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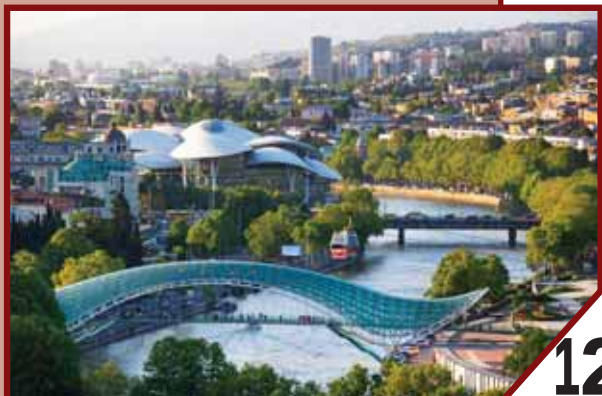
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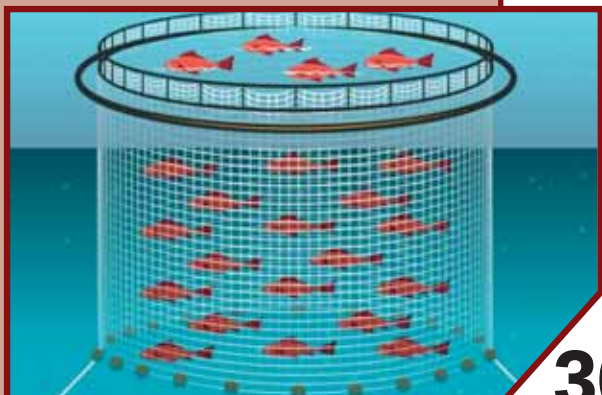
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Investment News

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

National bank reduces refinancing rate to 8.25%

The National Bank of Georgia (NBG) on March 13 said it was continuing its exit from a tight monetary policy by reducing the refinancing rate by 0.75 pp, down to 8.25%. The NBG said both domestic and external factors had contributed to sustaining a “low inflation environment” in the country, with headline inflation “well below its target.”

“The low inflation environment helps the inflation expectations decline, which further significantly lowers the inflationary risks in the medium term. Other things equal, inflation is expected to remain below the target of 3% at the beginning of 2024, while stabilizing close to it in the medium term,” the NBG said.

The central bank also highlighted that it was continuing to monitor “major inflationary risks” due to global shipping concerns around tension in the Red Sea. “The hostilities in this region are still ongoing; however, shipment costs, after surging in December and January, declined to some extent in February.”

February inflation: prices of clothing, footwear, transport down in Georgia

Prices of clothing, footwear, and transport decreased MoM across Georgia in February, Geostat announced in its early-March update of inflation-related figures.

Overall, the consumer price index in February decreased by 0.04% compared to the previous month, while the annual inflation rate amounted to 0.3%. The annual inflation rate was mainly influenced by price changes for transport (+4.8%), miscellaneous goods and services (+8.6%), alcoholic beverages and tobacco (+5.5%), and food and non-alcoholic beverages (-3.5%).

Georgia's national football team scores historic place at 2024 Euro competition

Georgia's national football team made history on March 26 by claiming victory over Greece in the playoff final of the UEFA Euro 2024 and securing its first-ever spot in the major football tour-



nament.

The team, coached by Willy Sagnol, claimed the victory in the penalty shootout by 4:2 at the Dinamo Arena stadium in Tbilisi, with Nika Kvekveskiri, Lasha Dvali, Zuriko Davitashvili and Giorgi Korchorashvili scoring the penalties. Georgian goalkeeper Giorgi Mamardashvili saved the penalty.

The Georgian team will play its first match at the tournament against Turkey on June 18.

OECD upgrades Georgia's country risk rating

The Ministry of Finance of Georgia on March 15 announced that the country's risk rating had improved by one level in the credit risk classification of the countries of the Organization for Economic Co-operation and Development (OECD).

The ministry said the improvement would "increase access to financing" for the private sector, adding the rating was based on the assessment of official export credit agencies of OECD member countries. The listing also includes non-member countries, the body added, noting the purpose of classification was to assess solvency risks of countries.

Dutch Transavia, Turkish AJET to operate flights to Georgia this year

Dutch budget airline Transavia and Turkish budget regional airline AJET are launching flights to Georgia this year, the Georgian Civil Aviation Agency announced on March 13. While Transavia will connect Tbilisi and Amsterdam, AJET will carry passengers on Istanbul-Tbilisi flights..

The Amsterdam-Tbilisi connection will be operated twice a week on Wednesdays and Saturdays, between April 20 and late October. For the Istanbul-Tbilisi flights, the services will be available from March 31 to November. These flights will



be operated daily, the agency said.

Government announces three-year tax exemption for startups

Georgian Prime Minister Irakli Kobakhidze announced on March 19 a new initiative to enhance the domestic innovation ecosystem by assigning companies a status of "innovative startups" that will make them eligible for three years of tax exemptions.

Speaking at the 10th anniversary of Georgia's Innovation and Technology Agency (GITA), Kobakhidze said this initiative would be put forward in parliament "in the near future." The PM said artificial intelligence, phages, and agricultural technology had been defined as primary directions to "maximize the global competitiveness" of the country's economy and make full use of its scientific potential.

Asian Development Bank launches new country strategy for Georgia

The Asian Development Bank on March 19 launched a new five-year country partnership strategy for Georgia to "help the country develop into a green and inclusive regional gateway." The

strategy, which includes "a particular focus" on regional cooperation and integration, human capital development, and climate action, aims to support Georgia's sustainable development by strengthening sovereign and private sector investments, policy reforms, capacity, and knowledge.

"The ADB and Georgia have been steadfast partners and we look forward to further helping the country transition to a green and integrated economy and foster a more resilient and inclusive society," ADB Director General for Central and West Asia Yevgeniy Zhukov said, pledging to continue "to help Georgia leverage its geographical advantage and extensive free trade agreements to become a regional gateway connecting the Caucasus and Central Asia to Europe and the rest of the world."

ADB Country Director for Georgia Lesley Bearman Lahm said "we are proud to maintain our partnership" with the Georgian government, as the country "continues to develop into a regional transport and trade hub with climate-resilient infrastructure and stronger social security."

The ADB has supported Georgia since 2007 and is one of the country's largest multilateral development partners, the ►►



► bank said, noting that sovereign and private sector loans to Georgia have totaled \$3.9 billion.

Infrastructure Minister: Grigoleti-Kobuleti bypass road to open this year

Georgian Infrastructure Minister Irakli Karseladze on March 15 said works on the remaining section of the Grigoleti-Kobuleti bypass highway in the country's west would be completed this year for the road to open to traffic. Karseladze noted traffic had already been allowed on the 11-kilometer-long, four-lane section of the highway where works were completed.

Once completed, the bypass will connect to the Samtredia-Grigoleti road, with traffic between the seaside towns of Grigoleti and Kobuleti directed via the highway, the Ministry of Infrastructure said. "The Samtredia-Grigoleti road will be directly connected to the section of the Kobuleti bypass road, which is important both for the summer season and for daily needs of the population so that travel becomes faster, safer, and more

comfortable on the main roads in Western Georgia," the minister said. Karseladze also noted challenges related to the remaining 3-kilometer section of the road, leading to the contractor and supervisory companies being requested to "increase the appropriate mobilization and resources".

The construction works of the Grigoleti-Kobuleti main road project include the construction of a 14.4-kilometer, four-lane, asphalt concrete road with 22 bridge crossings, four traffic junctions, water pipes, and underground passages. The project is being implemented within the European Investment Bank's loan agreement worth GEL 228 million (\$86 million).

New lineup of global artists set to visit Georgia under government's Starring Georgia series

OneRepublic, Scorpions, and Jungle are among the headliners in this year's Starring Georgia series, a program of performance events aiming to promote the country's potential in tourism, economy,

and culture to put Georgia on the map of international event calendars.

Black Sea Arena, a 10,000-head venue in western Georgia's seaside town of Shekvetili, on March 28 said OneRepublic would perform on May 10, with Scorpions and Jungle set to come to Georgia on May 31 and August 18, respectively. Online tickets went on sale at the end of March through bsa.ge and tkt.ge.

Initiated by former Prime Minister Irakli Garibashvili, the promotional series was launched last year and has hosted Bruno Mars, Imagine Dragons, The Killers, and other performers in Tbilisi and in Shekvetili.

Georgians receive \$272 million in remittances in February

Remittances to Georgia from abroad hit \$272.3 million in February, of which \$105.62 million came from European Union member countries, the National Bank of Georgia announced on March 15. Overall, remittances were down 26.9%, or \$100 million, compared to February 2023.

Transfers from EU states made up 39% of the total volume and were up 15.9% compared to the previous month. Among countries of the EU, remittances from Italy were the highest at \$43.97 million (+13% YoY), followed by Greece at \$18.99 million (+9% YoY) and Germany at \$18.1 million (+23% YoY).

The main source of remittances from other countries came from Russia (\$62.2 million), the United States (\$41.2 million), Israel (\$20.4 million), and Kazakhstan (\$10.6 million). In the same month, remittances leaving Georgia totaled \$29 million (compared to \$27.6 million in February 2023).

National bank hosts Sustainable Finance Forum

The National Bank of Georgia (NBG) on March 7 hosted the fifth edition of the Sustainable Finance Forum, attracting over 200 attendees from 15 countries. The event was organized in collaboration with the International Finance Corporation (IFC), its partner the Swiss State Secretariat for Economic Affairs, and the IFC-facilitated Sustainable Finance and Banking Network (SFBN).

The forum serves as a global platform bringing together senior representatives from the European Union, SFBN member countries, central banks from various regions, local financial institutions, international organizations, private and public sector representatives, universities, and other stakeholders.

Vice Governor of the National Bank Ekaterine Mikabadze opened the event by highlighting the NBG's commitment to sustainable finance and the "significant progress" made in this domain. "Our journey in sustainable finance has been characterized by progress and collaboration. The urgency of addressing sustainability issues and the pivotal role of the financial sector in supporting sustainable development cannot be overstated. The NBG remains committed to furthering the sustainable finance framework," she said.

The forum featured discussions on sustainable finance frameworks, with a particular focus on emerging countries. Key topics included the strategies of regulators and market participants in addressing environmental, social, governance, and climate-related risks; the role of taxonomies in supporting sustainable finance; and the importance of disclosure and transparency in the process.

Georgian PM outlines tourism development plans for 2024

Georgian Prime Minister Irakli Kobakhidze on March 5 said revenues from international tourism were expected to reach \$4.5 billion this year, while Georgian airports would serve 6.8 million passengers.

He said tourism in Georgia had experienced "rapid growth" over the past few years, adding that despite the setbacks

caused by the Covid-19 pandemic, the implementation of "effective policies" had enabled the tourism sector in the country to recover quickly. "As a result, in 2023, the tourism and airline industries in Georgia achieved record-breaking figures," Kobakhidze said, noting that the country's international airports served more than 6 million passengers last year.

The Georgian PM noted turnover of the hotel and restaurant industry had increased fourfold since 2012, while the number of people employed in this sector also increased from 28,000 to 40,000, with the average salary of employees increasing "threefold."

In his comments, the Prime Minister also discussed planned projects that will help to develop the country's tourism and airline industries. "We are planning to develop the Tbilisi International Airport project, which will serve as a transit and logistics center with advanced passenger and cargo terminals... This year, we also plan to construct and modernize Telavi Airport as well as design and build a new terminal for Mestia Airport. The general development plan for Kutaisi Airport will also be completed this year, and the necessary infrastructure work will commence," Kobakhidze said.

The head of government also highlighted global events that are planned to be hosted in Georgia, including World Tourism Day and an international forum on business tourism. ■

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Georgian startup Roommate.ge wins ticket to SelectUSA Investment Summit

ELISABED LEJAVA

Seven Georgian startups pitched to a panel of four judges on February 27 to win a \$1,100 ticket to the SelectUSA Investment Summit in Maryland in June. The winner of this year's pitch competition was Roommate.ge - a Georgian company that helps students find roommates and connects them with landlords offering affordable apartments.

The SelectUSA Investment Summit is the largest event in the United States for foreign direct investment promotion, connecting investors, companies, economic development organizations, and

industry experts to investment opportunities in the United States.

Judges for the pitch competition included business leaders and angel investors, as well as U.S. government officials. The American Chamber of Commerce's Executive Director George Welton moderated the competition.

American businessman and FinTech pioneer Andrew Thornhill, who served on the panel, says that events like these are an important part of U.S. investment in Georgia. "The United States and Georgia have a friendly and tight bond that is decades old already. The United States is keen to help grow the economies of all the post-Soviet states, but the U.S. has

a very specific and unique interest in Georgia because the country has fiercely protected its culture and freedom for centuries and because of the country's geopolitical position in the world. Economic prosperity often runs parallel to a strong democracy, and a strong, independent Georgia is very good for the region and the United States," he tells *Investor.ge*.

