

Investor.ge



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Mestia: Breaking New Trails in the Greater Caucasus





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Investment News

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

Remittances down 8.2 percent YoY in December

Remittances to Georgia from abroad hit \$285.4 million in December, down 8.2 percent YoY, according to information released by the National Bank of Georgia (NBG) on January 15. Included in that figure was \$128.8 million sent from European Union member countries, or 45.1 percent of the total volume, a month-on-month increase of 4 percent.

Among countries of the bloc, remittances from Italy topped the list at \$50.9 million (+1.4 percent YoY), followed by Greece with \$23.9 million (+3.9 percent YoY) and Germany with \$23.5 million (+6.7 percent YoY).

Other top source countries of remittances were the United States (\$55.3 million), Russia (\$31.3 million), and Israel (\$23.3 million).

Overall, 96 percent of total money transfers from abroad originated in 24 countries, with the volume of transfers from each exceeding \$1 million in December. In the same month, remittances leaving Georgia totaled \$34.8 million,

compared to \$32.3 million in December 2023.

Business confidence down in 2024

ISET-PI reported the latest figures from the Business Confidence Industry show a decline in confidence in Georgia. In Q4 2024, business confidence fell by 9.7 index points, dropping to 3.8. The sharpest decline was observed in the finance sector, which saw a decrease of 22.1 points.

The trend was credited to poor past performance and growing pessimism. The report notes that the expectation index, which measures business sentiment about upcoming conditions, fell to 7.0 points, with the strongest drops in the manufacturing (-40.0) and agriculture (-30.0) sectors.

In the same report, ISET-PI noted the drop in foreign direct investment (FDI) to Georgia: FDI in 2023 dropped 15.5 percent compared to 2022 and the trend continued in 2024. In the first nine months of the year, 966.3 million GEL were invested



in Georgia from abroad, 39.9 percent lower than the same period in 2023.

Hotels report drop in reservations, increased cancellations

Major hotels in Tbilisi say the hospitality industry has suffered a major hit this season.

Mariam Pkhakadze, marketing and communications manager of the GMT Group (Tbilisi Marriott, Courtyard Marriott, and Moxy Tbilisi), told BM.GE that hotel occupancy rates are low compared to the same period last year.

“The current season has been quite difficult for the hospitality industry. Hotel occupancy rates have significantly decreased compared to the same period last year. We have challenges especially at hotels located on Rustaveli Avenue, in this case at the Tbilisi Marriott, the occupancy rate has practically halved. Courtyard Tbilisi and Moxy Tbilisi are working more stably at the expense of tourist groups and Indian groups, however, due to competition and market changes, price adjustments have become necessary,” she says.

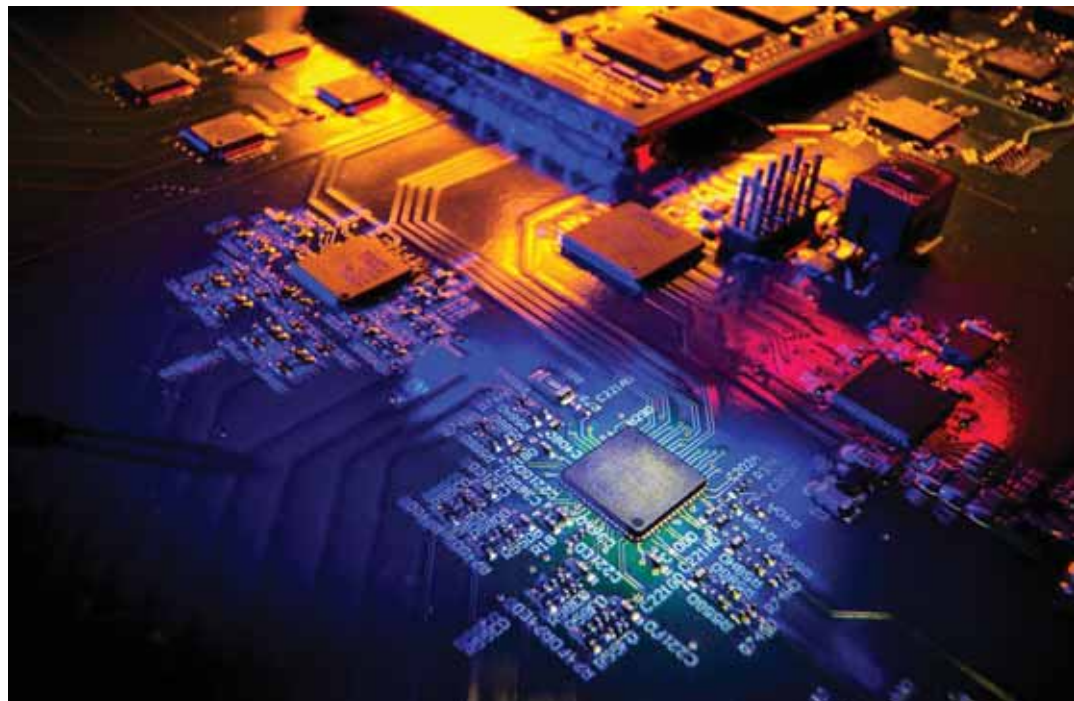
“The dynamics of bookings are unstable... the final results will largely depend on the economic and political environment in the country.”

Pkhakadze says demand has significantly decreased from EU countries.

“Traditionally, our main guests are from India, the United Arab Emirates, China and the United States. This season, demand from Europe has significantly decreased. Regional tourists are more active, but more price-sensitive, so a flexible pricing strategy is needed,” she says.

Natia Goletiani, the manager of the Alpine Lounge Hotel & Restaurant in Kazbegi, told BM.GE the hotel has also seen a drop in guests from the EU. She noted that hotel occupancy dropped 10 percent in 2024 and the trend continues this year.

