Editorial: The negative economic impact of the foreign influence law

Making the business case for renewables - how USAID is transforming Georgia's energy landscape

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Building a better tomorrow

Why Western partners are key for Georgia's development

GASA

As the CEO of Georgian Avia Service Agency (GASA), I'm proud to share the journey we've been on since we started in 2010. GASA has been at the forefront of aviation services in Georgia, acting as the main sales agent for well-known airlines like Pegasus and Air Arabia. Our goal has always been to connect Georgia with the rest of the world, making travel and cultural exchanges easier.

We began our journey partnering with Pegasus in our first year, which was a major step towards realizing our vision to make Georgia more accessible to international travelers. In 2014, we expanded our network by partnering with Air Arabia, which helped us strengthen our presence in the aviation industry.

One of our biggest steps came in 2023 when we opened a new office in Batumi. This was not just about having another office; it was about being closer to the Batumi community and improving our operations. That same year, we also started offering Pegasus flights from Kutaisi, opening new opportunities for Georgian travelers.

Our team has grown significantly since we started—from 10 people to a strong team of 200 today. Each member is dedicated to making sure that our clients have smooth and enjoyable trips. This increase in our team size reflects our broader success and the expertise and hospitality we bring to every client interaction.

Looking ahead, we remain committed to improving our services, growing our reach, and helping create journeys that bring people together and create lasting memories.

"The possibilities are endless, and at GASA, we're excited to continue pushing the limits of what's possible in aviation and travel."

In closing, as GASA's CEO, I am honored to lead such a dynamic team and look forward to achieving more together. A big thank you to all our team members, partners, and customers who have been part of our journey.

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On April 16, the American Chamber of Commerce issued a statement expressing grave concerns about the new law on foreign influence and its likely negative impact on Georgia's democracy, EU candidacy, and the investment environment. See the text of the statement below.

Dear Speaker Papuashvili,

We are writing to you now, as the board of the American Chamber of Commerce, which is the largest international business association in Georgia, and includes a huge range of Georgian and international businesses, regarding the draft law 'on Transparency of Foreign Influence' that is currently under review.

We wrote to you about the version of this law that was under consideration in March 2023, and were gratified when the government decided to withdraw the previous law. We were therefore surprised and disappointed when essentially the same law was presented again.

As in our previous letter, we are concerned that the law will damage foreign support-programs and the CSOs that work with them, will undermine Georgia's EU membership aspirations, and will damage the country's reputation and investment environment more generally.

Georgia has long been proud of its vibrant civil society and active civil societies organizations are clearly good for democracy. At the same time, projects financed by Georgia's partners like the EU and the USA support Georgia's development; in the economy, in education, in public policy, and much more. These projects work in the interest of Georgia and are financed by Georgia's allies. Labeling them as reflecting 'foreign power interests' undermines their legitimacy. Also, in refusing to accept this label, many organizations will close. This will clearly be to Georgia's detriment.

The law will make EU membership very difficult. We were all proud of Georgia's success in gaining EU candidate status last year and our collective goal should now be EU membership. This will not only increase Georgia's prosperity, democracy and security, but will establish Georgia's rightful place in the European family. However, as EU Ambassador Pawel Herczyński has said, this law 'is incompatible with European norms and European values.'

We also continue to feel that this law stigmatizes foreigners and, as a result, can only harm Georgia's ability to attract foreign investment. Foreign investment and the expertise that have come with it has been a cornerstone of Georgia's economic development, and this law puts that at risk.

This law has been presented as driven by the need to increase transparency. However, if that is the goal, it is unclear why one would target CSOs in particular. Also, labeling all foreign support as reflecting 'foreign power interest' has nothing to do with transparency. If the concern is transparency, then it would seem that the appropriate mechanism would be changes to the existing structures of corporate governance and financial reporting.

The law is also out of step with international standards of transparency. In modern democracies, like the US and the EU, it is true that foreign lobbyists are often required to register as such. However, these laws do not target CSO and do not apply to all entities that receive funds from outside the country. The US Foreign Agent Registration Act (FARA), for example, applies explicitly to lobbyists, public relations companies and law firms that are hired by a foreign power to act as their agent. As such a relatively small percentage of registered entities are CSOs. For example, in America, a charity receiving finance from outside, that aimed at helping children or a human rights organization, would not need to be registered.

Given the large negative impact that this law will cause, the fact that it is inconsistent with EU values and with international democratic best practice, we would ask that you withdraw it at the earliest possible time.

Yours sincerely,

The Board of Directors of American Chamber of Commerce

PRE-SALES OF NEW APARTMENTS IN TBILISI HILLS HAVE ALREADY STARTED

Pre-sales have already started - Why should you buy Tbilisi Hills' new apartments?

If you have decided to buy an apartment in Tbilisi and want to avoid problems such as noise, polluted air, or lack of space, it is better to choose the largest residential complex in the city. Three four-story buildings will be constructed on the territory of Tbilisi Hills, each of which will have 44 apartments.

Pre-sales of the apartments have already started, and they will be sold with a 15 percent discount, but only in a limited number. The first buyers will be able to enjoy exclusive benefits and the best conditions.

There are many reasons why you should consider choosing Tbilisi Hills' new, unique concept apartments, but we will highlight some of the main ones.

Unique location – just 15 minutes from the center of Tbilisi

Tbilisi Hills complex is located near Krtsanisi, and Freedom Square is only a 15-minute drive away. The outstanding location of the complex allows residents to be close to the city center while living in a peaceful, ecologically healthy environment with unique natural greenery.

The windows of the apartments offer panoramic views of the entire city of Tbilisi and Shavnabada Monastery.

Recreational spaces and greenery

When buying an apartment, it's essential to have greenery and recreational spaces to foster a sense of freedom and space at home. Tbilisi Hills apartments stand out with a solar-powered, self-cooling atrium designed as a communal area for residents. This space will be furnished with comfortable seating and plants, creating an ideal environment for work and socializing.

In addition, a two-hectare central park will be situated in front of the apartments, offering a blend of stadiums and children's entertainment areas.

European quality standards and a feeling of personal space

The most important part of buying a house is the comfort and feeling of personal space, which is what distinguishes the new apartments of Tbilisi Hills. Each apartment will maintain a feeling of spaciousness, which will be facilitated by sliding stained glass windows and high ceilings, the length of which is 3.5 meters. (3.8 in penthouses) Insulated balconies and sound-proof walls are a guarantee that the personal space of each resident is protected and considered as much as possible. The large terraces of the apartments allow for the creation of recreational spaces, on several terraces, if desired, a pool area will also be allocated. The terraces are also equipped with a shading system, which allows protection from unwanted sunlight.

Professional golf courses and a multifunctional residential complex

One of the main benefits of Tbilisi Hills is the first professional golf course in Georgia, which covers 60 hectares and has 18 holes. Close to the golf course, you'll also find a European restaurant where you can enjoy delicious meals.

Building on the multifunctional concept of the complex, Tbilisi Hills will soon introduce Georgia's largest sports and wellness complex, along with a golfer's clubhouse. Residents will have access to various amenities including outdoor and indoor pools, tennis and pickleball courts, a spa, sauna, gym, workspaces, and more.

Additionally, a commercial building will be constructed near the apartments. This building will house a market, a pharmacy, a cafe, and other essential facilities for the residents.

Safety

Finally, security and peace of mind are crucial when purchasing a home. Tbilisi Hills area is under 24-hour surveillance by 200 cameras, making it one of the safest locations in the city with strict control over entry by foreigners. Therefore, if you seek a tranquil and secure environment for your family, Tbilisi Hills complex will undoubtedly exceed your expectations.

Investment News

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

World Bank forecasts Georgian economy to grow by 5.2% in 2024

The World Bank estimates that the Georgian economy will grow 5.2% in 2024, according to its *Economic Update for Europe and Central Asia* released in early April. World Bank Regional Director in the South Caucasus Rolande Pryce said expected "robust investment" and tourism were forecasted to continue supporting growth despite a slowdown in money transfer inflows.

"Inflation is expected to converge to its 3% target by end-2024, while monetary policy will continue to ease gradually," she said. "For Georgia, as for other countries in the region, boosting business dynamism will require addressing several challenges, including upgrading the competition environment, reducing state involvement in the economy, improving the quality of education, and strengthening the availability of finance for firms."

EBRD, USAID sign memorandum on developing Middle Corridor through Georgia

The European Bank for Reconstruction and Development (EBRD) and the United States Agency for International Development (USAID) signed a memorandum on May 16 to develop the Trans-Caspian International Transport Route that connects Central Asia and Europe while passing through Georgia.

The EBRD said the partnership would benefit the route - also known as the Middle Corridor - by expanding trade, green energy, investment in new industries,

and transport and digital infrastructure in Armenia, Azerbaijan, and Georgia. "Strengthening the Middle Corridor will create new, transformative economic opportunities across the region and provide an alternative transport route to existing commercial corridors," the bank said in a statement.

The memorandum seeks to enhance planning, design, and construction of critical energy, transport, and digital and agricultural infrastructure in the region, the EBRD said. It also aims to improve the efficiency of customs, tariff and border operations, attract private capital investment into the South Caucasus economies for the development of the corridor, and adopt the "highest international standards" to promote economic connectivity with Europe and among South Caucasus countries.

National Bank reduces refinancing rate to 8%

The National Bank of Georgia (NBG) on May 22 said it was continuing its exit from a tight monetary policy by reducing the refinancing rate by 0.25 pp, down to 8%, in light of the "low-inflation environment" in the domestic economy.

The body said overall price levels had increased by 1.5% annually last month due to "globally increased oil prices" caused by "acute geopolitical tensions," while core inflation stood at 2.3%.

"Timely and sufficiently tight monetary policy stance has successfully normalized the inflation of domestically produced goods around the target. Inflation is expected to remain below the target of 3% in the first half of 2024, while stabilizing close to it in the medium term," the NBG said in its announcement.

The body also noted that despite "positive trends," "overall uncertainty" had increased and inflationary pressures had risen due to both domestic and geopolitical developments.

"Inflation expectation measures have seen a slight increase. Additionally, the NBG estimates that the gap between economic activity and its pre-pandemic trend has fully closed. As a result, higher-than-expected demand can also trigger inflationary risks. This strong demand is partly driven by increased credit activity. However, according to the central bank's baseline scenario, economic activity would stabilize around its potential level, with real growth reaching 5.6%. In this case, demand-side inflationary risks would not materialize," the institution added.

Georgia hosts 57th annual ADB meeting

The 57th annual meeting of the Asian Development Bank (ADB) took place on May 2-5 in Tbilisi with nearly 70 events covering connectivity, climate change, capital market development, artificial intelligence, and green globalization. The four-day event attracted about 3,000 delegates to Georgia's capital, including ADB senior management, policymakers, private sector representatives, and "leading development thinkers" from Asia and the Pacific.

Under the theme Bridge to the Future, the event focused on key regional issues, including the development of the Middle Corridor. Speaking at one of the events, Economy Minister of Georgia Levan Davitashvili emphasized the importance of regional ties and the promotion of "common and sustainable development" in the face of challenges resulting from the pandemic and geopolitical conflicts. He noted that investments made by the ADB in Georgia, totaling up to $4.5 billion, have helped fund "important" infrastructure projects. Davitashvili also stressed the importance of Georgia's energy connections, especially the Black Sea submarine cable project, which he ▸▸

said would strengthen regional connectivity.

At another event dedicated to fintech collaboration, Acting Governor of the National Bank of Georgia (NBG) Natia Turnava spoke about the importance of digital banks, noting that the central bank is committed to implementing an instant payments project by 2025. "Since 2022, the NBG has supported the establishment of three digital banks, one of which facilitates seamless transactions with the European Union Economic Area, and the other is the world's first programmable bank established in Singapore," she said. Following the panel discussion, a memorandum of cooperation was signed between the NBG and global fintech company Elevandi for the development of Georgia's fintech industry and "effective sharing" of knowledge and experience.

National Bank adds gold to its international reserves for first time

The National Bank of Georgia (NBG) on April 9 added gold to its international reserves for the first time with a $500 million purchase of seven tons of gold bars from the London Gold Bullion market.

Acting Governor of the NBG Natia Turnava said of the transaction: "Now we are not only increasing the reserves, but also diversifying them, and for the first time in our country, the central bank will include gold in international reserves as one of its reliable and always valuable assets."

The NBG noted that it plans to move the gold reserves from London to Georgia. The purchase accounts for approximately 11% of the country's total international reserves.

Georgia, Turkey sign memorandum on energy

Economy Minister of Georgia Levan Davitashvili and Turkish Minister of Energy and Natural Resources Alparslan Bayraktar on May 16 signed a Memorandum of Understanding on Cooperation in the Energy Sector between Georgia and Turkey.

The memorandum was signed during Georgian Prime Minister Irakli Kobakhidze's visit to Turkey. Per the memorandum, the two countries will share experience in renewable energies, energy efficiency, infrastructure digitization, and reduction of carbon emissions.

Speaking at a joint press briefing during Prime Minister Kobakhidze's official visit, President Erdoğan also affirmed his country's readiness to take part in "large projects" in Georgia, including the construction of airports, ports, and transmission lines. He highlighted that bilateral trade between the two countries had reached $3 billion last year and announced "a new target point" of $5 billion. "I believe that we have the potential to reach this point very soon and fully grasp our business opportunities," he added.