Economic Officer at the U.S. Embassy in Tbilisi Sabrina Newton says the opportunity to participate in the SelectUSA Investment Summit can be a game-changer for Georgian startups looking to expand their operations. "The SelectUSA Investment Summit is the highest profile event

in the United States to facilitate business investment,” she said, noting that the summit connects businesses with potential investors, provides access to valuable resources, and helps companies gain insights into market opportunities in the U.S.

“Participating in the summit helps businesses showcase their products or services to a diverse audience of investors, including venture capitalists, angel investors, and corporate partners, which could lead to opportunities for funding and partnerships. This year, we’re pleased to announce that the U.S. Ambassador to Georgia plans to lead the delegation of Georgian companies that participate in the summit,” she added.

This year’s competition targeted startups that were 10 years old or less, have generated up to \$10 million in revenue, have fewer than 40 employees, and are looking to expand to the U.S. The seven Georgian startups that pitched in the competition included:

- Personator, a startup that aims to provide security to authentication methods.
- MLBee, a predictive customer retention tool for E-commerce platforms.
- VOOVOO, an intelligent co-pilot technology that aims to prevent speeding.
- Sidekick, a digital platform aimed to improve habit building.
- TasteIt, a social media platform that connects people based on their shared food preferences.
- Roommate.ge, a platform that aims to help students find suitable roommates and ensures safe leasing for landlords.
- eConsul.io, a platform that aims to aid with pre-travel processes, such as obtaining a visa.

The winning startup – Roommate.ge

Roommate.ge, which emerged as the winner of the competition, is a digi-

tal platform designed to help students match with potential roommates, find affordable housing, and split their rent. It also serves as a marketplace for landlords to find tenants and minimizes the risk of renting to students by offering insurance, legal assistance, an online payment system, and post-rental care to minimize property damage.

Company co-founder Marika Khantadze says the idea for the platform first came to her during a housing crisis in Tbilisi that left many students unable to find affordable accommodation. “A few years ago, the housing shortage left me in a situation where my rent suddenly tripled. I realized a lot of other students were in a similar situation where they could no longer afford housing – so I and my Roommate.ge co-founder decided to create a platform to help students find roommates to share the burden of housing costs.”

They originally launched in Georgia to help local students find housing, but soon discovered a large market of international

students looking for an online solution to their housing search. “We saw the opportunity to expand our market to cater to both local and international students – and soon after, our platform evolved to include home listings that would simplify negotiations and management of rentals – helping renters and landlords alike.”

The platform, which currently has more than 5,000 registered users and 10 university partners in Georgia, hopes to expand to the U.S. in the coming years. Khantadze says she hopes the company’s participation in the SelectUSA Summit in June will be an important first step in achieving this.

“We hope to make a lot of connections while attending the summit,” she tells *Investor.ge*. “The real estate environment is extremely developed in the U.S. market, so it is essential for us to use this fact to our advantage to elevate our venture on a completely different scale. Traveling there will enable us to connect with universities and potentially forge new partnerships.” ■



U.S. Ambassador to Georgia Robin Dunnigan welcomes participants to the information session and pitch competition on February 27



Rivers of Tbilisi

A brief history of the urban center's relationship with its waterways

Tbilisi is a city irrevocably shaped by its rivers. Over a dozen rivers of significant size, as well as innumerable intermittent streams, join the main artery of the Mtkvari in the territory of the modern city. The deep channels, valleys, and canyons carved by these flows of water since time immemorial have granted Tbilisi its present form, and the story of the city's development is inextricably tied to the challenges and opportunities given it by its waters.

TIMOTHY MERKEL

The oldest part of Tbilisi is located at precisely the narrowest point of the Mtkvari, where it cuts a channel between two rocky cliffs – Metekhi on one side and today's Meidan on the other. Throughout most of Tbilisi's history, its rivers and waters were a much more present element of the urban experience than they are today. Drinking water was well supplied

from springs around the perimeter of Mtatsminda and Narikala – many of which still exist today, hidden in Asatiani street courtyards. The three historical rivers of Sololaki – Samarkhakhevi, Avanaantkhevi, and Tsavkistskali – provided plenty of extra water for washing, and the Mtkvari itself gave its power for transport and industry.

Over time, the system of bridges we are familiar with today connected the two banks of the valley, but ferryboats

and even log rafts remained important modes of moving about town into the 20th century. As Tbilisi industrialized, floating watermills extending into the Mtkvari provided power for many different kinds of workshops. Tbilisi's rivers provided its citizens with entertainment as well – the Ortachala Gardens were a lush picnicking ground on a large island full of fruit trees and grapevines, where Tbilisians of all different classes met, mingled, and drank wine.

Taming Tbilisi's rivers

But untamed rivers also posed perils for the growing city. Spring rains would cause the Samarkhakhevi and Avanaantkhevi to burst their banks and carry mud and debris down the streets to today's Liberty Square. As a result, they were the first of Tbilisi's rivers to be abolished.



The historical Madatov Island, today the site of the Justice Palace. In the background stands the Dry Bridge, then called Mikheil's Bridge.



Water buffaloes relax in the Mtkvari River across from Chughureti. The St. Karapet church (today St. Nicholas) is visible in the background



A view of the then newly constructed right embankment highway from Vere Park. The left embankment highway has not been constructed yet.

Today, they flow in a large culvert underneath the Old Town, escaping the awareness of nearly everyone who walks above. The expanding city also faced a major obstacle in the steep, overgrown Varaziskhevi, which can be translated as “Boar’s Ravine,” until a toll bridge was constructed allowing easy access to the then pasturelands of Vake. Worst of all, the Mtkvari itself would flood catastrophically from time to time, bringing death and destruction, and sending residents of the Rike neighborhood out of their houses in rowboats.

It was under Soviet rule that Tbilisi’s relationship with its rivers began to change drastically, from the conditions that had essentially been in place since the beginning of its history to that which we are more familiar with today. Perhaps the most thorough transformation began in the late 1930s, under Lavrentiy Beria’s brutal governance of the Georgian SSR – the construction of the Mtkvari embankments. Entire swathes of the historical city, which had until then crowded up to and towered over the river, were pitilessly bulldozed, including many ancient churches and the stunning 16th-century mosque which had stood in the Meidan.

This emptied space along the right bank was transformed into a flat, paved highway along which the new axis of transit would develop for Tbilisi. The old watermills, ferry boats, washerwoman’s shallows, and buffalo wallows vanished in pursuit of the cleanly lined plans of socialist modernism. The left bank’s embankment would follow in the 1950s, effectively cutting off Tbilisi’s access to its river. The shallows under the Dry Bridge were filled in, and the Madatov and Ortachala islands were attached to the mainland. Two dams at Zahesi and Ortachala brought the ebb of the river under human control, banishing the risk of flood forever.

Elsewhere, the Varaziskhevi was filled in and the modern highway, along ►►

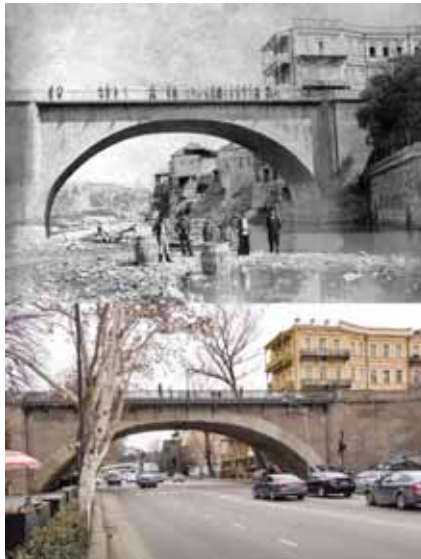


Floating waterwheels on the Mtkvari historically provided power for mills and other kinds of workshops until they were demolished for the construction of the embankment highways.

- ▶ with Kekelidze Street, were built in the newly dry ravine. Diversion canals from the Iori transformed the three natural lakes on the north side of the city into the Tbilisi Sea. As the 20th century progressed, Tbilisi rapidly expanded, with massive development projects incorporating previously rural areas like Gldani, Dighomi, and Krtsanisi to the city. The rivers of these districts were also dealt with in one way or another – some diverted to the drainage system, others reinforced with concrete channels, still others left in place as a kind of forgotten no-man's-land.

Today's Tbilisi

Today, Tbilisi's rivers occupy a somewhat nebulous and haphazard place in the experience of its citizens, as well as the development plans of its administration. In contrast to the scenic riverside promenades of many European cities, the Mtkvari remains largely isolated from Tbilisians – it is experienced as a choke point and an obstacle to the free flow of transit, and only Dedaena Park in the center allows people a chance to come close to it. Its tributaries do not fare much better; if a water flow still exists above the ground in Tbilisi's territory, it is most often inaccessible, overgrown, full of trash, and polluted by sewage discharge. Development planning, on both the public and private level, frequently does not take the health of river hydrology and ecology into account. Most notably, in recent years, calls for the transformation of the



A comparative view of the Dry Bridge in the late 19th century and today. Note how much shorter the bridge has become due to the raising of the embankment.



The Vere valley still hosts some of the largest green spaces in Tbilisi, but the riverbanks are neglected and overgrown, and direct discharge of sewage into the river gives it an unpleasant smell. A municipal project for the restoration of the Vere river's ecosystem would provide great benefits for the residents of Saburtalo and Vake.

Vere River into a large green corridor between Vake and Saburtalo were rejected, and a new highway built through the valley instead; unfortunately, design errors in this project led to the catastrophic exacerbation of the flash floods in 2015.

In spite of their neglected condition, however, Tbilisi's rivers continue to flow. Those that have not been completely channelized and retain their natural banks provide unique natural habitats for all kinds of plants, birds, insects, and reptiles in the increasingly inorganic urban environment. A glance at satellite imagery reveals occasional streaks of green between the gray buildings, betraying the presence of a remarkable diversity of life.

Advancements in engineering have rendered the perils of urban rivers a thing of the past, while access to natural spaces is increasingly considered a necessity for urban residents. It is to be hoped that the continued development of Tbilisi will place a greater importance on the role of rivers in the planning of the urban landscape. Tbilisi is a city in desperate need of more parks and green spaces, and its rivers still naturally provide that. Following the example of many cities around the world that have successfully restored their urban rivers, Tbilisi could clean up, landscape, and create access trails through the many rivers of its various neighborhoods with minimal investment, reversing its Soviet heritage of isolation from natural spaces. This network of green corridors and recreational spaces would be sure to improve the quality of life of Tbilisi's residents as well as its urban ecosystem, and Tbilisi's rivers would once again take their rightful place as a formative element in people's experience of the city. ■

Timothy Merkel is a musician, tour guide, and activist residing in Tbilisi. His project documenting the locations and conditions of Tbilisi's hidden rivers can be followed on Instagram: @riversoftbilisi



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Georgian banks expand their business abroad

Discussion of Georgia's status as a financial hub focuses on domestic operations, yet Georgia's major banks are energetically extending their operations into neighboring territory, expanding Georgia's financial network and investment attractions. While Bank of Georgia Group (BoG) and TBC Bank (TBC) are pursuing completely different strategies, their share prices show that their overseas forays are being well received by international financial markets.

Sally White

The two Georgian banks - Bank of Georgia and TBC - have attracted international investor interest from major fund groups due to their relatively high dividend and capital payouts and steady growth in earnings, and their share price performances have beaten those of most of their European peers. The overseas expansions give reassurance that growth will not be limited by the size of the Georgian economy and that investors have been encouraged by the achievement by Georgia of EU candidate status.

The latest overseas move comes from Bank of Georgia Group PLC (BoGG), which is making a quantum leap. In a surprise announcement in mid-February, it revealed it had agreed a bid to buy Armenia's largest bank, the highly profitable Ameriabank. This privately owned bank has a strong brand in Armenia, being number one in the retail mortgage and loan markets, with 26 branches, 1,812 staff, and 419,00 customers. Last year, it reported a 4% rise in net income and growth of 34% in loans and advances to customers at \$1.98 billion. While Armenia's population is smaller than Georgia's, its economy has been

growing as fast, and the banking sector is much more fragmented, offering scope for market consolidation and expansion via further acquisitions, as well as strong organic balance sheet growth.

On that news, BoGG shares moved up from 4,265p to 5,180p, before profit-taking pulled back some of the gains. The bid is subject to agreement from the Armenian authorities, but at end-March this was expected very shortly.

BoGG's acquisition of Ameriabank for an agreed \$304 million was described by London stockbroker Peel Hunt as "attractive and material" as the bank would enter the BoGG group "with strong momentum and returns and deliver immediate and significant financial benefits." The transaction will be financed with the group's surplus capital, so its dividend and capital distribution policy will not change - this is a pay-out ratio of 30%-50% of annual profits. So Peel Hunt believes that "given the organic momentum in the business, now supplemented by Ameriabank, we see substantial upside to the BoGG share price."

Another London stockbroker, Numis, estimates that if the acquisition had been incorporated in BoGG's 2023 trading, it would have increased its net income by 20%. Given that Ameriabank has been delivering a high rate of profitability, it says "we believe that this deal is attractive for investors."