“This year, occupancy is about 30 per-



cent. We are visited by tourists from Asia, including Korea and China, as well as Russia. Previously, tourists used to book hotels 3-4 months in advance and reservations began during the off-season, but now the trend changed and bookings began 2 weeks in advance,” she says.

“We mainly work on direct and corporate bookings. It is worth noting that corporate bookings have also decreased.”

A recent report by Galt & Taggart found that tourist arrivals dropped after Q1 2024 due to political instability. The number of visitors from the EU dropped by 3.5 percent compared to 2023. Tourists from Israel and Russia grew in Q4 2024 by 136.1 percent and 15.4 percent respectively.

World Bank forecasts 6 percent growth for Georgia in 2025

Georgia is forecasted to grow by 6 percent in 2025, according to the latest Global Economic Prospects report from the World Bank released in January. For 2026, the country's expected growth rate remains at 5 percent, unchanged from the bank's previous estimate.

The report also offered a revised eco-

nomical growth expectation for Georgia in 2024, putting it at 9 percent - an increase of 3.8 percent compared to its June 2024 forecast. This positions the country as having the highest average economic growth in the Europe and Central Asia region, with an expected average rate of growth of 6.7 percent from 2024 to 2026.

Georgia showcases startups at U.S. tech exhibition

Georgia made its debut at the Consumer Electronics Show, one of the world's largest technology exhibitions, in Las Vegas this January.

Georgian startups represented at the event included Klipy, Elven Technologies, Widgera, Stori AI, and Baasi.

Central bank holds interest rates at 8 percent

The National Bank of Georgia (NBG) on December 18 announced its Monetary Policy Committee's decision to keep the refinancing rate unchanged at 8 percent, citing the year-over-year inflation rate of 1.3 percent in November, which it said remained below its target of 3 percent.

Core inflation was slightly higher at 1.6 percent. Prices for domestically pro- ▶▶

► duced goods and services saw a moderate annual increase of 1.8 percent, the NBG also noted. The NBG said the economic outlook was complicated by “high uncertainty.” Domestic factors, along with ongoing geopolitical tensions in the region, could elevate the country’s sovereign risk premium and subsequently lead to increased inflationary pressures.

Additionally, the bank said rising international food commodity prices and higher global shipping costs posed further risks to price stability. It noted that it was prepared to gradually reduce the policy rate toward its neutral level of 7 percent if inflationary risks do not materialize and conditions improve.

The next meeting of the committee is scheduled for January 29.

Georgian honey exports down 69.4 percent

Georgia exported 33.8 tons of honey (\$271,150) in 2024, down 69.4 percent in volume (64.41 percent in value) compared to 2023, BM.GE reported.

The steepest drop was in exports to the EU: 1.12 tons (worth \$6,510) sold to the EU market in 2024, compared to 72.64 tons in 2023 (worth \$447,890)—a decrease of 98.5 percent. Last year traditional EU importers of Georgian honey, including Bulgaria, the Czech Republic, France, and Germany) were no longer listed as export markets.

Honey exports increased to the US, growing to 3.6 tons, a 95.5 percent increase. The top Georgian honey importer in 2024 was the United Arab Emirates, which purchased seven tons.

By value, the top import markets are: United Arab Emirates - \$99,960; Azerbaijan - \$63,200; US - \$38,040; Iraq - \$21,840, and Japan - \$15,250.

Georgian external trade up 8 percent in 2024

Georgia’s external trade turnover reached \$23.4 billion in 2024, reflecting

an 8 percent YoY increase, Geostat said on January 20. Exports increased 7.8 percent to \$6.6 billion, while imports rose by 8.1 percent to total \$16.9 billion. Top trading partners of the country were Turkey with \$3.2 billion, Russia with \$2.5 billion, and the United States with \$2.2 billion.

The trade deficit, a measure of the negative balance of trade in which a country’s imports exceed its exports, totaled \$10.3 billion, and its share in trade turnover was 44 percent, Geostat reported.

Georgian wine exports up 24 percent YoY

The Georgian National Wine Agency on January 20 announced \$565 million in exports for the country’s wine and spirits in 2024, marking a 24 percent increase from the previous year.

Throughout the year, Georgia exported 95 million liters of wine to 72 countries, generating \$276.1 million - a 7 percent rise compared to 2023 figures. The following countries recorded the greatest increases in Georgian wine exports: United Arab Emirates - up 80 percent at 70,000 liters; Turkey - up 62 percent at 538,000 liters; the United Kingdom - up 42 percent at 425,600 liters; Azerbaijan - up 34 percent at 237,000 liters; the United States - up 32 percent at 1.2 million liters; Germany - up 30 percent at 1.9 million liters; and South Korea - up 26 percent at 72,500 liters.

Georgian wine was presented to markets in the United States, Portugal, Finland, Denmark, Austria, Norway, Italy, the Netherlands, Japan, Poland, Germany, China, France, the United Kingdom, Belgium, Hungary, South Korea, Switzerland, Turkey, and Latvia.

In addition to wine, exports of other alcoholic beverages were also up. With 48 million liters shipped to 56 countries, exports of other alcoholic beverages rose by 53 percent, contributing \$289 million

to the economy - a 47 percent increase in revenue, the National Wine Agency said.

Residential real estate prices increase 10.4 percent YoY in fourth quarter of 2024

In the fourth quarter of 2024, the Residential Property Price Index (RPPI) increased by 5.2 percent compared to the previous quarter, while the annual growth of the index was 10.4 percent, according to information released by Geostat in January. The index, which is limited to Tbilisi and includes only the new residential real estate market, has increased by 54.3 percent since 2020.

“In the fourth quarter of 2024, compared to the previous quarter, price increases were observed in both the residential apartment segment (4.7 percent) and the private house segment (6.7 percent). Compared to the fourth quarter of 2023, price increases were observed in both segments - by 9.8 percent for apartments and 12.3 percent for private houses,” the report states.