The Turkish president emphasized that his country would continue to make efforts to launch the Baku-Tbilisi-Kars Railway project as "the backbone of the Middle Corridor and the revitalization of the historic Silk Road." He also expressed a desire to enhance security cooperation with Georgia, including in the areas of combating organized crime and terrorist organizations.

Asian Development Bank allocates €46 million to strengthen healthcare in Georgia

Georgian Finance Minister Lasha Khutsishvili and Asian Development Bank Country Director for Georgia Lesley Bearman Lahm on April 24 signed a €46 million loan agreement to strengthen the country's healthcare system.

The Ministry of Finance said the deal included increasing benefits offered to citizens for primary healthcare, specialized ambulatory care, and diagnostic services, and was aimed at reducing financial access barriers and improving service delivery at "all service levels." The ministry added the agreement also involved improving digital information systems for "more effective" management of programs and public spending on healthcare, as well as governance and accountability for service quality.

The first tranche of the loan, totaling €23 million, will be allocated by the ADB

this year, while the second part is scheduled to be received in 2025.

Government proposes changes to Pension Agency governance

According to a draft law submitted to parliament by the Ministry of Economy in early May, the government of Georgia plans to take the issue of appointing the governance structure of the Pension Agency under its authority and abolish the existing Investment Council, which is currently responsible for investment decisions for pension assets.

Currently, the Investment Council is composed of four foreign members, who were selected by the Georgian parliament through an international competition. The proposed legislation envisages the abolishment of the Investment Council and its replacement with a 15-member board, which will be responsible for both fund management and the asset investment process by the fund. Within the new board, two members will be directly appointed by the Georgian government and the remaining members will be selected through an open competition; however, unlike the current model, their selection commission will be largely composed of government members.

The proposed bill will also increase the administrative expenses of the Pension Agency by raising the management fee from .5% to .75%.

Currently, the Pension Agency's assets amount to GEL 4.9 billion, and it represents the pension savings of 1.3 million citizens.

Visa-free travel regime with China launches

As of May 28, Georgian citizens are now able to travel to China without a visa and stay in the country for 30 consecutive days, the Ministry of Foreign Affairs of Georgia announced at the end of April.

Chinese Ambassador to Georgia Zhou Qian noted in a statement that the necessary legal procedures had been completed in early April and was part of growing efforts to increase economic cooperation between the two countries.

For reference, Georgia announced it would also launch a visa-free travel regime for Chinese passport holders in September 2023.

Georgia hosts 1.3 million international travelers in Q1

Georgian Deputy Minister of Economy Mariam Kvrivishvili announced on May 17 that the country had hosted 1.3 million international travelers in the first quarter of the year and registered "record-high" revenues of over $800 million.

Noting that tourism figures had been "fully restored" to pre-pandemic levels and tourism revenue was up 40% over 2021 levels, Kvrivishvili said a "positive dynamic" was also observed in terms of flights through the country's western Kutaisi International Airport. She added that Tbilisi International Airport had also served more than 337,000 passengers, a 21% increase compared to last year's figures.

"This year, we were able to introduce several European airlines, including Austrian and Dutch ones, to the country's airline market. This dynamic has a positive impact on the increase in passenger flow," she said. She added that flight capacity had increased, with 640 direct flights flying weekly, up 15% compared to the previous year. ■

Reimagining retail

Georgia's first outlet village set to bring brand bargains and a new luxe shopping experience

Tbilisi is soon going to gain the latest in "retail-tainment" in the form of the Tbilisi Outlet Village, designed to be luxury shopping heaven to those addicted and to appeal to both locals and the increasing number of tourists. This will be a 20,00 sq. meter project, opened in two stages, comprising 110 selected retailers of international brands and restaurants.

SALLY WHITE

"Retail-tainment" is booming in Georgia. Not a word you've heard before? It is the marketing industry jargon for a 21st century gloss on that millennia old activity – shopping. This, say the gurus such as international consultants PwC, is "shopping as entertainment" and as a leisure destination – the retail environment that is to be found in markets, shopping malls, department stores, well-choreographed High Streets, festivals, and events. Outlet malls are the latest such development, aiming at the luxury end of the retail market, and Tbilisi is about to get Georgia's first!

In his book *Enchanting a Disenchanted World: Revolutionizing the Means of Consumption*, Professor of Sociology at the University of Maryland George Ritzer describes "retailtainment" as the "use of ambience, emotion, sound and activity to get the jaded consumer interested in the merchandise on offer and in a mood to buy". Outlet malls, with their combination of a selection of cut-price top-of-the range brands, gourmet food offerings, and attractive architecture and amenities, are typical.

Outlet stores began in the U.S. in the 1930s with the purpose of shifting old inventory that was not moving. Come 2024, developers have clustered them into malls and "especially post the pandemic, when inflation skyrocketed and supply chain crises disrupted the flow of goods, luxury brands, including established and emerging ones," says Forbes U.S. Now, retailers "are giving outlets a place in the luxury distribution ecosystem." The reason, says Stephen Yalof, CEO of one of the U.S.'s largest premium outlet mall groups Tanger Outlets, that "the single biggest advantage of luxe brands opening outlets is that they can control the customer relationship, prices, and the brand's upscale positioning - unlike other liquidation platforms."

Consumers like the pleasure of a luxury purchase without the pain of paying full price. U.S. analytical group Place.ai reports that outlet malls in the U.S. "appeal most to young couples on their way up in terms of income,"- in particular Gen-Z adults. Since 2021, U.S. luxury outlet sales have gained 35%, or around $386 billion. In Europe, with a lot of luxury brands having a tough time, reflecting the state of the economy and struggling with significant debt and too much inventory – 2023 saw some record price cuts and strong interest in outlet channels.

Tbilisi's first outlet mall

By summer's end, Georgia is going to get its first outlet mall - Tbilisi Outlet Village, designed to be a luxury shopping haven. The 20,000 square meter project, which will open in two stages, will offer shoppers their choice of more than 110 selected retailers of international brands and restaurants. It is designed as a village of low-lying traditional lanes, squares and courtyards, with heritage facades, a main plaza, and trees that will provide shade.

The plan is to start with Phase 1 of 12,500 square meters, containing 70 units. The second phase will come later, as will the opportunity to augment the retail offering with online sales. Parking space will be available for 2,000 cars. It has been three years in the building and is now on schedule to open in early September. Drivers on the E60 Tbilisi by-pass road have been able to observe the rising profile on the landscape of the complex. Given the location, near to the

Tbilisi airport and not far from Azerbaijan, Armenia, and Russia, visitors have been forecasted to top 7 million within the first three years.

Partners in the project are the well-established Georgian entrepreneur Guram Tsanava's Georgian Outlets & Resort Group (GORG), construction company Domus, and U.S.-based international outlet consultants TORG (a network of experts operating as The Outlet Resource Group). Around 70% of the targeted brand pre-lease contracts were signed last year, including over 15 brands not yet officially represented in Georgia.

TORG says the brands in the outlet mall will include Armani, Chanel, Dior, Gucci, Dolce & Gabbana, Elisabetta Franchi, Elena Miro, Iceberg, American Vintage, Liu Jo, Canali, Baldessarini, Brioni, Boggi, and Corneliani. From sports ranges there will be Adidas, Nike, and Puma, along with New Balance, Kappa, Levi's, Diesel, Wrangler, Mavi, and Calvin Klein Jeans.

Persuading tourists to spend more will be particularly important for the economy given Georgia's increased focus on promoting high-value tourism in recent years. Retail is, according to the World Travel and Tourism Council's (WTTC) latest annual report, "the driving force behind the (post-Covid) recovery of the Travel & Tourist Sector, contributing significantly to revenue, job creation, and overall economic growth."

Plans for the Tbilisi Outlet Village. Source: Tbilisi Outlet Village.

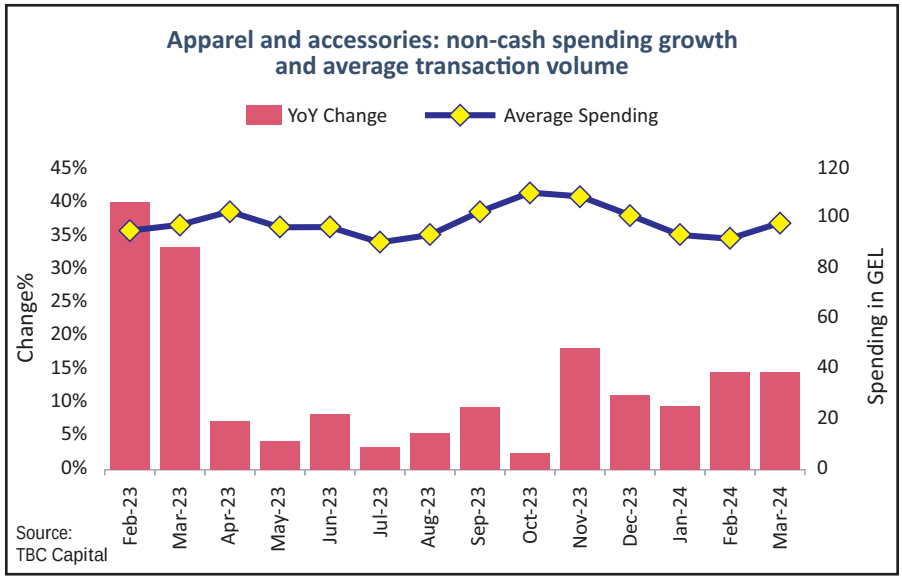
While High Street shops "remain popular destinations," says the *Global Retail Trends and Insights* report from the WTTC, the Hospitality & Tourist Center of Hong Kong Polytechnic University, and the Bicester Collection, "out of town retail is growing in popularity." In Georgia, tourist surveys show that shopping opportunities are a major reason that Tbilisi is able to draw so many visitors from neighboring countries. Shopping, according to commercial real estate agents Cushman & Wakefield, can make up to 23% of tourists' spend.

Retail revenue and trends

Spending by local Georgian shoppers and tourists overall on such popular buys as clothing and accessories has been robust so far this year, as indicated by figures collected for TBC Capital's Consumer Spending Tracker. In March, 15% annual growth was registered in non-cash spending through TBC channels on apparel and accessories, just slightly more than in February.

The last few months have already brought additions to the Tbilisi retail scene. One in particular noted by the region's upmarket and retail media is the expansion by the Avsajanishvili family of its St. Petersburg empire with the opening of a luxury multi-brand Boygar's store at a location on Rustaveli near the Tbilisi Marriott. The store targets a premium niche in the luxury line of clothing, fashion accessories, and jewelry. Estate agents say that demand for shop space has been high.

Retailers have been drawn to Georgia by the strength of the economy, robust consumer spending, and rising tourist numbers. The economy has been forecast to grow by around 5% this year, inflation at a rate of 1%, and tourism to expand by around 20%. In Q1 of 2024, tourists numbered 1.2 million, and the overall growth in their receipts compared to pre-pandemic levels was 40%, according to TBC Capital analysts. Their credit card spending through TBC systems in retail stores was also up around 11%. Total spend (including hotels) by international visitors ▶



in 2022 was $3.5 billion, and, of course, it is now considerably more.

Retail is one of the pivotal sectors in the Georgian economy, comments Georgian international development consultancy PMCG in its report on *The Retail Trade Sector*. It pulled in around 90 billion GEL between 2018-2022 and has constituted 14% of the total business sector turnover. It is also one of the most significant sources of jobs, employing on average around 16% of the total employees in the business sector, or over 116,000 people, and a leader in terms of tax revenue – GEL 3.6 billion between 2021 and 2022. The profit margin enjoyed by Georgia's 12 largest retailers is, says PMCG, a very healthy number - just over 21%.

Georgia's retail sector currently has around 24 shopping centers of various types – from malls to community centers, according to Cushman & Wakefield, blending local and international brands and occupying in total around 541,000 of gross leasable space. Tbilisi, says the commercial real estate agent, is "witnessing a gradual increase in high-class and luxury brands." In recent years, it states in its 2023 report, "shopping centers have been the preferred choice for shoppers, although since 2022, there has been a resurgence of interest in street retail, fueled by an uptick in visitors and tourism." However, mall projects are now "set to expand the Tbilisi market," and "the addition of 72,000 square meters of leasable area after 2025" indicates a market poised to grow.

Demand for retail space also enabled owners to increase Tbilisi rental prices by 11% last year, bringing them almost back to pre-Covid levels, according to TBC Capital in its latest look at the retail sector. The Georgian analysts expect Tbilisi street rentals to rise a further 8% in 2024. Shopping mall rentals rose by 7.5% in 2023, and here the TBC rental increase forecast is for 5%. Vacancy rates have been shrinking.

Average vacancy rate in Tbilisi shopping malls stood at 7.4% in 2023, a 2.9 pp improvement year on year, according to TBC. "However, vacancies varied significantly by malls, reaching 35% in some of them. Looking ahead to 2024, we anticipate even greater activity in Tbilisi shopping malls and the average vacancy rate is projected to decrease further, accompanied by increased rent prices."

While the latest income figures for the Georgian shopping malls are not available, Commersant last year published Balkans financial group Finspot figures on Georgia, indicating that in 2021, Tbilisi's East Point earned the highest income at GEL 32.4 million, followed by Galleria Tbilisi with GEL 26.9 million, and Tbilisi Mall with GEL 21.3 million. East Point's total revenue in 2021 was 29% higher than in 2020 and only 3% lower than in pre-pandemic 2019.