Other positive comments came from the international banking rating agency Fitch, whose senior director, Dmitry Vasilyev, says Bank of Georgia's net income prospects are sufficiently strong for it to quickly rebuild the capital spent on buying Ameriabank. Thus, the bank's BB/Stable rating is unlikely to be impacted.

Last year, the bank's operating income rose by 26% to \$955 million, and its net interest margin improved to 6.5% from 5.4%. Excluding one-off items, pre-tax profit rose 31% to \$604 million. Last month, as well as announcing a 4.6%

increase in the dividend, BoGG extended its share buyback program.

Even more enthusiastic about the deal is London broker Cavendish. It believes that in the first year of incorporation in BoGG, Ameriabank will be spending money to begin to bring its operations in line with those of BoG – on digitalization, product introduction, efficiencies, and customer care – although no large-scale restructuring is anticipated. “However, beyond that, we see a substantial payout ratio of 40% in Georgia, combined with 25% in Armenia, which could see BoGG returning around £200 million to shareholders in 2026, an amount that then grows with earnings,” says its analyst.

BoG plans to hold a 30% stake, while its UK holding company, BoGG PLC, will acquire a controlling 60% stake. The remaining 10% shareholding is initially to be retained by the European Bank for Reconstruction & Development (EBRD), which has been an investor in Ameriabank, although BOGG has an option to purchase this stake in three years.

TBC Bank's expansion

Also eyeing the regional prospects for growth outside Georgia's relatively small market of 3.7 million people has been TBC Bank, which has been steadily building up the scale of its asset-and-cost light fintech banking and payments operations in Uzbekistan. It made this major move to expand its geographical footprint five years ago, attracted by the opportunities offered by a population of 35 million people, low loan penetration, and high smartphone usage.

At TBC, according to figures released last month, along with its 2023 financial report, there has been a substantial increase in its Uzbek user base, the numbers reaching 15.6 million, its loan portfolio now at \$302 million, and its client portfolio valued at \$219 million. TBC Bank Uzbekistan achieved “a signifi-

cant milestone,” says TBC, by reaching break-even in 2023, closing the year with a net profit of £4.3 million (The group announced a 7% rise in pre-tax profit to around £400m and a 32% rise in the dividend).

The attraction of Uzbekistan is its fast growing and relatively young population and strong current and prospective economic growth. GDP forecasts made by the international financial institutions have it set to expand by between 5.5%-5.8% per year for the next three years, which is among the highest rates in the region. The country is also important as it connects trade routes between Asia and Europe and serves as a gateway to the Central Asian region. It has the potential to become more integrated into global supply chains amidst the disruptions in major international east-west trade routes across Russia and in the Red Sea. In recent years, reforms and increasing industrialization have been successful in attracting foreign investment.

The Asian Development Bank commented that strong expansion in manufacturing and mining was boosting growth beyond expectations and last year there were higher exports of goods, with notable growth in gold, textiles, foodstuffs, copper, and petrochemicals. Service exports grew by 16% as demand for transport and tourism services surged. Output in agriculture rose from 2.6% to 3.8% with healthy gains in crop and livestock production.

Uzbekistan is developing a market economy, and its banking infrastructure has been growing as well. TBC, in an economic review of the country published last month, commented that the number of issued bank cards for the first 11 months of 2023 was 45 million, an increase of 32% compared to the entire year of 2022, and the volume of transactions through POS-terminals also rose. The transaction volume through POS-terminals in that period amounted to 228,308

billion UZS, a 29% increase compared to the entire year of 2022 and a threefold increase from 2019.

TBC first ventured into Uzbekistan in 2019 with the acquisition of a 49% stake in leading digital payments provider, Payme, and was welcomed as part of the government's reform of a banking sector dominated by state banks. It obtained its banking license there in April 2020 and in October of that year opened its consumer banking operations. “The launch of banking operations in Uzbekistan is a very significant step in TBC PLC's international expansion and is an integral part of our digitally led growth strategy,” TBC CEO, Vakhtang Butskhrikidze said at the time.

TBC's current operations in Uzbekistan are Payme - a multi-vertical payment services app, and TBC UZ, the country's first, fully digital, mobile-only bank which is powered by TBC's inhouse digital platform Space International. TBC UZ offers money transfers, loans, car loans, deposits, installments, bank cards, and bill payments – in other words, the full range of consumer and services.

There has been no problem getting backing for this foray abroad from the bank's major outside shareholders – the EBRD and the International Finance Corporation. Last year they, along with TBC Group, showed “strong support for the bank's growth trajectory” by injecting \$50.5 million. The total capital investments over the three years of the bank's existence then amounted to \$129.9 million.

Nika Kurdiani, CEO of TBC Group Uzbekistan, expressing optimism about the future, told the Uzbek press and information agency: “We not only continue to grow (we already have more than 1,200 employees), but also create new standards in the industry. Our mission is not just to provide online banking services but to change the landscape of the financial market.” ■



Better standards for safer buildings: bringing EU-standard quality to Georgia's construction sector

Element Holding is working with USAID and the Infrastructure Construction Companies Association (ICCA) to improve the safety of public and private infrastructure in Georgia through the adoption of Eurocodes – the European Union's construction standards.

Aligning Georgian building regulations with EU standards is important for public safety and is part of Georgia's EU integration process. By adopting Eurocodes, Georgia will ensure buildings and infrastructure meet modern standards, ultimately improving their quality and durability.

"The introduction of Eurocodes in Georgia is strategically important. This will bring the work of the construction sector to a whole different level. Nowadays we still have the building code introduced during the Soviet Union (i.e., SNIPs), which, of course, is not compatible with innovative technologies and

prevents the Georgian construction sector from complying with international standards," Element Holding CEO Zakro Ebelashvili explained.

"The construction sector is one of the leading sectors of the Georgian economy. Therefore, the modernization of this sector is a powerful supporting element for the development of the country's econ-

omy...The introduction of Eurocodes means a much higher standard of health and safety in the construction process, as well as a much longer life of the premises."

ICCA Executive Director Ana Sabakhtarishvili underlined how Eurocodes will ensure higher safety standards in the construction industry.

"Eurocodes provide the fundamental principles and requirements for the structural design of buildings and civil engineering works," she said. "They establish the principles and requirements for the safety and durability of structures. Accordingly, the introduction of Eurocodes will significantly improve the quality of construction and increase the safety of the building."

The Ministry of Economy and Sustainable Development of Georgia has been introducing Eurocodes in Georgia for the last several years. Currently, the Eurocodes have been translated into Georgian national annexes and Eurocode 0 has already been submitted to the Standards and Metrology Agency of Georgia to be registered as a national standard. Other Eurocodes (beginning with Eurocodes 1, 2 and 7) are in the pipeline.

New training on Eurocodes

To put the standards into practice, however, Georgia needs well-trained, lo-



Natalia Beruashvili of the USAID Economic Governance Program and Zakro Ebelashvili of Element Holding sign a letter of cooperation on November 30, 2023.



The ICCA's training program on Eurocodes educated young people about EU construction standards and empowered them to use their knowledge to advocate for wider use of Eurocodes in Georgia.

cal specialists—which it currently lacks. To address this challenge, on November 30, 2023, Element Holding and the USAID Economic Governance Program signed a cooperation agreement to facilitate the adoption of the Eurocodes by increasing construction industry professionals' qualifications and raising public awareness about the effectiveness of Eurocodes for their safety and Georgia's approximation to EU regulations. As part of the partnership, the ICCA will conduct a practical training course on modern construction standards in the field.

"Today, only a few companies in the country work in accordance with the Eurocodes," Ebelashvili noted, adding that Element Holding was one of the first to adopt the standards. "Now, as the construction industry prepares for the introduction of Eurocodes in 2024, educational activities that provide personnel training are vital. In partnership with the USAID Economic Governance Program and the ICCA, we are running a project where a practical training module on Eurocodes will be created with a foreign international expert to train construction sector workers. The project information campaign will include seminars not only in Tbilisi but also in Zugdidi and Batumi."

The course will be based on a pilot the ICCA developed earlier with support from the USAID Economic Governance Program. Under that curriculum, which was one of the first organized trainings on Eurocodes, the ICCA trained 36 professionals and created a special program

for civil engineering students at the Agrarian University (Free University).

"Prior to this project, there was no experience of teaching Eurocodes in Georgia," noted ICCA's Ana Sabakhtarishvili. "The curriculum will be modified for the current project, with the help of an international expert, and it will present a more intensive practical component, which will allow future architects and engineers to get more effective results through work-based learning."

Aza Chkharchkhalia, a graduate of the pilot course, said the program helped her prepare for her career in engineering.

"The training was exciting and practical. I learned a lot about the Eurocodes and building standards. The Eurocodes-Main Principles course helped me meet colleagues with whom I could build a better future for my country," she said.

The USAID-Element Holding partnership is part of a larger effort by US-

AID to work with private sector actors to identify opportunities for market-based approaches that improve Georgia's economic governance and leadership. USAID is engaging major stakeholders to help shape reforms through private sector partnership (also known as private sector engagement, or PSE), global development alliances, and other Georgian government or donor resources. This leads to more sustainable changes in the long term.

"Through PSEs, we are engaging private sector partners—like Element Holding and ICCA—to work jointly on a common policy objective and contribute resources to achieve this objective. This is a new way to leverage the experience, knowledge, and resources of private sector players to ensure economic reforms meet local needs and support Georgia's business-enabling environment," said Natalia Beruashvili, Chief of Party of the USAID Economic Governance Program.

"The PSE cooperation with Element Holdings and ICCA strengthens the private sector's engagement in critical reforms by enabling pivotal stakeholders in the construction industry to use their expertise to help the sector adapt and implement the standards that will move our economy closer to the EU and improve Georgians lives through better and safer buildings and infrastructure." ■



USAID Economic Growth Officer Marika Olson, USAID Economic Governance Program Chief of Party Natalia Beruashvili, and ICCA Executive Director Ana Sabakhtarishvili present certificates to graduates of the pilot Eurocode training program for young professionals.



New breads on the block

the traditional Georgian staple sees a shakeup

Across Tbilisi, the gentle curves of stacked *shotis puri* are a familiar sight in traditional *tone* bakeries. But bread is getting a new look in the capital - with this current generation of creative bakers exploring twists on the classic carbohydrate.

Rowan Twine

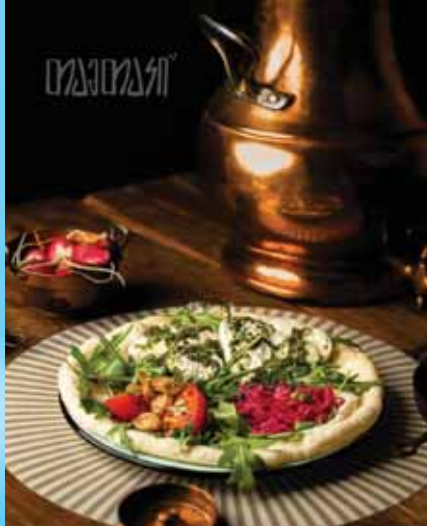
Bread is a vital component of most meals in Georgia, and the many *tone* ovens scattered throughout the streets of Tbilisi speak to the necessity of this staple. To ensure that bread is on the table with every meal, bread is bought fresh either daily or every two to three days by 94.6% of Tbilisi residents, according to ACT global.

"When Georgians eat dinner or breakfast, it's basically all about the bread," explains Tamta Kikaleishvili, chef and creative mind behind the Tbilisi restaurant Tamtaki. "We don't have these traditions of specific dishes for breakfast - it is all about cheese and bread. So bread is very important for Georgians."

Lavashi and *shoti* are the most common forms of this Georgian staple, al-

though other local breads like *somini* and Meskhuri *lavashi* can be found in South Georgia. *Shoti* bread originates in Kakheti and traditionally has its own ritual conclusion to baking at home with bread, cheese, and wine being shared around the *tone* oven. "Georgians still love our traditional bread that we bake in the *tone*," says Kikaleishvili, "and I think because we love it so much, we don't experiment with this dough specifically."

However things are starting to change, driven in part by the way people perceive baking. "In the last five or even eight years, we have many bakers that have stepped out of these traditional bak-



eries and started to learn technical things like how to make your own yeast, natural yeast, fermentation and other processes,” explains Kikaleishvili. “You can see people understanding that this can be a profession; ten years ago nobody would call being a baker a profession. Now it’s there, and it’s very respectable.”

In her restaurant Tamtaki, Kikaleishvili has created her own signature style of bread based on Egyptian flatbreads. Soft and fluffy, these wraps are similar to a pita bread and made to order in a glowing oven in the restaurant. Inside the wraps you can order a range of Georgian-European-Asian fusion flavors, all inspired by traditional Georgian ingredients and dishes.

Georgia’s long history of wheat

In recent years, as the definition of what bread can be has expanded, so has the importance of wheat, its fundamental ingredient. Wheat flour is most commonly used to bake all types of bread in

Georgia, reflected by the Georgian word for wheat flour which translates in English to “bread flour.”

