a strong partner with the U.S. as together we seek to create prosperity for Georgia's people through inclusive economic growth. In addition, the business community can use its networks and outreach to further advocate to the government, at national and local levels, to strengthen the enabling environment for domestic as well as foreign investment. Business associations, as a key element of civil society, are essential to this effort.

Georgia's businesses are great partners because they, too, recognize that the best path to success lies in continuing the reforms we've worked so hard to achieve alongside partners in government and civil society. Those reforms seek to create a fair, business-friendly environment where hard work and smart investments pay off.

Through partnerships with USAID in the last two years alone, more than \$21 million in private sector contributions toward Georgia's development goals has been mobilized, nearly \$10 million in new private investment facilitated, and more than 4,700 jobs created.

The entire U.S. presence in Georgia – USAID included – is firmly committed to Georgia's increased wealth and maintaining security so people can live happy ►►



USAID Mission Director John Pennell at the launch of partnership with Adjara Group on their latest venture, Radio City. Photo credit: USAID/Georgia



USAID Mission Director meeting with Georgia's talented and diverse youth equipped with the knowledge to promote safe hygiene and dispel disinformation.

► and productive lives. We support the people of Georgia who overwhelmingly recognize Euro-Atlantic integration as the best way toward those goals.

As Georgia's economy continues to grow, it still faces several challenges, some of which include accessing foreign investment, developing a highly skilled workforce, and creating a business-friendly regulatory environment. How is USAID helping to address these issues?

Pennell: These challenges shape how USAID designs and delivers assistance. Here are just a few of the many examples of how we are helping to address them.

USAID works closely with the U.S. Development Finance Corporation (DFC) to advance deals that create jobs and spur investment. We've had some recent successes. Your readers may know that DFC recently signed an agreement with Adjara Group to provide \$8.6 million in financing to establish a Rooms Hotel in Abastumani. USAID worked with Adjara Group to ensure the project met DFC's fire safety requirements. DFC and USAID also recently announced a \$30 million

loan portfolio guarantee with TBC Bank to increase access to finance for micro- and small to medium enterprises with a focus on women borrowers, startups, and rural enterprises. Both of these deals with DFC focus on getting economic development and jobs to parts of Georgia where they are most needed.

USAID is also working in fields with high investment potential such as renewable energy. We're cooperating with the Georgian government to establish a competitive power trading market that will make possible government incentives for green energy production. This will not only expand Georgia's energy generation capacity, but has obvious benefits for fighting climate change and making Georgia energy independent.

Developing a skilled workforce is a global challenge that USAID seeks to address worldwide. In Georgia we partner with businesses and educational institutions to develop lasting programs that bridge gaps in the skills needed for growth. This effort is creating high-paying jobs and mobilizing substantial co-investment from the private sector.

Such partnerships are creating job opportunities throughout the country – 4,000 are expected in the next few years alone. For example, with Transford and Prime Concrete, we are training port workers in Poti to ensure the port can operate at full capacity. Together with GeoHospitals we've started a training program for nurses that will train future healthcare providers to EU standards – this program is in Marneuli and Kakheti. We recently started a training academy with Tegeta Motors in Tbilisi for heavy equipment operators. The training programs equip Georgians to be successful in jobs that pay well, allowing them to support their families. These partnerships are a model we are sharing with other USAID missions around the world.

We also are helping to create a friendlier business environment; here is one example: USAID's work with Parliament to create effective insolvency laws helped keep Georgian Airways operating – and 250 people kept their jobs – because it could negotiate with its creditors.

These issues are of particular importance to AmCham and its members given the direct impact they have on business operations. How can AmCham and USAID work together to combat these issues more effectively?

Pennell: We appreciate the close partnership we have with AmCham. Many of USAID's activities coordinate closely with AmCham and its membership. A recent example was the graduation of 45 young hospitality workers that is strengthening service standards and bridging workforce gaps in the hospitality and tourism sector. This first-of-its-kind collaboration reinforces Georgia's strategy for attracting high-value tourism, attracts young people to pursue career paths in hospitality, and creates lasting jobs.

We appreciate AmCham's leadership on the USAID Industry-Led Skills Program's Business Leaders Council. It plays ►►



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USAID Administrator Samantha Power, USAID Mission Director John Pennell, and Ambassador of Georgia to the United States David Zalkaliani.

- an important role ensuring USAID's programming aligns with market needs. We believe it could serve as a model for how we can work effectively together to address other shared interests.

I look forward to periodically attending AmCham meetings. It will be a good opportunity to discuss what USAID is doing to address the issues you outlined and hear from members what challenges they face in doing business – and how we can better address them.

There will be a lot to discuss, too! USAID looks forward to engaging with AmCham and its committees on energy, workforce issues, and strengthening and deepening capital markets. We look forward to engaging with AmCham and its members as we work more in support of Georgia's positioning as a regional hub for transport and logistics.

In a few weeks, families around Georgia will be gathering for their New

Year's supra to welcome 2023. Looking ahead, can you tell us what USAID's priorities look like for the coming year?

Pennell: First, to families in Georgia, I wish you a successful and happy New Year.

USAID's priorities are detailed in our 2020-2025 strategy and will remain the same. This coming year we will continue to support Georgia's efforts to move closer to EU candidacy status. We'll also continue cooperation that mitigates the impact of regional conflict, particularly stemming from Russia's re-invasion of Ukraine. Mitigating climate change is one area we'll likely place more emphasis on.

Attaining EU candidacy status is within reach as long as Georgians work together to meet the EU's recommendations. An inclusive process that brings together diverse voices within Georgia—including civil society and business lead-

ers—will be most likely to yield success. USAID's work in Georgia for the past 30 years has progressively aligned Georgia with EU membership. Our work strengthening Georgia's democratic systems helped Georgians get to the point where candidacy status is possible. When one reflects on what Georgia and USAID have accomplished together, it's clear that we can—if we continue to work hard—make sure that Georgia's future generation is solidly a European generation.

Similarly, what Georgians and USAID accomplished in growing a stronger, diversified economy helped ensure Georgia was not severely impacted by the shocks created by Russia's war in Ukraine. We'll continue to enhance Georgia's energy independence so that it does not rely on electricity imports from Russia. We'll also continue to jointly identify export markets where Georgian products and services receive the best prices so Georgia is not reliant on Russia's economy.

Climate change is a U.S. priority and it's something we've worked on with Georgian partners for several years. Water resource management is something that we are increasingly working on – and this affects the daily lives of everyone in Georgia.

As I noted above we're working with Georgia's government to make green energy investing more profitable – and therefore a reality. We're also working with the government to develop its National Energy Policy.

That will address how Georgia meets some of its climate change goals. Climate change poses additional challenges, but USAID is standing with Georgians to face these challenges, just as we have for the past 30 years.

Let me close by again thanking *Investor.ge* for this opportunity to discuss USAID's work in Georgia. We have a lot to celebrate from our 30 years of partnership and during my tenure here I look forward to many more successes. ■

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Tbilisi's residential real estate market: a year in review

2022 was a tumultuous, upward-trending year for Tbilisi's residential real estate market. Marked by large-scale war-related migration that began in March, rental prices in the capital surged as demand quickly outstripped supply. But how is the market ending the year? *Investor.ge* recently sat down with real estate and tax firm *ExpatHub.ge* to get its take on 2022 and its expectations for the coming year.

Rental prices surge in 2022

Initial forecasts in early 2022 predicted a strong recovery for Tbilisi's residential real estate market. Average sales prices registered slightly above their pre-pandemic levels at the end of 2021 as forecasts from TBC Capital predicted that the second half of 2022 would see a return to prices on par with 2019 for the rental market.

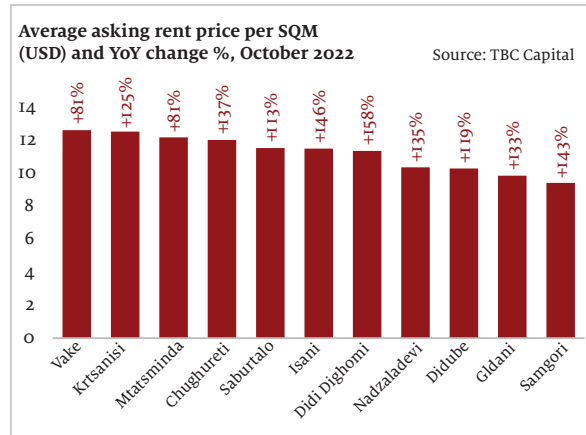
But Russia's invasion of Ukraine in late February ushered in a new wave of uncertainty as it remained unclear how Georgia's economy – and the real estate market – would be impacted. The subsequent influx of war-affected migrants from Russia, Belarus, and Ukraine soon led to record levels of demand.