A comment on the local retail scene from Guram Tsanava, who was the founding partner of GORG, is: "Many luxury brands have entered Georgia in the past year in beautiful flagship stores or as part of new high-end shopping locations. This makes us very optimistic looking at the future of Tbilisi Outlet Village." ■

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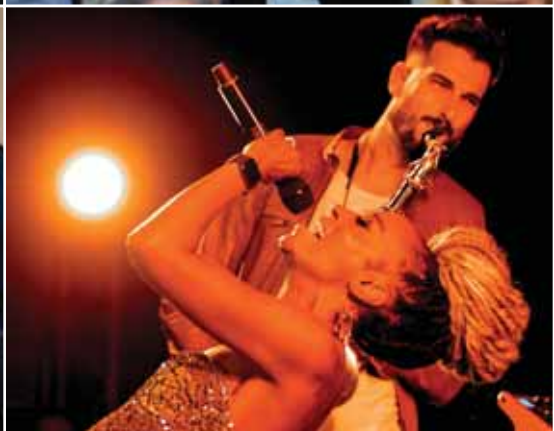

The negative economic impact of the foreign influence law

The Law on Foreign Influence has attracted considerable attention in Georgia on the basis that it will be damaging to Georgian NGOs and will undermine the country's democracy and Euro-Atlantic aspirations. Less has been said about the economic impact of this law, but those repercussions will also be negative – and severe.

In the short term, the possibility of the law's passing has impacted the tourism sector, the value of shares in Georgia's internationally listed companies, and it has put notable pressure on the Georgian lari.

Longer term, if the law is passed, it will reduce funding for economic support programs that have been critical to Georgia's economic growth, particularly its infrastructure development. By damaging the prospects for EU integration, it will undermine Georgia's long-term growth and employment prospects and could even lead to reversals, like the withdrawal of Georgia's EU visa-free travel or sanctions on Georgians. Finally, by signaling a rejection of its Western orientation, it will discourage Western investment and make Georgia more economically dependent on a highly problematic and volatile region.

Undermining Georgia's economic growth

As London premium-listed companies, Bank of Georgia and TBC's share prices probably reflect international investor sentiment towards Georgia more than anything else. The Law and what it portends has taken Bank of Georgia's share price from 5510 GBP per share at its peak on May 1 to 4015 GBP at the time of writing on May 27 – a 27% drop. TBC shares are currently 25% down.

As another bellwether of economic confidence, the Georgian lari has become extremely volatile. It lost up to 4% of its value in the days following the first reading of the foreign influence law. In response, the National Bank of Georgia sold $60 million in reserves. This intervention is large by historic standards and will probably be unsustainable in the medium term.

On top of this, at a recent press conference, AmCham, the EU-Georgia Business Council, the European Business Association, the German and French business associations, and several others all reported that this law was leading businesses to pause their investment plans and tourists to cancel their travel plans.

Negative impact on development financing

The first long-term impact of the law will be on foreign economic development projects in a country where development financing is significant. According to the World Bank, net official development assistance was around $400 million in 2022. During Covid, the country received $1.1 billion. This number understates the actual amount of cash available as it only includes the subsidy element of loans. We can therefore say that development financing represents billions of dollars of available cash for government and other spending. This high accessibility of international financing is one of the rea-

sons Georgia's economy made it through Covid relatively intact.

Development financing plays several critical roles. The biggest blocks of resources made available come from international financial institutions (IFIs) like the World Bank, the Asian Development Bank, and the EBRD. This takes the form of loans. However, these loans are made available to governments at far lower rates than would be possible through international markets. This makes possible infrastructure upgrades like the improvements to the East-West Highway; the rehabilitation of city infrastructure, including roads, lighting, and waste management; and, most recently, the upgrade of many Georgian schools.

Other development financing comes through aid agencies, like USAID, the EU, the German GIZ, and many others. This provides grants for a wide range of activities, including considerable financing for economic development. USAID, for example, has been working intensively to improve nut production, including helping with the eradication of the brown marmorated stink bug that nearly destroyed the hazelnut crop – one of the country's top agricultural products. They also have projects that work on tourism, IT, transport and logistics, wine production, investment promotion, and much more.

The Law on Foreign Influence could negatively impact these programs in several ways. If the impact of this legislation makes it harder for development partners to work in the country, it could create practical hurdles for project implementation.

More significantly, since many of these resources come from Western countries, continued harmful rhetoric and actions that undermine those partnerships are likely to reduce the level of assistance offered. As U.S. Secretary of State Antony Blinken recently stated, the passage of the law will trigger a "comprehensive review" of the U.S.-Georgia relationship, including economic support.

Damaging EU orientation

The biggest impact of this law will not be the withdrawal of donor money but a fundamentally negative shift in our relations with our partners in the West, including Western governments, investors, and citizens.

In terms of Western governments, the EU has already made clear that this law significantly reduces the likelihood of Georgia progressing on the EU membership path. As EU Ambassador Pawel Herczyński has clearly stated, this law is "incompatible with European norms and European values."

At the end of 2023 when Georgia gained EU candidate status, the country was unified in its enthusiasm for what this would mean. From an economic point of view, this excitement was premised on the opportunity created by access to the 450 million person and $19.4 trillion EU market.

The opportunity that this presents is borne out by history. All EU candidate countries saw significant improvements in investment, trade, and growth during the build-up to EU membership – and in its immediate aftermath. This is significantly driven by increases in national and international business confidence that comes from integrating into the EU. As a developed economy, the EU market is not only very large but is incredibly stable and reliable with long-standing institutions to ensure that member countries apply rules consistently. This provides a certainty about the nature of a business environment that transcends any particular government, and so gives the level of confidence needed for long-term investments.

In the EU, for example, if a country passes legislation that violates EU law, it can be taken to the European Court of Justice and effectively forced to withdraw it. In this system, laws which will allow breaches of data protection or advantage one company over another are struck down by the court and cannot come into force.

To join this EU "club," a government therefore must demonstrate that it is prepared to follow these kinds of rules; the passage of the Law on Foreign Influence demonstrates the exact opposite. Don't follow the rules and you don't get to join the club. It's as simple as that.

This would be a historic missed opportunity. EU membership offers the greatest chance in a generation for improvements in Georgia's prosperity, security, and democracy. Missing out on ▸▸

that would undoubtedly leave us poorer and more vulnerable.

But the results could also be far more damaging. If Georgia is not part of the EU club, it may start to see other benefits of close EU association withdrawn. Beyond immediate financing of development projects, Georgia's biggest EU alignment perk is visa-free travel. This is hugely popular. It also brings significant economic benefits as it allows Georgians to come and go easily for work and the development of business relations in the EU.

Georgia has seen expansion in wine, agricultural products, and light manufacturing to the EU. It has also seen huge growth in employment within the business process outsourcing sector with EU companies. All of this is hugely helped by the ability of Georgian people and companies to easily go to the EU for marketing, training, and networking. Losing this benefit would be a huge blow to these growing businesses and to Georgian pride.

Signaling a rejection of Western orientation

If the West decides to sanction prominent Georgians who were involved in passing the law, the impact of this will not end with them. Financial institutions at home and abroad may be nervous to provide debt or equity to any company whose ownership is in any way uncertain in case it turns out that they have financed a sanctioned individual by accident. This could have a broad impact and will, at minimum, damage the country's reputation and risk profile.

A Georgia that does not head towards the West can expect to stop attracting investment from pro-Western sources, both at home and abroad. It might also see a national credit rating downgrade or negative assessments from the IMF, which would have other negative economic impacts.

The reduction of investments that AmCham members and other business associations have already reported in the last month reflect a concern about the direction of the country. The foreign influence law demonstrates a fundamental distrust in outside financing, no matter where it comes from or what it finances. The law does not distinguish friendly states from its foes or helpful action from the harmful. Worse than that, the rhetoric around the law has suggested that Western sources might be the most suspicious.

Businesspeople from the West or with strong ties to the West are reasonable to feel that their business investment might also be seen negatively by the state. This is extremely problematic for a country that has grown quickly, in part thanks to its strong ties with the West. From banking to tourism, to IT, to retail, the Georgian marketplace has modernized thanks to partnerships between foreign expertise and local talent.

Disconnecting these ties would inevitably mean that Georgia would increasingly fall into the economic arena of Russia. This not only flies in the face of the EU aspirations of 80% of the population but would also undermine the corporate sector more broadly, since Russian finance tends to be based on patronage rather than legal due process. Furthermore, it will make the country less secure as market access is used as a geopolitical weapon – a common feature of Russian statecraft.

Of course, in the end, the impact of the foreign influence law on the business environment cannot be disentangled from its impact on Georgia's democracy and international standing. Whichever way one looks at it, the law will make us less secure, less independent, and poorer. It should be withdrawn. ■

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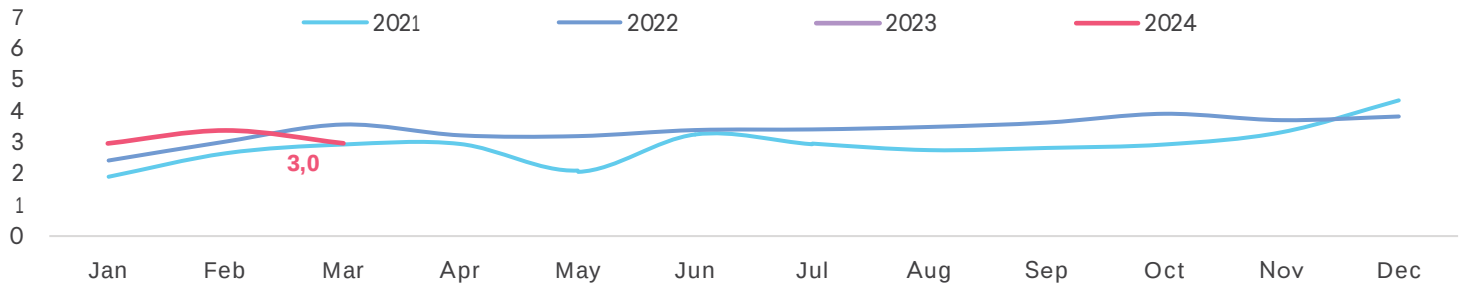
Tbilisi residential real estate market sees stable first quarter

Transactions, price, and yield

Tbilisi's residential real estate market remained largely stable and in line with forecast trends throughout the first quarter of 2024, despite a noticeable drop in March transactions, says TBC Capital's latest market watch. The average asking price per square meter in March came in at $1,200, up 4% YoY, while the overall market was valued at $235 million, down 10% in annual terms.

Transactions were down 11% in March compared to the year prior, which TBC Capital Senior Analyst Revaz Maisuradze says is not necessarily indicative of wider shifts in the market but instead due to changes in legislation around property registration that came into effect at the end of the month. "A new law came into effect on March 26 that requires all new properties to be officially put on the market and approved by city hall before they can be sold," he explains. "There was a noticeable drop in transactions in the last five days of the month, which could mean it took the market time to adjust to the new regulations. Preliminary data from April shows that transactions returned to their previous trends, indicating that this was most likely a one-off event as developers adjusted to the new law."

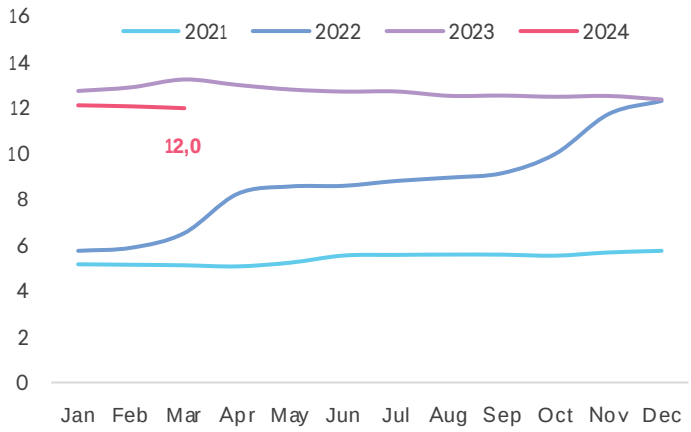
Number of sold properties ('000 units)



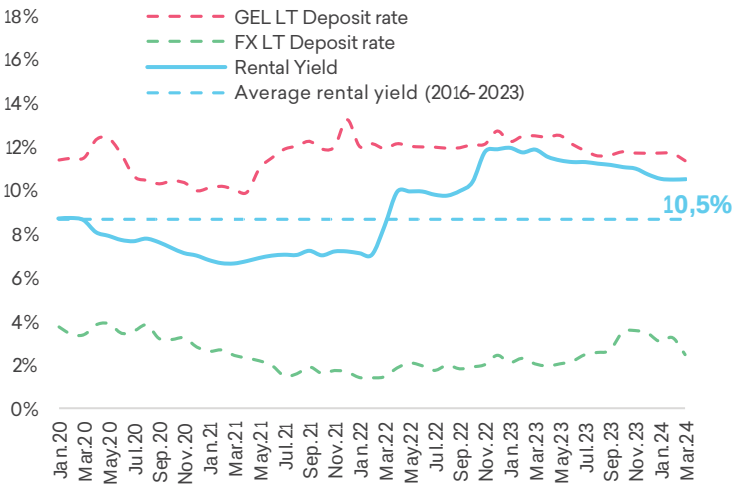
Source: NAPR, NBG, TBC Capital

While sales prices continued to be largely stable, average rental prices and rental yields continued to decline, down 10% and 1.4pp YoY, respectively. Maisuradze says this is line with analyst expectations for 2024: "The large uptick in demand that we saw in 2022 and partly in 2023 - mostly related to migration trends - have faded away. Therefore, we expected rental prices and yields to continue a gradual downward trend throughout 2024."