The prevalence of this carbohydrate stems from the long history of wheat in Georgia; not only is the country the birthplace of wine, but it can be argued to also be a cradle of wheat. Of the world’s 27 varieties of wheat, 14 have been found in Georgia, and of these, five are endemic varieties. Wheat has been cultivated in the country for over 5,000 years, and archaeological evidence suggests that bread baking dates back to the chalcolithic period. To safeguard this important national grain, in March 2018, ‘wheat culture’ was registered in the State Inventory of the Intangible Cultural Heritage of Georgia by the National Agency for Cultural Heritage Preservation of Georgia. The Georgian wheat crop was then placed on the UNESCO Safeguarding – Intangible Heritage List in 2019.

Currently, around 90% of the wheat market in Georgia is dominated by Russian wheat, but there is a resurgence of

interest in indigenous grains reflecting a global interest in ancient grains. In a market analysis released by Meticulous Research in 2023, the global ancient grain market size was valued at \$58.6 billion in 2022 and is expected to reach \$105.2 billion by 2028. According to the same report, this growth will be driven by a CAGR of 37.6% from 2023 to 2030.

Ancient grains include products like buckwheat and spelt, but also heirloom varieties like *Tsiteli Doli* wheat from Georgia. This impressive growth is driven by an increasing consumer awareness of these grains, an interest in both learning more about them, and a willingness to pay a premium, according to a U.S. survey by Ardent Mills. The increased interest in heritage wheat provides an opportunity to invest and encourage the burgeoning heritage grain industry within Georgia.

Awareness of endemic varieties is already being promoted by the Bread Festival: a one-day festival held in Akhaltsikhe aimed at popularizing local wheat varieties and the bakeries around the capital that focus on using heritage wheat flours. Jean-Jacques, owner of the bakery *Au Ble D’or*, is one of the proponents of endemic varieties. He grows and mills the endemic Georgian wheat *Tsiteli Doli*, which he uses for all of his baked goods. Everything in his bakery is produced from scratch, closing the loop from grain to flour to delicious breads and pastries. The significant work required to collect and mill the grain by hand is why the shop is only open four days per week.

Across Tbilisi, these restaurants and bakeries offer alternative ways to enjoy all that bread can be - from endemic Georgian wheat flour and sourdoughs to inventive wraps and sandwiches.

Tamtaki

22 Dimitri Bakradze St. Open every day from 13:00 until 21:30

This cozy restaurant was opened in 2020 by Tamta Kikaleishvili, the 2023 winner of Gault & Millau best female chef in Georgia, and her mother Katya Gegia. "There is no Georgian synonym for the word sandwich, so we decided to introduce this word," says Katya. The flavor of their wraps is considered a crucial part of the dishes and they are the foundation of everything at Tamtaki, which is also Tamta's first signature menu. You can order from a range of different Georgian-inspired fillings including *chicken à la shkmeruli* or slow-roasted pork for meat-eaters, and *ghebzhalia* or beans for vegetarians.

Photos courtesy of Tamtaki.

Graminea

11 Giga Lortkipanidze Street. Open every day from 8:00 until 22:00

In a beautifully light-filled building in Sololaki, Graminea's shelves are full of fresh loaves all baked with endemic Georgian wheat. They offer a range of breads from rye to tartine, with different price points to match. Loaves also come in a variety of mixes: wholegrain, white, rye, buckwheat, chia, oat, or simply Georgian wheat. "We have 22 types of bread," says co-founder Natia Kaladarishvili, "but including the types we rarely bake, we have 28 types... And in all of these mixed ones, it is 70% of the mix, like buckwheat, and 30% Georgian wheat." As well as bread, Graminea has a shelf of homemade "things for bread," with jams and spreads to accompany your toast in the morning. If you feel brave enough to try making your own sourdough, they even stock bags of the flour that they use from EndeMaia. They also have a range of sweet bakes like cakes and cookies as well as fresh coffee to wash it all down.

Photos courtesy of Graminea.



Shoti

3a 0105, Vekua Street. Open every day from 13:00 until 22:00

Tucked away in a corner of the Orbeliani Bazaar, there is something exciting happening. Bringing a new approach to Georgian street food, Shoti is serving up traditional shoti bread transformed into deliciously overstuffed sandwiches. The fillings for their shoti are all inspired by traditional Georgian dishes, with *shkmeruli* and *chakondrili* both making an appearance on the menu alongside vegetarian-friendly options with mushrooms. Georgian ingredients from *sulguni* and *narchvi* to barberries to *bazhe*, also feature widely in this decadent upgrade of a sandwich.

Photos courtesy of Shoti.



Au Blé d'or - by Jean-Jacques

28 a Mikheil Zandukeli St. Open Wednesday - Friday from 11:00 until 19:30 and Saturday from 11:00 until 15:00



This organic bakery in Vera was started by Frenchman Jean-Jacques who bought his wheat fields in Kakheti in 2006. Here you can find savory French-style breads like *fougasse*, *miche*, and *pain de campagne*. They also have a rotating range of sweet pastries, including classics like almond croissants, and a selection of organic honey and preserves, spices, and Jean-Jacques' very own flour. If you want something savory, there are cheeses to enjoy with your bread from French Marcellin to traditional Georgian cheeses like Teshetian gouda and alpuri.

Photos courtesy of Au Blé d'or.





The path forward for U.S.-Georgia relations

GIORGI TSIKOLIA

Until recently, the Caspian and Black Seas region played a limited role in geopolitics as a trade, energy, and infrastructure corridor. In February 2022, Russia's invasion of Ukraine incited the international business community to bypass Russia by investing in new trade routes along the Caucasus and Central Asia. However, ongoing local conflicts throughout the Caspian and Black Seas region and the Middle East risk further destabilizing the countries around the seas.

With shared national interests in a secure and stable Caspian and Black Sea region, Georgia is a critical partner of the United States in promoting peace, economic development, and stability. Yet, a deeper partnership between the two countries is necessary to counter the coercive actions of regional malign actors, promote regional integration, and further economic development. Enhancing U.S.-Georgian relations in renewable energy, connectivity, security, and institutional capacity can improve regional peace and financial wellbeing.

The region today

The Caspian and Black Sea region borders Iran and Turkey to the south and Russia to the north, connecting the resource-rich Caspian basin to the European market.

Since the 1990s, the United States has supported the construction of oil and gas pipelines running from the Caspian through Georgia. Since Russia invaded Ukraine, these pipelines have provided an alternative to Russian energy sources, along with the Middle Corridor trade route that connects China and Europe.

A series of military conflicts between Azerbaijan and Armenia from 2021–2023 has contributed to the destabilization of the region. Moreover, since the 2008 August War between Russia and Georgia, Russia has continued to occupy 20% of Georgia's territory, with military strongholds in the Abkhazia and Tskhinvali regions. Israel's war against Hamas also risks drawing in Iran, which could extend the regional conflict to Armenia and Azerbaijan's borders.

The region has three NATO countries: Bulgaria, Romania, and Turkey. Bulgaria and Romania are also European Union (EU) member states. Georgia, Ukraine, and Moldova are close Western partners that seek EU membership. Recently, the European Commission granted EU member candidate status to Georgia, bringing the country closer to its path to EU integration.

Three decades of U.S.-Georgian foreign policy partnership

Over the past three decades, the United

States and Georgia have maintained a strategic partnership in various areas, including security, economics, democracy building, and people-to-people relations. Georgia provided the biggest per capita contribution of foreign troops to the United States' war on terrorism, with 40,000 Georgians serving in Iraq and Afghanistan over the past two decades. In August 2022, when the United States requested assistance, Georgia provided security and shelter to U.S. government employees and their families departing Afghanistan.

The countries are also united in their opposition to Russian aggression and expansionism. For example, the United States has shown consistent support for Georgia's policy of de-occupation and peaceful reconciliation of the Georgian regions of Abkhazia and Tskhinvali. In 2017, the U.S. Congress also designated Abkhazia and Tskhinvali as Russian-occupied territories, prohibiting U.S. economic activity in those areas.

The United States has consistently prioritized its relationship with Georgia, investing significant time, political capital, and resources to strengthen its ties. For example, Georgia is one of the largest per capita recipients of U.S. financial assistance in the world. This aid has helped build state institutions, enhance security, increase economic resilience, and improve the rule of law. With these

improvements, Georgia is progressing toward becoming a full-fledged member of the EU and NATO.

The path forward

U.S. Ambassador to Georgia Robin L. Dunnigan arrived in Tbilisi in October 2023 with a message of positivity. During the hearing at the Parliament of Georgia in February 2024, she emphasized the importance of the U.S.-Georgia bilateral relationship and expressed her desire to deepen the partnership. However, Ambassador Dunnigan faces a daunting task ahead. Despite the historically productive partnership, limited connectivity, regional turbulence, geopolitical priorities, and geography have hindered progress toward greater integration between the United States and Georgia.

Additionally, the Russian occupation forces' killing of Georgian citizen Tamaz Ginturi in November of 2023 is a stark reminder of the ramifications of the illegal Russian occupation of Georgian territories. Arguably, no U.S. ambassador to Georgia has started their tenure in such challenging circumstances in the last

thirty years. For U.S.-Georgian relations to fulfill their potential, I provide several suggestions:

Resumption of high-level dialogues and strategic partnership working group meetings

Since signing the bilateral strategic agreement in 2009, working group meetings with Georgian and U.S. representatives have proven essential for policy formulation and relationship building. These meetings with senior government representatives cover democracy, security, economy, and people-to-people relations. They provide a roadmap for future actions, oversight, and progress analysis. Resuming working group meetings will enable diplomats and participating officials to rebuild personal ties, foster understanding, and develop a viable agenda for 2024 and beyond.

Black Sea strategy

Senators Jeanne Shaheen, a Democrat from New Hampshire, and Mitt Romney, a Republican from Utah, have led a bipartisan effort in the U.S. Senate to establish a new strategy for the Black Sea region. The U.S. Department of State has also submitted a report that outlines the United States' vision for a secure, prosperous, democratic, and globally connected Black Sea. These documents should serve as a blueprint for future collaboration, providing Georgian policymakers, academics, and businesses with a long-term understanding of U.S. interests and policies. On the U.S. side, allocating specific funds to enhance Georgia's economy and fund key infrastructure projects like the Black Sea undersea electricity cable will boost trust and signal commitment.

Regional peace initiatives

Advancing peace and stability in the Caspian and Black Sea region aligns with U.S. national interests. The U.S. govern-

ment has increased its involvement in conflict resolution efforts between Azerbaijan and Armenia, including by hosting meetings in Washington and Munich with high-level officials from Armenia and Azerbaijan. Georgia has shown willingness and ability to support this process, which could prove instrumental in developing creative strategies for regional peace. Georgia's support can also alleviate the strain on U.S. resources by helping U.S. officials understand the complexities of regional politics while remaining attuned to actions on the ground.

A regional DFC office

The U.S. International Development Finance Corporation's (DFC) investments in Georgia have played a significant role in rebuilding industries, creating jobs, and connecting the South Caucasus with global markets. In fall 2020, DFC announced a potential new regional office in Tbilisi. If opened, Georgia would be one of the few countries globally with a representative office of the largest U.S. government agency for development and investment. However, after the change in U.S. administration in 2021, the new DFC leadership paused the process due to an ongoing strategic overview, and a decision is still pending. A regional office would send Georgia a strong message of continuous U.S. support. Furthermore, with the possibility of peace between Azerbaijan and Armenia, a regional DFC office would augment the United States' ability to influence regional economic integration processes.

Trade liberalization for improved commerce

Georgia and the United States have discussed the possibility of opening negotiations on a free trade agreement for more than a decade. Despite some progress, shifts in U.S. leadership and approaches to global trade have impeded a ►►



Giorgi Tsikolia served as the Deputy Chief of Mission of the Georgian Embassy in the U.S. for seven years.



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► free trade agreement. In the short term, a viable solution could be sector-based agreements that could increase the institutional capacity of Georgian government agencies. In particular, the digital economy, energy, and manufacturing industries could catalyze the integration.

Separately, the U.S. House of Representatives will soon debate extending the Generalized System of Preferences (GSP) trade program for participant countries. The GSP program allows participant countries, including Georgia, to export certain products to the United States without U.S. tariffs. Including Georgian wine, spirits, and steel products in this program would be a welcome message for Georgia's small and medium-sized companies. Taking steps toward trade liberalization will increase the trade volume between the two countries, promote commerce, and create jobs.

Direct flights connecting businesses and governments

Before the pandemic, the U.S. and Georgian governments supported starting direct commercial flights between the two countries. In September 2019, a delegation of high-ranking Georgian government officials visited the United States to meet with executives from the three major airlines to explore this possibility. Although the pandemic disrupted this process, the U.S. Embassy in Georgia could again offer guidance to their Georgian colleagues to resume discussions. Senior members of the Georgian government could then travel to Washington to meet with U.S. airline executives, the U.S. Department of Commerce, the U.S. Trade Representative, and the Federal Aviation Administration. Direct flights between the two countries could reduce transaction costs for U.S. companies conducting business in Georgia and facilitate stronger people-to-people relations.

