

TBC Capital: Tbilisi residential
real estate market set to cool
slightly in 2024

AmCham Georgia: 25 years as a
voice for business and a force for
positive change

Taking stock of Georgia's
capital market reforms

Investor.ge



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AmCham turns 25!

A woman with voluminous curly blonde hair, wearing dark sunglasses, a dark green blazer over a white top, white wide-leg trousers, and white sneakers, stands smiling next to a white Bolt car. The car features a prominent green stripe along its side. The background shows a blurred outdoor setting with trees.

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Dear AmCham Members,

It is hard to believe that the American Chamber of Commerce in Georgia has existed for 25 years. When AmCham was founded, the state was barely functioning, with intermittent water and electricity supplies, roads that were often barely passable, and a lack of even basic government services. Corruption was rampant and foreign investment was incredibly risky.

AmCham Georgia was formed in reaction to that threat. Then Ambassador Kenneth Yallowitz was working to support U.S. businesses that were interested in entering the Georgian market, but he understood that these companies were fundamentally weak and only tried to look out for themselves. He realized that they needed to band together if they were going to collectively pursue their collective interests and lobby for improvements in the country's business climate.

Almost every sector of the economy has transformed over the last 25 years, from tourism to construction, retail, banking, and IT. This has been driven by a general Westernization of the corporate sector and legislative environment, from finance and legal services to corporate governance and management practices.

AmCham has helped to drive forward these changes. This work has operated differently, depending on the times. In the first few years of AmCham's existence, the organization was mostly focused on protecting companies from attacks and advocating against corruption. Following the Rose Revolution, we worked on tax reform, the labor law, and customs regulations, which were some of the major drivers for Georgia's dramatic improvements in international ranking.

After Georgia's war with Russia, we supported the argument for post-war aid, which helped rebuild the country and facilitated our recovery from the 2008 financial crisis.

More recently, with the current government, we were one of

the founders of the Investor Council, encouraged the development of the Estonian Tax Model, worked on visa reform, capital markets, corporate governance, tax reform, support for education, and much more.

While these changes have been profound, more important than any piece of legislation that has been passed is the Western-oriented business community that we have helped to develop. AmCham provides a means by which like-minded businesspeople can offer one another support. As AmCham has grown, the influence of this network and our ability to provide that support has grown with it. This has facilitated an incredible transformation in corporate culture and expertise in Georgia.

Many people have helped us in our efforts to build this community. The U.S. Embassy, as previously mentioned, was instrumental in the foundation of AmCham and has been one of our closest partners. In recent years, this partnership has become even closer – and we very much look forward to working with Ambassador Dunnigan, who will once more take on the role of AmCham's Honorary Chairperson. Our involvement with USAID has also intensified in recent years. We have conducted many projects, leveraging the pro bono guidance and expertise of the board, committees, and AmCham's general membership to allow us to push more effectively for change. This is all supported by a highly effective and professional staff.

In the context of the war with Ukraine, the Georgian-American alliance is even more important, and our support for continued Westernization of the business environment is critical.

The year ahead is clearly going to be rocky with the continuing war in Ukraine, the conflict in Israel, and elections in Georgia and the U.S. that will make many people nervous.

But in the 25 years that AmCham has existed, we have faced many difficult years. During that time, AmCham has continually pushed Georgia in the right direction, and I am confident that we will continue to do so in the future.

Therefore, I would like to congratulate and thank our members for all your efforts. As members of the board, committee members, or active participants in meetings, AmCham's membership is the lifeblood of our organization. You are the main source of our influence and our effectiveness as an organization. As we continue to work together, I look forward to the next 25 years.

Yours faithfully,

Irakli Baidashvili
President, American Chamber of Commerce in Georgia
Executive Vice President, GMT Group



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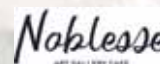
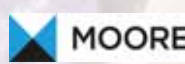
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TBC



VISA





Presentation of the new menu of ATI Rooftop Restaurant with "Gault & Millau Georgia"

On November 11, the presentation of the new, autumn-winter menu was held with Gault & Millau Georgia" at ATI Rooftop Restaurant, located on the 10th floor of the beloved "Sheraton Grand Tbilisi Metechi Palace Hotel". Five modern Georgian dishes were presented at the event. Each dish on the menu is inspired by well-known and unknown ingredients characteristic of different regions of Georgia.

Famous restaurateurs, chefs, and representatives of gastronomic culture were gathered in the evening. The dinner was crowned by the presentation of the prestigious award of "Gault & Millau Georgia" to ATI restaurant.



ATI Rooftop Restaurant" is a modern Georgian kitchen, bar, terrace, and lounge. The refined interior, the best panoramic view of the city, and exceptional service accurately reflect the culture of Georgian hospitality and are always a new discovery for Georgian and foreign guests. The culinary team of ATI is composed of representatives of different regions; all of them contribute to the restoration of old traditional tastes and adapting them to modern receptors.

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Investment News

Investor.ge provides a brief update on investments and changes in government policy that could impact the business environment. Information in this issue was taken from *Agenda.ge* and other sources.

Georgia receives European Commission's recommendation for EU candidate status

The European Commission recommended that Georgia be granted candidate status to the EU on November 8, marking an important step forward for the country's European aspirations. Announcing the decision, President of the Commission Ursula von der Leyen said it "fully supports the genuine aspirations of the overwhelming majority of Georgia's citizens to join the EU."

A follow-up document released later that day by the European Commission reiterated the assessment of EU Foreign Affairs Representative Josep Borrell that Georgia had delivered on only three of the twelve "priorities" originally set out to obtain candidate status. This report outlined nine areas where Georgia's progress is expected, including addressing political polarization, assuring free and fair elections in 2024, enacting electoral and judicial reforms, combating corruption, and protecting vulnerable groups, media professionals, and

civil society activists. It also called on the Georgian government to ensure the institutional independence of Georgia's election administration, national bank, and communications commission, and conduct inclusive reforms of the Chief Prosecutor's Office and the High Council of Justice.

The European Council will hold a formal vote in mid-December to decide whether Georgia will be granted candidate status.

External trade up 16.2% in January-October

Georgia's external trade turnover amounted to \$17.8 billion in January-October, posting a 16.2% YoY increase, Geo-stat revealed in early November. The value of exports rose by 12.5% and equalled \$5.1 billion, while imports grew by 17.8%, amounting to \$12.7 billion in the reporting period.

Georgia's top trade partners in total external trade turnover in the first ten months of the year were Turkey (\$2.5 billion), Russia (\$2 billion), and the United States (\$1.7 billion). The top export items





were motor vehicles (34.5% of exports), copper ores and concentrates (8.8% of exports), and wine (4.3% of exports). Top imports were: motor vehicles (20.4% imports), petroleum and petroleum oils (7.3% of imports), and medications (3.5% of imports).

The trade deficit, a measure of the negative balance of trade in which imports exceed exports, reached \$7.6 billion.

Tbilisi hosts fourth edition of Silk Road Forum

The Georgian capital hosted the fourth edition of the Tbilisi Silk Road Forum on October 26-27, welcoming nearly 2,000 high-level government and private sector representatives from 60 countries. Forum participants discussed global economic challenges, ways to solve them, and aspects and perspectives of cooperation for connectivity. Founded by Georgia's Prime Minister Irakli Garibashvili, the first edition of the forum was hosted

in Tbilisi in 2015.

Robin Dunnigan, the newly appointed United States Ambassador to Georgia, said at the event that it was an "extremely important" opportunity for private and public sector representatives as well as leaders of the Middle Corridor countries to gather to support the development of the "important transit road."

Representatives from USAID and the U.S. business community were among participants at the panel discussions and other events within the forum. "That is why we are here today, the United States and our companies, to continue to support and participate in this development, because we know the true value of the Middle Corridor and the role of Georgia in this Middle Corridor," Ambassador Dunnigan said.

Kutaisi Airport sees "record levels" of passenger travel

Western Georgia's Kutaisi Interna-

tional Airport served 1.3 million passengers between January and October, posting a 107% YoY increase, the United Airports of Georgia announced in early November.

The body said the number of flights recorded over the first ten months of 2023 marked a "historic high." It also noted that the airport served 4,087 flights between January-October, a figure 55% higher than in the same period of 2022. In October alone, more than 164,000 passengers passed through the international airport, which is 415% higher than the same month in 2022.

These record-breaking figures come amidst the news that Hungarian budget airline Wizz Air plans to station its fourth passenger jet in Kutaisi starting in December and plans to resume direct flights to Copenhagen, Denmark. Currently, five airlines operate from the airport, offering flights to 35 destinations in 18 countries. ►►



► Georgia preparing to host World Tourism Day, FIS Ski Cross World Cup

Thirty-eight countries of the Commission for Europe of the United Nations World Tourism Organization voted in support of Georgia's bid to host World Tourism Day in 2024, the Georgian National Tourism Organisation announced on October 18. The issue was decided within a meeting of the Executive Council of the UN World Tourism Organisation in Uzbekistan. World Tourism Day has been held annually on September 27 since 1980 to raise awareness of the role of the industry within the international community.

At a briefing for travel agencies and associations on November 17, Deputy Economy Minister Mariam Kvrivishvili noted that the country is also preparing to host FIS ski events in Gudauri and Bakuriani in 2023-2024, highlighting the importance of developing resort zones and strengthening the infrastructure of the country's winter resorts. "In close cooperation with the private sector, even more jobs will be created [in the domestic industry] to have a positive impact on

strengthening small and medium-sized entrepreneurs of the country," she said at the meeting.

Georgia, EU hold first High-Level Energy Dialogue in Tbilisi

Georgian Economy Minister Levan Davitashvili and European Commissioner for Energy Kadri Simson held the first EU-Georgia High-Level Energy Dialogue in Tbilisi on November 17. The meeting focused on Georgia's alignment with key EU energy legislation, development of energy infrastructure and connectivity, and promotion of energy efficiency and renewable energy.

Following the European Commission's recommendation that Georgia be granted candidate status, Minister of Economy Davitashvili noted during the discussions that Georgia was starting a "new path" in the process of European integration, while highlighting the "significant progress" the country has made in its energy market reforms in line with EU regulations.

"However, in addition to the achieved progress, we also have many important energy reforms that still need to be

implemented with the support of the EU. Georgia has the greatest potential in renewable energies, and we feel the support of Europe and European financial institutions in the way of effectively using and utilizing this potential," said Minister Davitashvili.

Georgia to receive €16 million from EU to improve road safety along East-West highway

Georgia will receive €16 million from the European Commission to improve road safety in the country along its East-West highway, after the European Commissioner for Neighborhood Policy and Enlargement Olivér Várhelyi and European Investment Bank (EIB) President Werner Hoyer formalized a financial package at the Global Gateway Forum in late October.

Hoyer said the project aimed to decrease the number and severity of accidents and improve safety on roads, as well as to contribute "significantly" to improving transport connectivity along the trans-Caspian corridor linking Central Asia to Europe across the South Caucasus. The EIB President noted that "en-

hanced safety” of Georgia’s extended Trans-European Transport Network, connecting the country to Europe and certain local transport axes, would “strengthen its trade links and economic growth.”

Várhelyi said the East-West highway “opens up new economic and trade opportunities for Georgia as it strengthens the country’s role as a trade hub” along the Middle Corridor. “With this new investment in Georgia’s East-West highway, we are improving Georgia’s connectivity to Europe,” he noted.

World Bank launches \$150 million agricultural program

Georgian Agriculture Minister Otar Shamugia on October 17 announced the launch of a \$150 million project to benefit farmers and enterprises by enhancing irrigation services, land management, and agricultural support. The Georgia Resilient Agriculture, Irrigation, and Land Project, which will be jointly financed by the Georgian government and the World Bank, is designed to help irrigation services and the irrigated agricultural sector adapt to drought, warming temperatures, and an anticipated long-term reduction in precipitation.

Speaking at the presentation of the project, Shamugia said the project would make an “important” contribution to the development of irrigation and land management systems in Georgia.

“We help farmers and entrepreneurs both in terms of primary production, processing, and tapping into new markets. Next year, for the purpose of integration of our farmers and entrepreneurs in various markets and promotion of Georgian products, approximately GEL 20 million (\$7.42 million) will be spent,” he said.

World Bank Regional Director for the South Caucasus Rolande Pryce said joint and coordinated work was important to improve the agricultural sector. “We expect that an integrated approach to agriculture, irrigation, and land management will bring significant economic growth to Georgia, reduce poverty, and create additional jobs,” she said.