Head of Real Estate Services at ExpatHub.ge, Brian Loughnane, says that this new wave of migrants presented a significant challenge for the demand side of Tbilisi's residential real estate market. "Our firm focuses primarily on the buy-side of real estate, but we also have a significant base of clients who utilize our assistance in securing rented accommodation and office space. From this side of the market, it was certainly a challenging year."

"Rent prices shot up to unprecedented levels in March," Loughnane continues. "Some months, the YoY increase was as much as 100%. It was not uncommon to see apartments that previously went for \$900 now listed for \$1800."

Following what many believed was a peak in May, rental prices saw a slight decline in June and July, only to begin increasing again in August and September, albeit more gradually than in the spring.

News of Russia's military mobilization in late September, however, resulted in a second wave of migration, again raising both rental prices and uncertainty around the market. October data showed MoM



growth of rental prices at nearly 25% and YoY prices up a whopping 120%.

Loughnane says that these rising prices indicate that high levels of demand will continue well into 2023. "Traditionally, rental demand and prices in Tbilisi decrease coming into the winter months; this year, however, we do not foresee any decrease in demand in the short term. We expect the market to remain at its current level into the early part of 2023."

Uncertainty for the year to come

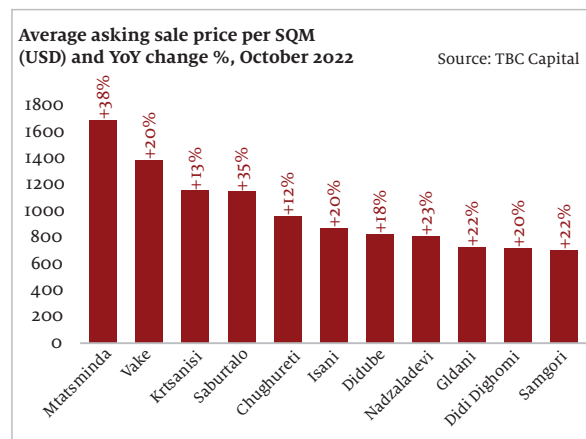
When asked about the coming year, Loughnane says that he predicts the market's performance will hinge on one major factor. "Looking into 2023, the Tbilisi real estate market faces one major source of uncertainty. That is whether the recent migration of Ukrainians, Belarusians, and Russians will be permanent or transitory."

According to him, the current data offers some hints on what is to come. "One thing we have been watching closely is the sales market. This gives us an indication of whether those who have recently migrated may be looking to settle more permanently in Georgia."

While sales figures show that residential real estate in Tbilisi performed remarkably well in 2022, they also indicate that sales have not kept pace with the rental market, which Loughnane says is an indication that the current level of demand may be temporary.

"We have some indications that this migration may not be permanent. That is, we have seen rental prices

surging at a rate that has not been matched by sales prices.” Data from September, for instance, showed asking prices up 19.7% YoY, which although an impressive figure, does not match the 73.5% YoY growth of the rental market. A recent report by TBC Capital further notes that only 4% of Tbilisi residential real estate purchases between January and September were made by migrants.



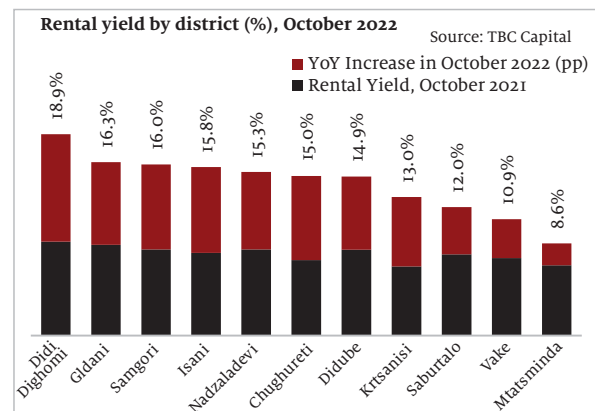
Despite this indication, uncertainty around what will happen in 2023 remains. “Tbilisi’s residential real estate market is highly dependent on the outcome of this war, and no one knows what is going to happen in the coming months,” Loughnane notes. “Higher rental yields could push more investors into the market, or prolonged conflict could convince some migrants to leave the rental market and purchase property.”

Tbilisi - still a good investment prospect?

While 2022 has been marked by instability and uncertainty around how the market will perform in 2023 remains, Loughnane says that Tbilisi still represents a good value for money proposition. “Georgia is currently experiencing an unprecedented level of infrastructure development, which together with average GDP growth of 4% per annum between 2011 and 2021, bodes well for the country’s future economic success.”

“Pre-2022, investors could expect 8%-10% average rental yields for long-term letting in Tbilisi, depending on size, condition, and location of the property. For well-managed short-term lettings, yields reached up to 20%, depending on occupancy rates,” he adds. “For foreign investors, this level of yields is simply unachievable in developed, western economies.”

And while rental yields in 2022 are currently far exceeding those of previous years [averaging 13% as of October], Loughnane says that he is advising his clients to “manage their expectations.”



“I would not count on rental prices staying at their current levels. This level of growth is not compatible with the rest of Georgia’s economy. This is an obvious indication of some over-heating in the property market. However, this really does depend on if this new influx of migrants will stay in the long term or not.”

Despite this uncertainty, Loughnane still recommends Tbilisi real estate as a good investment. The key here, he says, is to focus on purchasing in areas with consistent demand. “I recommend that my clients focus on more central districts, like Saburtalo, Vake, Matsminda, Vera, Sololaki, Ortachala, Avlabari, and Chugureti. We know these areas have strong consistent demand, so we are more confident of their ability to provide a good long-term return in the case that we do face a market downturn.”

“Just be ready to pay more,” he cautions. “Tbilisi has garnered a reputation in recent years as being a great value for money destination where housing in the central districts was incredibly affordable. While I want to emphasize that there are still great opportunities for investing here, the value for money proposition that you saw a few years ago just does not exist anymore.”

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BTU ENTREPRENEURSHIP CENTER LAUNCHES B2B SECTOR ACCELERATION PROGRAM

As part of the new initiative of the Business and Technology University, a different kind of Acceleration Program is being launched for startups in the field of technologies. The purpose of the program is to generate business ideas in the B2B sector, to create and develop startups that will work for business clients. According to Prof. Nino Enukidze, the Rector of the Business and Technology University, experience has shown that today the most successful startups in Georgia, which have obtained an especially large amount of international funding and have entered the international market, are representatives of the B2B sector and they do not work directly for consumers, but for business clients.

"We saw opportunities, perspective in this area, and that's why we decided to support the development of startups that generate ideas and offer services or products for business clients. Within the framework of the program, large companies will present their operational problems and challenges to B2B startups participating in our acceleration program and will work together with them on the solutions. In this direction, negotiations have already been launched with large companies and international brands that will work together with startups," Nino Enukidze said.

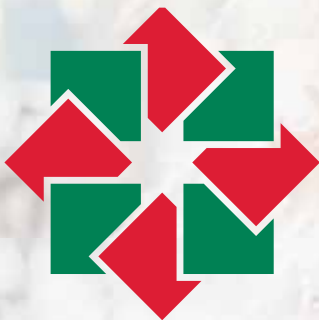
As explained in the university, investors have shown high interest towards this initiative. Recently, a lot of startups have been created, but only a few of them can persuade investors that they will quickly and definitely get the proper profit.

The work on the acceleration program has already been completed at BTU. The reception of the first beneficiaries will be announced in the near future. In 2023, the B2B acceleration project will be the first offer of the university, which will be implemented for the development of the startup ecosystem in the country.



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USAID hospitality skills training program graduates first cohort

The hospitality skills training program being implemented by AmCham and Georgia's internationally branded hotels graduated its first cohort of 42 participants in a ceremony held at the Sheraton Grand Tbilisi Metechi on November 10.

The program, which is supported by the USAID Economic Security Program, welcomed the cohort in early June for a five-month traineeship offering more than 800 hours of on-the-job instruction in hospitality basics, housekeeping, food and beverage service, human resources, health and safety, and sales and PR.

At the graduation event, participants received certificates of completion, and

Senior Private Sector Engagement Advisor for USAID/Georgia Beverly Hoover noted the significance of the program for Georgia's tourism sector as it emerges from the pandemic. "This joint partnership is especially important and timely today, as this effort has added qualified personnel to the tourism sector who will contribute greatly to the development of both the hospitality industry and the country's economy," Hoover said.

AmCham Vice President and Senior Executive Vice President of GMT Group Irakli Baidashvili also commented on the wider importance of the program: "This is not only a success story in a business sense, but also in a human sense. Look-

ing at the participants here today, it is evident that they got to experience how great a career in hospitality can be."

And while the training program was created as a 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, it also aims to change perceptions around careers in the hospitality sector.