Conclusion

The United States and Georgia are committed to promoting a world order based on rules, respect for state sovereignty, and territorial integrity. Georgia's location as the southernmost link in the Euro-Atlantic security architecture makes it a crucial partner for the United States. Since gaining independence, Georgia has found no better ally than the United States in its aspiration to become a member of the family of free and democratic nations. Therefore, it is now more critical than ever for Georgia and the United States to take their partnership to a new level. ■

Giorgi Tsikolia served as the Deputy Chief of Mission of the Georgian Embassy in the U.S. for seven years. He is currently Vice President of the technology company Lineate.

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Perspectives of Regional Fixed Income Market

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Andrei Gorodilov

Senior Portfolio Manager



Ilia Erukashvili

Strategy and Investment
Relations Officer

TBC CAPITAL

TBC Capital has launched a new initiative by hosting the first annual Capital Markets International conference in Georgia

In response to the dynamic evolution of the local capital market, TBC Capital has launched a new initiative by hosting the first annual Capital Markets International conference in Georgia.

The conference has featured leading entities from both local and international capital markets, including J.P. Morgan, Citi, Fidelity Investments, the National Bank of Georgia, the Ministry of Economy and Sustainable Development of Georgia, Baker McKenzie, Dentons, BLC Law, Amundi, ADB, EBRD, IFC, along with Georgian issuers, and others.

During the conference, participants discussed their experiences, current market trends, and future development prospects.

"We have laid the foundations of a very important tradition with the inaugural Capital Markets International Conference, which we will host annually. In Tbilisi, organized by TBC Capital, a significant audience gathered, including government officials, representatives from international investment banks such as J.P. Morgan and Citi, industry experts, international institutional investors, and local issuers. We are witnesses and participants in the unprecedented growth of the capital market. The local market for public bonds has experienced remarkable growth,

doubling in size last year to reach 2 billion GEL. TBC, as the leading financial institution in the country, has responded to this rapid market expansion with this conference, bringing together all relevant parties to discuss market outcomes and evaluate future potential and prospects. Our goal is to promote market development through this inaugural conference, which we aim to establish as an annual tradition", states George Tkhelidze - Deputy CEO, Corporate and Investment Banking, Wealth Management at TBC.



Within the framework of individual speeches and panel discussions, important topics were covered such as:

- ▶ Regional debt capital market in global context and its impact on Georgia.
- ▶ Perspectives of Regional Fixed Income Market - how favorable is now for both bond issuance and fixed income investment?
- ▶ TBC Capital research on the development stages of the bond market in Georgia, comparison with other countries and expectations for 2024, as well as the availability of alternative sources of financing in Georgia.
- ▶ Institutional support as a driver of capital market Development: exploring existing programs and pathways to attract investments from International Financial Institutions.
- ▶ Global trends of sustainable finance - Addressing the growing demand for sustainable projects and exploring how Georgian companies can participate in this global trend.
- ▶ ESG Bonds and the Landscape of Sustainable Finance.
- ▶ Eurobonds vs. Local Bonds.
- ▶ Success cases and experience sharing by existing issuers regarding bond issuance opportunities.
- ▶ The Trends of Equity Investments in Georgia.
- ▶ Fostering Equity Investments in Georgia.
- ▶ Uncovering Avenues of Asset Management Perspectives in Georgia - What is asset management and why it is important for the development of capital markets in Georgia.
- ▶ Asset Management in Georgia - Challenges and Outlook - Exploring the types of investments being made and identifying strategies to activate further investment.





What does the new data protection law mean for Georgian businesses?

In line with Georgia's obligations undertaken in its Association Agreement with the EU to approximate existing legislation in the field of personal data protection to European standards, the Parliament of Georgia recently adopted the new Law of Georgia on Personal Data Protection. The law partially entered into force on March 1, 2024, with certain provisions coming into effect on June 1, 2024.

The new law includes several significant changes compared to its previous counterpart. Considering low levels of awareness of personal data protection legislation within the Georgian entrepreneurial society, this new legislation is of particular importance for private legal entities that process personal data or have authorization to process data under the relevant agreement.

Sanctions – One of the most noteworthy changes evident in the new law is the fact that in comparison to its preceding edition, it establishes significantly stricter liability for violations of data processing rules. Taking into account the organizational form of the offender and the existence of aggravating circumstances, the relevant fines established for non-compliance with data processing requirements may reach up to 20,000 GEL.

Data Processing Agreements – Under the new law, regulations apply to a 'data controller' (direct processor of data) as well as its relevant contractor that has such authority – a 'data processor'. According to the law, the data processor may be entitled to process data, solely on the basis of a written agreement concluded with the controller

that shall clearly define the grounds and purposes of data processing, categories of data to be processed, and other conditions. Moreover, this new legislation lists a number of obligations for data processors that must be established in this agreement in order to comply with the personal data legislation, such as ensuring that a natural person directly participating in data processing has a contractual obligation to maintain confidentiality.

Policy Document, Privacy Notice – Within the new legislation, it is mandatory for data controllers to document information on the purposes of data processing, categories of data processed, data retention periods, and organizational-technical measures taken. The data controllers are entitled to reflect this information in an internal policy document. For the purposes of ensuring easy access to this information, data controllers may be obliged to ensure the availability of this document in an electronic form, as well – based on the specific nature of services provided to data subjects. Apart from providing the above-discussed information, the new law also establishes an obligation for data controllers to provide the data subjects (in the most accessible form for them) with the information about their data-related rights under the law before collecting data from them – thus, introducing a new document, which is often regarded as the "Privacy Notice" in GDPR-covered countries.

Consent Forms – The new law, in contrast to its older counterpart, establishes a new requirement in relation to

the data subject's consent. Under the law, if a data controller intends to obtain the data subject's consent through a document, which concerns other matters as well, the text regarding the consent must be formulated in a simple, clear, and comprehensible manner and be separated from the other parts of this document. In cases of special category data (i.e., sensitive data, such as data related to a person's racial/ethnic origin or political views), it is mandatory for the data controllers to obtain written consent from data subjects.

Organizational-Technical Measures - Under the new law, in order to ensure software, as well as physical security of the data, data controllers (as well as data processors) are obliged to take appropriate organizational and technical measures (including data pseudonymization, etc.), which includes processing the data through programs of adequate quality that comply with legal requirements and implementing procedural instructions for the persons directly involved in data processing.

Video and Audio Monitoring – This new legislation regulates procedures for video and audio monitoring of data subjects in detail, requiring data processing entities to maintain a specific written document, which among other details, shall specify the relevant conditions, such as purpose, amount, duration, and storage period of monitoring. In cases where video monitoring is conducted in an employee's working space, data processing entities are obliged to inform the former of its purpose in writing.

DPO, DPIA - The novelty introduced by the new law is the establishment of the position of Data Protection Officer (DPO), who, among other duties, shall ensure responsiveness to complaints related to data processing. The obligation to appoint a DPO is imposed on the data controllers processing the data of more than 3% of the Georgian population and on entities, such as finance



organizations, medical entities, and e-communication companies. Another document to be implemented by these entities is the Impact Assessment on Data Protection (DPIA), which, among other details, should reflect what dangers may arise during data processing and how a data controller will ensure data protection from such hazards.

Other Significant Changes - A significant novelty under the new law concerns a particularly popular issue in Georgian society – direct marketing. Starting from March 1, data controllers shall be able to process data for the purposes of direct marketing solely with the data subject's appropriately expressed consent. The new law also imposes an obligation on data controllers to notify the Personal Data Protection Service (PDPS) of data security breaches in writing no later than 72 hours after the discovery of such incident.

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BLB offers interested persons with full-scale services in relation to Personal Data Protection Law, which entails representing the clients before PDPS, as well as drafting the following documents for the purposes of ensuring compliance with the requirements of the new law:

- Drafting a Policy Document.
- Drafting a Privacy Notice.
- Drafting various forms of consent to be obtained from data subjects.
- Revising/ drafting the agreements concluded between data controller and processor.
- Drafting a video/audio monitoring documents.
- Providing recommendations on organizational-technical measures to be implemented.
- Providing recommendations on Privacy by Design and by Default (based on GDPR guidelines).



The rising stake of meat production in Georgia

Meat is good business in Georgia, and it is going to get even better. So say the researchers at Georgian investment bank Galt & Taggart (G&T) in a report on the industry *Meat & Meat Products in Georgia*, and they add that there is significant potential for new enterprises. A key indicator is the large amount of meat that is currently imported: Georgia is only 50% self-sufficient, giving plenty of opportunity for import substitution.

Another reason for forecasting enterprise growth in all meat sectors is the low level of industrialization in the industry. In the latest production figures, family farms are shown as supplying 85% of locally produced pork, 86% of beef, and 26% of chickens, with the total value put at 232 million GEL (\$86 million, as of late March 2024).

"There are over 250 registered and active enterprises, among which only 20 are large or medium-sized, most of them producing poultry and eggs," comments the *Meat and Meat Products* report. Chirina is by far the largest, with around 13% of the market in 2021, followed by Koda (8%), Kumisi (7%), and Dila and Noste (both 6%).

G&T gave the figure for annual meat consumption as 1.5 billion GEL in 2022, of which about a third is processed, a rise of over 25% in the previous year - although much of that was price increases. International research group Statista expects that the consumption figure will rise to 1.8 billion GEL this year, forecasting annual growth of over 7% for the

next few years.

Growth opportunities

Where do G&T see the growth opportunities? All over the industry, it seems. In new production enterprises, as meat production is relatively undeveloped; in vertical integration by retailers; and in warehousing, cold storage, and distribution. Poultry, in particular, is expected to see increasing demand, in line with global trends.

Both the Georgian government and major donors have been trying hard to overcome the many hurdles to growth in production, including the crucial lack of husbandry skills necessary for successful livestock rearing. Other challenges, as listed in a PMO Business Consulting report a couple of years ago, range from lack of pasture management, lack of vets, unproductive cattle breeds, and low competence among small farmers in terms of effective management practices.

Cattle rearing, especially, is much more demanding than for poultry. Reflecting this, as well as demand, GeoStat's third quarter numbers last year showed poultry numbers rising - up 13%, but cattle and pig numbers fell by 38% and 21%, respectively. To back their agricultural education programs, the government and donors have provided a wide range of grants to help small farmers.

In support of U.S. Department of Agriculture (USDA) assistance for Georgia's dairy and beef industries, new U.S. Ambassador Robin Dunnigan made the

Georgian Cattle Expo 2023 last autumn one of her first official visits. USDA has been advising on how to improve the food safety, productivity, and quality of Georgia's dairy and beef value chains. The Cattle Expo serves as a business-to-business venue for farmers, livestock input suppliers, and dairy and beef processors and marketers.

The EU is a major donor providing financial and technical assistance to the agri-food value chain through its neighborhood program ENPARD. With a budget of EUR 180 million over the period 2013-2022, the program allocated significant resources to finance rural development projects across Georgia. An important objective of ENPARD has been to strengthen cooperation among small farmers, and the program has provided more than 280 cooperatives with direct funding and technical assistance.

Consumption and production

Georgia's regional cuisine may be chock full of vegetable dishes, but it does in fact consume more meat than the global average - its annual per capita consumption being 38 kilos, yet that is far below Europe's 63 kilos and North America's 99 kilos. Despite Georgia's pride in its cuisine, however, it is processed meat consumption that is forecasted by G&T to rise the most, with a gain of 8% between 2023 and 2027, against 5% in primary meat products.

"This growth is expected to be fuelled by the rising purchasing power of the

population and the expanding tourist industry,” says G&T analysts in *Meat and Meat Products*.

Global consumption of poultry overtook that of pork in 2016, “the shift attributed to the affordability of poultry... and its health benefits and ease of preparation,” states the *Meat and Meat Products* report. The consumption split is now poultry 40%, pork 34%, beef 21%, and sheep and goat 5%.

One good reason for Georgian optimism about prospects for domestic companies and local farming is that meat imports have been rising and were up 35% in 2022 at \$187 million. While Georgia is 50% self-sufficient overall, the figure for poultry is only 34% and pork 48%, both of which are bigger volume markets than beef. Its regional peers have more developed meat industries, with Armenia 71% self-sufficient and Azerbaijan 88%.

Local production in primary meat products overall totaled 74.6 million kilos in 2022, while net imports were slightly more at 74.9 million kilos. The split in processed meat was 37.2 million kilos produced locally and 6.4 million imported. The majority of meat imports come from Brazil (36% of the total), with frozen poultry and pork the primary products, both sectors in which Georgia already has established domestic enterprises, particularly so for chicken. Turkey, China, and Ukraine are the next largest sources of meat, at 12%, 8% and 7% of the total, respectively.