State allocates €475 million for new Tbilisi metro cars

Georgian Prime Minister Irakli Garibashvili on November 17 announced that €475 million will be allocated from the state budget to purchase additional carriages for the Tbilisi metro system in the coming years. In a meeting with the prime minister and Finance Minister Lasha Khutsishvili, Tbilisi Mayor Kakha Kaladze said 212 carriages of “modern, international standard” would be purchased with the funds to gradually replace the existing “obsolete” carriages over the next 15 years. The mayor noted that the allocated funds will be used to purchase 13 four-car trains intended to be used on the Saburtalo Line and 32 five-car trains for the Akhmeteli-Varketili Line. ■



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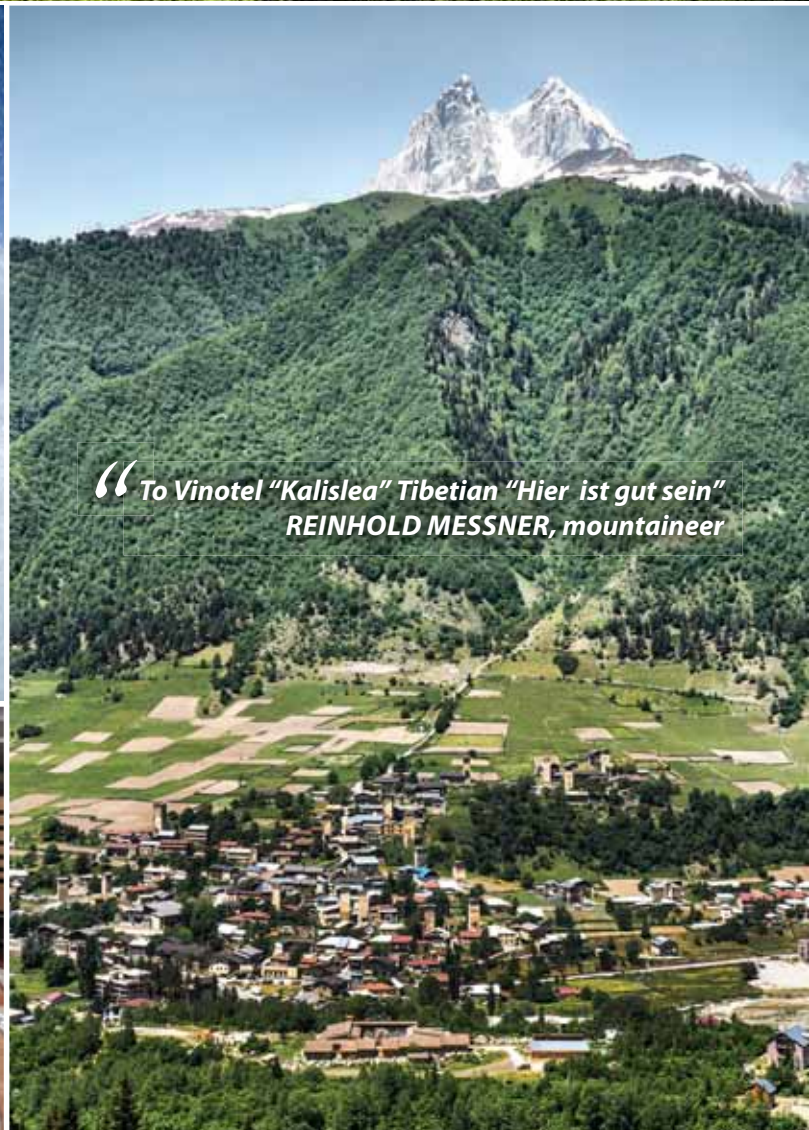


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GEORGIA



U.S. Ambassador Kenneth Yalowitz was the first to initiate the idea for an AmCham in Georgia.

AmCham Georgia: 25 years as a voice for business and a force for positive change

When the American Chamber of Commerce was founded 25 years ago, Georgia was a very different place than what it is today. Only four years earlier, the end of the war in Abkhazia had seen the Georgian economy decline to 20% of the level it had been a decade before. No other country in the region had declined as far or as fast. By 1998, natural gas was in short supply, electricity and water were intermittent, and corruption was rampant.

Nonetheless, a few hardy U.S. investors were increasingly looking to invest in the country. This created a problem for the then U.S. Ambassador Kenneth Yalowitz. The U.S. wanted to support American businesses but Georgian political pressure, criminality, and outright corruption made regular business impossible. As Ambassador Yalowitz previously explained to *Investor.ge*, “When I got to Georgia, the corruption was very intense. Things were very, very bad. There were some American companies working in the country but as soon as they became even close to profitable, they were usually beset by either tax authorities or individuals demanding ownership.”

As a result, he says, “It was always extremely difficult for American companies, and I spent a fair amount of my time going to the Ministry of Economy and talking to the president and ministers on behalf of them. I really felt that

an organized AmCham would be a very powerful addition to what I was trying to do. Having a business organization for American firms would enable them - instead of fighting all these battles individually - to come together and lobby.”

At the time, the U.S. Embassy was already holding monthly business roundtables with companies to discuss trading problems arising across the country and to brief embassy staff on what businesses were experiencing on the ground. The idea was conceived to build on this and add Georgia to the international AmCham network.

Organizing AmCham Georgia

First, the ambassador faced the task of enrolling local companies. So he turned to two prominent members of the American business community, Betsy Haskell and Leigh Durland. Haskell had established Betsy’s Hotel in 1994, encouraged to do so by Ambassador Yalowitz, and Durland was in charge of Absolute Bank, one of the first privately-owned banks in Georgia, which had been founded with investment from former U.S. Secretary of State and Treasury Secretary James Baker.



Vano Nakaidze and Founding Advisor Betsy Haskell.

They recruited an American working in Georgia's NGO world, Amy Denman, to push the effort forward. "When Leigh approached me," Denman says, "he told me 'I don't know if this is going to work, but we need someone like you to get behind it and give it a try.' It sounded like good fun to me. So, I turned down a few other safe, well-paid job offers in the humanitarian aid arena to give it a go."

The start was inauspicious; there was no office or staff. Denman started working from her kitchen, driving around Tbilisi in her Niva and selling the idea of a business association based on American standards and ideals.

Betsy Haskell says at the time, AmCham's founders wanted to create a standard for businesses operating in the country. "We wanted to represent the way that Americans do business," she says, highlighting the chamber's notable success in "demonstrating the appropriate way to operate as a business" and "that process and legal remedies work."

At the start, "the idea was to approach the government bilaterally, from the embassy on one side and the chamber on the other side. The idea was to lobby for the investment climate, to lobby for the international companies operating here," explains one of the founding business members, Fady Asly, who had run into problems very early on in his import business' (Agritechnics) time in Georgia.

Asly was persuaded to join and went on to serve as president for eight years. Several others voiced interest, and so AmCham Georgia was launched. Haskell supported the nascent effort by paying the \$385 registration fee out of her own pocket, and Denman started looking for more members. Very soon, fifteen inaugural members were recruited - principally American in the early stages - and AmCham Georgia was on its way.

Founding members in addition to Durland, Haskell, and Asly were Sante-Walsh (owned by U.S. entrepreneur Bob Walsh) and, through a local subsidiary, oil major BP. The international oil gi-



Amy Denman (left) was AmCham's executive director until she left for the U.S. in 2015. Sarah Williamson (right) served three terms as AmCham president and now holds President Emeritus status on the board.

ant first came to Georgia in 1996 when plans were laid for the Baku-Supsa pipeline and has continued to give support throughout AmCham Georgia's history, acting as a Patron Member and having its officers serve as directors.

AmCham was officially established in November 1998 and held its first General Assembly in 1999 at the Sheraton Metechi Palace Hotel. The leading members that were to guide the development of AmCham Georgia were soon in place. It began to take a leading role in shaping the business environment, helping the economy grow, and attracting foreign investment.

Irakli Baidashvili, the current president of AmCham, first became connected to the chamber through founding company Sante-Walsh. He explains that in the early days, "we all saw that AmCham was a mechanism for coming together and standing up for one another. This was vital in such difficult times."

Sarah Williamson, whose digital technologies business UGT joined AmCham in 1999, and who went on to be president of AmCham for three two-year terms, says, "Shortly after I joined, I realized that AmCham was going to have a lot of responsibility in creating the basis

for the business environment going forward, and I wanted to be part of it."

Describing the *modus operandi* of AmCham in those first days, Denman says: "One important role in our early years was to be very vocal about how deep and how widespread the problems were and to start drawing attention to begin to address them. AmCham wrote about the issues, held press conferences, and kept in close liaison with the U.S. and other embassies. People we met would nod and say 'we know, we know,' so we would start having meetings and calling for change." Denman would go on to serve as AmCham's executive director until leaving for the U.S. in 2015.

Growth and professionalization

Having been born in a time of great adversity for businesses, AmCham quickly sought to professionalize. At the core of its activity was always the AmCham Board of Directors. The board is fully elected by the membership with term limits on its presidency. Board members are very active, meeting monthly and attending AmCham events and bi-annual planning meetings. As Michael Cowgill, who is currently first vice president and



► served as president for two terms, said of the board:

“The AmCham board really is at the core of AmCham’s management. As elected board members, they are confident that they can make decisions that align with members’ inclinations and interests. As long-standing business professionals, they also bring a plethora of

experience and expertise to the table.”

The change of government with the 2003 Rose Revolution brought regular discussion with the new Georgian president and his officials on what the business community needed. AmCham’s suggestions for desirable reforms had long included taxation, and as the organization became more issue-

oriented, committees were formed. AmCham’s work on the tax code, labor code, customs, and other areas of corporate governance were, and continue to be, conducted with the support of committees.

As Irakli Baidashvili tells *Investor.ge*, “Committees are valuable because they provide a huge amount of pro-bono expertise. Committee members also work in the affected sectors, so they have a better understanding of the practical change that is needed more than anyone else. Also, their years of expertise bring credibility to discussions.”

AmCham currently has the following committees:

The Commercial Law and Tax Committee, which has supplanted the previous tax committee to work as the key focal point for corporate, tax, and legal changes. Ongoing work includes the labor code and the law on entrepreneurs.

The Environmental Committee, which has worked on extended producer



Then AmCham President Sarah Williamson hosts an AmCham roundtable discussion with the then Prime Minister Giorgi Kvirikashvili in 2016.

responsibility and recycling and waste reduction. It also works with other NGOs to develop this space.

The Education and Training Committee, which has been focusing on how to improve international education in Georgia by refining the regulatory and visa rules for foreign students.

The Tourism Committee, which just finished a large USAID financed-project that aimed to improve the hospitality standards of hotel staff and increase the attractiveness of working in the sector in the aftermath of Covid.

The Agricultural Committee, which has worked on developing exceptions to the ban on foreign ownership of agricultural land to allow for increased investment in the sector.

The Construction and Real Estate Committee, which has engaged with the government on building and construction regulations.

The FMCG Committee, which has worked on packaging and food standards rules.

The Technology and Entrepreneurship Committee, which works to keep companies and investors connected to opportunities in the start-up space.

In recent times, these committees have proved invaluable in facilitating discussions of EU orientation that followed the signing of the Association



AmCham Georgia has been to Washington four times to speak with U.S. government officials about the issues that are important to U.S.-Georgia relations.

Agreement in 2014. As AmCham Executive Director George Welton tells *Investor.ge*, “While AmCham’s driving logic has always been towards the United States, AmCham has also always been a keen supporter of Georgia’s EU aspirations. We understand that EU-integration is one of the best tools for Westernization of the business environment generally, and that is one of our key goals.”

This effort, as AmCham President Irakli Baidashvili points out, also falls directly in line with the chamber’s aspirations of creating a thriving business environment in the county. “We are big supporters of EU integration. But, as a business association, we have always been keen to ensure that the process of EU alignment is as pro-business as possible.”

AmCham has also supported its members in the face of new challenges. During the Covid-19 pandemic, for example, AmCham was an important lifeline for the business community, helping members adapt to the rapidly evolving situation and advocating on their behalf for support from the government.

Michael Cowgill, who was serving as AmCham president when the pandemic began, recalls: “Probably the most notable aspect of my terms as president was that the Covid pandemic hit during my last year in office. This was unlike anything any of us had ever encountered or foreseen. I would like to think that together with the board and dedicated ►►



Members of the AmCham Georgia Board of Directors and former U.S. Ambassador to Georgia Ian Kelly.



AmCham President Irakli Baidashvili and U.S. Ambassador to Georgia Robin Dunnigan.

► staff, we led the chamber through the first critical year of the pandemic. We set the way forward, ensuring that in such an unfamiliar circumstance, AmCham continued to grow and remain a relevant and beneficial organization for our members and the larger Georgian economy.”

Much like it did during Covid, AmCham also continued to support its members after Russia invaded Ukraine in early 2022. When the war began, for example, FMCG companies wanted to stop sourcing their products from Russia, but EU factories were not equipped to provide Georgian language labels. AmCham intervened so that these companies received a six-month labeling exemption from the Georgian authorities while they made the transition.

Policy dialogue has also been supported by the Investor Council, which brings together the most influential business associations in Georgia, the international financial institutions, and the key economic components of government. AmCham developed the idea of the Investor Council over several years and was one of its founding members in 2016. Since its inception, Investor Council meetings have been held once per quarter and always chaired by the Prime Minister, with support from a Secretariat and financing from the British Government.

Furthering Georgia-U.S. relations

Perhaps AmCham’s most important lever for facilitating change has been its Americanness. As AmCham President Irakli Baidashvili tells *Investor.ge*, “Much of our influence comes from our strong relationship with the U.S. Embassy and the U.S. government, more broadly. This is important not just because successive Georgian governments have understood the importance of the U.S.-Georgia bilateral relationship, but also because the U.S. and Americans are hugely popular amongst the wider Georgian population. Georgians have always known that we have no stronger partner in the world than the U.S. That has been particularly important to remember during our current challenging times.”