Exploring a career in hospitality

As part of the skills training program, participants were offered the opportunity to explore the various career options within the operational and administrative sides of hotel management. For many of the participants, some of whom had previously studied tourism or hospitality in university, this program offered their first practical experience in a hotel.

Eva Kotilaidze, who trained at GMT's Tbilisi Marriott properties, says she came into the program with uncertainty over

which area of hospitality she was best suited to work in.

“I joined this program because I liked that it offered a chance to explore the different departments of hotel operations,” she tells *Investor.ge*. “I was initially interested in seeing how the kitchen department works and if it would be a good fit for me. I learned that it is not for me, but I also found that I enjoy working in food and beverage and events much more,” she says, adding, “I think for those who are interested in hospitality, this program definitely helps you figure out where you should send your CV.”

For others like Kesaria Vachadze, who completed her traineeship at the Radisson Blu Iveria, the program offered a chance to expand her knowledge after working in the sector for years. “I am from Kutaisi and previously worked at a resort in Sairme,” she says. “While I have worked in hospitality for several years, I wanted to move forward in my career and explore other departments outside of reception and food and beverage, which I have previously worked in.”

“I spoke to a number of employees at the hotel who said that they would love to opportunity to cross-train in different departments like we did,” Vachadze



Program participants speak about their experience with USAID Economic Security Program Chief of Party Mark McCord at their graduation ceremony.

adds, noting that “this traineeship really helped me understand the bigger picture in how different departments work together to make an overall great experience for each guest.”

This chance to explore the expansive areas of career development in hospitality is a unique and important aspect of the program, noted USAID Economic Security Program Chief of Party Mark McCord at the graduation event. “During the pandemic, we heard that a lot of people left hospitality to work in IT or business output processing. What we want people to see through this program is that there are so many avenues they can take in the hospitality sector – IT, marketing, HR, engineering, food and beverage – there

is a place to pursue all of these within a hotel.”

Changing perceptions

In addition to learning about career possibilities within the sector, participants of the program also expressed a newfound appreciation for the hard work it takes to succeed in the hospitality industry - as well as the amazing perks on offer.

Darejan Ozmanovi, who completed her training at the Sheraton Grand Metechi Palace, says that she never expected the hard work and coordination it takes to run a hotel. “Before this program, I had only ever studied hospitality in a theoretical sense, and it does not compare to what the daily work actually looks like. I must say, my first days here were really challenging. This is hard work and it’s fast-paced,” she admits.

“But it is also very rewarding. Seeing the satisfaction and enjoyment of guests feels so great. And the people here are like a family that support one another,” Ozmanovi tells *Investor.ge*. “Today was my first day officially working as an employee of the hotel, and I cannot tell you how many of my new colleagues have already come by to congratulate me and welcome me to the ‘family.’”

Ano Kilasonia, who trained at the Radisson Blu Iveria, echoes this sentiment about the sense of comradery within the hotel. “Throughout this project we



Khvicha Lokishvili and Ano Kilasonia train in the Radisson Blu Iveria’s sales department.



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Representatives of USAID, AmCham, and the partner hotels cut a cake to celebrate the first cohort of trainees' graduation.

- ▶ have not only gotten to meet a wide variety of interesting people staying at the hotel," she says. "But we also have a new network of colleagues and fellow trainees that are interested in hospitality and share our love of meeting new people."

Creating sustainable growth

At the graduation event, Senior Private Sector Engagement Advisor for USAID/Georgia Beverly Hoover noted that programs like this are an important part of developing the sector in a way that has a lasting impact. "The hospitality sector is a major driver of the Georgian economy. Projects like these are an important part of creating sustainable job growth," said Hoover.

As part of the program's efforts to infuse the sector with a highly skilled workforce, 12 of the program participants were offered immediate employment at the end of their training from the hotels. Following graduation, a job fair was also held on November 14, where the remaining project participants had the opportunity to meet representatives of 11 hotels from around Georgia and discuss employment opportunities.

In addition to employment opportunities, some participants, like Giorgi Samkharadze, who trained at the Tbilisi Marriott hotels, see this program as the perfect steppingstone to their own entrepreneurial endeavors.

"I have decided to open my own small hotel. Seeing how the departments here at the Marriott interact, how marketing works, and how they hold events – I plan to take all of this with me and implement what I have learned so that my hotel can offer a high level of service too."

Beyond the success of its first cohort, the program will continue to work to instill international standards of hospitality training and create high value employment through training for regional hotels and a call for a second cohort of trainees, expected in December. ■

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



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Economic reforms in 2022

A glimpse of hope amid geopolitical uncertainty

Without question, 2022 was a year characterized by economic uncertainty and geopolitical chaos in the region. As we head into 2023, much remains uncertain. However, it is evident now more than ever that liberalization and Westernization of the Georgian economy has no alternative. In the spirit of this sentiment, we have summarized the major economic reforms of 2022 and outlined further steps we hope to see taken in the coming year.

Capital Markets

2022 was a very active and productive year for the National Bank of Georgia (NBG) and the economic team of the government. A new covered bonds regulation was initiated in parliament, which will enable commercial banks to issue mortgage-backed securities, a safe and liquid security instrument that will give investors dual recourse towards an issuer, as well as high-quality assets that back the securities in question. At the same time, the Law on Securitization was also submitted to parliament in the last quarter of 2022. While the covered bonds regulation creates a liquidity instrument for commercial banks, the securitization law will enable all businesses to transform their long-term cash-generating assets into financial instruments to raise funding.

The National Bank of Georgia was also given the legislative mandate to regulate virtual assets. The details of this regulation will be set out in the sub-normative regulations (i.e., NBG acts) to be adopted no later than July 1, 2023. The enactment of these legislative changes marks a positive step towards developing digital finance in the country.

Once all these regulations are adopted and implemented, the “first generation reform” of capital markets (i.e., investment funds, derivatives, securitization, covered bonds) in Georgia will

be finalized. A great deal of work remains to enable these reforms, including awareness raising among businesses and improving the tax and auxiliary rules that are fundamental for functional alternative finance and capital market regulation.

Energy Sector

Major changes are anticipated to from March 31, 2023 in Georgia's energy sector. Chief among them is the introduction of an electricity exchange (spot market) where trading electricity through day ahead, intraday, and balancing markets as well as bilateral agreements will be allowed. Trading through capacity and ancillary services will also become possible.

Following the opening of the spot market, the new Governmental Decree on Support Mechanism of Generation and Consumption of Renewable Energy will come into effect, which is currently in the process of being adopted. Based on this decree, any renewable energy source of installed capacity more than 0.5 MW, which has not submitted a full feasibility study to the government, will have the right to participate in a capacity auction generated by the government and obtain CfD (Contract for Difference) support from the government over the successfully obtained capacity.

The CfD support mechanism will allow participants to enjoy the guaranteed tariff for a maximum of 15 years and will create a bankability perspective for power plant projects in Georgia. We hope that these reforms will revive the Georgian energy sector. Development of new generation assets and attraction of investment in the energy sector is essential for the country, particularly because water remains one of the most underused resources and scarcity of energy may soon become a major issue.

Tax

Significant amendments were made to the Georgian tax legislation in 2022 to ensure complete transparency, proper tax administration, and compliance by taxpayers before the tax authority. Here are a few of the biggest developments:

- (a) **Regulation of payment system operators.** Amendments in the Tax Code of Georgia were introduced subsequent to changes in the Law of Georgia on Payment Systems and Payment Services, in accordance with which payment service providers are subject to the same obligations as banking institutions regarding the payment of taxpayer tax liabilities and opening of a bank account.
- (b) **Broadened powers of the tax authority with respect to confidential information.** During a tax audit of a taxpayer, or upon request of another state's authorized body according to an international agreement to which Georgia is a party, the tax authorities are now authorized to request that certain financial instructions provide confidential information protected by the special legislation regulating their activities (i.e., information on user funds, electronic money, transactions executed, information recorded in the register of unit-holders of an investment fund, and information on borrowers existing in a microfinance organization) based on the relevant court decision. Before the amendment, these regulations only applied to banking institutions.
- (c) **Declaring taxes.** As a general rule, if a person fails to file a tax return, he/she is deemed to have filed a tax return, based upon which the amount of the assessed taxes equals zero. However, the general rule is no longer applicable to registered VAT payers; thus, such persons are obliged to submit tax declarations monthly irrespective of whether the payer has taxable operations or not for the reporting month. In other words, if there is no taxable amount, the company must still submit a declaration stating that their taxable amount is zero.