Georgia is also seeing considerable export increases, although the sums are relatively small, with a gain of 58%

to \$46 million. “About half the exports are re-exports of frozen meat. The main export markets are neighboring and mostly former Soviet countries (Armenia 44%, Turkmenistan 20%, and Azerbaijan 20%). Until 2020, there was high demand for sheep meat from Middle Eastern countries (e.g., Iran, United Arab Emirates, and Kuwait), which was later replaced by the export of live sheep,” states the report.

Processed meat is more strongly developed as a Georgian industry, with 85% of consumption produced locally, and its growth has been an annual 3.8% in recent years. Deli meat is the largest sector, at 46%, followed by sausages (33%) and bacon (6%). The top three companies, which have between them 40% of the market, are Liderfood (16%), Nikora (15%), and Karida (12%). However, the net profit margin has become progressively less attractive, falling from 2012’s 14% to 4.9% in 2021.

Development support

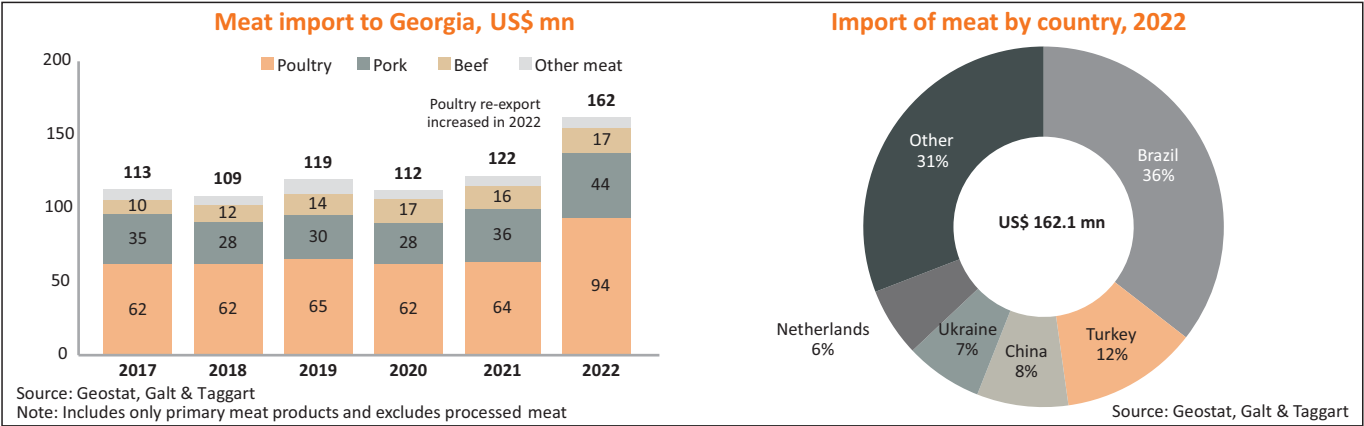
For years now, the government and U.S., EU, World Bank, and UN aid programs have focused on trying to increase Georgia’s food self-sufficiency, spending hundreds of millions of dollars - with dairy and meat being prime targets. The government has set up an Agriculture Investment Fund to support the sector by providing credit to farmers, and there are programs being implemented through the Rural Development Agency, such as Plant the Future and Preferential Agro-credit.

Recently, the Asian Development

Bank announced a \$25 million program with Credo Bank, with a specific focus on targeting women borrowers in agricultural production, processing, and trade. “Women account for over a third of the country’s agricultural employment and agricultural holdings ownership, but remain underserved in terms of accessing financial assistance,” said ADB Director General for Private Sector Operations Suzanne Gaboury. “Additionally, this project will promote domestic food production and import substitution to enhance the food security of Georgia.”

As the U.S. International Trade Association’s website tells its local businessmen who are looking at Georgian food production as the economy expands, there is huge scope, in theory at least, as the country still imports 70% of its food overall. However, it also states that there are a lot of obstacles to be overcome, ranging from the paucity of commercial farming and large amounts of land either not being farmed at all or owned in tiny parcels by households, to the aforementioned shortages of cattle and dairy farming skills.

While the importance of farming in GDP has declined sharply – in the early 1990s it made up 60% of the economy – almost half the population is still dependent on it. However, the young are leaving, often migrating abroad. A survey a few years ago showed that only 3% of those farming derived significant income from it, but the scope for improvement is indicated by the figures showing that the financial returns in Armenia were over three times higher. ■



New U.S.-Georgian joint fish farm venture set to make a splash for the country's aquaculture sector

Georgia's water resources include around 860 freshwater lakes, more than 26,000 rivers, and 43 artificial reservoirs and around 325 kilometers of coastline – so why is the latest foreign salmon aquaculture investment project a land-based one? This is Noble Salmon, which is being set up by the Nasdaq-listed and Massachusetts-based biotechnology company, AquaBounty Technologies, partnering with Georgia's Benish Group that is run by Meni Benish, the co-founder of engineering and real estate development group Archi.

SALLY WHITE

The Georgian salmon farm will be the first international venture for the U.S. company, which has spent tens of millions of dollars already on developing fast-growing, economic-to-rear genetically modified Atlantic salmon. The company says that its systems and the genetic modification enable “70% more harvest output while using 25% less feed.”

The answer to why-on-land is that rearing salmon in tanks of circulating water is deemed better for the fish – both those being reared (because it avoids the oft criticized conventional farming system of river or sea borne floating cages) and the wild fish populations. Thanks to the controlled environment in the tanks, says AquaBounty, growth and welfare can be assured through management of the temperature, the water quality, feeds, and other environmental parameters. So, while there are a number of fish projects under development in Georgia in response to the government campaign for more production, this one is attracting a lot of attention.

There's still more here that ticks the “sustainability” regulations that are increasing on food production glob-

ally – the facilities can be built close to consumer markets, reducing transport costs and carbon footprint; there is less pollution discharge in the marine environment; biosecurity can be enhanced; and, the modified fish are not in danger of escaping into the wild.

AquaBounty is currently investing heavily to increase its scale of production at a large plant in Ohio with the capacity to produce 10,000 metric tons of fish each year. Production is due to start next year. There will be a hatchery, early-rearing facilities, and tanks of circulating water in which the salmon grow. But U.S. fishing research reports of Georgia's interest in expanding production, its rising domestic demand – thanks to tourism and the influx of Russians and Ukrainians, plus the world shortage of fish, were among the inspirations for the foray abroad with Noble Salmon. The Georgian Ministry of Agriculture has been supporting projects to increase local fish production for several years now.

Other fish farming ventures in Georgia

Another one of the few companies with a land-based system and circulatory water tanks is Guriafish, which was

set up three years ago to produce Norwegian salmon and trout. It operates on the beach at Tskaltsminda in Guria, which makes regular access to clean sea water easy. It announced last summer that it was ready to launch its fish on the consumer market.

Salmon continues to be extremely popular globally, with the market forecasted to grow at over 8% a year for the next five years to reach \$50 billion by 2029. According to the U.S. research group IMARC, Atlantic salmon accounts for the majority of the market share because of its wide cultivation in aquaculture due to favorable growth characteristics, its adaptability to farming environments, and its popularity among health-conscious consumers.

At the consumer level, salmon continues to be a “winning” fish worldwide, according to agriculture banking specialists at the Dutch international bank Rabobank. In its “Global Aquaculture Update 1H 2024: The New Normal,” it states that salmon is expected to remain the most profitable aquaculture sector in the first half of this year. Senior analyst at Rabobank Gorjan Nikolic explained that “salmon farmers can expect strong profitability due to the relatively high prices (albeit slightly lower than in the first half of 2023).” The salmon market internationally was thought to have reached 3.6 million tons last year, and looking forward, growth is expected to be 3.1% per year over the next eight years.

Another Georgian fish project, announced by the University of Idaho last month, is one where scientists from its Aquaculture Research Institute (ARI) are leading an effort to establish rainbow trout production in Georgia on the coast of Adjara. The Georgian government has approved a draft resolution to allocate eight locations on the coastline of the Adjara, Samegrelo, and Guria regions in the west for farming of fish and shellfish. The Georgian Law on Aquaculture only allows aquaculture production in designated zones approved by the government and within special economic zones. The principal recommendations for aquacul-

ture zones were prepared in “close cooperation” with the Food and Agriculture Organization of the United Nations.

Trout are popular in Georgia, but, says the University of Idaho, “while the country possesses the natural resources and much of the infrastructure necessary to scale up its domestic fish production, it lacks sufficient expertise in aquaculture.” Currently it imports most of its trout from Turkey.

The USDA's Foreign Agricultural Service (FAS) identified trout production as “an agricultural sector in Georgia with tremendous growth potential,” and its officials contacted ARI director Brian Small to lead the Caucasus Agricultural Development Initiative (CADI) — a project teaching modern aquaculture practices to Georgia's existing fish producers while also preparing native Georgians to become aquaculture trainers.

“That speaks really well to the reputation that we have here, nationally as well as internationally, that they quickly identified ARI as the go-to trout experts,” said Jacob Bledsoe, an Idaho University assistant professor and aquaculture research specialist who serves on the CADI team. He added: “The Georgian Ministry of Agriculture would like to have stronger rainbow trout production, supplying whole-body, head-on, gutted trout to serve the tourism industry.”

The project is working with the Georgian government program Farmer of the Future to develop short courses for aspiring fish farmers. It is also providing data loggers, which will be placed at certain

fish farms to remotely monitor water quality over the course of a year. Interns from a newly created Aquaculture Extension Center associated with Georgia's Batumi Shota Rustaveli State University will travel to farms and oversee data collection. And in the last few weeks, a group of officials from the Ministry of Environmental Protection and Agriculture of Georgia spent time at ARI's facility learning about the U.S. trout industry.

Global demand

Globally, fish production is forecasted to rise in all continents except Africa, and fish consumption is projected to reach 21.2 kilograms per capita (up from 20.4 kilograms per capita in the base 2020-2022 period), says a joint study on ten-year growth prospects for agriculture from the Organization for Economic Cooperation and Development (OECD) and the UN's Food and Agriculture Organization (FAO). By 2032, aquaculture production is projected to account for 55% of total fish production, compared to 50% in the base period.

However, the study also suggests that the global rate of increase in demand and supply is slowing. It also states that the vast majority (96%) of growth in global fish production will originate from increasing aquaculture production. This anticipated slowdown in aquaculture production growth, it states, “will be mainly caused by continued lower productivity gains related to environmental regulations, diseases related to high stocking densities, and a reduced avail-

ability of optimal production locations.”

China, in particular, is expected to experience a substantial slowing of growth in farmed fish production due to regulations aimed at increasing the sustainability of the sector and targeting growth in species favored by domestic consumers. Nevertheless, China will continue dominating world aquaculture production with an expected share of 56% in 2032, representing a marginal decline.

Despite these slowdown concerns, overall global growth in consumption of fish over the last 60 years has been phenomenal. “Since 1961, the annual global growth in fish consumption has been twice as high as population growth, demonstrating that the fisheries and aquaculture sector is crucial in meeting the FAO's goal of a world without hunger and malnutrition,” says FAO Director General Jose Graziano da Silva.

Meanwhile Georgian supermarkets provide visual evidence of the local growth in demand and supply, although up-to-date figures on the size of the local consumer market are elusive. The range of fish on the slab at Carrefour, for example, is expanding rapidly and beginning to match that to be found at the group's Mediterranean outlets. While this reflects local fish farming output, it is also down to the entrance to the Georgian market of international importers, such as Ukraine's Klion Group.

At this rate, Georgian culinary writers will soon be expanding the rather small fish section in their cookery books! ■

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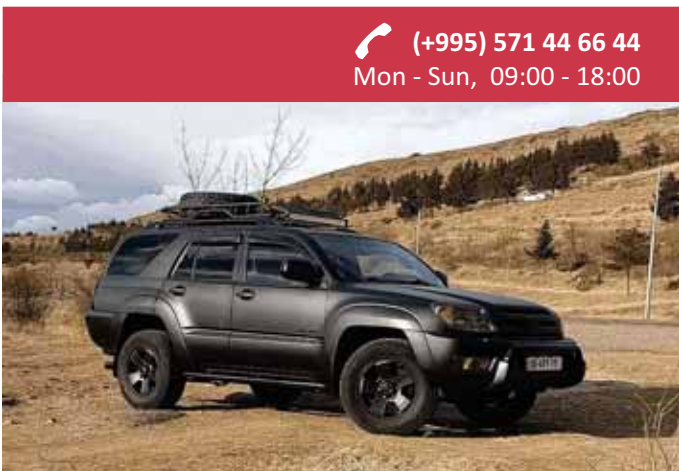




Photo credit: Rise Real Estate

The business of preserving the past: is there profit potential in flipping traditional Tbilisian houses?

With its classic brick masonry exterior, modest story height, and charming balconies, the quintessential archetype of Old Tbilisian residential houses has long captured the hearts of tourists and locals alike. Now, it aims to captivate investors' hearts as well.

ELISABED LEJAVA

Since an influx of migrants in early 2022 sent rent and housing prices in Georgia's capital soaring, investors have had their eyes trained on the Tbilisi residential real estate market for its profit-making potential. While the market has largely stabilized since the second half of 2023, with average rental yields dipping slightly to 10.5% (compared to a high of around 12% at the end of 2022), the average asking price has remained around \$1,200 per square meter over the last 12 months – signaling that these valuations may have stabilized.