One part of this connection is with the U.S. Embassy in Tbilisi. As Baidashvili notes, “the U.S. Ambassador has always been our honorary president and the embassy sits in on our monthly board meetings. Also, we maintain strong links with the embassy during official U.S. visits, with regular engagement between the Ambassador and our members during social events like the 4th of July picnic we co-host for 2,500 guests on U.S. Embassy grounds. I don’t know any other country where that happens.”

AmCham Georgia has also taken

several trips to the U.S. to engage with congressmen and other state officials directly, as well as hosting senior delegations in Georgia. Most notably, immediately following the war in 2008, AmCham was among the first to meet with the interagency delegation that laid the groundwork for the country’s \$1 billion aid package.

More recently, AmCham met with President Trump’s National Security Advisor John Bolton during difficult discussions regarding Iran, as well as then Secretary of State Mike Pompeo during a visit to Georgia; they also met with the U.S. government sanctions team on their multiple visits overseeing U.S. sanctions against Russia. The chamber has continued to engage with the U.S. government’s team overseeing the region to discuss regional economics, security, trade, and much more.

On top of this, AmCham continues to innovate and look for ways to widen its impact. In the last few years, AmCham completed a large USAID-funded training program to increase hospitality standards and highlight the attractiveness of careers in the hospitality sector. The chamber is about to start a program to highlight the importance of foreign investment to Georgia, and it also launched a scholarship program to support 30 students from disadvantaged backgrounds to go to university.

Of course, with the war in Ukraine, the conflict in Israel, other regional conflicts, and unstable politics across the world, Georgia is facing dramatic challenges once again. At the same time, with its recommendation for candidate status in the EU, the country is also facing huge opportunities. So, on its 25th anniversary, as AmCham President Baidashvili says, “Right now, we face huge challenges, but the last 25 years have taught us that the AmCham network is a considerable force for positive change. Therefore, our best chance for a better future is if we face it together. With that thought in mind, I look forward to the next 25 years.” ■

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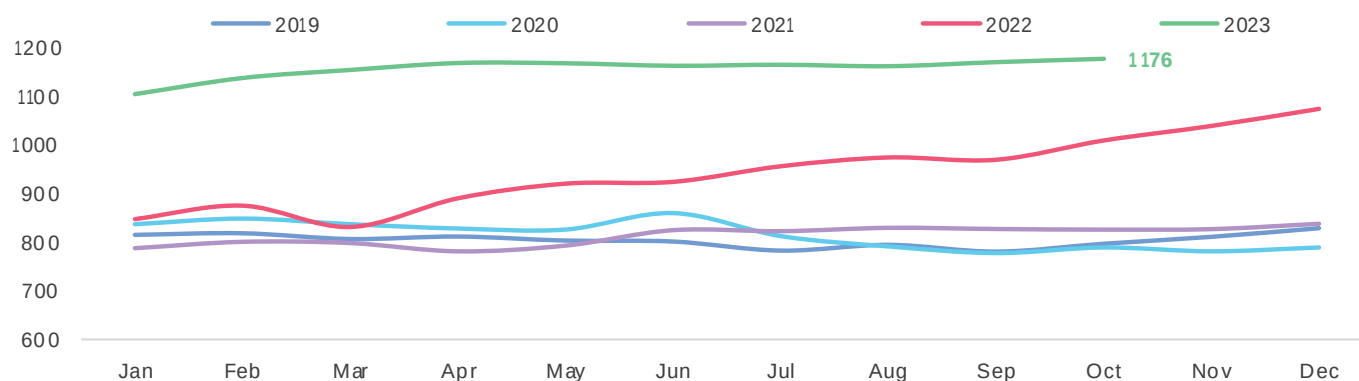


Tbilisi residential real estate market set to cool slightly in 2024

Transactions, price, and yield

Tbilisi's residential real estate market remained hot this year after a 2022 characterized by unprecedented growth in both rental and sales prices, says TBC Capital's latest market watch released in November. The average asking price per square meter in October came in at \$1,176, up 1% MoM and 17% YoY, despite a high base effect from the previous year.

Average asking sale price (\$/SQM)

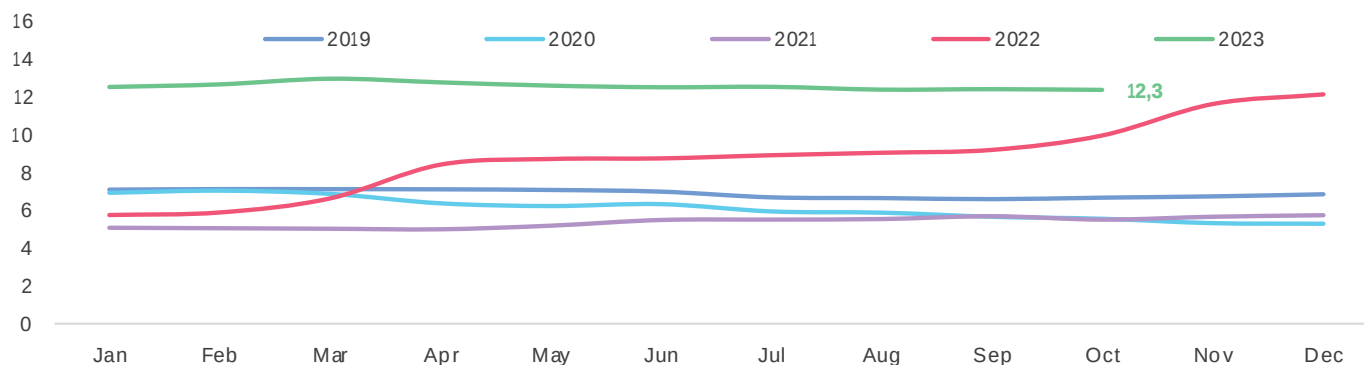


Source: NAPR, NBG, TBC Capital

But while the size of the market was up 2% MoM in October at a value of \$229 million, it was down 12% in annual terms following a 14% YoY decrease in transactions, indicating that increased demand in the face of large-scale war-related migration is waning and that the market may be set to cool off next year. TBC Capital Senior Analyst Revaz Maisuradze says that in addition to lower levels of foreign currency inflow over the last few months, signaling that the number of migrants staying in Georgia may be on a downward trend, rental prices and yields have largely held steady over the last ten months, indicating that the market has fully absorbed the increase demand.

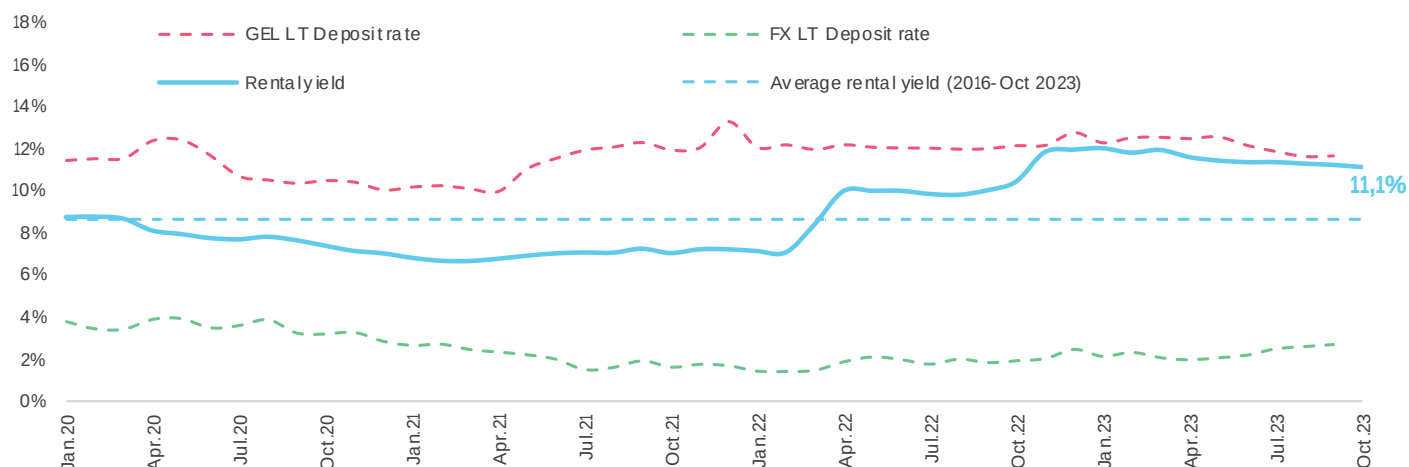
"Rental yield has been hovering between 11% and 12% since January and the average rental price per square meter has been steady at around \$12.3 per square meter," Maisuradze notes. "We assume some migrants have bought property and some have left the country, but their rental effect at this point is largely diminished."

Average asking rent price (\$/SQM)



Source: NBG, TBC Capital

Rental yield and deposit rate dynamics



Source: NBG, TBC Capital

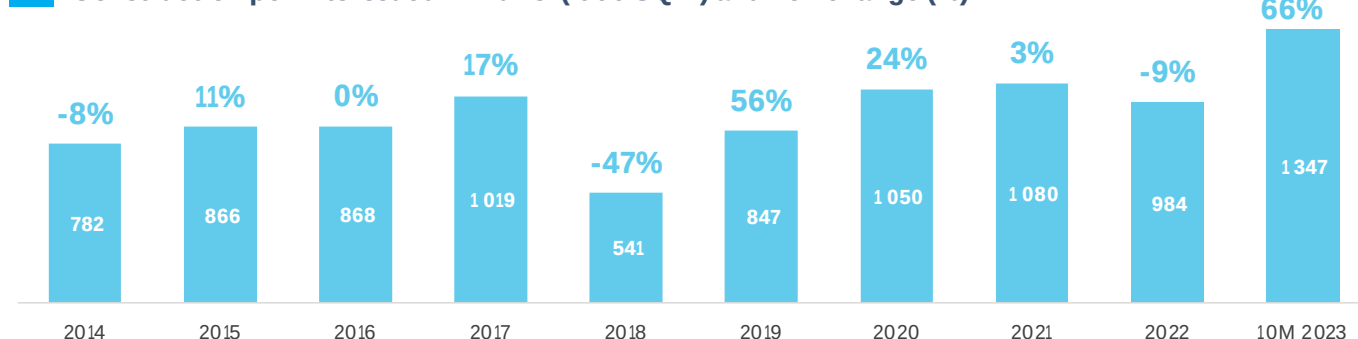
Consumer Preferences

Sales of new apartments, or those sold within three years of when their building permit was granted, were up 29% in October compared to the previous month, while sales of old apartments were down 9% MoM. This bump in sales of new apartments, which put sales of new apartments at 21% of total transactions, could be signaling a shift away from older properties due to the diminishing migrant effect as well as growing supply of new builds.

"When migrants first came to Tbilisi, they were looking for places that were furnished and ready to live in, which boosted the popularity of older apartments that could accommodate immediate need," says Maisuradze. "We've also seen a significant boost in construction permits in response to the jump in demand last year, meaning there are more newer properties coming onto the market."

In fact, the residential area covered by construction permits in October reached a record 1.3 million square meters, up 66% compared to the previous year. Maisuradze says that while analysts should continue to monitor the number of permits being issued, he does not see a bubble forming at this time. "There's an optimistic expectation from developers, since they've seen such positive trends in sales and prices, which has motivated them to build more and accommodate growing demand," he notes, adding that: "this rate of growth of construction permits, however, is unprecedented for the Tbilisi market, so it is certainly something to keep an eye on."

Construction permits issued in Tbilisi ('000 SQM) and YoY change (%)



Source: TAS, TBC Capital

Market forecasts

With an influx of new properties expected to boost supply and demand expected to continue slowly declining, TBC Capital also expects to see downward price corrections in the market. "We expect to see transaction numbers trend upward in 2024 as new properties hit the market," says Maisuradze. "At the same time, this increase in supply should lead to a slight downward correction in sales prices, although we don't think it will be significant." The analyst also notes that rental prices are expected to correct more quickly and significantly than sales prices in 2024, although "a drastic change in rental prices isn't expected either."

Another factor that could impact the market in the coming year is the National Bank of Georgia's monetary policy rate, which TBC estimates could drop from its current rate of 10% to 8.5% by the start of 2025. "As we see inflation coming down and the NBG signaling that it plans to loosen its monetary policy, this will bring down mortgage interest rates, which in theory, could stimulate greater demand in the market," adding another important dimension to watch in the coming year.



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Attracted by Georgia's favorable business climate, we opened an office in Georgia in 2022, hiring 100+ people to unite under the company's values: Freedom to Develop, Exceptional Problem Solving, Honesty, and Safety to Experiment.

In 2023, we received an FDI grant from Enterprise Georgia and supported the Grace Hopper Award Program, which promotes women's participation in Georgia's ICT sector. We have been partnering with government agencies, USAID, and local universities to develop the tech industry in Georgia.

That same year, we launched our flagship education platform- the Lineate Dev School, and selected the top 25 candidates out of 600 for training in back-end engineering. Six of those candidates received paid internships, and job offers with our global clients.

We have implemented hackathons, boot camps, and meetups and regularly support social causes. As just one example, Lineate, together with the US Embassy in Georgia, supports the Public School in Odzisi village, providing students with access to knowledge, modern technology, and coaching.

As a critical player in developing the Georgian tech ecosystem, we plan to continue contributing to this growth by supporting local talent and universities, promoting innovation, and participating in local events and initiatives.