Khachapuri Index shows 6.1 percent increase in prices

The average cost to bake one Imeruli Khachapuri in January was 7.02 GEL, a 6.1 percent increase from January 2024, according to the ISET Khachapuri Index.

Costs ranged from 6.71 GEL in Batumi to 7.94 GEL in Telavi.

Prices for most ingredients increased in 2024: butter (+15.1 percent), cheese (+9.5 percent), yeast (+4.5 percent), and milk (+1.3 percent). Only eggs (-6.5 percent) and flour (-0.2 percent) were less expensive compared to 2023 prices.

ISET-PI notes the drop in flour prices (3.9 percent decrease between December and January), which reflects the decline in global prices since October. It adds that following the New Year season, the price of most Khachapuri ingredients lowered, except butter (+3.1 percent) and eggs (+4.3 percent).



Georgia's Black Sea Ferry Routes: Private businesses fill a gap in Georgia's European trade route

As Georgia's role in trade between Asia and Europe increases, demand for reliable and frequent ferry transport is growing. Private businesses, driven in part by the new Black Sea Platform, are stepping up to fill it.

LANA KOKAIA

New ferries and expanded routes between Georgia and the EU reflect private businesses' growing response to demand for transport via the Black Sea. The ferry routes connecting Georgia with Romania and Bulgaria facilitate stronger trade links between Europe and Asia. While the primary focus of these services is cargo transport, passenger options are

expected to expand in the near future.

Linking businesses across the Black Sea

In response to growing interest in developing stronger ties between several Black Sea countries--Bulgaria, Georgia, Romania, Turkey, and Ukraine--a direct ferry between Georgia and Romania started in 2023. The route brought the total ferry connections across the Black Sea to two: Poti and Constanta (Georgia and

Romania), and Batumi and Burgas (Georgia and Bulgaria).

The Georgia-Romania ferry, the 149.97-meter-long ferry Aia, is owned by E6o Shipping Line and sails between Poti and Constanta in both directions.

"We currently operate two ferries and have purchased another one, which is on its way. From the beginning of 2025, we will have three ferries on our line," says E6o Shipping Line Commercial Director Mikheil Babunashvili.

Sailing under the Georgian flag and crewed entirely by Georgian citizens, the company launched its first route on June 27, 2023, from Constanta to Poti. The ferry service currently facilitates the trans- ►►



► portation of trucks, cars, motorcycles, containers, oversized cargo, and railway boxcars. Transportation costs range from 300 to 2,600 euros. E6o Shipping Line plans to add passenger transport in 2025.

“We have been interested in starting to transport passengers for a long time, but in order to do so, the infrastructure needs to be arranged in Constanța to create a passport control corridor for passengers,” Babunashvili explains. “This is why we cannot transport passengers yet. The conditions on the ship are actually in place. We have purchased a high-class ferry that will welcome passengers with amenities such as a restaurant, bar, and Duty Free shopping.”

He added that the company plans to strengthen its railway transportation ser-

vices and expand operations to Bulgaria.

“The first and second test runs...were successful. They are referred to as tests because, at this stage, we do not yet operate regularly on the Larnaca line,” Babunashvili says.

“We are currently assessing the demand from that route, and based on the demand for [railway] boxcars we will bring in the required units. If the demand proves to be stable, which we expect it will, it will become clear in the near future. At that point, we can discuss the possibility of operating regularly on that line. Meanwhile, demand is growing on the middle corridor, and we are continuously receiving new cargo.”

The company describes their ferry line as a “highway on the Black Sea,” con-

necting Europe with Georgia and Asia.

“The main mission of E6o Shipping Line is to facilitate cargo transportation along the Middle Corridor. Each new ferry increases our service capacity and the volume of cargo that can be transported between Georgia, Europe, and Asia. Currently, we handle the majority of cargo moving along the Middle Corridor, but the main challenge in the ferry sector is infrastructure,” Babunashvili explains. “Our ports are primarily designed for container traffic and are not suited for ferry services. All terminals are experiencing a shortage of space, and if we do not unload cargo immediately upon arrival, it exacerbates the space shortage.”

The Poti-Constanta route operates twice a week, with journeys lasting two

to three days.

The Burgas-Batumi-Burgas sea route, operated by the private company PB Management, has been in service for over 10 years. The Drujba Line ferry provides the only regular connection between Georgia and Bulgaria, adhering to a fixed weekly schedule.

The ferry runs once per week, with tickets costing \$200–\$230. The average travel time is 48 hours. Passengers can also use this service, with 2/3 of the ferry's capacity dedicated to cargo and 1/3 to tourists.

The ship offers four-bed cabins with private bathrooms, WC facilities, and accessible Wi-Fi. PB Management plans to expand its services on this line.

Unrealized potential

The EU-Georgia Business Council (EUGBC), whose goals include promoting

public dialogue and private investment projects, emphasizes the importance of ferry lines for enhancing the competitiveness and capacity of the Middle Corridor.

According to EUGBC Executive Director Giorgi Kacharava, there is potential to strengthen ferry transport, as it significantly reduces transportation costs across the Black Sea.

In 2022, the EUGBC, with assistance from USAID, created the Black Sea Platform to increase business links across the Black Sea basin.

Kacharava highlights significant challenges to realizing the potential of the Black Sea, including the war in Ukraine, the rising tariffs of insurance companies, and security concerns, such as floating mines. In terms of obstacles on the Georgian side, however, he stresses the biggest is the pace of Georgia's EU integration.

“We are considering several investment projects while simultaneously working on legislative amendments and promoting reforms that support rapid connectivity, including the reduction of technical barriers. A unified computerized transit system is planned, as outlined in the Georgia-EU Association Agreement. This reform is crucial, as queues at land customs checkpoints are a persistent issue, and its implementation will substantially save time and financial resources,” he says.