Average asking rent price ($/SQM)



Rental yield and deposit rate dynamics



Source:NBG, TBC Capital

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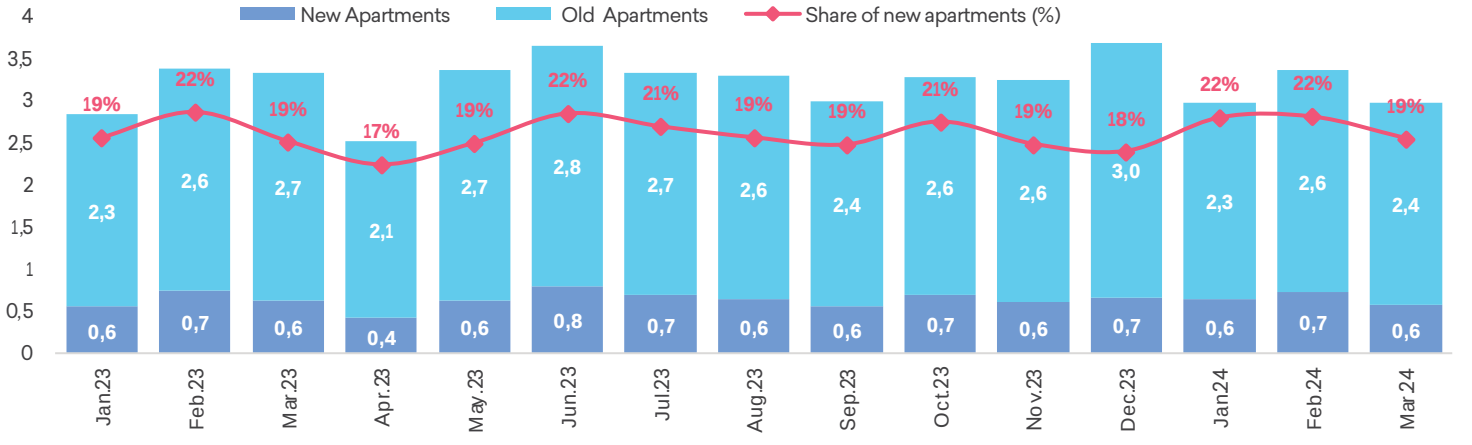
Consumer Preferences

Sales of new apartments, or those sold within three years of when their building permit was granted, were down 9% YoY in March, while sales of old apartments were down 11% YoY. The share of new apartments in total sales was slightly lower (19%) compared to the previous month (22%), which Maisuradze says could also be a result of the new legislation that impacted sales of residential properties at the end of the month.

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



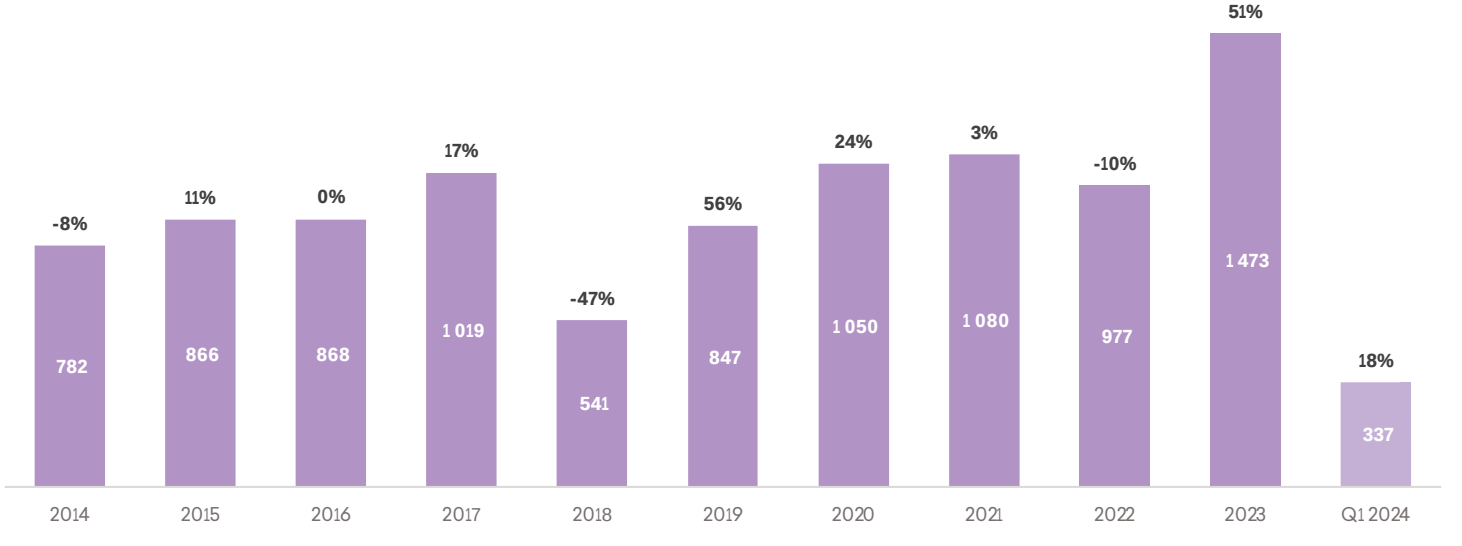
Source: NAPR, TBC Capital
Note: "New" means a residential property with sale date within 3 years after construction permit issuance

In terms of location preferences, Didi Dighomi had the highest number of residential property sales, making up 22% of total transactions, followed by Saburtalo with 18% of transactions.

Construction permits

The first quarter of 2024 saw a continued upward trend in the issuance of construction permits. The residential area covered by construction permits in Q1 2024 reached 337,000 square meters, up 18% YoY. This growth, on top of record annual growth of 51% in 2023, indicates that developers are still optimistic about the Tbilisi residential market. Maisuradze says that these continued positive expectations from the first quarter of the year could also have been boosted by the EU's decision to grant Georgia candidate status at the end of 2023. "While we didn't see a noticeable shift in sales prices as a result of the December announcement, the overall positive impact on the investment climate and economy could have played a role in continued optimism and demand expectations from the sector." He adds that "while analysts should continue to closely monitor the number of permits being issued," that "current levels of demand are high enough to absorb the supply of new residential projects."

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



Source: TAS, TBC Capital
Note: residential area in class III and IV multi-apartment and multifunctional buildings

Hidden gems of Kartli

Six day trips to take from Tbilisi this summer

TIMOTHY MERKEL

For many visitors to Georgia, trips to tourist staples such as Sighnaghi, Ananuri, Kazbegi, and Batumi are enough to make them fall in love. But Georgia has so much more to offer than these first impressions: every region's unique combination of biodiversity and cultural heritage provides a completely different experience and perspective of this charmingly diverse country.

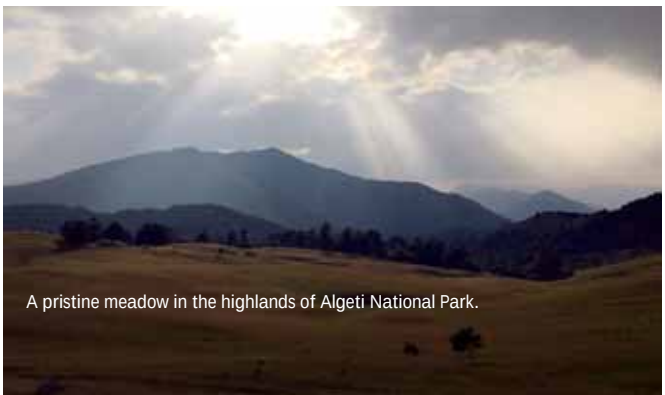
One region that is undeservedly neglected by many visitors is Kartli, commonly divided as Shida (Inner) Kartli and Kvemo (Lower) Kartli. Just a short drive to the west and south of Tbilisi, Kartli is the historical heartland of Georgia and is exceedingly rich in cultural monuments, while the low ridges of the Trialeti Range (a subrange of the Lower Caucasus) cutting across it provide it with incredible scenery and natural habitats. It is well worth the trip for anyone looking to get to know Georgia better and expand their experience past the first tier of touristic destinations, to get onto the back roads of Kartli, explore its impressive historical monuments, and wander in its scenic natural areas. These six itineraries are just a sample of the fascinating places one can encounter while exploring Kartli.

Kldekari Fortress, guarding the historical pass between Shida and Kvemo Kartli at the top of the Algeti Valley.

Shekvetila village in winter, one of the several historical villages scattered throughout Algeti National Park.

Manglisi and Algeti National Park

Manglisi is a sleepy resort town at the eastern edge of the Algeti National Park, and boasts (besides some beautifully intricate woodwork on some of its old houses) one of the oldest churches in Georgia, Manglisi Sioni, complete with a prehistoric stone circle on the hill behind it. The Algeti Valley itself is a Tolkienesque landscape of low ridges, lush forests, clear rivers, and green pastures, dotted in between with idyllic villages and ancient shrines to the local spirits (*adgilis dedebi*). It is one of the finest places in all of Georgia for easy to moderate hiking, with the possibility for amazing views without too punishing of an ascent. Pack a good lunch and start from the cathedral; a decent off-road vehicle can get you to some of the trailheads deeper in the park. Easy loop trails include routes through the pastures above Shekvetila village, and coming back along the main road by the Algeti River, or a circle between the villages of Didi and Patara Namtvriani. If the daytrip is extended to include one night of camping in some placid recess of the valley, it will be possible to reach the stunning Kldekari ("cliff-door") fortress on one of the peaks of the furthest ridge of the protected area, the historical guardian of a major pass between Shida and Kvemo Kartli.



A pristine meadow in the highlands of Algeti National Park.

Tedzami Valley

The Tedzami valley is home to medieval churches and fortresses along it are some of the most spectacular in all of Georgia. The valley begins just over an hour away from Tbilisi, plenty close enough to make a relaxing day trip in a beautiful, hardly visited natural area. From the village of Akhalkalaki (in Kaspi region, not to be confused with the city of Akhalkalaki in Javakheti), follow the road up to Ertatsminda, where a 13th-century cathedral with impressive carved ornaments stands proudly. From there, the road becomes unpaved, but it's just bumpy; a sedan car can pass it easily. The road winds up and down through hills and forests until it reaches the village of Rkoni, where a short walk will bring you to a spectacular medieval monastery complex and one of the largest surviving medieval stone arched bridges in Georgia. It's easy to get lost in the contemplative beauty of the riverside here, but it's worth it, when you get back to Rkoni village, to hike the two kilometers up the hill to the Ikvi St. George, whose interior walls preserve incredible, unique frescoes colored with local pigments. If you have a decent off-road vehicle, you can also visit the Drisi fortress on your way back to Ertatsminda – a spectacular, starkly towering ruin built out of a sheer cliff.

The forbidding stronghold of Drisi Fortress looms over the Tedzami Valley.

Panorama looking west from a hill above Saorbisi, towards the Ateni Valley.

Khovle and Saorbisi

Once you've visited Tedzami Valley, you may be taken with curiosity about a certain mysterious structure, visible at some points standing in the far distance on the ridge to the west. This is the ruins of Saorbisi church, one of the best-kept secrets in east Georgia. To get there, you need to follow a jeep trail from the village of Khovle. Khovle itself is a charming place with a rich history, including many old chapels, towers, and a brick aqueduct of which there is no analogue anywhere in Georgia. After a moderate ascent, the trail reaches a large, green open space, the pasturelands of the last few villages clinging to existence in this isolated corner of the Trialeti range. From here, it's time for some gentle hiking; head down the hill slowly to the village of Pitsesi and find the trail leading up to the promontory that the church sits on. Here, one feels like they have entered some kind of fairy world or parallel existence with lush meadows. From the church, a spectacular panorama opens up over the entire Tedzami Valley and the rolling, forested ridges that surround it. With an easy pace and a good picnic, Saorbisi makes a spectacular day trip, but those who become intrigued with this mystical landscape can always explore further – there are jeep trails and footpaths leading deeper into the mountains, past even more remote villages, forgotten shrines and sanctuaries, and panoramic views.

Ateni Sioni, the spectacular 7th-century cathedral which dominates the Ateni Valley.

Ateni Valley

Ateni Valley is located just to the south of Gori, running up along the Tana River from Khidistavi village. Steep, jagged slopes cut up and down on both sides of the winding river, revealing sharply tilted geological layers in the places it's too steep for forest to grow. The jewel of the valley is definitely Ateni Sioni, an exquisite 7th-century church whose remarkable architecture stands in perfect harmony with its beautiful natural setting. The church preserves a superbly frescoed interior and several unique stone carvings in its exterior decorations. After Sioni, the road isn't paved anymore but is still passable with a sedan car; by bumping along, one can reach a short trekking pathway to the Biisi waterfalls or simply some peaceful spot by the Tana River. With the help of a very good jeep or else after a short but very steep hike from Sioni, it's possible to reach the summit of the Danakhvisi mountain, whose triangular shape dominates the horizon of the entire Gori region. As one of the most prominent peaks in this part of the Trialeti range, it will reward the effort of its ascent with one of the best views in Eastern Georgia. Ateni Valley is also renowned for its viticulture. The rugged, rocky mountains which hold it close provide a unique microclimate for some of the less well-known Kartlian grape varieties, and a visit to a local winemaker can make a delightful culmination to the trip.