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Georgian winemakers uncorking new ways to market wine at home and abroad

Aside from the risky Russian markets, Georgian wine companies do not have an easy time in any market – neither abroad nor at home. So wine companies are applying ingenuity, as the following Georgian version of the marketing sciences shows.

SALLY WHITE

The latest novel marketing push has seen Kakhetian wine producer Badagoni associating its

products with electric vehicles (EV), building on the top of a current drive to sell Chinese Leapmotor EVs in Georgia. This should hit the right buttons as EV numbers in Georgia, though tiny, have

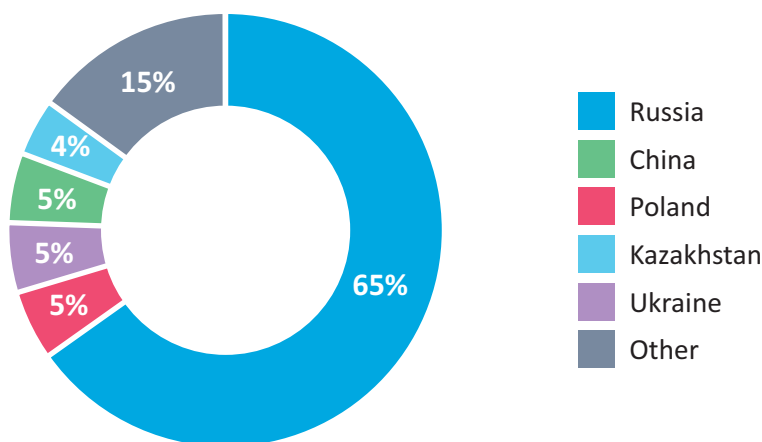
almost doubled in the last year. Stellantis also has the rights to manufacture EVs in Europe, leaving local hopefuls speculating that Georgia may be able to join in.

Appealing to Georgian drinkers is vital for the wine companies. A bigger, stable, Georgian market base is important given huge exposure to risky Russian markets and the challenges of diversifying into new international markets. Georgia exported \$95 million-worth of wine to Russia in January to September this year, according to Georgia's National Statistics Office, 63% of the total – the highest level since 2005.

The strength of exports to Russia “is a result of developed trading networks and benefits from widespread popularity of Georgian wine in Russia (removing additional marketing costs). “Considering the painful effects of the Russian 2006 embargo and the unpredictability of this market, we believe that diversification to other markets should remain a number one priority for Georgian wine companies in the medium- to long-term,” advised investment bankers Galt & Taggart in a recent wine industry report.

A hard task it may be, but Georgia's

Top 5 Wine Export Markets 1H23



Source: TBC Capital

wine exports have been rising impressively, with sales now being made to 66 countries. The Ministry of Agriculture's National Wine Agency is spending GEL 2 million this year to drive foreign sales, funding the increasing participation of Georgian producers at international wine fairs and creation of websites. The agency's years of steady support for Georgian wine exporters is helping to bring impressive increases: sales to Japan rose by 68% last year, to Germany by 34%, Poland by 32%, and the U.S. by 28%, although these are from low bases.

Appealing to the Georgian market

But every market counts, and the wine companies see the domestic market as an important one. Currently, most domestic sales of branded wine are into the tourist industry, with Georgians opting to largely consume home-produced

wines on grounds of price and pride. This leaves a sales opportunity, yet good stories are badly needed to encourage the buying of branded wine as Georgians are not only drinking their home brews, but also less of them: there was a fall in alcohol consumption of 40% in the ten years to 2021, according to a recent TBC Capital report on the wine industry.

So marketing branded wines to Georgian drinkers needs to be persuasive. As Georgian wine marketing specialist Tamar Metreveli explains, while the companies eye TV and radio ads, these can be expensive and out of reach for all but large companies. So, "they use social media, hold targeted premium wine tastings to targeted groups who can afford wine at this price level, employ promoters to offer help to customers in supermarkets and wine shops, and sales teams to negotiate with supermarkets, restaurants and hotel groups."

Yet while companies tell stories of Georgian wine on their corporate website, they rarely use them in home sales. Admonition on this front from French multinational consultants Capgemini is to appeal to emotions: "...86% of consumers always think of brands they are loyal to when there is high emotional engagement. In addition, 82% of consumers always buy from the brand they're loyal to. But when it comes to low emotional engagement, the numbers above can be compared to 56% and 38%. Customers make emotional decisions; the brands that can develop an intimate relationship with their audiences have an advantage against competitors who aren't establishing these connections."

Taking this to heart more strongly than other wineries, Badagoni has balanced the EVs with a story at the other end of the spectrum going straight to the heart of Georgian culture and a beloved ►►





27 Georgian wine-producing companies participated in the ProWine Shanghai exhibition in November with support from the National Wine Agency. Source: National Wine Agency.

► icon of its history by partnering with the Alaverdi Monastery. Badagoni has restored the historic 11th century wine cellar in the 9th century Alaverdi church complex, enabling the monks to begin making wine there again. Now, well-supported by pictures on the corporate website, the “Alaverdi Tradition” label is a brand line in the portfolio of wines that Badagoni sells. Badagoni has backed that up with the GEL 14 million construction of a hotel and a restaurant for visitors to the Alaverdi Diocese.

Selling 8,000 years of winemaking history

This cultural theme is also what Georgia has been using in its marketing internationally, deploying the history of the 8,000 vintages that the country has produced and the growth of a wine culture over the thousands of years since the Neolithic period. Tamar Metreveli points out that in the EU and U.S. markets, ideas that have been taken up by wine writers range from the supra tradition, the kantsi drinking horns, and the rediscovery of long-forgotten grape varieties popu-

lar centuries ago, such as Shavkapito. Georgian wine companies are spending heavily to live up to the country’s reputation for traditional hospitality, inviting potential customers and writers to come and taste in Georgia. And Georgia has led the current global wave of popularity of amber wines with wines from its qvevris.

In the highly promising Chinese market, Georgian culture is the theme at business centers, offering trade connections as well as wine. Plans for a network were first announced in 2015 after meetings of then Prime Minister Irakli Garibashvili and Chinese trade-economic Suolun Group. Starting in the city of Yiwu in eastern China, the concept is of buildings that showcase Georgian wine and hold regular exhibitions of crafts, folk dance, and music.

In the U.S., the opening words on the Wines of Georgia website are: “Ancestral grapes, ancient techniques.” The site is heavily populated with quotes from leading international wine writers referring to Georgians wine history. These include “Georgia uses methods of winemaking that you couldn’t invent in a mod-

ern world; you could only inherit them through the mists of time,” from the famous writer Oz Clark and from another, Andrew Jefford: “Georgia is the only country in the world where winemaking methods that were developed up to 8,000 years ago have not only never been abandoned but remain in many ways best.”

This form of marketing has helped Georgia climb up the list of the world’s leading bottled wine exporters – it now ranks 15th out of 50 nations, according to the 2022 data released by the American Association of Wine Economists (AAWE). Last year, Georgia’s bottled wine exports reached 99.76 million liters.

Domestically the status of Georgia’s wine industry is being raised (and local tourism enhanced) by the hosting of prestigious international wine events. Tsinandali Estate hosted the Grand Jury Du Vin Wine Symposium in early November, a first for Georgia, showcasing wine producers and attracting international wine experts, sommeliers, and journalists. The initiative to attract this Swiss institution came from Georgian investment group Silk Road and was supported by the Na-

tional Tourism Administration and Bank of Georgia. And for a second year running, the International Wine and Spirit Competition's owners have chosen Georgia as its location, and its 2024 event will team

with the Gurjaani Wine Festival.

New tactics are needed all the time to stay ahead, especially as there are now over 1,000 Georgian wine companies, as Levan Davitashvili, Vice Prime Minister

and Minister of the Economy, has pointed out – up five-fold in the last few years. The days when a company could just appoint a sales agent and then sit back are long gone. ■

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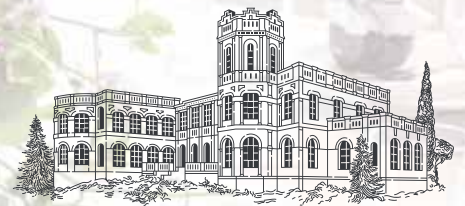
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of Collaborative Success: AmCham Georgia & BLC Law Office

Interview by **GIORGI BATLIDZE**

Partner at **BLC Law Office**

In a milestone year for both institutions, AmCham Georgia commemorates its 25th anniversary, simultaneously marking two decades of collaboration with BLC Law Office. These twenty years have not only witnessed the growth of both entities but have also significantly contributed to the development of Georgia's legal framework and entrepreneurial landscape.

AmCham Georgia stands as the largest international business chamber in the country, boasting over 200 business members. The organization plays a pivotal role in providing a platform for businesses to raise critical issues

and advocate for policy reforms. AmCham serves as a prominent advocate for businesses in its role with the Georgian government and other authorities, actively contributing to the country's development.

To shed light on the past 20 years of collaboration, I spoke with George Welton, Executive Director of AmCham Georgia, and Ketti Kvartskhava, Managing Partner of BLC Law Office and Member of AmCham's Board of Directors.

Ketti, how would you describe AmCham's role in Georgia?

Georgia is a young democracy that embarked on the construction of its democratic institutions in the late 1990s, coinciding with the establishment of AmCham Georgia. There is a prevalent misconception that democracy and the rule of law are concepts pertinent

solely to governmental authorities and the judicial system. In reality, non-governmental organizations play an even more significant role in this regard. These organizations provide a crucial platform for the exchange of ideas, the raising of issues, and advocacy for a better environment in a developing country. It is essential not to overlook the fact that the U.S. is widely regarded as the most important strategic partner for Georgia. Therefore, AmCham is not just about business; it also facilitates bilateral exchange between the Georgian and American people.

I believe that AmCham, as one of the oldest and by far the largest international business chamber in Georgia, plays a pivotal role in fostering the development of the Georgian business environment and enhancing bilateral relations between Georgia and the U.S.

Can you elaborate on the idea that AmCham is about more than just business?

Indeed, AmCham's impact extends beyond legal and entrepreneurial realms. Personally, I as a board member have been engaged with diplomatic and trade delegations from the U.S., advocating for Georgia as an attractive destination for investment and business. I have also contributed to student exchange programs, recognizing the importance of educating the younger generation for Georgia's future. This emphasis on education is not accidental; I pursued my master's degree in the U.S., and I am extremely grateful for this opportunity as it significantly helped me become who I am today. Many of my friends and colleagues at AmCham share the same experience. Georgia is not a resource-rich country. Human capital can be seen as the main driver of development. Reflecting on what a limited number of Western-educated individuals have achieved in this country, I am confident that education will be a cornerstone of development in the years to come.

Thinking back over the last 25 years, what do you see as some of the most significant reform and advocacy initiatives that BLC has contributed to in partnership with AmCham?

I have actively participated in significant policy reforms, particularly in evaluating the draft law on competition. Our involvement has contributed to enhancing provisions, making them more predictable and less burdensome for businesses. Additionally, I have been part of discussions regarding amendments to the tax code, emphasizing the crucial role of the Commercial Law & Tax (CLT) Committee. The CLT Committee is actively involved in communication with AmCham members to advocate on their behalf and speak with a unified voice towards governmental authorities.

George, after 25 years of AmCham working hand in hand with the Georgian business community, what accomplishments are you most proud of?

It's very hard to highlight one particular accomplishment. We've worked extensively on many areas of reform and have had a significant impact on tax, corporate governance, competition policy, the labor code, Georgia's visa regime, support for entrepreneurs, developments in tourism and energy, and much more. I think we were also very useful during the Covid-19 pandemic as a means of helping people communicate with each other, get information about what was happening, and advocate and engage with the government. Against that backdrop, I think I am most proud of how many active members we have – people who would not know each other, if it were not for AmCham, and who have been able to more effectively grow their businesses and build important connections because of us.

From your perspective, what role have BLC and Ketti Kvartskhava played in AmCham's success?

Ketti is one of the longest standing members of the AmCham Board of Directors and having someone on the board with that level of experience, combined with her expertise and general professionalism, is enormously useful. She is also a good friend, which enhances my enjoyment of my job!

Beyond the board, BLC has been a major contributor to the Commercial Law and Tax committee since its formation and has given enormous amounts of pro-bono time to work on legislative analysis. The transformation of the legal sector in Georgia is one of the greatest highlights of Georgia's commercial development, and I am very proud that Georgia has local firms like BLC. It is thanks to firms like this that the CLT committee and AmCham are so effective on policy issues.

As AmCham Georgia and BLC Law Office celebrate the 20th anniversary of their friendship and 25 years of AmCham in Georgia, the legacy of their collaboration stands as a testament to the positive impact they have had on Georgia's business landscape and legal framework. We at BLC are very much looking forward to our continued cooperation and are certain that 20 years from now, we will be able to say we helped Georgia develop into a prosperous democracy with a thriving entrepreneurial landscape!

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Taking stock of Georgia's capital market reforms

Georgia's financial industry will have grown beyond recognition in a few years' time. That is, if planned reforms come to fruition. The insurance sector will have doubled in size, the pension fund industry increase will be two-fold, foreign investor participation in Georgian markets could have more than doubled, as could the size of the non-banking sector. Local investors will be spoilt for choice.