Georgia continues to work on its tax dispute resolution reform, within the framework of which, several steps have already been taken. These include the creation of a new informative platform for taxpayers, the renewal and consolidation of manual guidelines, and analysis and testing of international best practices. The reform aims to contribute to better tax and legal certainty, increased public confidence in the Georgian tax regime, and improved self-compliance by enabling the resolution of tax disputes without litigation, on the basis that is fair and impartial to both the government and the taxpayer. Overall, the Georgian tax system is developing in a way that meets its commitments to implement BEPS minimum standards, create an investor-friendly environment, and become a respected member of the global tax society.

Consumer Protection

The new Law on Consumer Rights Protection was enacted in June 2022. This law regulates the relationship between the providers of goods/services and consumers and introduces several direct obligations. This includes the obligation to provide consumers with information on the trader as well as the goods/services it offers. Traders also have 30 days to deliver goods, and if this is not complied with, the consumer has the right to claim a refund as well as reimbursement of damages. In the case that rules introduced by the law are breached, traders

may be subject to, among others, monetary sanctions not exceeding 2% of their annual turnover. The right to monitor and enforce the law is given to the Competition Agency of Georgia, which is also designated to review consumer administrative complaints. Although this reform was greeted with reluctance by certain businesses, increasing competition and fairness towards consumers is a positive development for Georgia's economy. As 2022 comes to a close, it remains to be seen what specific effect this law will have on how traders and consumers interact.

Environmental Regulations

Georgia continues to work towards the development of environmental regulations. Although these reforms are important, businesses have expressed a desire for closer communication and leniency from the Georgian government. In 2022, the new rules introduced for air pollution filters remained a fundamental issue for several industrial plants as many were penalized for noncompliance. Furthermore, management of solid waste remains an unresolved issue for the country, which is partially due to absence of sufficient waste management plants. Nevertheless, there are significant legislative initiatives in this sector. For example, the new Law on Management of Water Resources was recently initiated in parliament, which will enable the improvement of the ecological status of rivers and allow for more information to be collected on available water resources. It will also introduce permits for the use of water resources, which was previously abolished within the framework of the deregulation of newly constructed energy plants in 2008. Compliance with the relevant undertakings is one of the essential components of the Georgia-EU Association Agreement, and we remain hopeful that the government will succeed in its mandate to create a better environment for all, while, at the same time, acknowledging how costly of a process it can be for businesses to update their operations to comply with the new regulations.

New Year's Wishes

As do all children around the world, we, here at BLC, have our own list of wishes for the New Year. *First and foremost*, we wish peace and victory to the Ukrainian people. They have proven that persistence and belief in any ideal is stronger than any pre-conceived notion of what strength is. *Secondly*, we wish for stability and remembrance of what is important throughout the entire world. As recent events have once again demonstrated, we are all connected, and ensuring the well-being of one another is more important now than it has ever been. *And last but not least*, we wish for the economic prosperity of Georgia and success in the implementation of the aforementioned economic reforms. Increasing the wealth and well-being of every Georgian household will be impossible without this.

On behalf of the entire team of BLC, we wish you happy holidays! Let us all come together and work restlessly for creating a better and more prosperous tomorrow!

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Georgia gets its first 'homegrown' green bond

Investment opportunities in Georgia are accumulating – for fund managers, that is. Keeping abreast of the trends in international capital markets, Georgia has added a first domestically listed corporate green bond, which at \$80 million is the largest such bond to be issued on the Georgian Stock Exchange. There are two aims for the bond: to develop both Georgian's energy and financial markets.

SALLY WHITE

Designed for institutional and not private investors (so out of reach to any locals wishing to do their best for the planet at an attractive 7% rate of interest) the bond was still heralded by the international financial institutions (IFIs) as a significant move in the right direction. As one of these institutional investors, the World Bank's financial arm the International Finance Corporation (IFC), commented: "The project complements ongoing World Bank efforts to support Georgia's capital and fixed income markets development." Strengthening Georgia's capital markets has been a challenge that the IFIs have been working on for well over a decade.

Since taking part in this fundrais-

ing, the Asian Development Bank (ADB) has just approved a \$100 million policy-based loan for "deepening" Georgia's reforms of its capital markets, along with the country's fiscal management, pension, and savings systems. ADB's Central and West Asia Department is helping the government formulate a capital market development strategy.

Explaining its plan for Georgia, the ADB said that traditionally Georgia had gone to European capital markets when it sought access to a "wider range of financiers and greater financing amounts." This bond would bring both new stock market investment opportunities and new investors to Georgia, helping boost the local stock exchange and increase the country's investment attraction as well as improving local access to capital.

"The strategy's overarching objective is to provide a roadmap for developing the capital market in a coordinated and sequenced manner. To guide the deepening of Georgia's capital market, the strategy seeks to promote sustainable finance through the additional issuance of green and social impact bonds in the local securities exchange," it added.

Georgia's capital markets are becoming the center of a lot of activity. The government has the ambition of becoming a 'regional financial hub' and has also hired international financial advisory group Rothschild & Co. to advise it on capital markets, announcing early this year that: "Key priorities of the strategy are the attraction of foreign direct investments, creation of new employment opportunities, introduction of modern financial and technological innovations, promotion of robust financial centers, and development of the capital market in the country."

The various problems perceived with Georgia's capital markets are described (apart from the IFI references) in reports published by a number of commentators. These range from German

foundation Bertelsmann Stiftung to the Georgian National Academy of Sciences (GSAS) and Asian Institute of Research, and the problems are seen as centring around the “bank-centric economic system” and a “practically non-existent” stock market. This, says the GSAS paper, “leaves the economy, especially the real sector, at the mercy of bank loans;” the restoration of the stock market “as an independent, strong and efficient body” is seen as a must.

Currently, the Georgian Stock Exchange, unlike even 15 years ago, regularly reports that it has seen no trading in either shares or bonds, with most of the country’s trading in recent years being done on the unofficial “gray” over-the-counter market. By contrast, the stock markets in Georgia’s neighbors are considerably more active.

Georgia’s new green bond

The issuer of the new green bond is Georgian Renewable Power Operations (GRPO), part of Georgian Renewable Power Holdings, one of the leading renewable energy platforms in Georgia and an affiliate of London Stock Exchange-listed investment group Georgia Capital. It owns and operates 71 MW installed capacity of commissioned renewable energy assets, including four hydro power plants and the only wind farm in Georgia.

GRPO will use the money “to support its ongoing operations,” refinancing a loan provided by Georgia Capital earlier this year. This financing will help boost

renewable energy generation and energy independence in Georgia, “where over 30% of demand is met by imports and gas-fired thermal plants and where electricity consumption is increasing.”

The bond has been snapped up by Georgia’s leading investors, the major IFIs acting as “anchors” in order to get the issue launched with international commercial and retail investors. Timing is not auspicious, in spite of global interest in green bonds, as financial uncertainty and Russia’s war against Ukraine have made markets extremely volatile globally, discouraging takers of new issues. The Dutch Development Bank, FMO, bought \$40 million-worth, the ADB put in \$4 million, the IFC took \$20 million, and the European Bank for Reconstruction and Development (EBRD) took \$14 million.

A number of green bonds have already been issued in Georgia, but they are not listed on the local market. For example, in July 2020, Georgia Global Utilities raised \$250 million, listing the bond in Dublin, and this was followed in June of last year by a \$500 million bond from Georgian Railways, which listed in London. Micro-finance group Crystal raised \$5 million in May this year with a “sustainability” bond that is listed on the Luxembourg Green Exchange.

Global green bond market continues to grow

Globally, green or sustainable bond issuance (funds raised by the sale of bonds

committed exclusively to financing or refinancing green projects, assets or business activities) has been climbing rapidly, responding to escalating fears globally following waves of environmental disasters. Debt related to green, environmental, and sustainable projects topped \$1 trillion last year, with the bonds’ annual issuance rising above \$500 billion for the first time. The figure for 2022 is forecast to again reach above \$1 trillion, according to a study by certification body, the Climate Bonds Initiative. The spread of environment-protecting legislation has also made these bonds increasingly popular with both corporates and investors.

In the past few years, a rapidly increasing number of companies have issued green bonds, leading to a boom in the global green bond market in both primary and secondary trading. Issuance volume has nearly doubled every year since 2013. Investors have also increasingly become aware of the risks of climate change to their existing portfolios and, through mechanisms such as the Task Force on Climate-related Financial Disclosures (TCFD), they are also beginning to report on such risks. Additionally, stakeholders are pressuring the investment community to employ heightened environmental, social, and governance (ESG) policies and increase the transparency of their actions.

As a major proponent of green bonds, the World Bank, while painting the background picture for the GRPO bond, notes green bonds can help to secure a place for Georgia on the international financial map: “Climate change threatens communities and economies, and it poses risks for agriculture, food, and water supplies. A lot of financing is needed to address these challenges. It’s critical to connect environmental projects with capital markets and investors and channel capital towards sustainable development – and green bonds are a way to make that connection.” ■



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PMCG tourism report shows strong recovery, growing domestic market

While tourism was the industry hit hardest by the effects of the pandemic both in Georgia and abroad, it also offered one of the greatest comeback stories of 2022, with the latest figures showing visitor numbers on the rise and tourism revenue already surpassing 2019 levels. PMCG's latest tourism report looks at the sectors' recovery, shifting trends, and expectations for the year to come.