These dynamics, along with several other factors, including a positive outlook on salary growth and an anticipated reduction of interest rates in 2024, have led analysts at TBC Capital to project that residential real estate demand in Tbilisi has largely stabilized and that the market is not currently at risk of reverting to its pre-2022 prices.

With this stabilized demand and high rental yields has come increased investment interest from both domestic and foreign investors. And while some of this interest is coming on the back of the recent surge in the construction of sprawling, multi-story apartment complexes

around the city, it has also brought interest in revitalizing some of Tbilisi's older residences – often located in highly desired central parts of town amidst the city's unique urban layout and architectural heritage.

House flipping, a term widely popularized in the United States, refers to the practice of purchasing properties, renovating them, and then reselling them at a higher price to turn a profit. While traditionally associated with the American real estate market, the concept is now gaining traction in other parts of the world and may be an answer to the question of many of the inner city's deteriorating structures. Proponents argue that while the private sector is rushing to meet growing demand for residential housing and maximize profits through new construction, there are both profits and added cultural value in preserving pieces of Tbilisi's architectural heritage.

Traditional Tbilisian houses

Characterized by their three to four-story structures, brick masonry construction, and distinctive balconies (both timber and wrought iron), traditional Tbilisian houses are scattered all around the city. While the most famous examples of this archetype are often located in the Old Town and Sololaki, well known touristic locations that would prove more difficult to flip



Photo credit: Elisabed Lejava

due to high property prices, some of the lesser-known gems can also be found in unexpected corners of the city like Avlabari and Chugureti. Featuring high ceilings, tall wooden-framed windows, and spacious rooms, these houses boast a unique spatial arrangement ideal for contemporary refurbishment and serve as a perfect medium for modern designers to reconfigure these spaces, enhancing their functionality and transforming them from single-bedroom dwellings into multi-bedroom residences, inevitably increasing the property's inherent value.

Despite accurately conveying the historical nature of their respective period through the architectural style, many of these are not officially listed as part of Tbilisi's cultural heritage. This oversight exposes them to the risk of destruction when left in the wrong hands. However, when acquired by savvy investors with a keen eye for historical value, these properties can offer an opportunity to own a piece of the city's history at a non-heritage price - with the added bonus of not dealing with the red tape often associated with refurbishing heritage properties.

Prospecting properties

Answering the question of profitability for traditional homes depends on several factors, chief among them the nature of the structures in question, the extent

of their historical significance, and the long-term value proposition. While it's undeniable that erecting new buildings often carries lower upfront costs, overlooking the intrinsic value of preserving historical landmarks risks erasing irreplaceable heritage. Moreover, when investors successfully identify well-preserved existing buildings and collaborate with skilled contractors proficient in upgrading spaces with precision and care, there is a remarkable potential for profit. Conservation experts in the field of heritage preservation always advocate for the "minimal intervention" principle, akin to the well-known business concept of "lean." This mutually beneficial approach holds the key to unlocking the full potential of renovation projects in Tbilisi's real estate landscape.

When it comes to flipping, the general rule is to buy low and sell high. However, for many investors, especially those from abroad, navigating this starting point can be daunting, often leading them to opt for familiar territories. Head of the real estate firms Rentals and Eristavi Estates Zurab Eristavi says the key to flipping is to first find the right property. He says this often means targeting neighborhoods with untapped potential: "the right bank of River Mtkvari, for example, has always been more expensive, but the left bank, particularly Marjanishvili street and Ninoshvili area, showcas-



Photo credit: Elisabed Lejava

es very old, charming architecture, and the prices are not as inflated there. That part of the city holds greater potential for capital gain."

While this strategy comes with higher profit potentials, Eristavi says it also comes at a risk for investors when choosing properties in areas that are not yet well developed or maintained. "The main challenge would be the maintenance of the properties. As an investor, you can purchase a property and do your best with it, but you cannot change the entire neighborhood. Often, these neighborhoods are rundown, and property owners fail to maintain their properties. There is a problematic cultural way of thinking that people are only responsible for what is inside of their property – the truth is, for investors, your profit begins with your neighborhood."

Profit potentials

For investors, procuring properties at a low cost is just the first step. Once acquired, investors must carefully plan their renovation strategy to ensure maxi- ►►



Photo credit: Rise Real Estate



Photo credit: Elisabed Lejava

► mum returns. In flipping properties, the general rule of thumb is to never spend more than 70% of the anticipated value of the house on purchasing and repairs. Therefore, it is crucial to find a team capable of devising cost-effective solutions while respecting the existing fabric.

Nato Tsintsabadze is the president of the International Council on Monuments and Sites (ICOMOS) Georgia, an NGO that works with UNESCO to promote high professional standards of conservation. She says that one advantage for those looking to renovate heritage properties in Georgia is the comparatively low labor costs. “Compared to the UK or Europe, the cost of craftsmanship, especially in the field of conservation, is quite low here,” she explains. This affordability presents investors with an opportunity to execute renovation projects more cost-effectively, potentially

yielding higher profit margins.

And while these low construction costs can be advantageous for profits, it is important that quality of the craftsmanship is not compromised. Hicham Wehbe is the Managing Director of RISE CAPITAL GROUP and Rise Real Estate, a company specializing in the renovation and sale of historic heritage buildings in renowned neighborhoods like Vera, Mtatsminda, and Chugureti. He notes that many of the potential buyers for revitalized heritage properties are in search of luxury, appreciating the historical value of the buildings but looking for modern, high-end touches.

“We work with clients who value preserving the essence of the property, advocating for conservation efforts to transform spaces into a new, unconventional definition of luxury. We aim to blend historical elements such as exposed masonry walls and painted ceilings with contemporary features, like modern finishes and amenities, creating sophisticated living spaces,” says Wehbe. “We believe that history is luxury—old is gold, and that is forever beautiful.”

To achieve this high-value proposition in these heritage houses, maximizing interior space is key. Real estate investor Sidney Lee White says this was an important factor in enhancing the value of the residential flat he recently renovated in a historic Rustaveli Avenue building. Originally spanning 74 square meters with one bedroom, one

bathroom, a kitchen, and a living room, White’s property underwent significant spatial redistribution. Now boasting two bathrooms, two and a half bedrooms, and an open-space kitchen and living room layout, the property has already accrued value through space optimization. Additionally, the modern finish and amenities further enhance its appeal and value. While White has no immediate plans to sell what he calls his “passion project,” he’s confident that the quality renovations and space maximization will prove profitable when he chooses to sell.

The prospect of flipping traditional Tbilisian houses presents a complex interplay of advantages and challenges for investors. On one hand, the allure of capturing a piece of history and transforming it into a modern masterpiece holds undeniable appeal. Yet, this endeavor requires a delicate balance between preservation and profit, navigating the fine line between respecting cultural heritage and maximizing financial returns. While the current market trends may present opportunities for acquiring properties at lower costs, the evolving landscape demands a nuanced approach and adaptability from investors.

As Tbilisi’s real estate market continues to evolve, investors looking into the business of flipping traditional Tbilisian houses must remain on the lookout for the hidden gems that offer good value prospects within the city’s unique urban fabric! ■

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GEORGIAN ARBITRATION UPDATE: unhelpful court practice continues

I am writing this article on my way to Vienna for the 31st annual Willem C. Vis International Commercial Arbitration Moot – a truly international student competition that has been inspiring arbitration community for several decades now. I am going there from Paris, where I attended Paris Arbitration Week – a yearly week of events aimed at connecting the worldwide community of arbitration practitioners and promoting Paris as the “eternal home of international arbitration.” Both of these events have returned my attention to Tbilisi and its potential to develop as a regional hub in arbitration.

Two years ago, I published an article titled TBILISI – it takes more than great wine to create an arbitration hub. I argued the economic benefits of making Tbilisi an arbitration center and what it takes to achieve this. I also discussed an erroneous decision of the Tbilisi Court of Appeals that invalidated the arbitration clause in the construction contract that required parties to refer their dispute to a Dispute Adjudication Board (DAB) first. I compared this decision to the decision of the Paris Court of Appeals in which the court ruled against the annulment

of an award which was sought by the respondent on the basis of the claimant's failure to submit a dispute first to the DAB.

I then concluded that an arbitration-friendly approach from the local courts is one of the major determinants of having a successful seat of arbitration. I stand by this conclusion today and I am saddened to see the lack of progress in this direction over the last two years. In particular, two recent decisions by the Tbilisi Court of Appeals have further pushed Georgia into a grey zone for arbitration.

It is standard practice that arbitration institutions, both in Georgia and all around the world, maintain lists of potential arbitrators; these are highly regarded professionals who hold requisite credentials and are capable of acting as arbitrators on a case, if appointed by the parties or an institution. Maintaining such a list helps the parties select an arbitrator for their particular case. It also increases transparency as parties are able to see who may potentially be appointed as an arbitrator by the

institution in case of failure of the parties to select the arbitrators. Usually such lists are open, meaning that parties are free to appoint an arbitrator outside of such list. Notably, having an individual on the list does not in any way remove the requirements for impartiality and independence of an arbitrator. In other words, an individual is selected from the list to act as an arbitrator on the case only if they are impartial and independent of the parties to the case. This basic principle of exclusion of conflict of interests must be preserved at all times.

Against this backdrop, in its two recent decisions, the Tbilisi Court of Appeals has taken the view that the mere registration of a representative of one of the parties in the list of arbitrators of an arbitration institution automatically creates a conflict of interest. As a result, the court has deemed the arbitration institution incompetent to consider the dispute and has denied to give effect to the arbitration agreement on that ground.

This argument does not hold water. It is important to remember that a dispute is heard by an arbitral tribunal consisting of a particular arbitrator(s) and not by an arbitral institution. An arbitrator listed with an arbitral institution has no leverage to influence the decision in a dispute where he/she is acting solely as a party representative, not as an arbitrator. The mere inclusion of a party's representative on the list of arbitrators with a specific arbitration center should not give rise to doubt regarding the impartiality and independence of the arbitral tribunal.

These decisions are extremely problematic for several reasons, including for the following:

- They discourage reputable legal practitioners (i.e., partners of law firms, senior associates, and other practitioners) to act as arbitrators, while maintaining their primary practice of party representation. This will affect the quality of the arbitration proceedings and that of the award.
- They contradict the earlier decision of the Supreme Court of Georgia on a similar matter. It is very important to establish a uniform court practice in arbitration to ensure predictability and the development of this field.
- They position Georgia on the arbitration map as an unfriendly jurisdiction; this will ultimately affect the investment climate in Georgia and prejudice Georgia's aspiration of becoming a regional arbitration hub.

Overall, the inconsistent and legally erroneous practices of Georgian courts with respect to arbitration cases affect all stakeholders of arbitration, including, and perhaps most of all, Georgia. It drives away significant benefits to

the country's economy that would have been otherwise received from dispute resolution and related services.

Despite these developments, there are some positive developments in the field of arbitration that are worth noting. Georgian universities have been participating in Willem C. Vis International Commercial Arbitration Moot for more than 15 years now. Georgia has reputable arbitration institutions and has hosted a highly regarded annual arbitration event in Tbilisi for over 10 years now. Established in 2013, the Georgian Association of Arbitrators has grown into a strong and reputable organization that works very hard to increase arbitration awareness among businesses, enhance the knowledge and skills of arbitrators, and improve legislation and arbitration practices in Georgia. International donors finance these endeavors, further enhancing the sustainability of these institutions. I am a strong believer in team efforts and hope that with the support of Georgian courts and other state stakeholders, we can all make Tbilisi a "[new] home of international arbitration."



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Roundtable Meeting with ADB Country Director



On February 14, AmCham Georgia hosted a roundtable meeting with the new Country Director of the Asian Development Bank (ADB) Lesley Bearman Lahm, who discussed the ADB's current activities in Georgia. The presentation was followed by an engaging Q&A session that covered a wide range of issues.



Members Luncheon with Minister of Economy

AmCham Georgia hosted a members-only luncheon on February 22 with First Vice Prime Minister and Minister of

Economy and Sustainable Development Levan Davitashvili. During the event, Minister Davitashvili discussed the cur-

rent activities and future plans of the ministry. The presentation was followed by a Q&A session.