Samshvilde Canyon

Samshvilde, although one of the most impressive sites in Georgia, is very rarely visited by tourists. Here, fascinating layers of history from the Neolithic Era through the Middle Ages combine with a stunning natural setting on a peninsula of rock between two vast canyons. Ongoing archaeological studies have uncovered evidence of Samshvilde's inhabitation going back at least six thousand years. By the medieval period, it was one of the most important towns in Georgia, containing a large fortress to further strengthen its strategic position, as well as numerous churches. Although the site has been ruined for hundreds of years already, many significant architectural relics remain, including the fortress, the ruins of the grand cathedral, carved stone figures of horses and sheep, and even prehistoric sacred standing stones. It's an incredible feeling to wander in Samshvilde's overgrown streets and pathways and imagine the place full of life and activity. For those who enjoy hiking, a recently cleared and marked loop trail takes you from the old city to the bottom of the canyon (enjoying fantastic views along the way), past even more ruined monasteries, and back up through the thick forests. A jeep may be necessary if one wants to drive all the way to the gates of the Samshvilde protected area, but otherwise a regular sedan can easily access the nearby Samshvilde village a short walk away.

Megalithic Heritage of Tsalka Region

The Tsalka plateau, on the far western side of Kvemo Kartli, is one of the oldest inhabited regions of Georgia, and the Neolithic cultures which lived here left plenty behind. Here, with the help of a solid jeep or a local guide, the intrepid traveler can visit standing stones that have been venerated for millennia, mystical stone circles, ancient petroglyphs, and sprawling cyclopean complexes of fortresses and cities long lost to history. The largest reservoir in Georgia, built in 1946, occupies the center of the plateau and has covered up even more historical monuments, but it provides a scenic backdrop to an extensive jeep tour of the isolated villages dotting the plateau; aside from the deep canyons occasionally cutting through, the wide expanse provides magnificent panoramic views from nearly every point. In Tejisi, a monumental prehistoric menhir stands inside a Christian church that was built around it; the Azeri Muslim inhabitants of the village continue to venerate it. Outside the church, a massive stone circle stands on a hill. Other impressive menhirs stand in Cholmani and Akhalsopeli, while megalithic fortresses can be viewed and clambered through in Avranlo, Gokhnari, Akhalsheni and Beshtasheni. That's to say nothing of the prehistoric inscriptions in Gantiadi, the countless ancient chapels scattered about through the villages, or even the old German settlement at Trialeti. To visit this area is to feel that one has stepped back in time, to a place where one can directly touch and interact with the spirits of the past. ■

Timothy Merkel is a tour guide, musician, and activist residing in Tbilisi. His tourism website can be accessed at timothystours.ge

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How Georgia is 'going green' to transform its tourism sector

SALLY WHITE

Welcome though Georgia's regular tourists are, they are not what the country most wants right now. Coming as so many do from Georgia's neighbors, they are not rich, so while their numbers are considerable, few are high spenders. Lacking major manufacturing export revenue earners, Georgia needs to earn money to cover a $9 billion deficit (2023 numbers) in its foreign trade, with tourism its best option. Hence the current official campaigns to develop the country's upmarket appeal to increase visits from higher-spending tourists from Europe and the Middle East, with attractions such as eco-, adventure-, and nature-based tourism.

Outlining its vision for Georgia's tourist development, the Ministry of the Economy has announced its vision that: "The quality and variety of the tourist flow will become more significant than the number of visitors."

So, what do high-end tourists look for? According to international consultants Bain, they like unique, "personalized, and transformative experiences" that foster a "disconnection" from normal life. "High net worth and ultra high net worth individuals have heightened experience expectations beyond traditional luxury amenities. Impact-consciousness, particularly among younger generations, favors more authentic and culturally immersive experiences and accelerates sustainable practices," says Bain. So, even if Georgia does not expect to win a very large slice of the EUR 1.5 trillion that Bain estimates is the size of the global luxury market, it should be able to win at least a small piece.

Among the rich tourist preferences that match what Georgia can supply are those named by *Vogue Traveler* (gig-tripping, biohacking, and sustainable accommodation), *Luxarylifestylemagazine.com* (sustainable spa and wellness retreats), the Word Tourism Organization (local gastronomy, nature, wellness, and rural tourism experiences) and luxury travel group Our Habitas (reconnecting with the wild).

High-value tourists

Some of the highest spending tourists listed in a National Bank of Georgia report for the first part of 2023 were Israelis at $1,392 per visit, followed by EU citizens at $1,332, and Belarussians at $1,088. Iranians, on average, spent $932, Russians $832, Azeris $710, Turks $453, and Armenians $170. However, a report on high-spending tourists by Georgia's International School of Economics (ISET) also found that tourists from Saudi Arabia, Kazakhstan, and China have the potential to be even higher spenders, with estimates of GEL 5,391 for Saudi spending per trip and GEL 3,397 for Kazakhs.

The dynamics of Georgia's success with Middle Eastern tourists has also been exciting regional envy. The figure

rose 15 times between 2012 and 2022 to reach well over 200,000, according to GNTA. "Georgia is popular among tourists from the Middle East not only because of its scenic views, affordable hotels, and relative proximity, but because of the growing availability of halal food and Arabic-speaking guides," commented UK-based Middle East Monitor.

The largest increase has been in visitors from Saudi Arabia – from 116 in 2011 to 119,931 in 2022. But rising numbers have also come from Jordan, Kuwait, the UAE, Egypt, Syria, Yemen, Oman, Bahrain, Qatar and Iraq. The popularity of Georgia with these countries, noted a report from Armenian *Armenpress*, has also brought "investment flows, (mostly from

the UAE) directed mainly to the hotel sector."

The Georgian National Tourism Administration (GNTA) has been working hard to raise Georgia's profile abroad, hosting more than 350 journalists and tour operators from European and North American countries last year. It also organized 67 information and 13 familiarization tours. Targets were newspapers and magazines such as the *Financial Times, The Times, Forbes, Vogue, Sueddeutsche Zeitung, Elle, Saveur*, and the *Huffington Post*.

Ecotourism investments

Investment is being made in the mountain areas that could help them contribute more to Georgia's tourism coffers. For a start, the mountain resorts have major development projects as part of Georgia's strategy of upgrading its sports areas. "The ski tracks on Svaneti's Hatsvali mountain are being extended by 6 kilometers and in Gudauri by 3 kilometers," the national tourist administration has announced. Artificial snow-making systems and new outpatient clinics were also on the agenda for Gudauri and Bakuriani this year. European money and the World Wide Fund for Nature are funding the Ecoregional Corridor Program to link the protected areas and ensure the genetic exchange of species between them, and the number of rangers is being increased to help safeguard their welfare.

The goal of Georgia's ecotourism strategy is to develop "authentic, high quality, year-round touristic products and services, to include local communities in providing ecotourism services," and to define ecotourism target markets and foster high environmental awareness of the visitors. It has been adding to the territories of its national parks and protected areas, and the restrictions in the latter make the limited tourism allowed in them all the more valuable.

Protected areas are popular locales with ecotourists, and can produce "con-

siderably more spending per visit than average," according to the study *Economic Impact of Nature-Based Tourism*. Georgia is famous among botanists for the biodiversity on its mountain slopes and the region is known to have been the origin of many European plants and trees. Botanical holidays are extremely popular with wealthy tourists, and there are a number of international specialist tour companies.

Another specialist ecotourism area with a very large number of followers internationally is birding – millions in the U.S. and Europe belong to dedicated societies and clubs – and it is also serviced by specialist tour groups. The international attention given to the Batumi Raptor Count, with its biannual monitoring of ▶

migrating birds, is evidence of birding's international reach.

Georgia's move towards increasing its sustainable and green tourism development is being managed with a combination of "targeted policies, incentives, and public investment," notes the Georgian report *Ecological Tourism as a Promising Trend of Sustainable Development in Georgia*. Adventure tourism, from horse-riding treks to mountaineering, are increasingly on offer, with tens of companies operating. However, with no statistics available on the customers' spending, assessing the contribution to Georgia's budget can only be guesswork.

Tourism in the mountain areas has not yet turned to pre-Covid levels, but real estate agents Cushman & Wakefield's 2023 survey showed that the main hotels in the winter resort areas were attracting a diverse range of visitors, including international skiers from Europe, Asia, and the Middle East. Hotels are hardly expensive, after all, with an average daily rate of $74.

Then there is wine tourism, but, attractive though this sounds, this is mainly in the hands of small businesses and family wineries and is rarely set up to offer luxury holidays. However, the quality of niche qvevri wines is improving, rapidly gaining international attention and prizes, and the accommodation on offer is following the same trend.

Not featuring in ecotourism, and not mentioned much in tourism reports, but undoubtedly attractive to certain up-market tourists, is gambling. Since casinos are not allowed in Turkey, Azerbaijan, or Iran, Georgia's casinos, particularly in Batumi, derive considerable benefit from tourists from those countries. Tourist figures for gamblers are hard to split out and track, but GeoStat has overall gambling bets turnover for 2022 of GEL 32,091 million, up from GEL 25,860 million in 2021. This is a major industry despite toughening regulations. A few years ago, the strength of gambling's growth trend even caused an International Monetary Fund Mission to "stress the need for improving the coverage of transactions related to gambling." ■

TOURISM TRENDS FROM Q1 2024

In 1Q24, the number of international visitors was up 8.6% year on year to 1.2 million, according to GNTA. The key drivers behind this growth were arrivals from Turkey, Armenia, Azerbaijan, and Israel, while among the top ten source countries there was a decrease in visitors from Russia and Ukraine. From EU countries, arrivals increased "strongly" from Poland, Germany, and Greece, GNTA announced. Total tourism revenues in the quarter were up 1.5% on a year ago, at $808 million. The portion of international travel receipts attributed to neighboring countries experienced a slight decrease, dropping to 45% in the first quarter of 2024, which is 13 percentage points lower than pre-pandemic levels – much of this due to the closing of Azerbaijan's land borders and the war in Ukraine.

International visitor numbers have been steadily increasing along with the growth in accommodation for them, with total rooms available rising by 1.6% to 35,875.

Visitors from Turkey numbered the most (254,577), followed by Russia (215,468), and Armenia (191,830). Then came Azerbaijan (51,466), Israel (46,789), Iran (28,811), Kazakhstan (27,874), Ukraine (24,538), and India (20,645). The total from the EU and UK was 77,045, of which the largest country of origin was Poland at 11,734. Numbers from Russia fell by 16%.

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Addressing Shareholder Deadlocks: Insights from GEORGIA'S New Company Law of 2021

Georgia embarked on its journey towards a market economy with the adoption of its inaugural Company Law in 1994. This legislative milestone, preceding the enactment of other key economic laws, signified a pivotal step towards fostering entrepreneurship and economic development in the nation. Over time, Georgia underwent significant economic reforms, particularly in 2008, aimed at liberalizing economic legislation and enhancing its global business ranking. While these reforms bolstered Georgia's ranking on the Ease of Doing Business index, they left certain areas, notably the resolution of shareholder deadlocks, inadequately addressed.

Shareholder deadlocks occur when conflicts between shareholders imperil business operations and pose a considerable challenge to business sustainability. Unlike in mature market economies where deadlock mechanisms are often ingrained in shareholder agreements, Georgia initially lacked - and still lacks in many ways - comprehensive legislative provisions to address such impasses. Many businesses have signed "standard charters" drafted by the Public Registry, which are not sufficient for addressing complex aspects of business and corporate dynamics. Consequently, such businesses can find themselves entangled in disputes without adequate legal recourse, potentially jeopardizing their viability and hindering economic growth.

The Company Law of 2021

Recognizing the need to enhance the legal framework surrounding shareholders' autonomy, Georgia introduced its new Company Law in 2021. While still affording business owners significant flexibility in structuring their enterprises, the law sought to mitigate the risks associated with shareholder conflicts through default mechanisms. These mechanisms attempt to provide a safety net for businesses lacking detailed shareholder agreements by offering predefined solutions to deadlock situations.

Three noteworthy default mechanisms introduced in the new law are withdrawal, expulsion, and compulsory liquidation (dissolution). Withdrawal allows aggrieved shareholders to exit the company and receive compensation for their shares at a fair value, which is particularly beneficial

for minority shareholders. Withdrawal is allowed in several cases, including when the company has funds to distribute dividends but has not chosen to do so for three consecutive years. Expulsion empowers remaining shareholders to remove those jeopardizing the company's interests, subject to judicial oversight and fair compensation. The courts can establish exact criteria for the expulsion; however, the general direction of case law relates to actions of a shareholder that damage the long-term interests of the company. Compulsory liquidation enables shareholders to extract value from dormant assets, safeguarding against situations where one shareholder may exploit control for personal gain. Since dissolution effectively ends the business, the legislation grants a buy-out right to the opposing side within an established deadline, thus allowing prolongation of economic activity.

Room for Improvement

Since the law's enactment, there has been a notable increase in court cases invoking these default provisions to resolve deadlock disputes. However, the evolving nature of court practices underscores the need for further refinement and clarity, especially concerning fair market valuation, the interaction between contractual agreements and statutory rules, as well as application of interim measures suspending the voting rights during the court litigation. Despite these challenges, we continue to navigate and monitor these cases closely, assessing the efficacy of default mechanisms in alleviating deadlock-induced strains on businesses.