International tourists and revenue

The latest figures from October 2022 indicate that Georgia's tourism market has continued its impressive recovery throughout the beginning of autumn, following an expected seasonal slow-down. International tourist numbers in October registered 82.6% higher compared to the same month in 2021, down only 21.5% compared to 2019 levels. The top countries of origin for international visits were Russia (109,158 visits), Turkey (81,033 visits), and Armenia (72,877 visits).

Tourism revenue in September was up 18% compared to 2019 levels, and in October it came to \$337 million, up 137% compared to the same month in 2021

and 26% greater than pre-pandemic 2019 level. PMCG Researcher Nika Kapanadze says that the impressive revenue growth of 2022 can be attributed to several factors.

"On the one hand, there are the migrants that have come from Russia, Belarus, and Ukraine because of the war. Some of their spending is counted in this tourism revenue calculation. However," he notes, "the effect of this factor should not be overestimated."

"Despite some assessments that there could be more than 120,000 temporary migrants here, we've adjusted our methodology to get a more accurate picture, and we now put that figure at around 58,000 for the period starting in January and September."

Growing tourism revenue can also be attributed to shifting source markets and changing tourism habits. "We saw a large spike of tourists coming from Saudi Arabia, Kazakhstan, and Israel in particular, this year," Kapanadze notes. "The Gulf countries, as well as the U.S. and Israel, are the highest value tourists to Georgia in terms of daily spending. Having more visitors from some of those source markets has boosted revenue."

"The average length of stay for visitors has also doubled compared to 2019," he adds. "This is a global trend we have witnessed that comes from the associated hassle of restrictions around traveling during the pandemic. This, combined with the other factors, means that visitors are also spending more per stay."

Adventure tourism

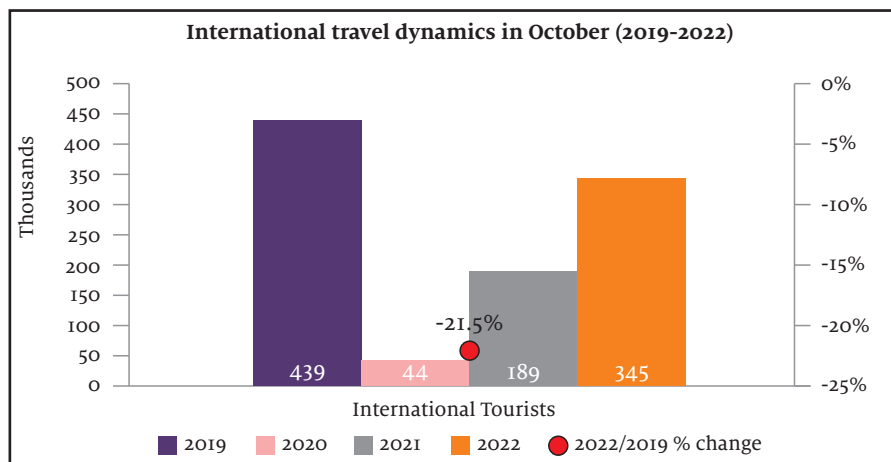
Adventure tourism, which includes visits to national parks, natural monuments, protected areas, and other natural attractions of the country, represents an important value chain for the tourism sector in Georgia.

It offers the potential to extend the average stay of tourists, create high value jobs, and stimulate investment – particularly in the regional markets outside of Tbilisi.

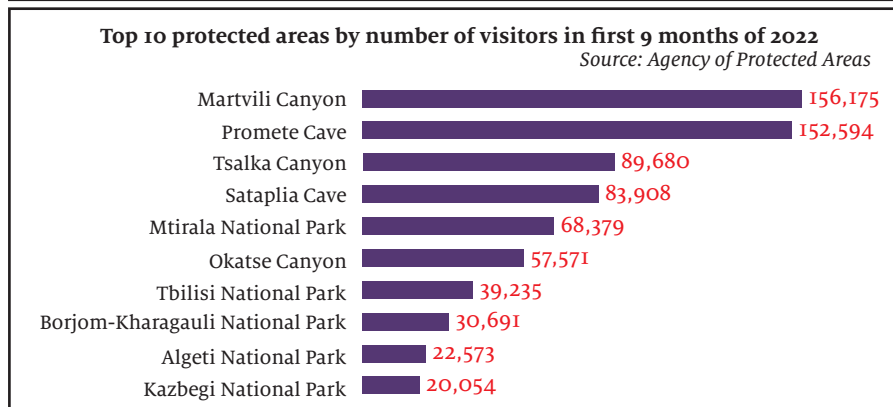
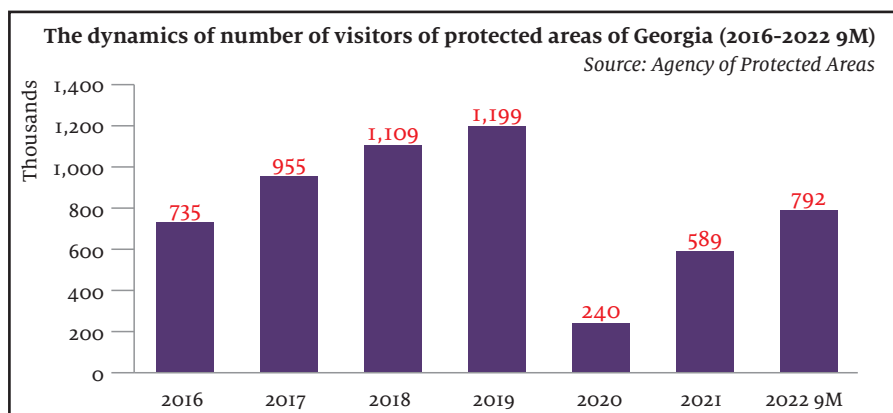
Visits to natural attractions were upward trending at an average yearly rate of 24% prior to the pandemic in 2020.

Historically, this type of tourism has been largely associated with international visitors. But as the pandemic shuttered airports in 2020 and left many scrambling to find alternative holiday destinations, many Georgians decided to spend their vacations closer to home. With the increased numbers of domestic tourism came higher numbers of domestic visitors to Georgia's protected areas and national parks, a trend that has continued throughout 2022.

In Q2 of 2022, which represents the peak of the summer tourism season,



Courtesy of PMCG



Courtesy of PMCG

domestic visits to natural attractions in Georgia surpassed their pre-pandemic levels by 54%, which Kapanadze sees as a promising sign.

“The pandemic transformed domestic tourism, which is reflected by the growing number of domestic tourists visiting national parks. We expected this in 2021 as some travel restrictions remained in place. But the continued high levels reflected in the summer of 2022 indicate that this trend is here to stay.”

Hotel price index

The average prices for 3-star, 4-star, and 5-star hotels were down 7.6% MoM in October, largely due to the seasonality effect that is typical in Georgia after its peak tourism season concludes. Average hotel prices were up 13.2%, however, compared to the same month one year prior. PMCG's Kapanadze says this increase is predominantly related to inflation and increased demand compared to 2021. “On average, in 2022, we have seen stable

YoY price increases of around 10% to 15% every month. There is, of course, greater demand as tourism recovery continues. But this increase is also partly due to inflation. Inflation is generally around 10-13% now, but it is much higher for food, which is one of the primary outputs of the hotels. This is reflected in their pricing.”

Looking ahead

As Georgia heads into the new year and the start of ski season, Kapanadze says he is optimistic about the sector's outlook. “The data from October indicated that the tourism sector is continuing its strong recovery. With international tourism up and domestic tourism still performing well, we predict this ski season will be a strong one.”