“This and several other reforms are tied to Georgia's European integration process. However, the Georgian Dream government's decision not to resume negotiations with the EU until 2028 could halt many processes, with highly negative consequences for everyone—the business sector, the population, and the state.” ■

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Re-export Tendencies Remain Strong in Georgia's Automotive Industry

The sector is stable and primed for development, according to a recent analysis by TBC Capital.

www.tbccapital.ge

In a recent analysis, TBC Capital found Georgia's automotive industry continued to expand mainly on the back of foreign markets. The study provides a review of the entire sector, from purchasing trends to Georgia's continued role as a re-export hub for the region.

TBC Capital Junior Analyst Nika Kutchava noted that the indicators studied during the review revealed the sector is developing along predictable lines, which can be good for the industry.

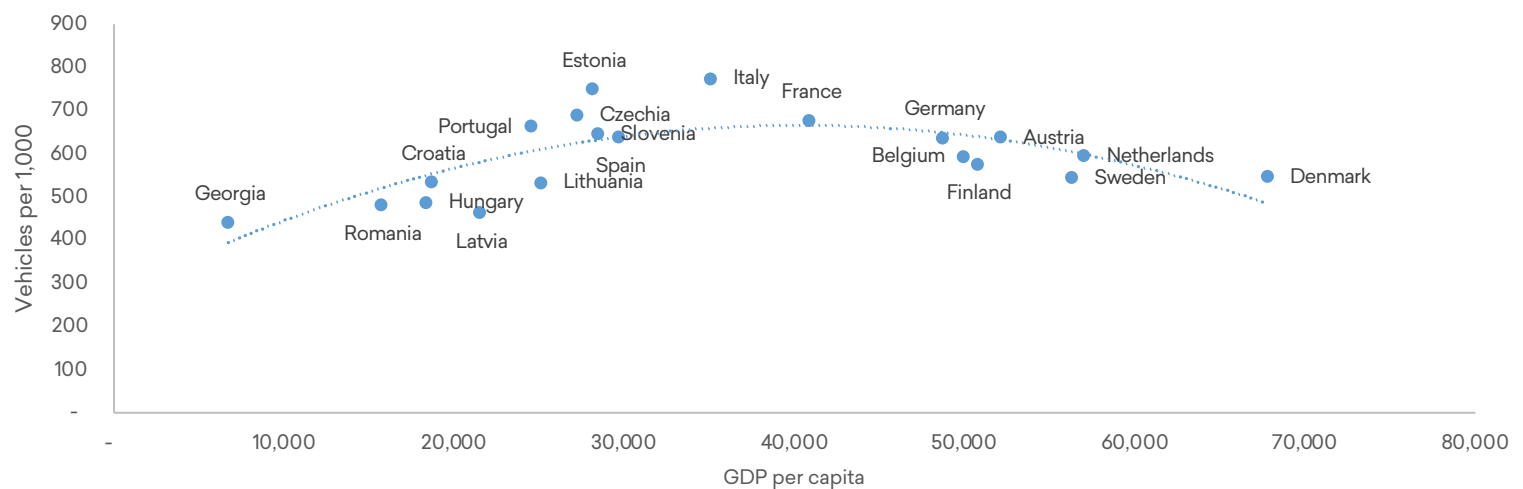
For instance, the report found that despite a small drop in the number of vehicles imported in the first nine months of 2024, re-exports increased by 11 percent.

"[This trend] adds a lot of stability because a lot of people in Georgia are in the business of importing automobiles and then re-exporting them," Kutchava explained.

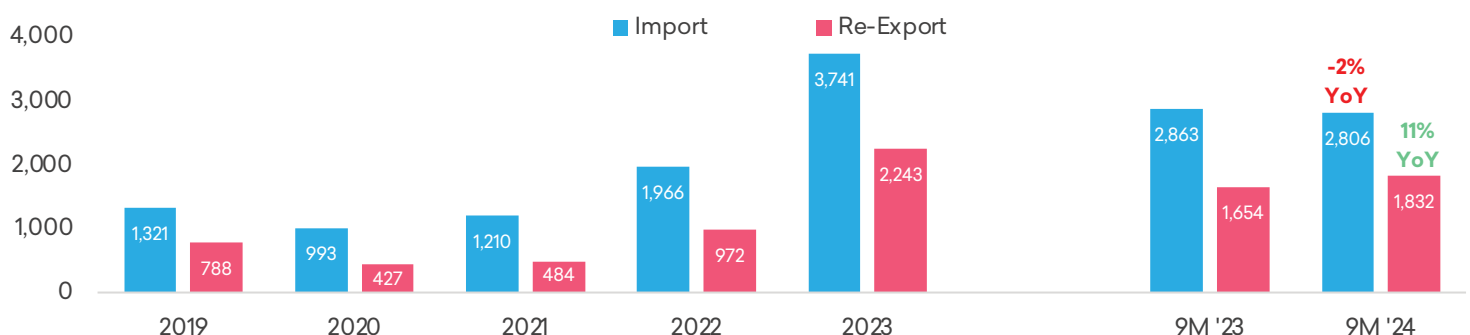
Other major findings included stable growth of cars in the country: 4.9% increase in the domestic fleet in the first nine months of last year, driven by light vehicle purchases. The data also indicates a jump in electric vehicle sales.

"The fleet is growing each year, which shows that it's growing with the GDP," he said. "We're expecting to have more cars per 1000 individuals. Also, the average age is expected to decline."

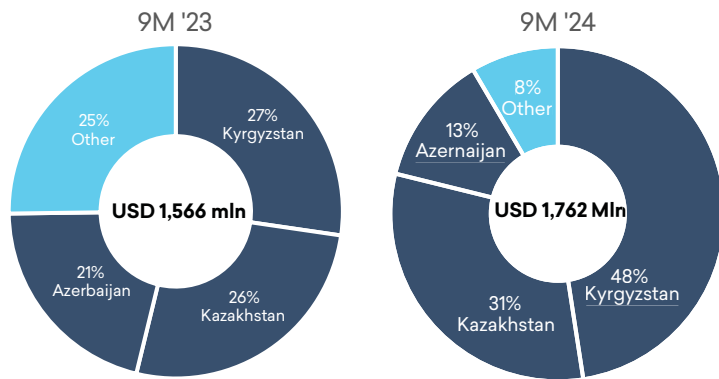
Vehicles per 1,000 inhabitants vs. GDP per capita, 2022



Expanding re-exports



Re-export of light vehicles



The review highlights the decrease in car imports, from \$2.863 billion in the first three quarters of 2023 to \$2.806 billion in the same period last year. Kutchava explained that the dip was largely anticipated.