SALLY WHITE

For Georgians, an introduction to this new financial world will come with lures to encourage them to become financially active: tax incentives, user-friendly insurance products, and the ability to buy small units of securities. Companies are being given grants to help them raise money on the Georgian Stock Exchange. Revitalizing the exchange, now barely alive, is a major focus of the reforms and designs to remodel Georgia's bank-centric finan-

cial system.

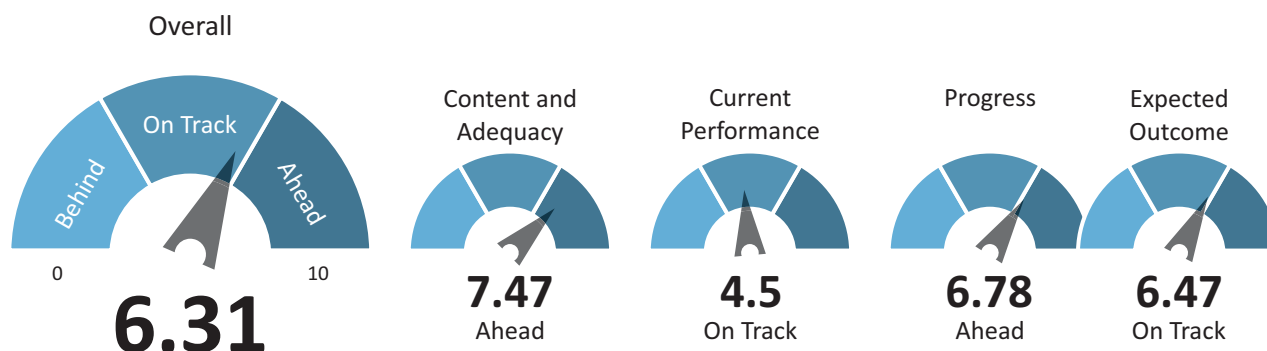
All this is set out in the latest, very detailed, report from USAID and ISET on financial system reform. While it also lists many challenges, the pace of change is quickening as new regulations widen the Georgian financial scene. Locally listed bond issues are becoming more frequent, and Georgia is concentrating them in the internationally fashionable "sustainable" sector. Shares are thought to be some way ahead as they are more complex to administer, and Georgia lacks

the experience and expertise.

However, currently, the most vital components of all – investors and secondary market trading – are still in short supply. Although the major banks' investment arms TBC Capital and Bank of Georgia's Galt & Taggart say they are seeing increasing private investor interest in their trading platforms from their banking clients, this is still largely tentative. And at this stage, what is on offer are mainly foreign, rather than local, investment opportunities. Fortunately, the current timespan of the reform program extends to 2028.

Those financial sector growth numbers are part of the government's Capital Market Development Reform Program. Reform has been pushed for well over a decade now by the international development institutions – the Asian Development Bank (ADB), European Bank

Results of ISET's stakeholder survey on capital market development reform



Source: ISET's ReforMeter

for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the International Monetary Fund (IMF), among others.

These reforms are also aimed at turning Tbilisi into a robust and active financial trading center and provide plentiful and easy-to-obtain, non-bank financing to stimulate the growth of even small companies. Plus, the strategy is aimed at fulfilling the vision of creating the right conditions for Tbilisi to host the pre-

mier regional financial hub. The targets set in the plan are for asset growth in insurance, banking, pensions and other sectors of finance, which dictates the amount of business they can do.

Of course, it remains to be seen if these targets will be achieved. The latest reform report from USAID's work with Tbilisi State University's economic faculty and think-tank, ISET, and their project ReforMeter, says it is "on track." Stakeholders have given an overall six out of

ten score to what has been done so far, while describing progress as "moderate."

If the strategy succeeds, according to this latest ReforMeter report, it could also usefully knock 0.8 percentage points off interest rates and boost GDP by 0.4% over 10 years.

New investment activity

2023 has seen promising signs of new investment activity all over the Tbilisi financial scene: refinancing of Georgia ►►



Tegeta Motors Green Vehicle Project aims to expand EV use and the EV charging network in Georgia. Photo credit Tegeta Motors

- Capital debt (which highly unusually brought the rival two top banks to work effectively together to place it); new and very active investment platforms in foreign instruments for retail investors; rapid growth in the issuing of bonds that comply with international regulations on sustainable development; and the appearance of retail property-linked bonds.

One of this year's successes has been the largest corporate bond issuances on the Georgian market: a \$150 million, five-year bond issued by a diversified investment holding group, the London Stock Market-listed Georgia Capital, to refinance existing Eurobond debt. This sustainability-linked bond was bought by the international development institutions, including the EBRD, the ADB, and the IFC.

Other Georgian issuers choosing to list sustainability-linked bonds locally on the Georgian Stock Exchange have been Crystal Microfinance, with its Gender Bond Project to finance loans to women-owned MSMEs, and Tegeta, with its Green Vehicle Project, aimed at expanding EV use and expanding the EV charging network in Georgia.

Sustainability-linked bonds are a good choice as they are currently popular with major investment institutions

internationally, with international credit rating agency S&P Global estimating that nearly \$1 trillion will be issued in 2023. Welcoming the Georgian bonds' local market listings in this sector, the ADB commented that this "will boost the confidence of international and domestic investors in the local stock exchange and gradually prioritize onshore over off-shore issuance."

However, the report from ISET and USAID makes no bones about the fact that considerable challenges remain, stating: "Presently, the market suffers from a deficiency in both the issuance of financial instruments and the participation of investors. The government securities market is the primary source of issuance, but its secondary market is relatively inactive."

It continues, "Furthermore, the stock market is characterized by small size and limited liquidity. The domestic institutional investor base is limited and undiversified. Foreign investors are characterized by their limited involvement, while retail investors are characterized by their preference for foreign currency-denominated assets. The capital market's small size and low liquidity are partially attributed to the prevailing dominance of commercial banks in the financial sec-

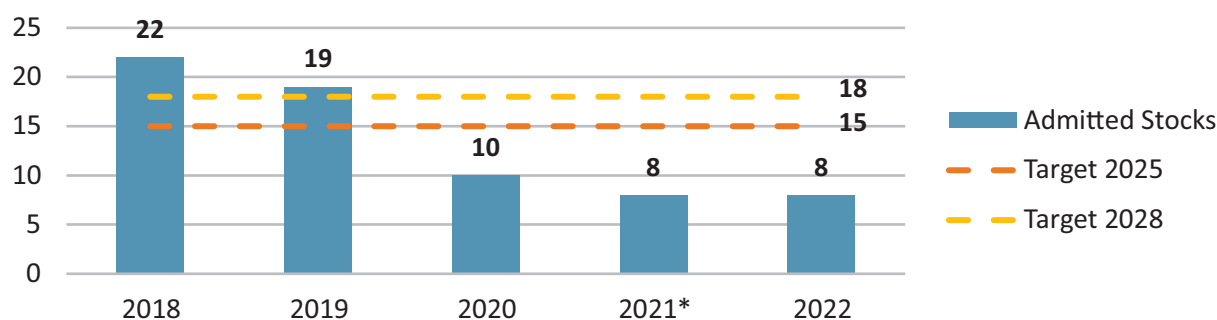
tor and elevated levels of dollarization."

Georgia's stock market

Georgian Stock Exchange figures for this year to early November for bond and stock trading show 24 trades in lari, valued at GEL 158,000 and no trades in dollars or euros. Gray market over-the-counter (OTC) lari trades numbered five and were valued at GEL 2.2million, and there were 19 Eurobond trades valued at EUR 1.6 million. Most OTC business is being done in dollar bond trades, which this year have numbered 80 and were valued at \$10 million. Listed securities numbered 38, but eliminating duplication, there were 26 corporate issuers, including the ADB and IFC. Last year, out of 19 GEL transactions (the year's total), 18 were in Liberty Bank bonds.

Yet, Georgia used to have an active stock market. In 2002, shares of 278 companies were trading on the Georgian Stock Market, with 42 active brokerage companies. By 2007, deal numbers had reached nearly 8,000, valued at \$167 million. However, then in 2008, as pointed out by Professor David Aslanishvili, Doctor of Economy at the Webster University Georgia in a Tbilisi State University paper on Georgia's capital markets, the authorities changed the rules. They ef-

Total listed companies on the stock exchange/admission of stocks to the trading system of the georgian stock exchange



* Based on the strategy - 9

Source: Georgian Stock Exchange

Source: Georgian Stock Exchange, ISET



fectively removed the need to buy or sell securities through a registered market or broker, and trade moved off exchange to “a gray, non-transparent ‘wild-liberal market’ market.”

So, the Georgian Stock Exchange lost its function, and, as he describes, “disappeared as a source of alternatives to bank loans.” The financial field was left in the control of the banks, and while they did not trade on it, they moved in to control the exchange. The published accounts show that TBC Capital, Georgia Capital, and Bank of Georgia’s investment firm Galt & Taggart own over 70% between them.

Evaluating the “organizational, corporate governance, and ownership structure of the stock exchange” is listed as one of the 2024 tasks on the government’s reform agenda. The ADB has said that the restoration of Georgia’s stock market as an “independent, strong and efficient body” is seen as a must.

Capital market reforms

The list for the Capital Market Development Reform’s ongoing and upcoming tasks is a long one and reflects work that the National Bank and the Ministry of the Economy and their advisers have done scouring the world for useful role models.

For companies, reform efforts will

include educating corporate management on how market alternatives to bank finance work and how to set up and administer their own pension funds. This has been on-going for some time and is aimed at turning companies into potential players in the markets as both issuers and investors. The reforms also envision introducing derivatives and securitization, which will create interest-bearing, tradable, securities by repackaging pools of certain types of assets or debt to create investment instruments. A draft law to cover this is currently on its way through parliament.

For individual investors, the reforms will encourage brokers and financial advisers to set up business to boost retail investor engagement, create tax incentives to boost interest in tradable real estate funds, allow for life insurance products, and increase efforts to raise wider knowledge around investment.

Given the shortage of domestic stock market investments, the government has announced that it is considering offering shares in some of the 346 state companies to individual, private investors in some form. Among routes to market being explored are the “creation of a portfolio in the form of an investment fund, which will turn the shares of several enterprises into a single portfolio,” and shares could then be issued on the

Georgian Stock Market. There were 22 state companies with turnover of over 20 million GEL in 2020.

Investment platforms

The shortage of local investments means that it is overseas stocks and bonds and other instruments that private client online investment platforms of the main Georgian investment banks and brokers are offering online. These are, reportedly, attracting a lot of tentative action, even if currently on a small scale.

Galt & Taggart, whose founders played a leading part in the revolutionary 1990s drive for a Georgian stock market, was also in very early to the international broking field here. For the last eight years, partnering with international trading facilitator Saxo Bank, it has been offering investors in Georgia worldwide access to markets and instruments via its trader.ge platform. Reaching out to a broader retail audience, it launched in 2021, with Bank of Georgia, a Georgian language investment service integrated into the Bank of Georgia’s mobile banking app. This is again international, with access to 6,500 instruments on U.S. markets, and with the advantage of allowing fractional trading based on value.

Right now, the interest in U.S. and UK treasury bills are high, due to historically ►►



► high refinance rates. This in turn assisted local corporate bond markets and activity on primary placement. However, early signs suggest retail interest, those who favor high return and high risk approaches, has started to move on from U.S. and UK fixed interest investments as yield prospects diminish. It has found local interest at retail level in the recent Georgian bond issues, which “has been robust,” attracted by their yields, says Head of Brokerage at Galt & Taggart David Nishnianidze.

Also expanding its retail investment service, TBC Capital, together with its parent TBC Bank, launched in

October an investment platform within its digital bank app. This gives its Georgian clients access to more than 6,000 U.S. stocks and exchange trading funds, dealing free of commission and account maintenance fees. “Users can invest fractionally - that means that we do not have any minimum investment requirements - and you can start investing starting from \$1,” says Bakar Maruashvili, Vice President of Technology in TBC’s brokerage business.

Early participation is encouraging, so hopes are high for strong growth. TBC Capital’s idea for its mobile bank app is to create “One Place for All Your Investing

– starting from deposits to stocks, ETFs, commodities, etc..”