As for 2023, he says a great deal hinges on what will happen concerning the war in Ukraine. “Developments in Ukraine and Russia will have a major effect on not just the tourism sector but many areas of Georgia's economy. Despite this uncertainty, key source markets like the Gulf states seem to be unaffected by the current geopolitical stability, so we remain confident that the recovery will continue,” notes Kapanadze. “Globally, tourism is expected to return to pre-pandemic levels in 2024, but we are fairly confident that Georgia will reach a full recovery in 2023. Seem to be unaffected by the current geopolitical instability.” ■

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2022 Oct/ 2022 Sep	2022 Oct/ 2021 Oct	2022 Oct/ 2022 Sep	2022 Oct/ 2021 Oct	2022 Oct/ 2022 Sep	2022 Oct/ 2021 Oct
Kakheti	-3.5%	15.1%	-10.1%	2.6%	-1.4%	19.8%
Imereti	-0.7%	12.9%	-1.6%	2.3%	0.4%	23.6%
Guria	-9.4%	26.5%	-9.4%	14.8%	-	53.7%
Kvemo Kartli	0.0%	4.9%	0.0%	10.0%	-	0.0%
Adjara	-19.9%	17.9%	-23.0%	14.7%	-8.2%	24.5%
Racha	0.0%	10.8%	-	-	0.0%	10.8%
Shida Kartli	-14.6%	51.1%	0.0%	24.9%	-19.0%	101.1%
Samegrelo-Zemo Svaneti	2.0%	17.1%	-0.3%	10.8%	3.6%	23.7%
Samtskhe-Javakheti	-4.2%	12.3%	-9.8%	7.3%	-0.9%	20.3%
Mtskheta-Mtianeti	-8.0%	5.8%	-7.6%	6.0%	-8.5%	5.7%
Tbilisi	-3.5%	11.2%	-3.4%	9.6%	-5.6%	58.2%
Overall Price % Change	-7.6%	13.2%	-9.2%	9.7%	-7.7%	40.3%

Courtesy of PMCG

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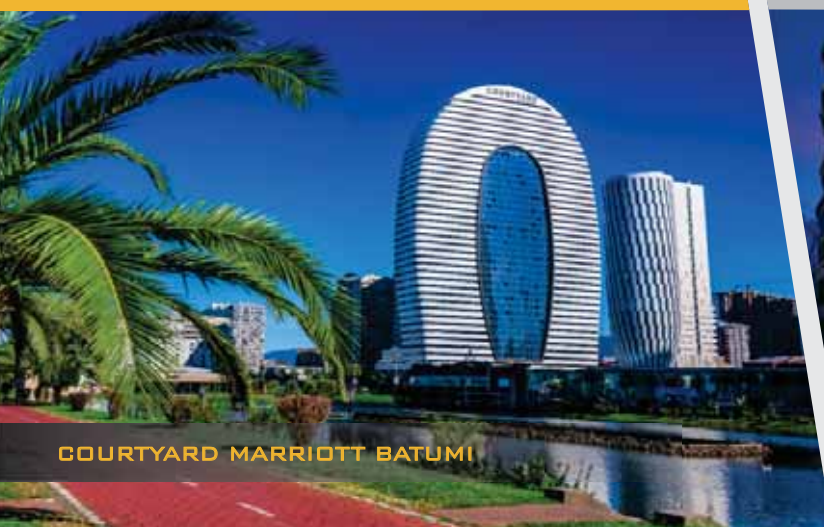
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Cycle Georgia - a guide to biking Tbilisi and beyond



Bike paths have continued to pop up around Tbilisi in recent years, offering city-goers a greener way to get around. But those looking for more of an adventure need not look much further than the city limits to experience stunning views and courses of varying difficulties.

BRADEN BJELLA

With its many mountains, stunning lakes, and rolling hills, Georgia is a country that begs to be explored. Whether traversed by foot or explored at speed in an all-terrain vehicle, the breadth of Georgia's landscapes offers tourists and locals alike an unparalleled view into the beauty of the natural world — complete with plenty of stops for local wine along the way.

One of the most interesting ways to see Georgia in its fullest is on the back of a bicycle. While beginners may opt for a path between towns on Georgia's in-

creasingly developed roadways, the more adventurous might select a daring trail through its slick-mud passes and rocky downhill.

Until recently, information about bike paths through Georgia has been limited to online forums and maps passed mostly between those already 'in the know.' Now, numerous people in Tbilisi and beyond are making efforts to spread awareness about Georgia's bike trails, offering maps, knowledge, and tours to anyone interested in hitting the saddle and going for a ride.

One of those figures is Beka Kiknavelidze, founder of the Vake-based Bikes.ge. Launched in 2017, Bikes.ge claims to

be one of the first bicycle shops in Georgia founded by, and for, cyclists. At their Vake storefront, customers can pick up a wide range of cycling equipment and get advice about the best spots to hit both in and outside the city.

Cycling near the city

In conversation, Kiknavelidze stresses that beginner and intermediate riders can have plenty of biking fun without leaving Tbilisi.

"From Turtle Lake, you can go to Udzo Monastery," Kiknavelidze says. "It's very physical with some technical sections. It's single track, and you can have a good challenge there."

Turtle Lake provides a central meeting point for many trails around Tbilisi, Kiknavelidze notes, with plenty of paths in the surrounding area for bikers of varying skill levels. However, given the manifold difficulty levels of these trails, it's advisable to consult with a guide

about a potential path before simply setting off to Turtle Lake.

For beginners, Kiknavelidze offers another option.

“There’s also another side at Lisi Lake,” he continues. “You can start up the mountain on the right side, and then go over to the Turtle Lake village. It’s a beginner to pre-intermediate level trail. In short, in Tbilisi, in our small town, we have wonderful mountain bike trails for beginners and intermediate riders, and also for advanced riders and experts.”

While Bikes.ge offers tours throughout these trails, Beka takes pains to note that Bikes.ge is not just a store or tour agency, but a community. To that end, the store has recently begun its own weekly bike meetup.

“All of our customers were asking, ‘where can we ride? Where can we use these bicycles?’” explains Kiknavelidze. While the company made efforts to chart out certain trails, they soon realized that they would need to do more to fully engage with their clientele. They quickly came up with their solution: group bike rides.

“Every Sunday, we’ve started to make bike trips to Turtle Lake,” Kiknavelidze details. “The main goal is to show customers different trails every week. Our reason, our ‘why,’ is to explore the unexplored trails around Tbilisi. With this,



The single track trail from Turtle Lake to Uzdo Monastery provides a breathtaking route for more advanced riders in Tbilisi.

the community can grow together; we can start with ten people, and in time, it will transform to a hundred, two hundred.”

“All riders, beginners and above, will get a taste for new trails every time, either with an E-bike or a normal mountain bike,” he concludes. These trips begin in the morning between eight and nine o’clock and last three to four hours, Kiknavelidze says.

However, seasoned riders may be craving more than just a one or two day trip. For those with a truly adventurous spirit, they might want to consider heading to Saburtalo’s Mplus, founded by British immigrant James Dean.

Biking plays an important role in Dean’s life; after all, it’s the reason he ended up in Georgia in the first place. In his telling, Dean’s journey to Georgia

began after he decided to travel from the UK to Hong Kong by bicycle. Upon arriving in Turkey, he met a Georgian woman named Natia who convinced him to visit her native country — a place he confesses he knew next to nothing about at the time.

Once he arrived in Georgia, he was in love — both with the country’s extraordinary nature and the woman who brought him there. The rest of the bike trip was canceled, and after joining with some local adventurers to run a small outdoors equipment rental shop, he grew the company into what is known today as Mplus — marrying Natia along the way.

Much like Kiknavelidze, Dean notes that there are plenty of trails around Tbilisi for riders of all skill levels looking to escape the hustle and bustle of the city. Kojori, he says, is a local favorite.

“You can ride lots and lots of single track all the way back down from Kojori into Vake Park,” he explains. “There’s actually a ropeway where you can put your bikes in at Vake Park, and they give you preference [as a cyclist]. You can jump the queue, throw your bike on...and then you can cycle up to Kojori. If you’re a strong cyclist, it probably takes you three hours to get up to Kojori, and then about half an hour to get back down. And then you can do multiple trips up and down different ways.”

This trip can have an almost poetic quality, he says. “It’s quite strange, be-



Turtle Lake provides a central meeting point for many trails around Tbilisi.



cause once you get over the ridge, all the city noise completely stops,” he states. “It’s like a barrier between you and the city, and it’s just super peaceful. Then, when you’re coming back down, you’ve got all this nice peaceful forest to come through: lots of twisty, rootsy, single track. And then you come over the ridge again and all the horns and noise of the city starts again. It’s quite bizarre, actually. It’s like an on/off switch.”

Biking beyond Tbilisi

Outside of Tbilisi, Dean raves about the biking opportunities in Tusheti, a largely-preserved natural area in northeast Georgia.

“I think they get between 10,000 to 15,000 visitors a year,” he says of the region. “On the trails that we work on, that we do tours on, you don’t see anybody for a week, apart from shepherds and maybe some border guards.”

Dean and the Mplus team offer numerous tours through the region, ranging from fast-paced downhill through winding ravines to multi-day treks that include portions in which bikes must be carried on horseback.

“We throw the bikes on horses, and we go up to the Atsunta Pass,” he details. “That’s at three and a half thousand meters, so it takes us a few days to get up there, and then we ride from that...It’s

about seven hours riding downhill.”

As the location is a place dear to the company’s life and work, Mplus has made efforts to give back to its economy and preservation.