As Georgia's business landscape evolves, the successful resolution of shareholders' deadlocks assumes paramount importance in fostering a conducive environment for entrepreneurship and economic prosperity. Some may argue that shareholder deadlock is a private matter, not warranting legislative intervention. However, considering the substantial number of registered and active businesses—358,041 legal entities registered as of April 1, 2024, with 88,013 marked as active according to Geostat —shareholder deadlock could impede otherwise thriving or potentially successful enterprises and assets, hindering wealth generation and impeding the nation's economic growth.

While legislative interventions provide a framework for dispute resolution, fostering a culture of proactive shareholders' agreements remains crucial in preempting and mitigating the impact of future deadlocks. By embracing the principles of transparency, accountability, and collaboration, Georgian businesses can navigate uncertainties and capitalize on opportunities for sustained growth and resilience in an ever-changing economic landscape.

In conclusion, the adoption of Georgia's new Company Law represents a significant milestone in addressing the complexities surrounding shareholders' deadlocks. By providing default mechanisms for dispute resolution, the law offers a vital lifeline to businesses navigating tumultuous waters. However, continued vigilance, refinement, and proactive engagement among stakeholders are essential to ensure the law's effectiveness in promoting economic stability and fostering a vibrant entrepreneurial ecosystem in Georgia.

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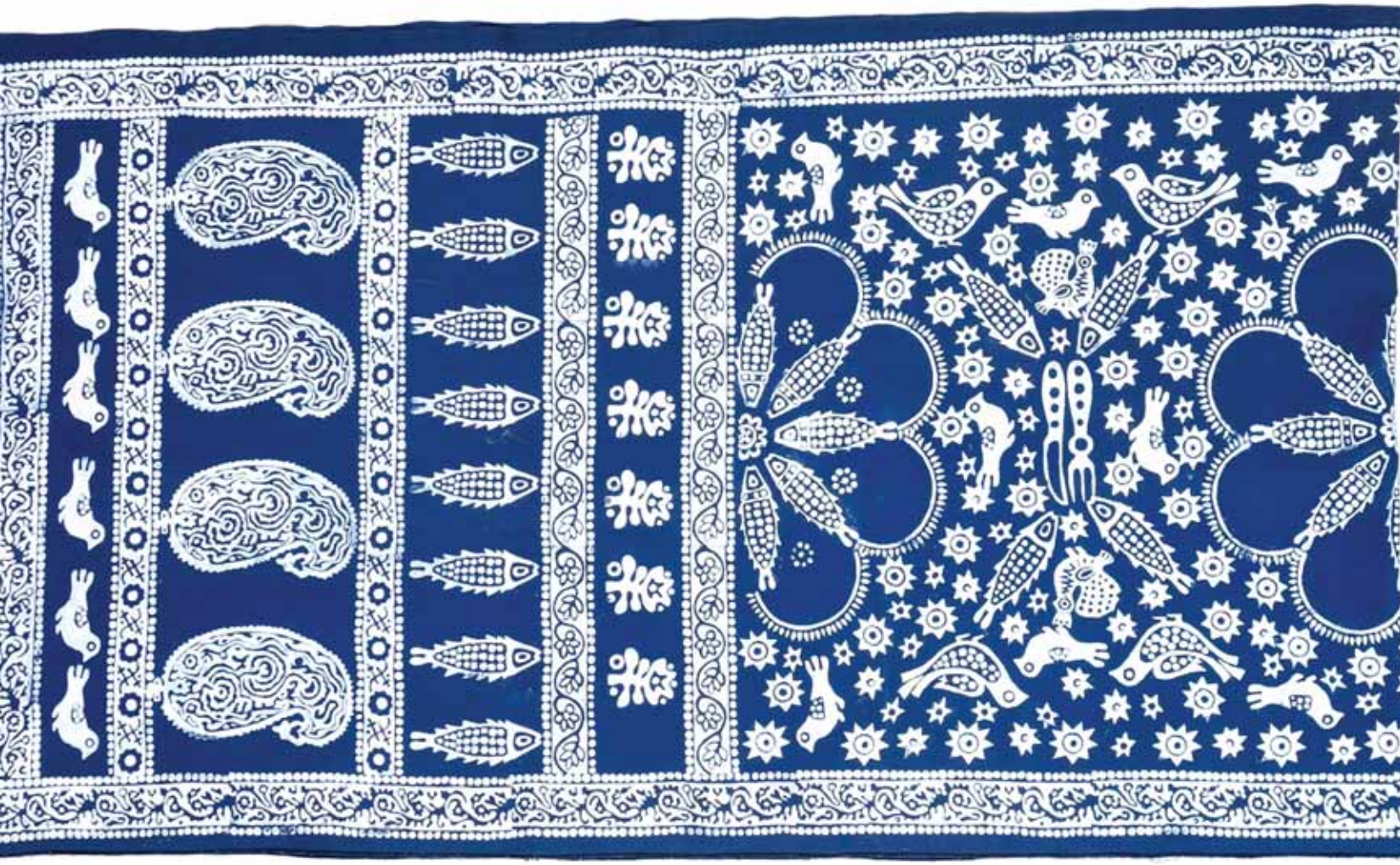


Woven wonders

Reviving Georgia's timeless textiles

Georgia boasts a wealth of textiles, from the UNESCO heritage *lurji supra* tablecloths that are the background to so many feasts, to the richly patterned flat woven carpets called kilim, to multi-use Tushetian felt. Although walking past sellers along Tbilisi's Dry Bridge Market can give the impression that these cultural items have been relegated to souvenirs, there are many passionate people and organizations that are popularizing and preserving these traditional crafts.

ROWAN TWINE

While its best known for its proudly held moniker as the "cradle of wine," the history of Georgia's textiles is as ancient and captivating as the qvevri wines tourists come from afar to sample. Explaining that this history stretches back before Christ, Director of the Heritage Crafts Association in Georgia Ana Shanshiashvili highlights that "Georgia has a rich textile tradition. You have the archaeological finds, which

show the textiles that were unearthed in ancient burials," noting that textiles have traditionally been "mostly wool and silk, because we have a tradition of producing these materials in Georgia."

Silk production stopped after the collapse of the Soviet Union and production of wool and woolen items has decreased, but there are centers that are still dedicated to the conservation of skilled work with this wool. This is being driven by Georgians and is particularly visible for some textiles. "Embroidery is being revived - and felt, which has become very big in the last 15 years - nobody was doing felt, but it has become very popular because it's not a very difficult technique so it can be learned quite quickly," says Shanshiashvili.

Partway along the central street of Kvemo Alvani in Kakheti is the 100-year old house-turned-textiles-museum owned by Lili Murtazashvili. Murtazashvili has been the recipient of multiple grants for her work restoring and sharing the techniques required for kilim production, from preparing and dyeing wool with natural materials, to weaving traditional Kakhetian patterns. Slightly further along that same road in Zemo Alvani is Dito's wool factory – the only wool processing plant in Georgia that produces skeins of brightly colored wool as well as felted material and products. Kakheti is also home to the Workshop Museum of Tushetian Handicrafts, which offers products and workshops for a variety of woolen media. In Tbilisi, professors Tinatin Kldiashvili and Ketevan Kavtaradze at Tbilisi State Academy of Arts established a workshop focused on researching *lurji supra* techniques in 2010, and they continue to teach students how to handprint these beautiful fabrics.

However, handcrafts today are not just an effort in conservation - they represent a rapidly growing sector. A 2023 report by U.S.-based market research firm Grand View Research valued the global demand for handicrafts at nearly $678.2 billion in 2022 and forecasted it will grow at a CAGR of 4.7% from 2023 to 2030 on the back of "rising popularity of travel, enabling consumers to discover traditional crafts from various countries and regions."

In the EU alone, research by Market Tribunal valued the arts and crafts market at $49.4 billion in 2022 and expected the market to reach $76.8 billion by 2030. Although not everyone is a potential customer, those who are interested in crafts are willing to invest – the World Crafts Council Europe found that EU consumers spent an average of €346 in 2022 on craft products like ceramics, textile crafts, woodworking products, jewelry, and leather crafts, with this figure increasing with older demographics. In Georgia, Shanshiavlil believes that handcraft consumers are largely foreign: "The market is definitely international. It's more about the visitors who come to Georgia and the expats who live here because of the prices."

Georgia is benefiting from an increasing global interest in handicrafts that has been spurred by various shifts and consumer trends. MarkWide Research highlighted customers' growing demand for "authentic" products with a story as a key driver of growth. This was corroborated by research done by the World Crafts Council Europe that identified an increased desire for "ancestral" crafts as consumers use these products to find identity and make meaning. Tourism and support from NGOs and governments to preserve cultural heritage has also given this sector a significant boost in the EU. The projects being developed in Kakheti are examples of this kind of support - both Dito and Murtazashvili received foreign grants - and of this new brand of sustainable tourism within Georgia.

The growing consumer interest in sustainable and ethical products is turning a spotlight on traditional and handmade items with a clear story. In one U.S.-based survey by McKinsey, 67% of respondents considered the use of sustainable materials an important purchasing factor, while 63% considered a brand's promotion of sustainability. Consumers are also willing to pay for these values. A U.S. survey conducted by First Insight and the Baker Retailing Center at the University of Pennsylvania's Wharton School found that across generations, consumers are now willing to spend more on sustainable products; over a third choose brands based on their demonstrable support of environmentally sustainable practices or values.

Businesses working with traditional crafts and artisans can leverage their stories to appeal to this appreciation for quality and sustainability, however, Shanshiashvili explains the importance of making the human touch visible. "The most important thing for makers is to highlight the idea of handmade in the design, because if it's too close to computer or machine-made items, the customer cannot differentiate them." She adds: "it's important that the concept of handmade is visible. It's not only about telling them [the consumer], but [this] should be visually evident."

As well as the individuals and organizations working in preservation, there are Georgian brands whose products demonstrate a dedication to quality and modernity with their interpretations of tradition. "There are both reproduction and modern interpretations," says Shanshiasvili of the Georgian handcrafts market. "You can find patterns that are totally modern, but woven with traditional techniques; and, there are many different people who are combining techniques, like batik [a technique of wax-resist dyeing] with felt." These brands are breathing new life into motifs and techniques, proving that artisanal production can feel contemporary.

Check out these local textile workshops in and around Tbilisi

Igrika works to preserve woodblock printing with hand-carved blocks they use to adorn a variety of textiles. They produce products from wall hangings to tote bags, all of which are hand printed with motifs inspired by traditional designs. Delicately-coloured pomegranates, Georgian letters, and birds feature alongside geometric patterns like the "Flowers of Katskhi" table runner, which emulates decorations on the walls of the Katskhi Church, an eleventh century church in Imereti. Their products can be purchased from their online shop, igrikashop.com.

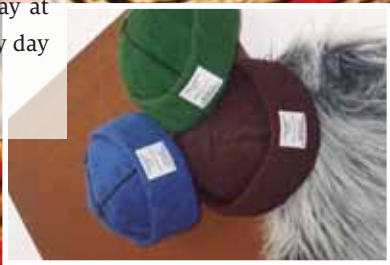
Photo: Ryan Carter

reWoven is a charity devoted to preserving the art of traditional carpet weaving in the Azerbaijani communities of Georgia. The villages of southern Georgia have given their names to some of the world's most famous weavings: antique Karachop, Borchalo and Fachralo carpets, all in south and east Georgia, sell for tens of thousands of dollars. Sadly, the last hundred years saw traditional weaving almost completely die out in these areas, and today only a handful of weavers remain. reWoven aims to preserve, popularize, and reinvigorate the superb textile tradition of the region using only naturally dyed yarn and traditional patterns. As a non-profit, all proceeds from sales are funneled back to the community and the women who weave our carpets. You can find out more and see what's on offer at their website www.rewoven.net or on Instagram @rewovenrugs.

Photo: Ieva Andersone

Svan hats are traditionally made with white or gray felt and black cross made of string, but **Giorgi Wazowski** is breathing new life into these hats with a rainbow of colors that are sold at the painfully stylish Le Chic Radical shop in Zemeli. Wazowski is the co-founder of Le Chic Radical, which produces modern jewelry made in Georgia. The shop is tucked away at 1 Vashlovani St and is open every day 11:00-21:00.

Samoseli Pirveli makes designer clothing for adults and children based on traditional Georgian garments. They have chokha, the tunic-like jacket, as well as dresses, shoes, and other accessories. The shop is an aladdin's cave of textiles full of luxurious fabrics, beautiful embroidery, and rich colors. It reopened in 2023 at 10 Leo Kiacheli St. and is open everyday 11:00-20:00.



Just outside Tbilisi in Dedoplistskaro is the social enterprise **Pesvebi Studio**. The studio was founded in 2005 by entrepreneur Nino Bakhutashvili, and its name means 'roots' in Georgian. The all-female team uses local natural dyes to color the wool that they weave into carpets, panels on bags, and other textile objects using traditional Kizikian carpet weaving techniques. Their designs are often inspired by nature found in the nearby Vashlovani National Park. It's possible to arrange a visit to the studio, or buy their products at the Ethnodesign shop in Tbilisi. The Ethnodesign shop is located at 23 Giorgi Akhvlediani St and is open 11:00-20:00 everyday.