An important factor in the relatively slow progress on capital market development in Georgia, Lasha Jugeli, the Executive Director of the Association of Georgian Financial Markets Treasuries, has told journalists, is “a pervasive lack of knowledge, indicating an imperative need for extensive informational and educational interventions.” The accumulation of investment opportunities and heightening publicity for all the new investment services, funds, and money raising can thus only help bring change. ■

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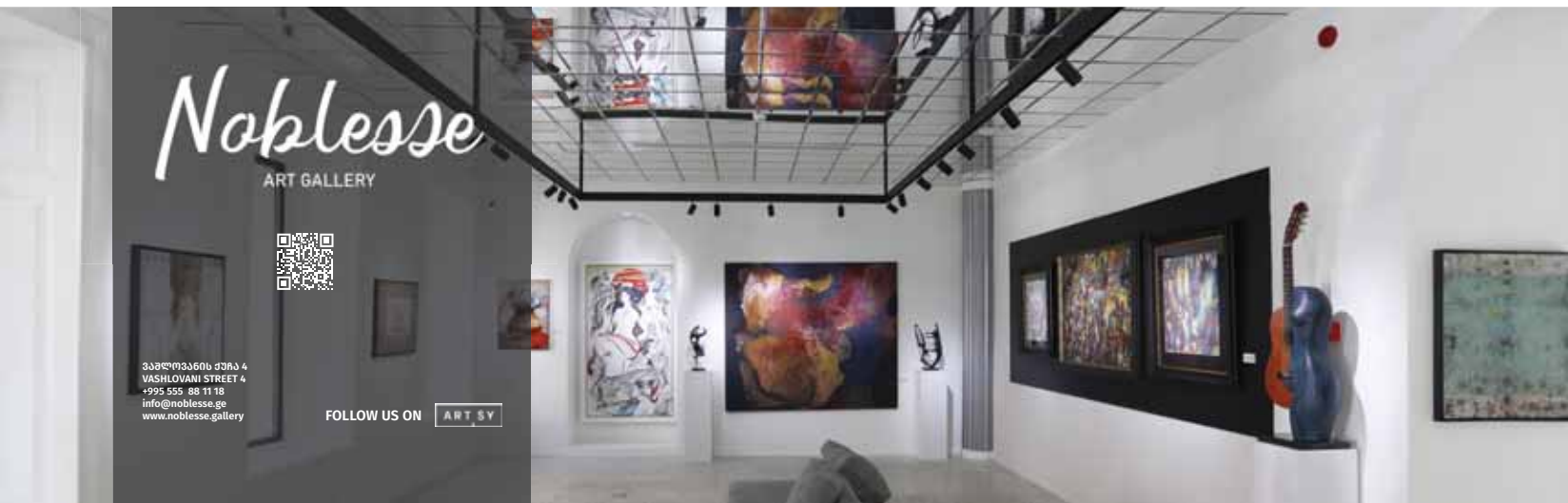


Wolt was incorporated in Finland in 2014 and merged with the largest American delivery service giant - DoorDash Inc. in 2021-2022.

Wolt is one of the first companies that offered the delivery of desired products from various shopping facilities to customers in Georgia, in addition to food.

In the non-restaurant sector, such as grocery, pharmaceuticals, appliances, household items, home and personal care, apart from placing orders, it is nowadays possible to receive such services with Wolt as purchasing training courses, renting a car, etc.

Today, Wolt Georgia unites about 500 employees, about 3000 partner merchants or catering establishments and 7000 partner couriers.



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PMC Research: Georgia's economy outperforms expectations in 2023, outlook 'uncertain' for 2024

Despite expectations of a slowdown early in the year, Georgia outperformed expectations in the first nine months of 2023, registering annual GDP growth of 6.8%. But as 2023 draws to a close, PMC Research's latest Macro Overview provides an economic snapshot of the year and where economists and businesses think the economy is headed in 2024.

LUKA TCHOVELIDZE

Georgia's economic climate in 2023

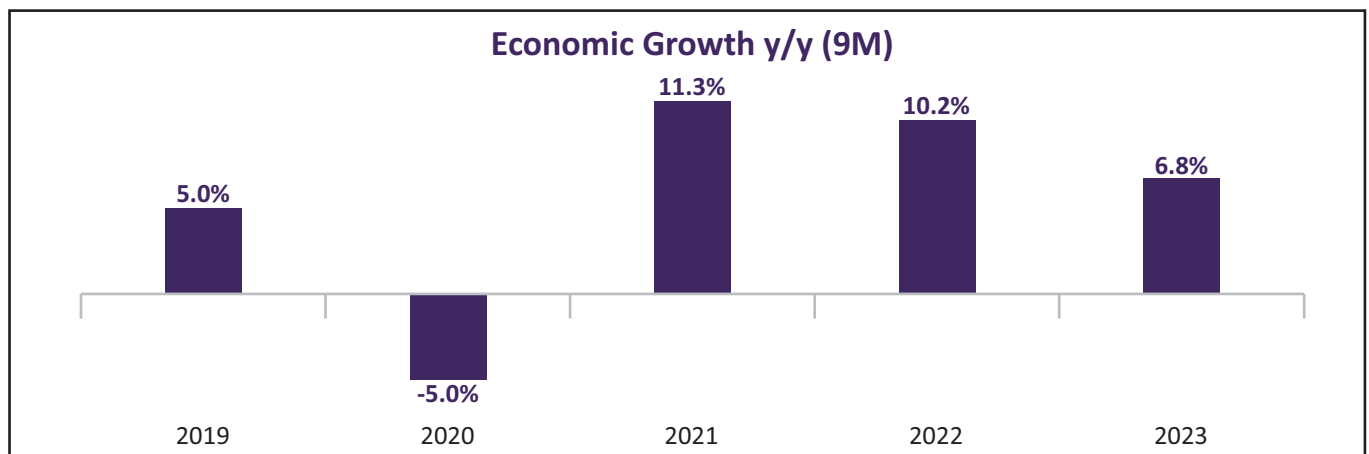
The Georgian economy continued to outperform expectations in 2023, shows PMC Research's latest Macro Overview released in November. The report, which covers major macroeconomic trends from the first nine months of the year, notes that despite a slowdown from dou-

ble-digit growth seen in 2021 and 2022, annual GDP growth came in at 6.8% at the end of the third quarter.

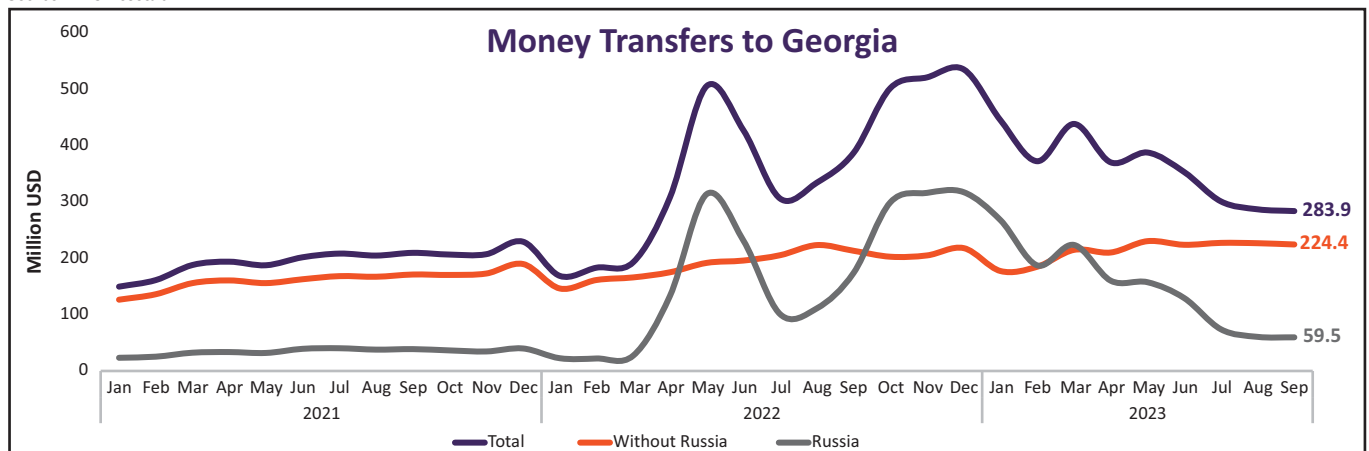
PMC Research Analyst Shota Matcharashvili says this is the result of a slower-than-expected easing of one-off factors related to migration after Russia's invasion of Ukraine in 2022. "Many expected that a significant portion of war-related migrants that came in early 2022 would leave by early 2023, caus-

ing a significant downturn in demand and money transfers into the country," he tells *Investor.ge*. "However, this has been far more gradual than anticipated, which led to stronger performance in the first half of the year."

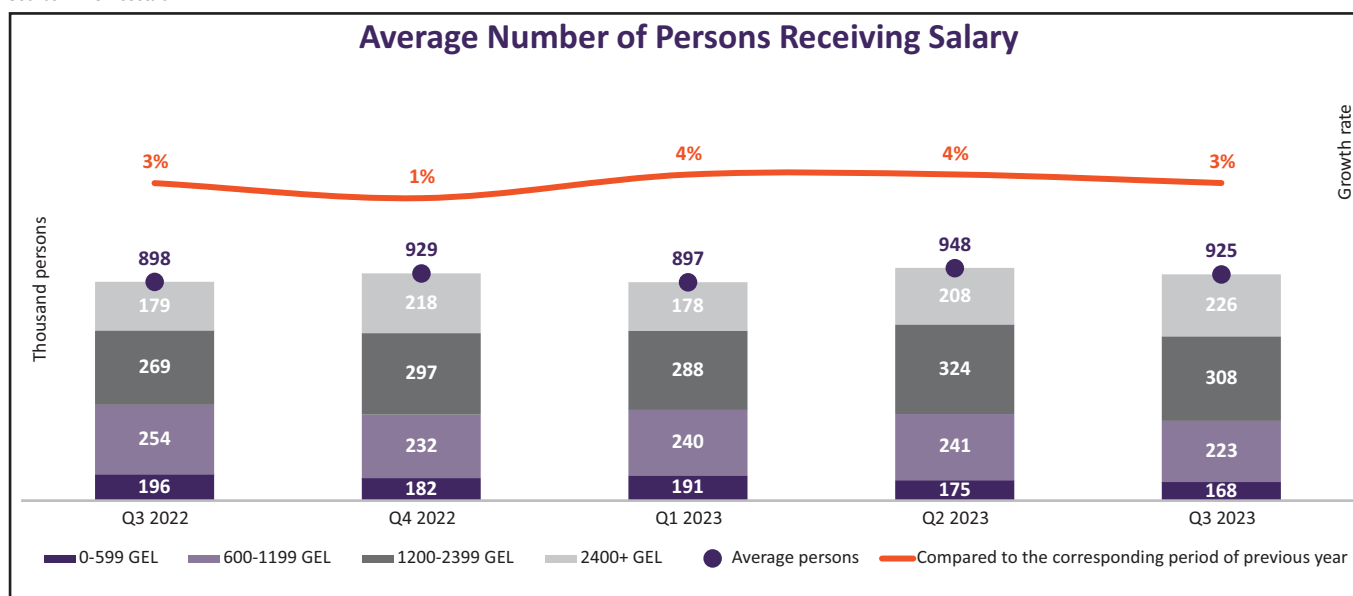
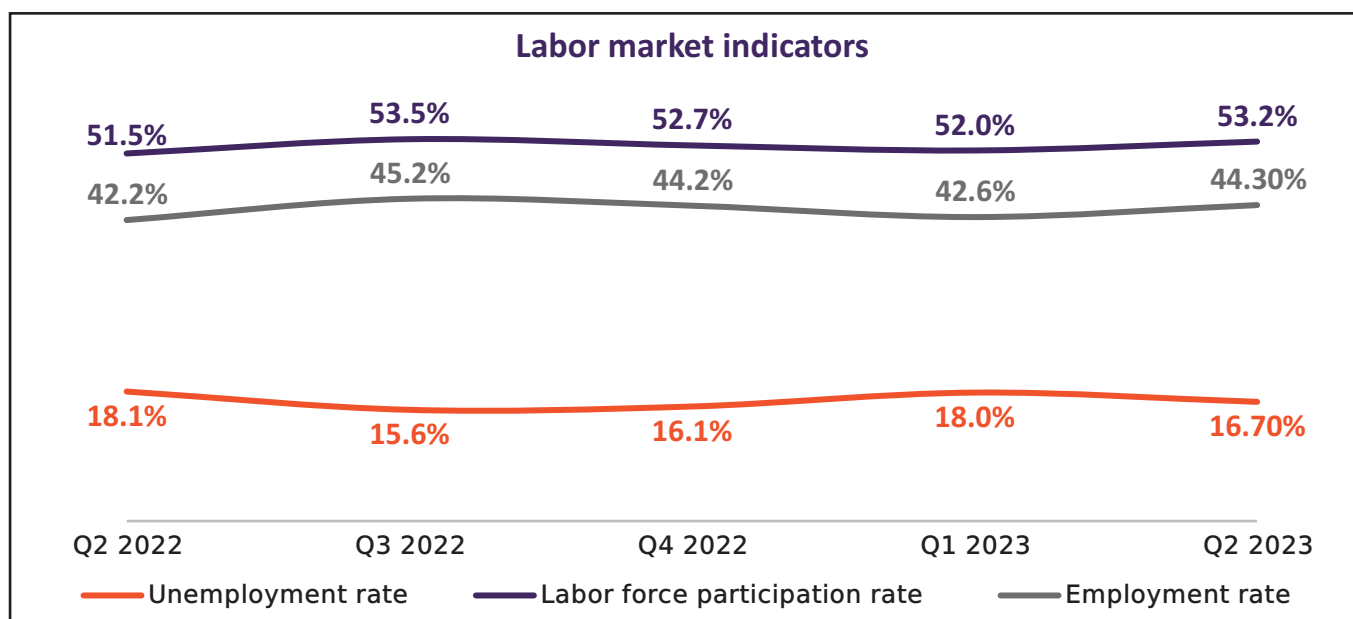
Despite this, he notes, "we did start to see a slowdown in the second half of the year in many of these war-related factors like, for example, money transfers from Russia, which have been on a downward trend since April." This combined with a global decrease in demand for copper and ferroalloys, which represent a top export for Georgia, and weaker performance in some key sectors, as well as concerns around a global economic downturn, do point to slowed growth in the last quarter of 2023.