“One percent of our turnover goes directly into the Tusheti National Park. We give that to the Caucasus Nature Fund,” Dean explains. “It’s an important thing from our perspective. We also obviously bring money in from tourists with the local guest houses — we’ve got a very good connection with the local guest houses, local guides, and local drivers, so there’s a lot of money that we put in there.”

And for those riders who aren’t exactly sure what they want, Dean says that while the company has set tour routes,

local biking guides throughout Tbilisi are always happy to help when it comes to trip preparation, assisting interested bikers in planning their own custom treks through the Georgian wilderness.

“We get a lot of people who are coming in on business and they say, you know, ‘I’ve got a couple of days at either end of my business trip and I’d like to do some mountain biking. What have you got?’ And we just organize,” he shares. “We speak to them and say, ‘Okay, here’s what we can offer you.’”

While the cycling and mountain biking community may have been small only a decade ago, the interest area appears to be hitting its stride, with numerous other cycling groups and bike rental shops popping up over the past few years. Now, it’s clear that no matter the season, no matter the skill level, Georgia has the perfect path for any cyclist. ■

Interested bikers can visit Bikes.ge in Vake at 51 Irakli Abashidze Street, or Mplus in Saburtalo at 25 Vazha Pshavela Ave. Bikes.ge is available via Instagram at @bikes_ge, and Mplus at @shop.mplus.ge. If you are interested in a tour, reach out to Bikes.ge by phone at +995 551 26 37 37, or Mplus at (+995 32) 2319101. Bikes and other bike-related gear are available for rent at both locations.





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We have established Georgia regional office in 2022, currently employing about 80 people. With business-friendly environment, favorable tax regime and a growing tech culture, Georgia has proved to be an ideal destination for the future development of Lineate in the region and beyond. We pay great importance to contributing to the development of Georgia as the regional technology hub, creating new jobs, providing knowhow and sharing expertise.

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Women in Law - Interview with BGI's Female Partners

BGI is Georgia's leading independent full-service law firm. The firm has been a towering presence in the Georgian legal services market for the past two decades, top-ranked every year in every service category by every international legal directory which covers Georgia. Two of the firm's five partners are women: Tamara Tevdoradze has been with the firm since the very outset, while Unana Gogokhia joined BGI shortly after its founding. Both have been pivotal to BGI's continued success, setting a new standard of excellence in their fields of expertise, handling some of the most complex transactions as well as overseeing key client accounts and relationships over the years. The two have also been recognized in the IFLR1000 Women Leaders, an elite ranking category reserved for the most prominent women lawyers across the world. Notably, Unana was the first and only female lawyer from Georgia to have been selected in the 2020 edition of IFLR1000 Women Leaders. Tamara passed the New York State Bar exam and took her oath during the COVID pandemic, making BGI the only Georgian law firm with three US-qualified attorneys on board, further strengthening the firm's depth and international capacity.

Investor.ge spoke with Tamara and Unana to discuss their career paths and explore what it means to be a female leader in the one of the competitive professions.

Unana, why did you decide to pursue a legal career?

I have always been attracted to subjects that involved logic, creativity, problem solving and reasoning. In my early years, I was influenced by Ayn Rand's magnum opus "Atlas Shrugged", as I learnt to hold liberty and productivity as my core values. While this novel depicts a dystopian society, the fact that businesses have had to operate in increasingly regulated environments is not far from the truth. We should indeed be conscious of what may happen if the most talented entrepreneurs "go on a strike": the "engine of the world" will stop. Therefore, I have always seen myself as a business lawyer, helping and navigating investors through complex



Unana Gogokhia

legal quagmires – in short, doing everything I could to keep those "engines" running. I remember the time when joined BGI as a junior associate after completing LLM in International Economic Law with distinction at the University of Warwick. Then it was just a vision, though I became a partner after years of hard work and a drive for excellence.

Tamara, you recently received a Master of Laws degree from NYU and passed the New York Bar exam. Tell us more about that experience.

I had been working with international clients for over 17 years, growing along with the evolving challenges of the market. At some point, I decided that something different was needed to stay ahead of the pack. In our work it is important not to be restrained by narrow, "local" mindset and have a good understanding of the international context and currents. I applied to NYU and Berkley law schools, only to be pleasantly surprised to get admission and scholarship offers from both. Deciding between the two was difficult, but I chose NYU because, apart from being located in an amazingly cosmopolitan city, which offers many life lessons in addition to purely academic ones, NYU allowed me to tailor my courses in a way to better prepare me for the challenges my clients face in Georgia. As for the bar exam, I



Tamara Tevdoradze

must admit it was as difficult as people say it is. The amount of information one must digest in a short period of time is unbelievable. I took two months off from work and studied for 10-12 hours a day. It was exhausting, but passing the test was one of the most rewarding experiences in my life.

What is your firm's policy towards inclusion and diversity?

Tamara: Gender diversity and inclusiveness are among the cornerstones of our corporate culture. We are proud to have many bright young women on our team, besides the two female partners. The firm has supported their professional growth as best as it could – from granting favorable academic leave terms, to flexible and transparent promotion mechanisms, to providing maternity leave packages which trump not only the applicable statutory requirements, but also the best standards in the sector.

Unana: While we support and empower women in their strive for professional excellence, we hire and promote individuals only according to their merits. Once one gets a level playing field, both female and male colleagues excel equally in legal profession. It is really fascinating to see how this diversity and gender balance in teams can become a key in delivering quality services to our clients.

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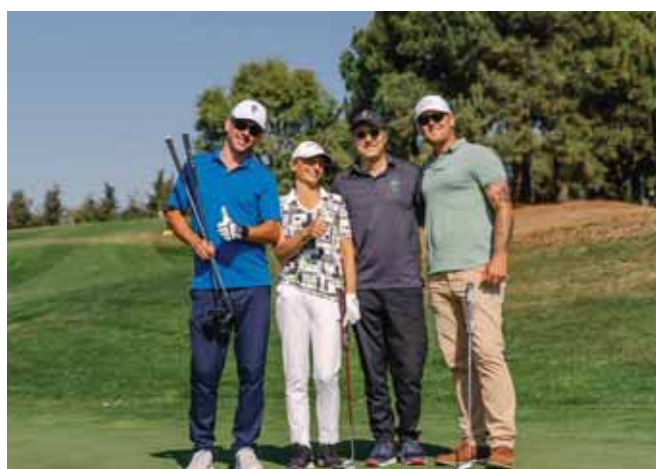
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AmCham Golf Day

Tbilisi Hills Golf & Residencies hosted AmCham Golf Day on October 1. AmCham First Vice President Irakli Baidashvili and Golf director of Tbilisi Hills Paul Pahi greeted the guests and introduced the program. The day program included beginners' classes, kids' workshops and entertainment programs, and a

competition for both the beginners and the professional golfers, followed by an award ceremony. AmCham members with their families had a chance to reconnect with friends, colleagues, and fellow representatives of member companies whilst enjoying the activities, the fresh air, and beautiful views of the city.



AmCham hosts U.S. Ambassador Kelly Degnan

On October 13, AmCham Georgia hosted a business roundtable at the Sheraton Grand Tbilisi Metechi Palace with the U.S. Ambassador to Georgia H.E. Kelly

C. Degnan. The ambassador discussed U.S.-Georgia relations as well as current issues in Georgia, the United States and the wider region. The presentation was

followed by a lively Q+A, which covered a wide range of issues. It was a hybrid event, so participants had a chance to attend the meeting either in person or online.



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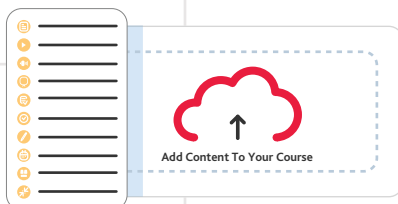
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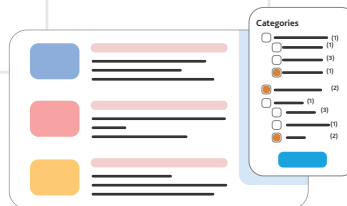
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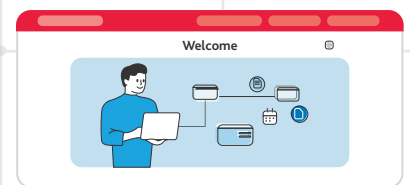
1 Build

- Create courses easily
- Host live sessions
- Add tests and quizzes



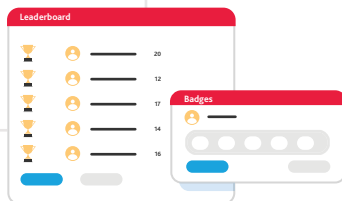
2 Organize

- Keep learners on track
- Manage without the mess
- Create custom roles and permissions



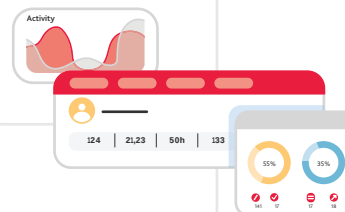
3 Customize

- Design every detail
- Add a homepage
- Localize for everyone



4 Deliver

- Meet and connect
- Add some fun
- Deliver on any device



5 Scale

- Reach everyone with one account
- Automate tasks
- Analyze with in-depth reports





AmCham holds Members Only Luncheon with Finance Minister

On October 26, AmCham hosted a Members Only Luncheon with Minister of Finance of Georgia Lasha Khutsishvili. AmCham First Vice President Irakli Baidashvili welcomed mem-

bers, and Minister Khutsishvili discussed the current activities and future plans of the ministry. The presentation was followed by a Q&A.