“In the first nine months of 2024, imports declined. However, it's not really concerning because in 2023, the base was high... because in 2023, there was a pretty high pent-up demand because of the pandemic and the geopolitical tensions in Georgia's general vicinity,” he said.

Even with the year-on-year decrease of two percent, imports in the first nine months of 2024 were still more than double those of 2019 (\$1.321 billion).

Georgia remains a strong re-export market for the region, with the shifts created by the Russian invasion of Ukraine strengthening in 2024, according to the findings.

Re-exports to Kyrgyzstan and Kazakhstan—Georgia's largest markets—grew year-on-year: Kyrgyzstan's share in sales jumped from 27 percent to 48 percent while Kazakhstan's increased from 26 percent to 31 percent. The increases cut into Azerbaijan's share and sales to other countries: Azerbaijan fell from 21 percent to 13 percent and “other” dropped from 25 percent to 8 percent.

“The main takeaways are that these two countries are now the most important re-exporting markets for Georgia. Their share is growing...and became around 79 percent,” Kutchava said.

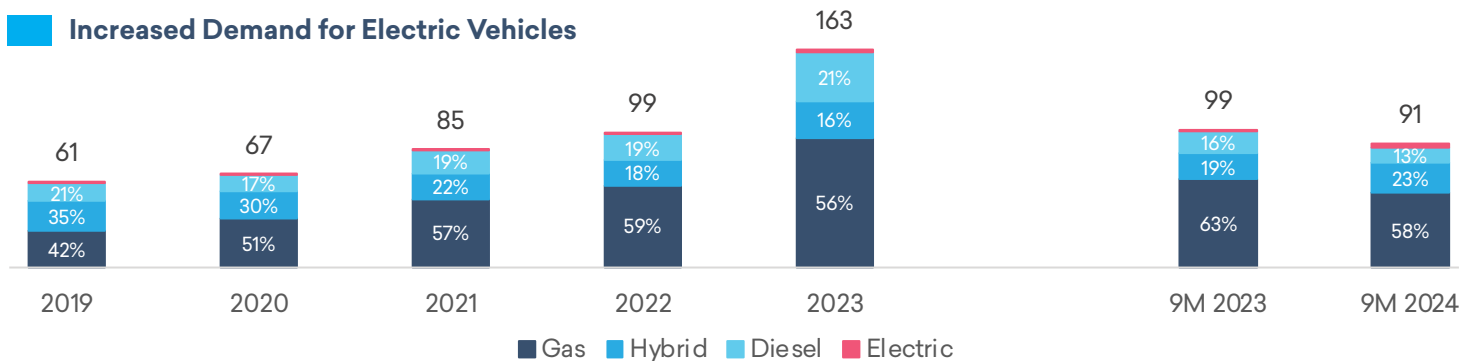
Internal Demand

The report tracked increased vehicles in the domestic market, from 1.75 million units in 2023 to 1.83 million in the first nine months of 2024. The growth was driven by light vehicles, which make up 82.1 percent of the fleet.

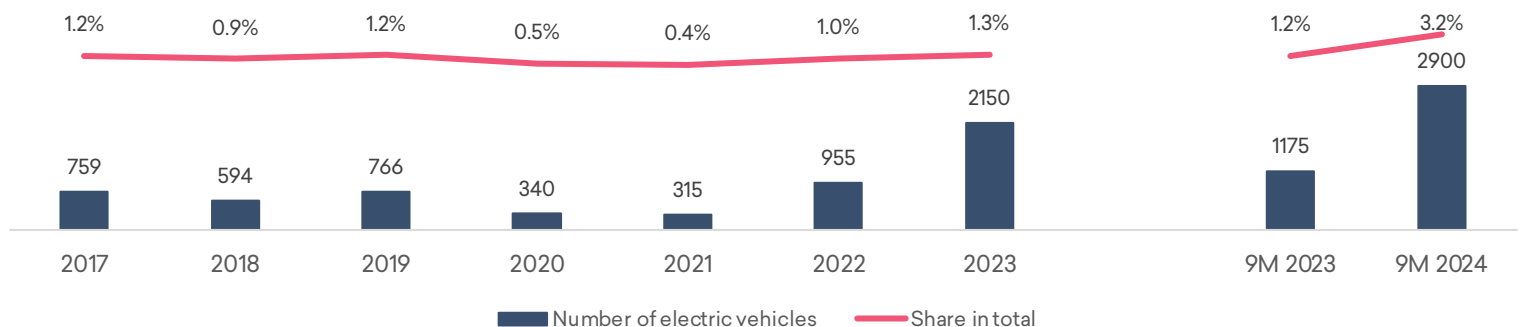
The overall figures hide a small drop in first-time registrations in the first nine months of 2024, compared to the same period in 2023: a six percent decrease from 117 to 110 thousand. The report notes, however, that this was largely anticipated due to the significant bump in registrations from 2022 (125) to 2023 (163).

More than half of the automotive fleet in Georgia is over 20 years old; however, the study found that the average age of the cars being registered is decreasing. The average age has dropped from a high of 10.6 years in 2021 to 7.9 years in the first nine months of 2024.

Increased Demand for Electric Vehicles



Increased Demand for Electric Vehicles



TBC Capital found a growing interest in electric vehicles in Georgia, with its share of first time registrations jumping from 1.2 percent (1,175 vehicles) in the first three quarters of 2023 to 3.2 percent in the same period in 2024. This follows an overall trend observed since 2021, from 315 total units recorded to 2,150 in 2023. The data from the first nine months of 2024, (2,900 units) shows demand remains strong.