The changing dynamics of Georgia's capital markets

SALLY WHITE

Georgia has been enjoying increasing recognition among international investors, along with other "frontier markets" - the financial market term for high-growth, but the most risky, newly emerging countries. This despite the fact, as UK-based international fund data and research provider Trustnet is noting, that its "reasonably robust economic drivers are offset by political and geopolitical risks." However, Georgia's bond market development has made considerable progress, being valued at around $800 million at the end of 2023, up from $205 million in 2018.

For international frontier funds and risk-averse high-net-worth individuals, the attractions have been Georgia's wide range of investments. It is offering not only local government and corporate bonds, but several from international development banks, all with the offer of competitive yields. Access to Georgia's fast-growing small companies is also being expanded with work by the USAID Financial Innovation Program.

Forecasts for Georgian capital markets have been positive, foreseeing a steady accumulation of scale. This should be led by further increases in the number of issuers as corporates restructure their finances, replacing their traditional bank loan funding with stock market quoted bonds. Both Georgia's major investment banks, TBC Capital and Galt & Taggart, anticipated earlier this year that these increases will in time overcome the hurdle for international investors of lack of scale and liquidity.

Capital markets as a key to development

Why the concern about capital markets? Numerous studies, such as a recent one from the World Bank – *Capital Market Developments, Causes and Effects* – show highly positive impacts from their development for the population: "...a strong correlation has been found between capital markets and economic growth...capital markets development generates economic growth, but the level of gross domestic product (prominently, per capita) also contributes to further capital market deepening. In addition, empirical evidence links capital markets and innovation, as well-developed capital markets play a key role in the financing of technology and, more generally, of riskier projects and enterprises, which

Source: TBC Capital, NBG, NAPR, Myhome.ge

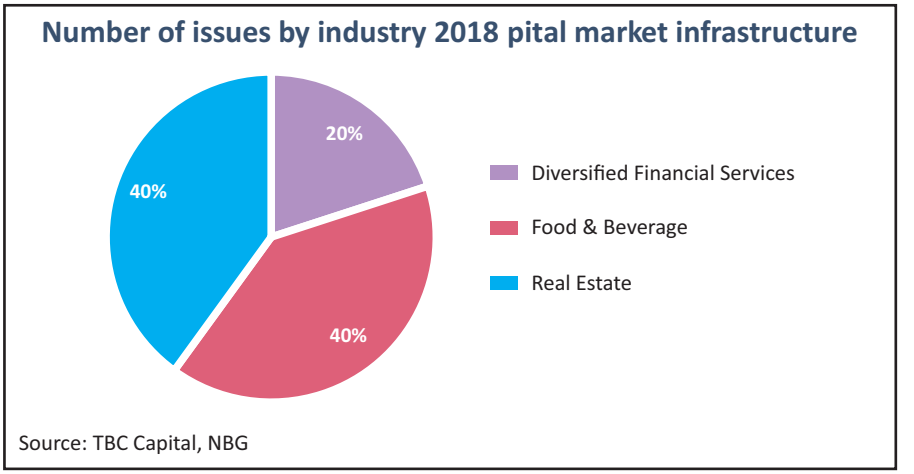
are not usually financed via banking lending."

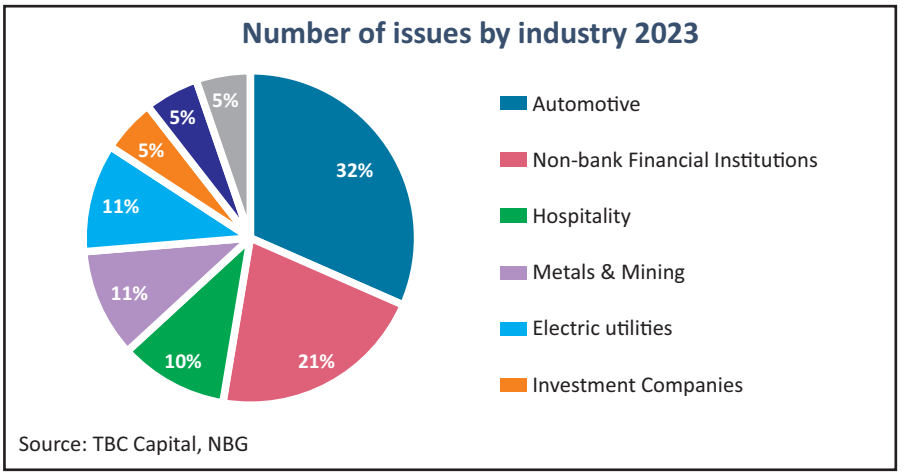
For investors, emerging markets as a whole, which includes such countries as Vietnam, Egypt, and Romania, have come into focus in 2024 and have resulted, as the International Institute of Finance recorded in March, in five consecutive months of international fund inflows. There have been two reasons, the first being that global manufacturing companies are beginning to move production from China, boosting already good economic growth. The second, which benefits Georgia, is that cross-continental trade routes are diversifying, boosting the transit country economies. These two factors are forecast to drive faster growth across the small economies of Eastern Europe, the Caucasus, and Central Asia. Economic gains in these countries have already been outpacing that of many developed countries.

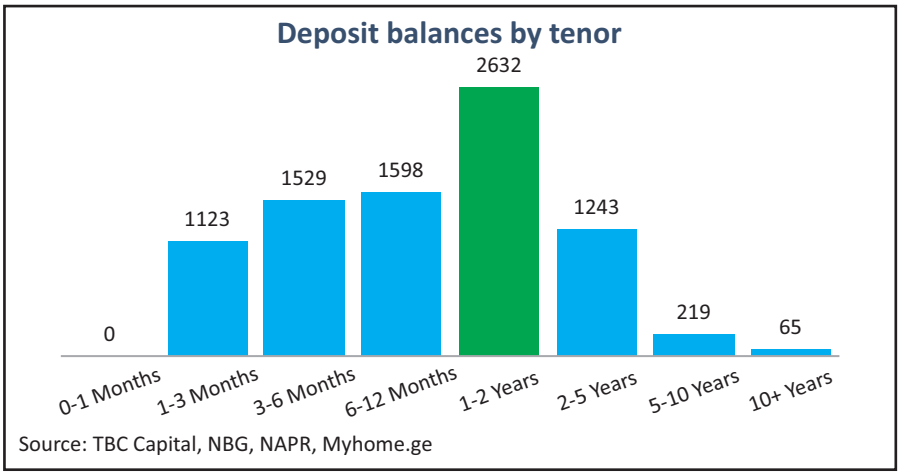
Georgia's capital markets

"Georgia is considered a transparent and open market, especially compared to other countries in the region," was the view of Stefan Weiler, Managing Director Central & Eastern Europe, the Middle East & Africa at the world's largest bank, JPMorgan, when speaking to Georgian business news website *BM.ge* in Tbilisi in March for a TBC Capital investment conference. He added, however, that currently Georgia is restricted by the relatively small size of its markets, which limit liquidity. Development of scale would take time and the admission to Georgia's markets of more and growing, local companies.

Yet, when asked how Georgia could find its niche, he said: "Georgia has already found its niche among international investors and this process started back in 2007 when the Georgian government issued the first sovereign bonds. There are investors who are interested in Georgia's open market policy, transparency, proactivity, exchange of information, establishment of connections, participation in conferences..."







Currently, according to TBC Capital's *Market Overview* issued in March, the rise in public transactions by issuers has taken the number to 11 issuers from eight industries, compared to five issuers from three industries five years ago. "Their primary objectives include refinancing existing liabilities (such as previous bonds and bank loans) with more favorable terms, optimizing cash flows..." Companies are seizing the opportunities offered by capital markets to refinance their bank loans on better terms.

While bond yields are public, major corporate loan rates are not, nor are the fees for either bond issuance or loans, and very often they are set after nego- ▸▸

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tiations. However, when one of Georgia's highest quality borrowers, Georgia Capital (which can obtain the best rates going) announced a refinancing last September through an 8.5% couponed bond, it gave some indication of the loan-bond cost gap when it said it was securing a "quite attractive rate when compared to the local interest rates in Georgia…the current central bank refinancing rate is 10.25%."

Analysis of investment participation in Georgia's markets released by TBC Capital at the conference also showed how the markets are developing with a shift in the dynamics - the traditional domination by commercial banks is being gradually replaced as private investors enter. "In 2023 alone, resident individuals accounted for 20% of investment activity," it said. "Furthermore the increase in interest from non-bank financial institutions and international investors underscores the growing confidence in Georgia's capital markets as a viable investment destination."

The split in 2020 in the U.S. denominated bonds take-up was 53% from non-residents with residents taking the remainder, but as of 2023, this had diversified with 20% for residents, 30% non-resident, and 38% from financial institutions - with the rest held by local banks. In GEL bonds, the split had changed from 2020's 100% being bank holders to 74% banks, 14% resident individuals, and 10% financial institutions.

There has also been change in the local corporate bond market from the demand side, according to the observations by TBC Capital on the issues with which it has been involved. "In 2019, there were only 12 primary issuers, predominantly comprising a concentrated group of large scale investors, reflected by the average ticket size of $185,000," it states in its Capital *Market Overview*.

In 2023, the numbers of large investors reached 321, reflecting increasing interest. "More individuals are opting for (investing in) bonds over bank deposits, and more international financial organizations are investing in local corporate bonds," it adds. Georgian Eurobonds are mostly bought by international asset managers, commercial banks, and government organizations.

Reflecting the preference among Georgian investors for short time horizons, a large proportion of Georgian bonds have a one to two-year term. To lengthen the bond terms and the average size of the issues, says TBC Capital, "…it is crucial to attract foreign institutional investment into the country."

However, TBC Capital found that there had been "growing confidence in the capital markets," a significant development for Georgia in its quest to develop its primary market and enhance liquidity in the secondary market. Yet, pivotable would be "initiatives aimed at enhancing market accessibility, regulatory integrity, and investor education." ■

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Making the business case for renewables

How USAID is transforming Georgia's energy landscape

USAID is partnering with Georgia's private sector to harness renewable energy sources, showing how solar, wind, and hydro can strengthen energy security, bolster economic growth, and protect the climate.

Lasha Jincharadze, Managing Partner of Agro Impex Ltd. Photo_ Shota Tsereteli for USAID

Georgia, which has historically depended on imported electricity, is primed for increased domestic energy production. Specifically, renewables. With plenty of sunshine, wind-swept plains, and flowing rivers, Georgia has the homegrown resources to generate more power for homes, hospitals, schools, and businesses. Recognizing this potential, USAID supports Georgia to pave the way for a more secure and sustainable energy system that benefits people all over the country.

Agro Impex Ltd, an agriculture producer located in the scenic village of Lemshveniera in Gardabani municipality, recently partnered with USAID to install the country's first-ever floating solar power station. The station will slash carbon emissions while generating about 300,000 kWh of electricity each year to irrigate nearby fruit orchards.

The new floating solar station is good for the climate, good for business, and good for the local economy. Because it floats on water, the plant saves valuable agricultural land, reduces water evaporation, and improves solar panel efficiency through natural cooling.

Managing partner Lasha Jincharadze explained that Agro Impex will be able to cut its electricity grid consumption by 38%, allowing it to save about $32,400 annually. With a more efficient business model, Agro Impex hopes to increase production and expand its workforce, which currently includes 150 people from the surrounding area.

The initiative received a vital boost from USAID, which co-financed $85,000

of the total project cost of $177,000. Agro Impex received the remaining funds through a loan from TBC Bank, facilitated by the Rural Development Agency.

Lasha explained the initiative in more detail: "We purchased 60 hectares of land in Gardabani municipality, where we arranged central irrigation pilot systems. Opting for space efficiency and recognizing the enhanced performance of energy generation with cooling water, we chose to install a floating solar power plant on our lake. We applied for USAID's grant for green energy production and secured co-financing."

USAID views Agro Impex as one of many companies across Georgia who can make an impact by integrating renewables into their respective business models. This is a key part of USAID's development strategy, which reflects the U.S. government's global commitment to more fully integrate climate change mitigation into foreign assistance programs.

As USAID/Georgia Mission Director John A. Pennell explained: "This pilot project is part of a larger USAID initiative to strengthen Georgia's energy security and economic growth. We have allocated $4.5 million to support 30 similar projects in economic sectors including agriculture, manufacturing, healthcare, hospitality, and tourism. Through initiatives like this, we are helping Georgia's private sector make the business case for transitioning to renewable energy sources."

USAID-Georgia Mission Director John A. Pennell. Photo by Shota Tsereteli for USAID

One project among many

Three-hundred and sixty kilometers away lies Ureki, on the shores of the Black Sea. The resort town is home to another of the 30 renewable energy pilot projects supported by USAID. There, USAID partnered with hotelier Khatuna Lagazidze to install solar panels at her resort, the Hotel Kolkhida. The panels, installed in December, now fully meet the resort's electricity needs, powering the hotel as well as the spa and rehabilitation center.

This is a major positive change for Khatuna's business; previously, high energy costs during winter meant that the spa and rehabilitation center could operate only during the summer months. Now, powered by the sun, Khatuna can offer the full range of services throughout the year, earning revenue outside of the summer months.

"Not only has it succeeded, but it has also surpassed our expectations," said Khatuna. "This opportunity will allow us to extend the tourist season and enhance the hotel's sustainability efforts."

Hotel Kolkhida, Ureki. Photo by USAID

Toward climate-friendly industries

These renewable power stations are a crucial step towards integrating renewable energy into traditional sectors like agriculture and hospitality.