Implementation of energy-efficient projects - the main priorities of "Georgian Industrial Group"

"One of our main priorities is the development of energy efficiency in the country. We have been actively working on the market in this direction for years. The Georgian Industrial Group is currently working on a project for wind farms and replacing an old, low-efficiency thermal power plant with a new high-efficiency one. We believe that these projects will contribute to the energy independence of the country, as well as to create a better environment, which will lead to the future development of the country.

(GIG) is one of the largest industrial groups in Georgia, which plays an important role in the economic development of Georgia through investments. We are represented in several countries including Georgia, Kazakhstan and Ukraine. The investment portfolio includes the energy sector, industrial and construction materials production in several countries. We have a number of business partners, including in healthcare, insurance, schools and more.

We are focused on energy efficient and renewable energy projects. Great works were carried out on the rearmament of Soviet-made equipment. This process is still ongoing. As a result, both production efficiency and environmental issues have increased.

Years ago, we invested in renewable energy in Ukraine, building a solar power plant that is operating intensively and successfully. It is important that during the war, this station was temporarily located in the occupied territory, but the station did not stop supplying electricity to the country's power grids. As for Georgia, we have long-term plans in terms of sustainable business development, which involves the implementation of various projects. By the end of the year, we are planning to install solar stations at almost all our facilities in Georgia, which will ensure full power supply of these facilities. We would like to help other companies with similar projects and ensure the installation of solar plants in their infrastructure, which will increase energy efficiency and have a significant, positive impact on the environment. GIG is also working on wind farm projects and replacing old, low-efficiency thermal power plants with new, high-efficiency thermal power plants. We believe that these projects will contribute to the energy independence of the country and create a better environment for the future development of the country.



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Social: Cocktail reception at the Hilton Garden Inn Tbilisi Chavchavadze

AmCham Georgia hosted a cocktail reception at the Hilton Garden Inn Tbilisi Chavchavadze. AmCham First Vice President Irakli Baidashvili greeted the guests and thanked the Hilton Garden Inn for hosting the reception. Mr. Baidashvili informed guests about AmCham's upcoming events and updates. Mem-

bers used the opportunity to reconnect with friends, colleagues, and fellow representatives of member companies and enjoyed cocktails and Georgian wine along with delicious food and desserts.



AMCHAM 24TH ANNIVERSARY GALA

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At the beginning of 2017 Wondernet Express has initiated the project on developing logistics corridor for transportation of dry cargo from Central Asian countries to Black Sea ports through Azerbaijan and Georgia. For this purpose, the Company has entered into number of agreements with some of its key partners on this route – Georgian Railways, Azerbaijan Railways, Port of Baku and Port of Batumi. Wondernet Express LLP and Trammo, Inc. have signed Shareholders' Agreement on Joint Venture for construction and operation of Fertilizers Transshipment Terminal in Batumi Sea Port.



**WONDERNET
EXPRESS**
INVESTMENT GROUP

Wondernet Express Investment Group was founded in April of 2017 by ADIA, Covalent and Trammo, Inc. and employees up to 150 people. The company has invested more than **\$25 Million** into this terminal which is the largest single direct US investment in Adjara region. Process of building the terminal started in April of 2019 and in April of 2021 company got its permit on operation and received first cargo of urea. As of now Wondernet Express Investment Group has already transshipped more than **700 000 tons** of urea.



www.weig-bft.com



AmCham's 24th Anniversary Gala

On November 19, AmCham Georgia hosted its 24th Anniversary Gala and welcomed 450 guests at Pullman Tbilisi Axis Towers. In addition to AmCham membership, guests included Vice Prime Minister and Minister of Economy and Sustainable Development Levan Davitashvili, Minister of Education Mikheil Chkhenkeli, U.S. Ambassador Kelly C. Degnan, and a range of other senior business people, dignitaries, and members of the

diplomatic community.

The guests enjoyed a night of live music and reflections on the great changes that have taken place in AmCham and in Georgia over the last 24 years. That night was completed with a charity raffle in aid of American Friends of Georgia and the McLain Association for Children (MAC), two charities that work with disadvantaged communities.











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Lineate Georgia LLC Corp A

Lineate is a US-based high-end tech company with 15 years of experience helping international companies such as The New York Times, eBay Enterprise, Warner Music, SAP and more overcome complex challenges. The company specializes in solving complex software problems for ambitious companies aiming to harness the massive flow of data and transform it into a competitive advantage.

- Approximately 200 employees in 2022;
 - Offices in New York, Tbilisi, Yerevan, Krakow, and Omsk;
 - Clients located primarily in the United States but also in Europe and Asia.
- www.lineate.com



Twilio Inc. Corp A

Today's leading companies trust Twilio's Customer Engagement Platform (CEP) to build direct, personalized relationships with their customers everywhere in the world. Twilio enables companies to use communications and data to add intelligence and security to every step of the customer journey, from sales to marketing to growth, customer service and many more engagement use cases in a flexible, programmatic way. Across 180 countries, millions of developers and hundreds of thousands of businesses use Twilio to create magical experiences for their customers. For more information about Twilio (NYSE: TWLO) (LTSE: TWLO).

www.twilio.com



Air Astana Corp B

Air Astana group based in Almaty operates Georgia as of 2011. It's a joint venture between Kazakhstan's sovereign wealth fund Samruk-Kazyna (51%) and BAE Systems (49%).

Air Astana regularly operates from Tbilisi to Kazakhstan via Almaty and during the summer season between Tbilisi-Astana and Batumi-Almaty.

And its daughter company FlyArystan LCC operates from Kutaisi to Aktau, Atyrau, Astana and Shymkent, on comfortable Airbus A320.

Air Astana offers convenient connections to Asia from Tbilisi via Almaty especially to Delhi, Seoul, Bangkok, Dushanbe, Tashkent and Bishkek.

airastana.com



Pullman Tbilisi Axis Towers Corp B

Pullman Tbilisi Axis Towers, opened in June 2022 is the new flagship hotel by Accor group in one of the privileged districts of Tbilisi. Boasting an ultramodern architecture and contemporary interior design, the hotel features 218 rooms and suites on 19th to 35th floor. Like all Pullman hotels around the world, Pullman Tbilisi Axis Towers offers guests an authentic F&B experience with French restaurant "Dumas" and a sky bar "Weather Report" with stellar top floor views. 2000 m2 of well-appointed event space with 7 meeting rooms and a Ballroom, spacious pre-function area and terrace are perfectly designed for business or social occasions.

The Axis Towers Wellness Center provides guests with a wide range of fitness and spa facilities to enjoy. The Wellness Centre features an all-weather, 25m heated pool with a retractable glass roof, two saunas, a steam room, boxing ring and a fully equipped fitness area.

www.pullmantbilisi.com



Cryptal (Digital Ledger Technologies LLC) Corp B

Cryptal is the largest cryptocurrency exchange in Georgia and has been helping people get started with crypto since 2018. From individual traders to business transfers, it simplifies the world of digital asset investments. With more than 20 of the most popular coins available, including Bitcoin and Ethereum, customers can put their money to work with just few clicks.

www.cryptal.com



Georgian Center for Strategy and Development Non-Profit

Georgian Center for Strategy and Development (GCSD) is a non-partisan and neutral, non-governmental organization. GCSD is one of the leading independent think tanks in the country. Their values are based on the principles of equity, freedom, respect, accountability and transparency.

GCSD goals are to support Georgia's national security, strengthening the principles of effective and democratic governance of the country; supporting its European and Euro-Atlantic integration and creating the conditions for Georgia's sustainable development. Activities include: research, consulting, monitoring, advocacy and implementation of various educational projects.

www.gcsd.org.ge



Peri LLC Corp B

Peri specializes in delivering construction projects for hydropower plants, power transmission lines, pipelines, roads, bridges, tunnels, a variety of structures, buildings, suspended cable roads and other facilities in rough terrains. It is one of the largest renewable developers in the country.

www.peri.ge

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Season's Greetings!

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