Kutchava underscored the importance of the trend. “In past years, in the world, it has been this trend that the share of electric vehicles is growing. But in Georgia, it wasn't really observed...Now that it has begun, it gives some hope that in the future it will become even better,” he said.



Georgia's Bumper Grape Harvest

Georgian grape producers had a great crop in 2024 despite concerns about the weather.

GELA MAMULASHVILI

A reported 320,000 tons of grapes were collected in the 2024 harvest, according to the Georgia National Wine Agency—an estimated 45 percent more than in 2023. The agency reported the quality was also higher than last year, adding to expectations for the wine produced from these grapes.

The harvest started early in 2024: August 13 for Georgia's eastern Kakheti and September 23 for Racha. Lechkhumi started harvesting grapes on October 4. The majority of the grapes picked and processed were from these three regions, reportedly 291,000 tons and worth €390 million.

By variety, Rkatsiteli and Saperavi

were the most bountiful, with 136,000 tons and 130,000 tons respectively. Kakheti Green clocked in at 5,900 tons, followed by Alexandreuli/Mujuretuli, Racha, Tsolikauri, Tsageri, and others.

The Georgian government paid farmers subsidies for grapes this year, as has been the tradition.

Soso Kochlamazashvili, a resident of the village of Zemo Bodbe in Kakheti's Signaghi region, says that state subsidies do not actually change anything for the winegrowers. Instead, he believes they encourage farmers to focus on quantity over quality.

Instead, he recommends the government to help grape producers develop and add value to their product.

"The interest of the vineyard should not be limited only to increasing the quantity of grapes and delivering them to the cellar. With the right approach, [a grape producer] should become a small entrepreneur who will be able to develop the entire production process them-

selves--growing grapes, juicing them, and selling them to the market--only this path will lead us to the further development of the sector," Kochlamazashvili says.

Investor.ge spoke to several wineries about the harvest and their expectations for the industry in 2025.

Expectations from 2024 harvest

"The 2024 vintage marked a significant success for our company, both in quality and quantity. As with every year, challenges arose, but we successfully overcame them," notes Natalia Pirtskhalava, the marketing and business development manager at Tsinandali Estate.

"The key factors influencing grape and wine quality include the vineyard's location, slope relief, natural geographical isolation by forests and ravines, and well-drained clay-limestone soil. These are complemented by annual variables such as temperature, precipitation, and

sunlight. Working in harmony with these conditions, we craft distinctive wines that embody the essence of the Tsinandali terroir. We are confident that the 2024 vintage will stand out as one of the highlights in our wine collection.”

Vinotel also reported a good harvest in 2024.

Mari Chkoidze, the PR and marketing manager at Vinotel, says the company increased its portfolio in 2024.

“Vinotel is dedicated to producing high-quality wines, cultivating approximately six tons of grapes per hectare. In 2024, we expanded our portfolio by incorporating classic winemaking techniques, which consisted of wines made using Kakhetian technology,” she says.

“Our 2024 harvest commenced in mid-September, and we are pleased with the results...Among the standout wines from the 2024 harvest are Rkatsiteli-Muscate and Kisi, both of which are notable for their captivating aromatic profiles and flavor characteristics. Additionally, we are particularly excited about our Napareuli red, which exhibits exceptional aging potential. This wine is currently aging in our handcrafted 5,000-liter French Montgillard oak jars, enhancing its stability and refining its tannin structure. We have four of these kind jars and they are equipped with cutting-edge digital technology, setting us apart in the industry.”

Vinotel worked on improving the harvesting and production process, Chkoidze adds.

“We have also upgraded our laboratory technology to ensure precision and eliminate mistakes throughout the harvesting and production processes,” she says. “Collaborating with invited experts, we tested various aging vessels, including French barrels, jars, and traditional Georgian kvevris. Any kvevris deemed inadequate by our experts have been sealed and reordered, this is a guarantee of success in the premium segment.”

Sustainability concerns

Giorgi Skhirtladze, founder of the Rtoni and Melitoni wineries, warns adapting varieties will be a challenge.

“As for the adaptation of grape varieties to modern (including climatic) trends, it will be difficult to radically change the vineyards, but when planting new ones, varieties should be selected according to the requirements, depending on what kind of harvest a particular variety gives, so that it can be brought to actualization,” he says. “A winegrower should try his/her best to choose grapes that will be of high quality and find a market to sell them in.”

Tsinandali Estate’s Natalia Pirtsakhava explains the winery is working on improving sustainability.

“Looking ahead, we are actively refining vineyard management strategies to enhance environmental sustainability. Our diverse selection of 12 varietals, including three international ones, offers exciting opportunities for creating unique blends,” she says.

Expanding export markets

Skhirtladze, founder of the Rtoni and Melitoni wineries, believes the government should do more to increase awareness of Georgian wines in the international market.

“Our wines are still poorly known. Secondly, as much individual assistance as possible should be provided to strengthen farmers and wineries. New approaches are needed to enter export markets—to increase awareness and popularization, because it is very difficult to do this individually. It will be difficult for one specific winery to fully cope with this task.”

Currently, Rtoni and Melitoni wines are exported to more than 10 countries, Skhirtladze says, adding that the wineries are looking for more markets as nearly 90 percent of their exports go to the EU.

“Wine made in the traditional Georgian way is still a relatively new product for the world...The problem is the lack of awareness: exporters start with enthusiasm and then sometimes have difficulties in some areas. They still have to work with a new product. Therefore, we are trying to help ourselves and exporters,” he says.

“Our production volume is consistently around 30-40,000 bottles in Rtoni and somewhere up to 200,000 bottles in Melitoni, because it is already a medium-sized enterprise. Recently, we were at the Great British International Exhibition and our wine has already entered [the UK market].”