Source: PMC Research



Source: PMC Research



Business expectations and labor market

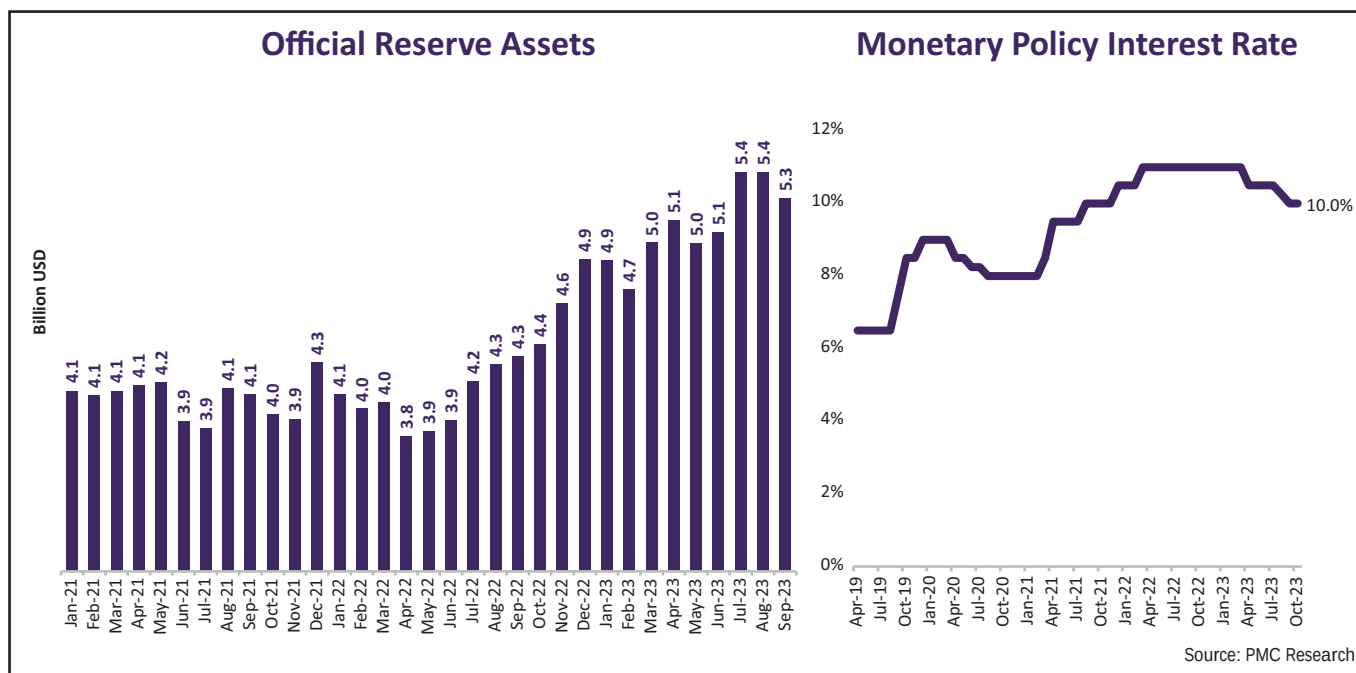
Georgian businesses assessed the first nine months of 2023 more favorably than in Q4 of 2019, PMC Research's report shows. Surveys conducted through its BAG Business Climate Index indicate that business leaders reported increasingly positive assessments of the business situation in the country through the third quarter of this year, though future expectations did dip as some sectors, like construction, saw slight contractions.

Labor market indicators continued

to slowly improve in 2023, with the labor force up 2.8% YoY in the second quarter and unemployment coming in at 16.7%. The number of employees in the business sector reached a record high of more than 689,000 people in the first half of 2023, or 6.5% higher than the same period the year prior. Salaries were also up considerably, and 35% of companies surveyed through the BAG Index reported increasing their staff's salaries in Q3.

Despite these positive labor market indicators, PMC Research's Matcharashvili says that surveys of both economists

and business leaders point to a glaring human capital concern in the country. "One of the reasons we've seen salaries increasing at the rate they have is the lack of skilled workers in the country, which is driving up competition between employers," he explains. "In our latest economic climate survey, economists name emigration and a lack of skilled labor as top threats to the country's economic sustainability. Our most recent BAG Index also saw businesses name a labor force shortage and a lack of specialists as the greatest hindrance to businesses' operations." ►►



Central bank policies

As the rest of the world continued to battle inflationary pressures in 2023, Georgia saw significant deceleration in inflation from 9.4% in January to .7% in September, though from a high base in 2022. This was, in part, due to the National Bank of Georgia's continued tight monetary policy. The central bank started a gradual loosening of its policy rate from 11% in early 2023, coming down to

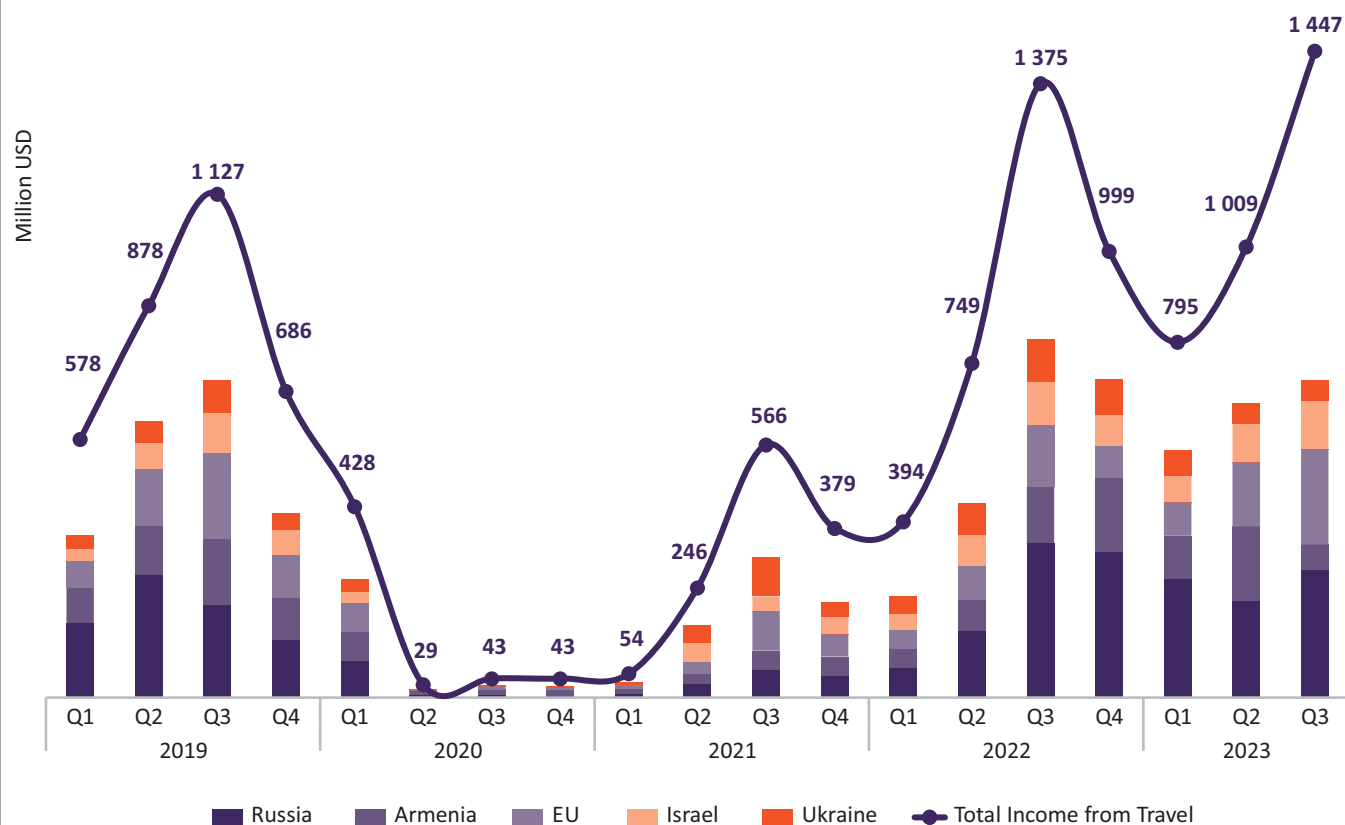
10% in October; and it's largely expected to end the year at 9.5%. The central bank also continued to build its foreign currency reserves on the back of a strong lari, reaching a historic high of \$5.4 billion in July.

Despite these positive indicators, the central bank faced domestic and international backlash in the fall of 2023 as its response to international sanctions called its independence from political

pressure into question. "This was a concerning blow to the reputation of the central bank," says PMC Research's Matcharashvili. "It's essential for the financial stability of the country that the Georgian people and businesses, as well as the international community, have confidence in the independence of the NBG and the decisions it makes. This will certainly be an important issue to continue watching in the coming year."



Total income from international travel by countries



Source: PMC Research

Trade and tourism

External trade turnover was up 16.5% in the first nine months of 2023 compared to the corresponding period of 2022, reaching a value of \$15.9 billion. Trade turnover with the EU in that period registered a notable upward trend, growing 20% YoY, with what Matcharashvili describes as “an optimistic outlook.”

Trade with China, however, decreased by 10.5% due to a decline in demand for copper ores and ferro-alloys. A similar downturn in value was witnessed with Russia due to plummeting commodity prices. “Primary exporters of our copper ores and ferro-alloys were the U.S. and Russia,” says Matcharashvili. “Of these, 30% has been exported to Russia, but its value has now significantly lowered.”

In addition to trade, Georgia reached

its highest level of international visits in the post-pandemic period, reaching 81% of 2019 figures. Tourism revenue continued to hit record highs in the first nine months of the year, reaching \$3.3 billion, a 29% increase compared to the same period last year and 25% higher than 2019 levels.

“We expect the number of Israeli tourists to decrease in the fourth quarter due to the war, however,” notes Matcharashvili, “and therefore total income from international travel to Georgia could be reduced as Israel represents one of Georgia’s main source markets.”

Outlook for 2024

Looking into 2024, Matcharashvili says a less-than-optimistic global economic outlook will have a major impact on Georgia’s economic performance. “What we saw happening in the Georgian

economy was quite different from the rest of the world over the last two years as the country benefited substantially from economic opportunities created by Russia’s war against Ukraine,” he says.

“As these factors wane, our expectations for Georgia’s economy are that it will align more with the rest of the world in the coming year; unfortunately, that outlook is rather uncertain and pessimistic.” The deepening real estate crisis in China, potential rising commodity prices due to renewed geopolitical tensions in the Middle East, and eroded fiscal buffers in many countries are causing concern globally. Expectations from the World Bank currently put global economic growth at 2.9% next year. While the IFI’s expectations for Georgia are at 4.8% growth in 2024, it is a far cry from the double-digit growth of recent years past. ■



Raising Georgia's next generation of leaders

AmCham and MAC Georgia launch scholarship program

In Georgia, the cost of pursuing a higher education and living in the country's urban centers while doing so is prohibitive for many, particularly those hailing from small towns and villages. Financial hurdles too frequently derail the dreams of talented students, not only leaving them on the sidelines of opportunity but also hurting the country's broader economic development.

In fact, a 2022 World Bank report cited "significant human capital challenges" as a major impediment to "overall productivity" and the long-term, sustainable economic growth of the country. This, coupled with a recent BAG Index from the third quarter of 2023 that cites 64% of Georgian businesses as reporting a shortage of skilled workers, further indicates that investing in equipping the next generation with the tools they need to be successful will be crucial to the country's economic future.

To help address this issue, a new university scholarship program launched by AmCham Georgia and the McLain Association for Children, Georgia (MAC Georgia) is offering educational opportunities for some of Georgia's most underprivileged students. The program, which launched in September, will cover four years of tuition and provide a stipend to help cover the cost of living.

MAC Georgia CEO Jeremy Gaskill says that the idea for the scholarship first came about after discussions with AmCham Executive Director George Welton about MAC Georgia's existing scholar-

ship program. MAC's existing program has been operating in the country for ten years and has supported more than 226 at-risk students from rural communities. "George and I would discuss our scholarship program periodically and imagine what it would be like if other individuals and companies started doing the same. AmCham, with its large membership, was perfectly placed to mobilize this support," says Gaskill.

AmCham Executive Director George Welton explains that initial interest was much stronger than anticipated: "When AmCham initiated the scholarship, we were hoping to finance 10 or 15 students in the first year, but we gained a fantastic response from members. TBC, BoG, and Gulf immediately agreed to support five students each. GeoWel Research, Nutri-max, and the Hilton in Batumi agreed to support two each. A range of others, including Batumi International Container Terminal, BLB Law, Expat Hub, Peri, Ronny's Pizza, School of Progress, and TBC Leasing all agreed to support one student. Since each of these commitments are for four years of tuition and a living allowance, that is considerable."

Providing a financial lifeline

The scholarship program is uniquely designed to account for both merit and need. Using the government's targeted social assistance evaluation system to identify those with "significant financial need," MAC Georgia's Gaskill says "it was important to us that the scholarship pro-

gram specifically target those students who likely wouldn't be able to attend higher education without the support of outside financing."