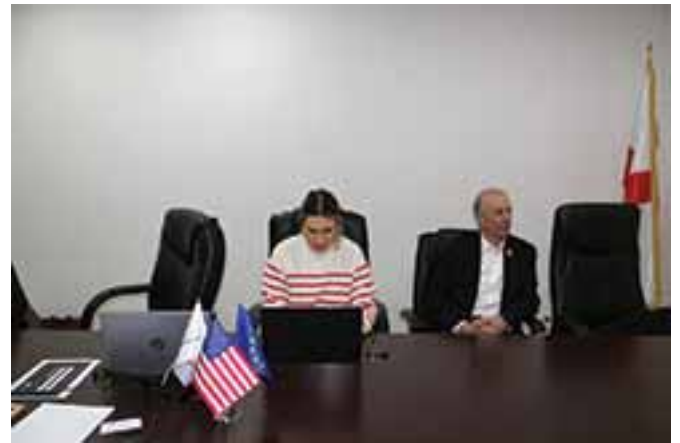


Meeting with Defense Attaché to the U.S. Embassy in Tbilisi

On February 28, AmCham President Irakli Baidashvili hosted a roundtable meeting at Pullman Hotel Tbilisi with Colonel Joseph Bilbo, the Defense Attaché to

the U.S. Embassy in Tbilisi. The discussion centered on the regional security situation and the war in Ukraine and was followed by an extensive Q&A session. The meeting

was followed by a cocktail reception at the Sky Bar at Pullman, where members had the opportunity to network while enjoying delicious cocktails and views of the city.



Committee Meetings

The CLT Committee met on March 4 and March 26 to continue its series of meetings with Dr. Giorgi Jugheli of the Investors Council to discuss particular provisions and issues within the

Law on Entrepreneurs. The Construction and Real Estate Committee met on March 7.



Roundtable Meeting with EU and U.S. Ambassadors to Georgia

On March 6, AmCham and the European Business Association (EBA) organized a members' meeting with the Ambassador of the European Union to Georgia Pawel Herczynski and U.S. Ambassador to Georgia Robin Dunnigan. The objective of the meeting was to discuss significant topics for private sector representatives, including Georgia's EU candidate status and the

country's future path to EU membership.

The event was attended by members of AmCham and EBA, as well as representatives from the diplomatic corps and international financial institutions. The discussions offered valuable insights into the obligations and opportunities that lie ahead for Georgian businesses within the context of EU integration.



AmCham Participates in Investors Council Meeting

On March 22, AmCham Georgia took part in the Investors Council meeting chaired by Prime Minister of Georgia Irakli Kobakhidze. The meeting also included ministers from all of the gov-

ernment's economic team, as well as UK Ambassador Mark Clayton and the heads of the EBRD, the World Bank, the IFC, and several other leading business associations. The discussion focused on

challenges and opportunities for Georgia's economy. AmCham, in particular, presented summaries of concerns over the operation of commercial arbitration and the Middle Corridor.



Roundtable Meeting with Head of Enterprise Georgia

AmCham Georgia hosted a roundtable meeting on March 25 with Head of Enterprise Georgia Mikheil Khidureli, who dis-

cussed the latest updates and ongoing activities of the agency. The presentation was followed by an engaging Q&A session.



Cocktail Reception at Holiday Inn Tbilisi

On March 28, AmCham Georgia hosted a cocktail reception at the Holiday Inn Tbilisi. AmCham President Irakli Baidashvili greeted the guests and informed them of AmCham's upcoming events and updates. Members used the opportunity to re-

connect with friends, colleagues, and fellow representatives of member companies and enjoyed cocktails and Georgian wine along with delicious food and desserts.



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The Binyamin company's service covers the full cycle of investment implementation, which includes submitting an investment proposal to a future partner, assessing the liquidity of the property to be purchased or the project to be implemented, determining its potential value, providing complete information about the current investment environment, providing full management services for already purchased property or the investment made in order to obtain benefits, etc.

www.binyamininvest.com



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Albius - Ketevan Gogilashvili Dental Center Corp B

Albius Dental Center is Tbilisi's premier dental facility, offering a comprehensive range of treatments in a modern environment. With a focus on periodontology and complex treatments, our advanced clinic and educational center provide hope for those seeking oral health solutions. Holding ISO 9001:2015 certification, we uphold the highest standards of quality and patient care. Our commitment to utilizing the latest technology and skilled professionals ensures exceptional results, leaving every patient with a radiant smile. Additionally, Educational Academy offers specialized schools like the International PerioSchool and Endodontic School for advanced education opportunities, further ensuring excellence in dental care.

www.albius.ge



Pizza Food Georgia LLC Corp A

Pizza Food Georgia LLC, a proud member of the Yum Brands family, is excited to introduce Pizza Hut to Georgia. Launched in 2023, Georgian Pizza Hut is making waves with our delicious pizzas, pastas, and wings. Pizza Food Georgia is known for introducing Pan Pizza to Georgia, delivering bold flavors that make every meal special. As pioneers in the pizza industry, the company is proud to serve customers across Georgia with the same passion and innovation that has made Pizza Hut a global favorite.

<https://www.facebook.com/p/Pizza-Hut-Georgia-100090045232909/>



Ambassadori Travel Corp B

Ambassadori Travel, a registered tourism company in Tbilisi, specializes in providing high-quality services for both inbound and outbound travelers. Premium leisure packages are offered for individuals and groups worldwide, including international and domestic travel arrangements, flights with major airlines, tours, excursions, travel insurance, transfers, and VIP services, including helicopter rides and charter flights.

Distinguished by a team of highly knowledgeable professionals dedicated to the travel and tourism industry, Ambassadori Travel excels in organizing corporate trips globally for business executives. The services are tailored to meet the standards and requirements of today's business travelers, leveraging excellent partnerships with airlines and tourism companies worldwide.

www.ambassadori.travel



Baumer LLC Corp B

Baumer LLC offers the transformation of complex engineering ideas into reality, covering the entire project cycle. The growth-oriented and open-minded team, with years of experience, during the design planning process is able to adapt as much as possible to the situation at hand and offer you comfortable services of installation, post-installation and planned inspections. Baumer's main mission and key to success, in addition to offering customer-oriented service, is to focus on details, create a healthy environment in buildings, achieve energy efficiency through innovation, and constantly move towards perfecting modern engineering. Initially, Baumer's team offered the customer the installation of heating and water supply systems and later the company added the complete installation of HVAC systems and post-installation service. Today, Baumer is a holding company that offers import/sale of MEP materials, layout design, installation and maintenance services to customers. The company also supports the United Nations Sustainable Development Goals and is trying to increase its role in fulfilling the 7th, 8th and 13th goals. Baumer has implemented more than 170 projects of various complexity for 10+ years and has more than 100 satisfied, loyal customers.

www.baumer.ge



Cora Consulting Corp B

Cora Consulting is audit and consulting firm dedicated to providing comprehensive financial services to businesses of all size. With a team of experienced professionals, Cora Consulting offers a range of services including audit, outsource of financial roles, business opportunity assessment, investment management, tax consulting and planning, valuation, and advisory services.

www.cora.ge



Georgian Avia Service Agency JSC (GASA) Corp B

GASA has been dedicated to serving passengers professionally. It represents airlines like Pegasus, Air Arabia, and Fly Arma in Georgia, excelling in B2B ticketing. GASA strength lies in outbound travel and expanding to diverse destinations. In addition to Turkey and UAE, some more new Destinations like Sri Lanka, India, and Thailand have now been added to the company list. GASA team of 130 professionals, including 24/7 Call Center which ensure constant support, Corporate Sales, Agency Sales, and Station Management in Tbilisi and Batumi Airports, works diligently.

www.gasa.ge



Oda LLC Corp B

ODA LLC operates in furniture, fit-out and real estate businesses. The furniture and fit-out business has direction in renovating the international branded hotel chains, like Tbilisi Marriott Hotel, Courtyard by Marriott Hotel, Le Meridien Batumi Hotel, Radisson Collection Tsinandali Estate, Moxy Tbilisi, Holiday Inn Telavi etc. The real estate business is offering a unique collection of lands for construction and development projects.



Vine and Wine Group Corp B

Vine and Wine Group was founded in 2005 and it represents a team of qualified and intelligent engineer-technologists with experience and strong international technological support in the planning, implementation, and production components of new investment projects. This means that company's team can organize a wine enterprise in all wine-growing areas of Georgia, from its planning to receiving the products. They also participate in all projects implemented or to be implemented by the company, both in wine engineering and technological directions.

www.vwg.ge



Volvo Car Caucasus Corp B

Caucasus Automotive LLC, operating as Volvo Car Caucasus, has been the official importer and distributor of premium-quality Volvo Cars in the Caucasus and Central Asia since 2019. With pride, the company serves five countries: Georgia, Uzbekistan, Armenia, Azerbaijan, and, most recently, Kazakhstan.

As part of Tegeta Cars, a strategic business unit under Tegeta Holding, Volvo Car Caucasus offers a comprehensive suite of services encompassing both new car sales and after-sales support. The diverse portfolio caters to various preferences, featuring SUVs, sedans, and station wagons. Additionally, the company is committed to sustainability, offering a growing selection of battery electric vehicles (BEVs), plug-in hybrids (PHEVs), and mild-hybrid engines.

At Volvo Car Caucasus, a dedication lies in delivering exceptional service and high-quality vehicles to the valued customers throughout the region. The company strives to exceed expectations and ensure a seamless and satisfying ownership experience.

www.volvocars.com/ge



GS-1 Georgia Non-Profit

GS1 Georgia is an organization that operates within the framework of GS1, an international nonprofit organization that develops and maintains standards for business communication. GS1 Georgia focuses on implementing these standards within the country, aiming to improve efficiency and visibility in supply chains, as well as facilitate global trade. By providing unique identification codes for products, locations, and entities, GS1 Georgia enables businesses to streamline processes.

www.gs1ge.org

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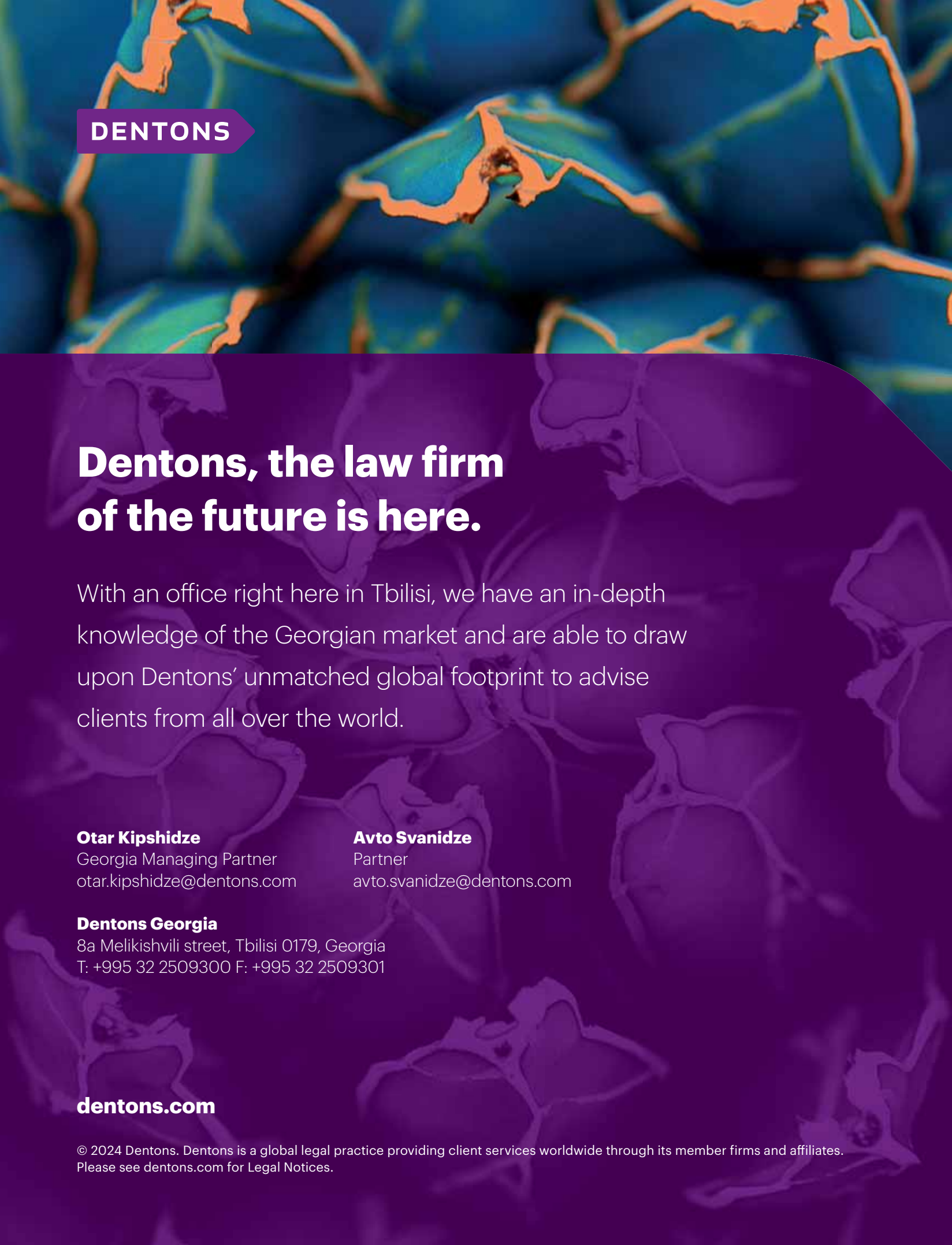
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