Tsinandali Estates’ Natalia Pirtsakhava notes that the company plans to increase export markets this year.

“We are expanding our export reach and negotiating entry into new markets for 2025... The growing demand for terroir-driven wines among Georgian and international consumers aligns with our values of celebrating and expressing wine identity,” she says. ■





From Blueberries to Tomato Beer: Georgia's fruit farmers find firmer footing abroad

Georgian fruit producers are innovating and cooperating to expand exports and tap into new markets.

SALLY WHITE

Georgia's fruit and vegetable harvest this year is forecast to rise by 15-20 percent compared to 2023, with around 90 percent of exports going to Russia. Producers in Georgia have problems getting their products into the EU, says president of the Association of Vegetable and Fruit Exporters, Vakhtang Bejitashvili, because of their lack of volume. From blueberries and tangerines to fruit beer, however, there are signs that Georgia's fruit farmers and associations are finding ways to boost exports and find new markets.

Blueberries as a model for success

Georgia's great international success with its relatively new blueberry crops shows the endless possibilities. The secret here is a good business model. Blueberry farmers are producing what overseas and especially EU markets want: scale, the latest varieties, and aligned with all regulatory and phytosanitary regulations. Farms are getting larger, producers are marketing jointly, and their packing is efficient. As a result, Georgian blueberry producers can pride themselves on becoming an important global player.

Agriculture overall has become a growth area for the economy, rising by 0.7 percent in Q1 to 5.3 percent, according to the latest Agri Review from the International School of Economics at TSU (ISET). Investment in the sector, however, remains low, the report states, and foreign direct investment (FDI) declined in this period. Ahead of the election, the government promised that a total of ₾3 billion (\$1.09 billion) would be allocated to the agriculture sector over the next four years.

Collaboration has been as effective a route as consolidation to higher output and new markets for the larger of the

blueberry producers. One major group, the Georgia Blueberry Growers' Association (GBGA), formed three years ago and has 20 major grower members), for example, operates a centralized system for sales and logistics planning, provides information, and helps ensure fast processing. "The strong collaboration with Georgian state projects and USAID agricultural programs played a meaningful role in this success," noted Shota Tsukoshvili, CEO of the GBGA, in comments to horticulture trading information platform East Fruit.

From the customer's side, Tsukoshvili details the winning ingredients as "the wide range of different varieties of blueberries that meet global standard of crunchiness, shelf-life, taste, and flavor." These have led to market penetration in the EU. GBGA member orchards expect to double export volumes annually over the next three years with a 1,000 tons in 2025 and reaching 10,000+ tons by 2028.

The GBGA members currently farm over 1,000 hectares out of the country's 3,000 hectares dedicated to blueberries. Around 300 hectares are currently being added nationally to blueberry growing areas each year.

In 2024, the GBGA had sent 500 tons to Europe at the time of this report. Tsukoshvili believes that Georgia could export in total internationally an annual 25,000 tons by 2028, with 10,000 tons of that coming from the GBGA. One of the association's goals is to diversify the export markets. Historically, Russia has purchased 90 percent of Georgia's blueberry production. However, the country's geographic location enables farmers to export blueberries into Asia, the EU, and Gulf countries efficiently, thus able to diversify and avoid much international competition.

For overseas markets, the timing of Georgia's harvest season works to its advantage and it only partially overlaps those of its major competitors. It is one of the few countries offering low, mid, and high chill blueberry varieties ripening from mid-May to end of July. To widen this narrow time window, Georgian growers—who are mainly concentrated in the country's three coastal regions—are expanding their orchards up the hill-sides into new, cooler areas.

"Georgia has the opportunity to expand production in the eastern part of the country and into mountainous re-

gions to extend the harvesting season to early September," Tsukoshvili explains. "The rising global consumer demand and introduction of blueberries into non-traditional markets such as India, South Korea, Vietnam, etc. make blueberry farming an interesting opportunity for investments."

Another objective for the GBGA is to improve local technical knowledge to maximize profitability. Development of products and value chains is continuing, according to Tsukoshvili, including ones that enable farmers to sell second-class blueberries at a European level market price. "These products will help reduce waste and utilize substandard berries that may not be suitable for fresh export markets. We are in the process of finding partners and have already held meetings with Chilean and European companies in the same sector to discuss potential cooperation."

Tangerines see higher exports, imports

Good and normal two-way business has been seen in tangerines in 2024's first three quarters, with 9,431 tons exported through September, up from ►►





► 1,980 in 2023, destined mainly for Russia (8,068 tons). Imports, mainly from Turkey, totaled 4,707 tons against last year's 3,273.

Tangerine harvests in the 2024 season are expected to total around 40-45 tons, with most of the crop being exported. According to an EastFruit report from the head of Adjara's citrus co-ordination agency, Raul Tavartkiladze, prices have been rising, although bad weather has reduced volumes. Processing of non-standard citrus will be expanded, with two plants operating compared to one last year. The Adjarian government has increased the subsidy to growers. Costs, says EastFruit, were similar to 2023.

Not every fruit is perfect, and initiatives have been introduced to help farmers. Under a state program, 12 processing companies are purchasing substandard apples (with the help of government subsidies). By early October, 9,000 tons had been collected, and the expected to-

tal this year is forecasted at 50,000 tons. Last year the total processed was nearly 18,000 tons.

Stone fruit exports growing

Export of apricots, peaches, cherries and berries, as well as plums and gooseberries, increased by 19 percent. According to official statistics, 30,991 tons of fruits were exported during the summer, which is 15 percent higher than last year's volume. The stone fruit alone was worth \$29 million. While these were sent to six different countries, Russia takes the bulk and the rise in the export total was because of increased sales there. In 2024, 29,222 tons of these fruits were exported, worth \$32 million, making up the fifth largest sector among Georgia's total exports.