The scholarship program goes beyond just tuition, offering a living stipend to help offset the higher living costs incurred for students studying in larger urban centers. Rental prices and living costs have been all the more prohibitive since a large influx of war-related migrants came to Georgia in 2022, driving up rental costs in cities like Tbilisi and Batumi to untenable levels for many students.

Lasha Dojurishvili is a scholarship recipient from Rustavi who moved to Tbilisi this year to study law at Tbilisi State University. He says that the stipend provided by the program is a lifeline, particularly for students like himself that come from a low-income background. "I hear from other students all the time how hard it is to move to Tbilisi and find an affordable place to live while studying," he tells *Investor.ge*.

"Many students are forced to rely on their families for support or get full-time jobs while in school, which causes an immense amount of stress and makes it difficult to focus on their studies. I'm very grateful that the program has a stipend component, which helps to address this issue and lets me focus more on my studies."

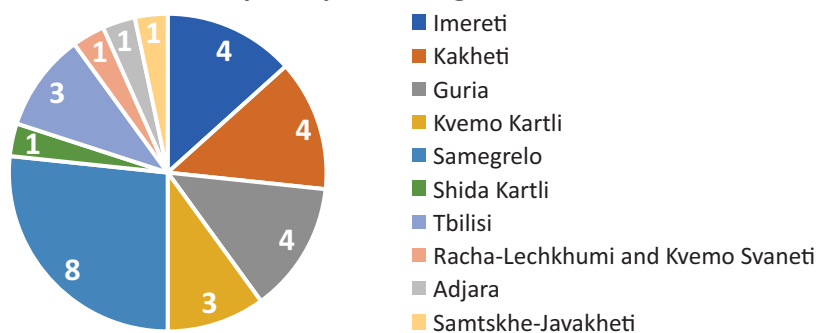
Raising the next generation of Georgian leaders

Beyond the financial component, applicants for the scholarship program are also selected on the basis of merit, with a selection panel made up of MAC, AmCham staff, and the AmCham Board using national entrance exam results, applications, and interviews to select scholarship recipients.

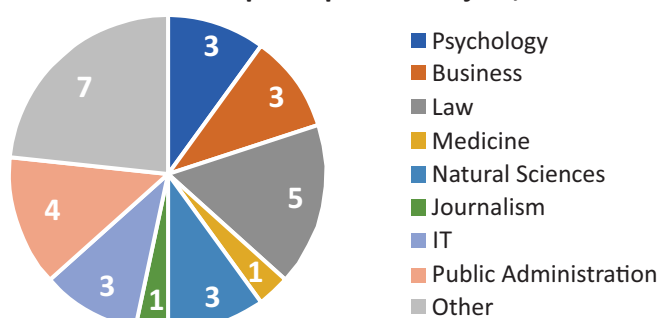
In its first cohort, the scholarship program saw more than 100 applications for a competitive 30 spots, which have gone to students from all over Georgia. They're pursuing a wide range of majors, including medicine, law, IT, business, public administration, engineering, and ecology at universities around the country.

Beyond the financial assistance provided, the program envisages offering its scholarship recipients additional professional development opportunities,

Scholarship Recipients' Regions, 2023-2024



Scholarship Recipients' Majors, 2023-2024



including internship placements and support in securing employment post-university.

George Svanadze, an AmCham Board member and Partner and Head of Litigation Practice of MG Law and Co-Managing Partner of Andersen Georgia, served on the selection panel and says that during the selection process, he looked at students "motivation and commitment," as well as their previous academic performance, to better understand their future aspirations.

"AmCham is uniquely positioned with its extensive network, which creates a

huge opportunity – not only for organizations to get involved in supporting students but also to find future employees in the process," Svanadze tells *Investor.ge*.

And it is these kinds of opportunities for further development and potential new connections that enticed scholarship recipient Sofia Chitanava to apply for the program. Originally from Tslenjikha and studying at Zugdidi State Educational University, the mother of four decided to go back to school to give her children a better life and show them how an education can open doors to new opportunities.

"My educational journey has not been an easy one," she tells *Investor.ge*. "I was married and had kids very young. This, combined with the difficult financial situation we faced, pushed me to balance work, family, and my education. It's been very difficult but made me all the more determined to achieve my dream of getting a university degree."

Chitanava says she would love to "supplement her educational experience" with the amazing network of tourism industry members in the AmCham network as she dreams of one day "establishing my own travel agency to offer regional tours in Samegrelo."

AmCham Executive Director George Welton says he looks forward to helping students like Chitanava explore their full potential through both financial assistance and a new world of opportunities. "This program doesn't just ease a financial burden but opens doors to the amazing network that is AmCham. My hope is that we'll see this program evolve in the years to come to include more personal and professional development opportunities beyond just a university education. The AmCham community possesses enormous resources and I hope that we'll increasingly draw from these to cultivate and prepare tomorrow's leaders."

AmCham and MAC Georgia would like to express our deepest gratitude for the generous support of scholarship sponsors. Thank you to Bank of Georgia, Gulf, TBC, Hilton Batumi, Nutrimax, GeoWel Research, BICT, BLB, Expat Hub, Peri, Ronny's Pizza, School of Progress, TBC Leasing. This program would not be possible without you! ■



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Members Only Luncheon with the German Ambassador

On October 5, AmCham Georgia hosted a Members Only Luncheon with the Ambassador of Germany to Georgia Peter Fischer at the Holiday Inn Tbilisi. The ambassador discussed Georgia-Germany relations as well as the role of Germany in the region. The presentation was followed by a lively Q+A, which covered a wide range of topics.



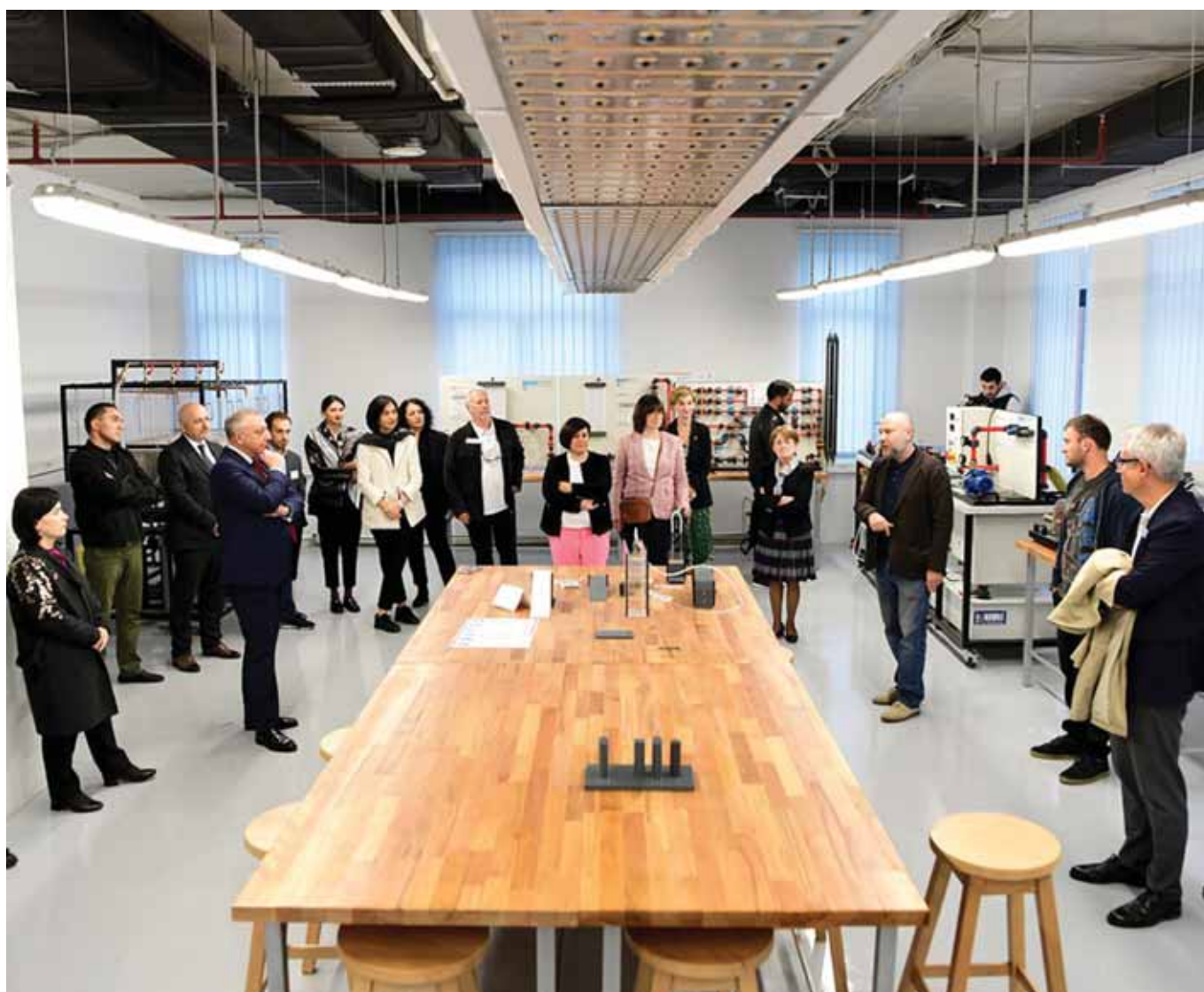


Committee Meetings

The AmCham FMCG Committee met on October 12 to discuss ongoing relevant issues within the industry and compile a list of queries to be addressed to the state authorities. On November 8, the Education

and Training Committee met to discuss issues around the internationalization of education in Georgia and other pertinent issues in the sector. Later that same day, the Construction and Real Estate Committee

met to discuss ongoing energy efficiency reforms in the country. On November 18, the Commercial Law & Tax Committee met to discuss sectoral updates and new provisions to the Law of Entrepreneurs.



Cocktail Reception at San Diego State University in Georgia

On October 16, AmCham and San Diego State University in Georgia (SDSU-G) hosted a joint reception at the university's new STEM building.

AmCham members were offered a tour of the new facility and greeted by AmCham President Irakli Baidashvili, SDSU-G Emeritus Dean Halil Guven,

SDSU Global Campus Dean Ian Gibson, and Iia State University Rector Nino Doborjginidze. The tour was followed by a reception.



AmCham Hosts Reception for U.S. Trade Delegation

In partnership with the America-Georgia Business Council, AmCham hosted a business lunch reception on October 25 for the U.S. Trade Del-

egation visiting Georgia within the framework of the Silk Road Forum 2023. At the networking event, which was hosted at the Courtyard Marriott

Hotel, the delegation met with local sectoral representatives, who briefly introduced the scope of their organizations' work.



AmCham Board Hosts Welcome Dinner for the U.S. Ambassador

AmCham hosted a welcome reception for the new U.S. Ambassador to Georgia Robin Dunnigan on November 1 at the Funicular restaurant. AmCham President Irakli Baidashvili greeted the ambassador

and introduced her to the AmCham Board of Directors. Ambassador Dunnigan was accompanied by Counselor for Political and Economic Affairs Marc Nordberg, USAID Economic Growth Director Michelle

Koscielski, and other colleagues from the U.S. Embassy in Georgia. Guests had the opportunity to discuss the business environment in Georgia while enjoying spectacular views and dinner.



Roundtable with Georgian National Tourism Administration

AmCham Georgia hosted a business roundtable meeting with Deputy Minister of Economy Mariam Kvrivishvili

on November 10. At the presentation, which was held at the Radisson Blu Iveria Hotel, Deputy Minister Kvrivishvili

provided a tourism and aviation overview and took questions during a subsequent Q+A.



IRI Presentation and Cocktail Reception at Hilton Garden Inn

On November 15, AmCham organized a presentation with the International Republican Institute (IRI) at Hilton Garden Inn Chavchavadze. Resident Program Director John DiPirro and Deputy Director Lado Razmadze presented the results of their latest national public opinion poll. The survey assessed the national mood,

political, economic and social dynamics, media engagement, foreign policy, public institutions, under-represented groups, and elections. The presentation was followed by a cocktail reception, where AmCham President Irakli Baidashvili welcomed guests and informed them of AmCham's upcoming events.

AmCham Hosts 25th Anniversary Gala

AmCham Georgia hosted its 25th Anniversary Gala for 550 guests at the Sheraton Grand Metechi Palace Hotel on November 4. In addition to AmCham membership, guests included the new U.S. Ambassador to Georgia Robin Dunnigan, heads of international organizations, as well as a range of other senior business people, dignitaries, and members of the diplomatic community. Guests enjoyed spectacular performances, including a Georgian adaptation of the famous musical Chicago by Zaal Chikobava; the Three Waiters Show, which was performed

for the first time in Georgia; and musical performances by Sopo Toroshelidze and Tika Balanchini with her band New One. The live performances were followed by a DJ. Guests won major prizes, including an iPhone 15 Pro Max, an electric scooter, a Samsung 85-inch TV, and two prizes from the event's Flagship Sponsors: a one-year membership to the Sheraton Spa & Pool for two and 2,500 liters of petrol from Gulf Georgia. It was a great celebration of AmCham Georgia's achievements over the last 25 years!















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ISO 9001:2015 certification measures our QMS drives that outline 3 key principles of ISO 9001:

1. **Risk-based thinking** - triggering the process of making improvements before problems occur to prevent issues from happening.
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www.lavapi.com



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www.ggm.ge



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www.thecitymall.ge



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