While Lasha and Khatuna make clear that this new approach to energy is good for the bottom line, the significance extends beyond the business case. Projects like these make a significant environmental impact.

As Lasha explained, "The plant [at Agro Impex] will reduce carbon dioxide emissions by 3,500 tons over a 30-year period. This is equal to planting 50,000 trees or cultivating a forest spanning 50 hectares."

What's more, investment in renewable energy sources bolsters Georgia's energy security. By generating more electricity at home, Georgia can reduce its dependence on imports from neighboring countries.

As USAID/Georgia Mission Director John A. Pennell explains, this exemplifies USAID's partnership with Georgia: "USAID, as part of the U.S. government, partners with Georgia on development initiatives that strengthen the country's security, prosperity, and democracy. A more secure and diversified energy system, which meets the needs of Georgian citizens and reduces dependence on imports, directly benefits the Georgian people today and far into the future." ■

AmCham

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AmCham and MAC Georgia Host Dinner for Scholarship Recipients

On March 29, AmCham Georgia, in partnership with MAC Georgia, hosted a dinner to connect with and get acquainted with its scholarship recipients. AmCham expresses its gratitude to the incredible donors whose support enabled 30 students to pursue their dreams by covering tuition fees and providing essential living allowances.

Committee Meeting

On April 10, the CLT Committee met to discuss the Law on Entrepreneurs together with Dr. George Jugheli and co-authors of the law David Kldiashvili and Gega Giguashvili.

Roundtable Meeting with IRI, ISFED, and NDI

On April 10, AmCham Georgia hosted a roundtable meeting discussion between three organizations deeply involved in Georgia's democratic reform as well as monitoring the pre-election environment and the elections. The panel discussed likely challenges for the upcoming Georgian parliamentary elections.

The panelists included Georgian Resident Program Director at the International Republican Institute (IRI) John P. DiPirro, Executive Director at the International Society for Fair Elections and Democracy (ISFED) Nino Dolidze, and Georgian Country Director at the National Democratic Institute for International Affairs (NDI) Alan Gillam. The panel was moderated by AmCham Executive Director George Welton and was followed by a Q&A session.

AmCham x Volvo Cocktail Reception

On April 19, AmCham held a cocktail reception for its members at the recently opened Volvo Showroom on University Street. AmCham President Irakli Baidashvili thanked Volvo for hosting the reception and informed guests about AmCham's upcoming events and updates. Members used the opportunity to reconnect with friends, colleagues, and fellow representatives of member companies while enjoying drinks and exploring the new showroom.

Luncheon with EBRD Regional Head of the Caucasus

AmCham Georgia hosted a members-only luncheon on May 8 with Regional Head of the Caucasus for the European Bank for Reconstruction and Development (EBRD) Alkis Vryenios Drakinos. During the event, he discussed the current activities and future plans of the bank and answered members' questions.

AmCham Holds Joint Press Conference with Business Associations

On May 10, AmCham Executive Director George Welton joined the heads of nine prominent business associations in Georgia in a joint press conference to express deep concerns about the law on foreign influence.

At the press conference, George Welton noted that: "Each of us is an apolitical organization, and as a rule, we do not publish statements about current problems, so this is also strange for us. However, we now feel that the importance of current events compels us to do so. If this law is passed, it could have many negative consequences. One of them is that many programs, which have been implemented in Georgia for a long time and are financed by donors, will be stopped."

Speaking on the benefits of donor-supported programs for Georgia's development, he said: "USAID-funded programs that promote economic development in many sectors, be it agriculture, tourism, or education have nothing to do with politics. There is no question that they serve good purposes, but their implementation will be significantly more difficult."

Welton also raised concerns about the impact of the legislation on foreign investment in Georgia: "I think that the initiation of this law indicates that the involvement of foreign power, Western allies in these projects can be potentially bad, and will really stop foreign investments in Georgia, when foreign investments and knowledge are important factors for the development of the country's economy."

He also noted that this legislation will have a major detrimental effect on Georgia's EU membership prospects: "Finally, the main thing is that there is a threat to potential membership in the European Union, which is a once-in-a-generation opportunity and provides an opportunity to transform Georgia, whether it is accelerating the pace of development, creating jobs, creating high standards of living, or something else. All of these opportunities that are available, if the law is passed, will likely disappear."

AmCham Meets with U.S. Officials

On May 14, AmCham President Irakli Baidashvili and Executive Director George Welton, as well as invited business guests, met with U.S. Assistant Secretary of State for European and Eurasian Affairs Jim O'Brien, Deputy Assistant Secretary of State Josh Huck, and the U.S. Ambassador to Georgia Robin Dunnigan. The discussion centered on the current situation in Georgia, and in particular, the Russian foreign influence law and its impact on the business environment. The U.S. officials had a frank and productive exchange of views with AmCham members.

AmCham Roundtable with U.S. Ambassador Robin Dunnigan

AmCham Georgia hosted a roundtable meeting with the U.S. Ambassador to Georgia Robin Dunnigan at Pullman Tbilisi Axis Towers on May 15. During the event, Ambassador Dunnigan discussed various aspects of the U.S.-Georgia relations as well as current issues in Georgia, the United States, and the wider region. The presentation was followed by a lively Q+A.

NEW MEMBERS

Courtyard by Marriott Batumi (Sunshine Hospitality and Management LLC)
Corp A

Courtyard by Marriott Batumi, with its impressive architectural design, boasts 150 meticulously designed rooms and suites, each featuring balcony access and modern amenities. Courtyard Batumi is nestled in the vibrant heart of Batumi and offers a sanctuary of comfort and elegance for both business and leisure travelers.

The hotel's facilities include a restaurant serving rich continental breakfasts and evening dining options, a 24-hour lobby bar, and a state-of-the-art spa and fitness center. Business travelers can take advantage of over 450 sq.m of flexible meeting space equipped with the latest technology.

Starting from 2023 Courtyard by Marriott Batumi is owned by Sunshine Hospitality and Management LLC.

www.marriott.com/courtyardbatumi

Educational Management Park LLC (EMP)
Corp A

Educational Management Park EMP is a founder company of the School of American Law SAL. With the mission of engaging in law degree education beyond U.S. borders, EMP introduced the American Master's degree program in law to 36 overseas countries and increased the demand for American LL.M in the Caucasus region, Central Asia, the Balkans, the Baltics, the Mediterranean, Turkey, MENA, East and West European countries.

SAL is built on the inspiration of American democratic values, brought to life by the dedicated efforts of its founders - Professor Richard Warner, Ketevan Jeladze and Maia Meskhi, prominent lawyers and attorneys who have played a fundamental role in shaping the SAL, infusing it with dedication and meaning. With the efforts of the founders, EMP has pioneered innovative educational programs and transformative learning experiences, offering a platform for students to engage with highly qualified academics, ensuring a comprehensive understanding of the latest developments in various fields of law, and producing alumni to make a positive impact on their home countries and the global legal marketplace.

Since 2012, the EMP has held exclusive cooperation with Chicago-Kent College of Law, Illinois Tech. Accredited as an initial stage of the master's program at Chicago-Kent by the American Bar Association, EMP through the SAL serves as the starting stage of the master's program for the following target: tech lawyers, in-house lawyers, practicing attorneys, members of the judiciary, C-Suites, and law schoolers, newcomers to the legal profession.

www.salchicagokent.com

Jettycloud
Corp A

JettyCloud is a Georgia based IT company doing software development business mainly in UCaaS field with a main partners in US including NYSE listed RingCentral, Inc. - the leading provider of UCaaS in the world. The company has got hundreds of employees divided by two offices in Tbilisi and Batumi.

www.jettycloud.com

NEW MEMBERS

Nuts Incorporated LLC
Corp A

Nuts Incorporated is a leading producer of hazelnuts and almonds. Their orchards cover a total of 800 hectares for almonds and 2,200 hectares for hazelnuts. A commitment to quality extends from cultivation to processing. Equipped with advanced facilities, the company oversees every aspect of production, ensuring the products consistently meet stringent international standards.

By leveraging cutting-edge agricultural technologies, the company guarantees a reliable supply of premium almonds and hazelnuts, ready for export. Utilizing sophisticated harvesting and post-harvest techniques, along with seamless automation, Nuts Incorporated LLC maintains strict quality controls throughout our operations. With state-of-the-art processes, including hulling, sorting, drying, cracking, milling, and grinding, the company can process an impressive 2,000 tons of almonds and over 3,000 tons of hazelnuts annually.

www.nutsinc.ge

Orkin Georgia (LLC Consumer Service, Independent Franchise of Orkin System LLC)
Corp A

Orkin Georgia is a leading residential and commercial pest control service company in Georgia. Being part of Orkin's global franchise (up to 80 countries) and over a hundred years of business history, Orkin Georgia combines international expertise with local experience. Operating in Georgia since 2015 Orkin's local team helps people protect their homes and businesses with a tailored service plan suited to their needs. The company offers the highest levels of service, support, training and reporting to deliver unmatched quality, reliability and safety from pests for customers. Orkin Georgia's ambition is to be the best commercial service business in the country.

www.orkin.ge; www.orkinglobal.com

RegMed Georgia
Corp A

RegMed Georgia is the first regenerative therapy clinic in Georgia. RegMed Georgia offers the most innovative treatment options. With regenerative therapy, RegMed can heal or restore functions that traditional medicine cannot - from stroke, autism, cerebral palsy, migraines to devastating diseases of the lungs, gastrointestinal tract, joints, gangrene and other diseases. RegMed offers life-changing or life-saving therapy. Not just a treatment, but a cure, no narcosis, no surgery, no downtime. The company has helped many patients return to active, pain-free lives after exhausting all other options. RegMed Georgia prioritizes thorough in-depth assessments to understand each patient's unique needs and develop personalized treatment plans.

www.regmedgeorgia.com

NEW MEMBERS

GM Pharma
Corp B

GM Pharma is an international pharmaceutical company with medicines and food supplements manufactured in GMP-certified manufacturing plants in Western European countries (Germany, Greece, Spain, Switzerland, Italy, Sweden, Portugal, etc.) and in its own GMP-certified manufacturing plant in Georgia. GM Pharma's solid oral dosage forms manufacturing site in Tbilisi, Georgia, is the largest pharmaceutical plant in the South Caucasus region. The basic formulation processes currently carried out in the factory are dispensing, blending, granulation, tableting, tablet coating, capsule filling, bottle filling and blister and bottle packaging, quality control. Tbilisi site is equipped with modern machinery and laboratory equipment made by the world's leading companies: Gerteis, L.B. Bohle, Korsch, Fette, Uhlmann, Huttlin, Servolift, IMA, Erweka, Agilent, Waters, Stilmas, Milipore, etc. The company holds all national and international certificates, permits and licenses required for pharmaceutical manufacturing (Georgia National GMP Certificate, PIC/S International GMP Certificate, ISO 9001:2015, ISO 17025, etc.). GM Pharma employs more than 600 professionals including those employed in its export countries. With >140 brands and >230 dosage forms in its portfolio, GM Pharma holds one of the broadest product portfolio in the region covering almost all dosage forms and therapeutic areas, including a wide range of food supplements. More than 12 million patients are treated with GM Pharma products in Georgia and the company's international, export markets every year, which shows the recognition of the company by consumers and healthcare specialists. Since 2017, GM Pharma has been the market leader in the Georgian pharmaceutical market, in terms of both, sales value and sales units. GM Pharma exports more than 100 products globally and has representative offices in 7 countries (Uzbekistan, Tajikistan, Kyrgyzstan, Armenia, Moldova, Azerbaijan and Kazakhstan), employing more than 250 employees expanding sales and being among the top five companies in several of these markets. GM Pharma actively cooperates with European scientific and research centers and uses their experience in the production of its products. In cooperation with European scientific centers, GM Pharma aims to produce novel generic drugs and innovative combinations of drug products in Georgia. GM Pharma's mission is to produce and supply healthcare products through a pioneering and innovative approach for the benefit of medicine and humanity by practicing all Quality and Safety norms and standards.

www.gmpharma.com

Hyundai Auto Georgia
Corp B

Hyundai Auto Georgia is official representative and distributor of Hyundai's worldwide brand since 1997. As one of the leading automotive companies Hyundai is renowned for its commitment to innovation, quality, and sustainability offering Electric, Plug- in Hybrid, Hybrid and Hydrogen along with Petrol & Mild Hybrid engines.

The diverse range of vehicles meet the needs of both individual drivers and businesses by fulfilling auto park with Sedans, SUVs, VANs, Trucks, Buses, and Specially Equipped Vehicles. Hyundai models come with an unbeatable warranty of 5 years with unlimited mileage. The service center, equipped with the necessary equipment and highly qualified personnel, has proudly served Hyundai brand cars in Georgia since 1999.

www.hyundai.ge

Veziri LLC
Corp B

Veziri is a leading telecommunications and security system integrator company. Veziri has been serving organizations across the Transcaucasian region since its inception in 1996. Specializing in fire safety, security systems, IT, and telecommunications, Veziri is also dedicated to delivering cutting-edge solutions to enhance business productivity. With a rich portfolio boasting over 200 completed projects for more than a hundred satisfied customers, Veziri is committed to continuous progress and upholding international standards. The adherence to Quality Management Systems is evident through the ISO 9001:2015 certification, which has been held since 2008. The premium quality system solutions offered by Veziri are regarded as one of its greatest advantages. Instead of conventional system implementations, Veziri provides clever and unique customer-oriented solutions.

www.veziri.ge

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