Georgian producer invests in fruit beer

A new fruit venture in Georgia spot-

ted by EastFruit is catching up with fashions in other countries—fruit beer. While Japan has banana beer and Poland a whole fruit beer range, including beetroot, tomato, and carrot, Georgia has opted for tomato. Small, independent Georgian craft beer company NaturAle Brewery, which is already making apple cider and tkemali beer, has started production of lightly alcoholic "tomato gose" and for a kick adds adjika.

Sergo Makarov, who founded NaturAle Brewery in the Tbilisi suburb Dig-homi with his wife eight years ago, says the company is planning to export in the future. "We are constantly experimenting and rotating the production line - we replace something, and add something. We supply our beer and cider to bars and specialized stores in Tbilisi and Batumi. In the future, in addition to the Georgian market, we plan to enter the export market. There is already interest in our products in the UK and Poland." ■

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Georgia's Law on Entrepreneurs:

AmCham Georgia's advocacy for better laws for businesses

The Law on Entrepreneurs has been revised several times, most recently in 2021. Through the Commercial Law and Tax Committee, AmCham Georgia is working with its members to propose improvements to the law that will strengthen the business climate and streamline processes for companies.

LINA JIKIA

The evolution of the Law on Entrepreneurs

The Law on Entrepreneurs serves as Georgia's fundamental legal framework that lays out the requirements for company registration and general corporate governance requirements. The first version of the law was introduced in 1994,

significantly revised in 2008 to streamline various processes, and ultimately replaced by the 2021 version, which aims to align closely with EU standards.

The 2008 changes to the law sought to reduce the number of regulations. While the liberal approach simplified a lot of corporate matters, it also attracted a lot of criticism as the lack of regulations made it difficult for the court to

deal with corporate matters, including disputes between shareholders in absence of shareholders agreement for example.

Professor Giorgi Jugeli, Legal Expert at the Investors Council and co-author of the Law on Entrepreneurs, explains, "Over time, the initially liberal approach of the earliest version of the law revealed significant gaps that gave rise to numerous court disputes. These disputes often became protracted and challenging to resolve, as the absence of a formal case law system and the lack of clear, detailed provisions within the legislation made it difficult to establish consistent legal practices."

The 2021 amendments to the law in-

roduced comprehensive regulations on corporate processes, including corporate registration, general meetings, the requirements of standard incorporation documents, management body duties and responsibilities, service agreements for managers, fiduciary obligations of management, rights of minority shareholders, subscribed capital and specific provisions.

“One of the key objectives of the new law is to promote the establishment of a uniform and consistent court practice in resolving corporate disputes,” explains Professor Jugeli. “By fostering a more standardized approach, the new law seeks to enhance the fairness, efficiency, and reliability of judicial outcomes, thereby providing greater clarity and confidence to businesses and stakeholders. This emphasis on uniformity is expected to contribute to a more stable legal environment, reducing uncertainties and supporting the broader development of corporate governance and dispute resolution practices.”

Despite these advancements, practical challenges remain. Key issues include the misapplication of supervisory board provisions to limited liability companies (LLC), unclear rules for brand name registration, and ambiguities in the fiduciary duties of joint stock company (JSC) supervisory boards. Additionally, privacy concerns arise from mandatory publication of draft decisions, while restrictive interpretations hinder shareholder efficiency in decision-making. Modernization is also needed, such as allowing digital general meetings and proxy participation to simplify processes.

These challenges highlight the need for further clarification and adaptation to ensure the law is practical and user-friendly. Reforms are critical to fostering a predictable and transparent corporate environment, boosting investor confidence, and strengthening the economy.

As the law undergoes a “probation period,” consistent application by courts and practitioners will be essential to refine its provisions and establish a robust, modern legal framework for businesses in Georgia.

AmCham Georgia’s work to improve the law

AmCham has created the Commercial Law and Tax (CLT) Committee to bring together many of the most senior lawyers in the country. Committee members regularly discuss challenges, clarify provisions, and propose possible amendments to the Law on Entrepreneurs.

“AmCham and its CLT Committee have been actively involved since the drafting phase of the law and later during the post-adoption review, offering firsthand insights on how specific provisions could be optimized to ensure the law remains effective and aligned with current practices,” Professor Jugeli says.

The CLT Committee has identified several challenges related



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- to issues of misapplying rules across JSC and LLCs, ambiguities over the application of rules, and inflexibility of rules for modern business practices

Challenge #1: JSC Rules Applied to LLCs

The current version of the law applies rules that make sense for JSCs, which are typically more rigid, to LLCs, which are generally more flexible. JSCs usually require stricter corporate governance rules because their shares might be publicly traded in the future. This means they must meet higher standards of compliance and accountability compared to other types of legal entities.

However, the law sometimes puts the same requirements on both groups. For instance, there have been cases where the article in the law extends supervisory board provisions from JSCs to LLCs. Registration authorities have apparently interpreted the law as requiring LLCs to follow the same supervisory board regulations as JSCs.

As Irakli Pipia, Head of Office from SCHNEIDER Group, argues, “Due to the

fundamentally different nature of these two legal entities, applying the same rules to both is impractical. This issue could be effectively resolved with a minor amendment explicitly clarifying that LLCs may regulate supervisory board matters differently through their articles of association, in order to avoid ambiguity.”

Another example is the requirement that if a company has more than one director, it must establish a management board with a chairperson. This poses challenges, particularly for LLCs, which are valued for their flexibility. Many companies may prefer to appoint multiple directors with equal powers rather than adhere to formal board establishment requirements.

“This issue becomes especially relevant when majority and minority shareholders each have the right to nominate directors. In such cases, the rules governing a management board may not align with the company’s preferred governance structure,” Pipia explains.

“Companies should have the flexibility to appoint any number of directors

with specific powers and responsibilities, without being compelled to establish a management board if they do not wish to incorporate related rules and procedures into their constitutive documents.”

In addition, the law extends fiduciary duty provisions to members of a JSC’s supervisory board, including duty of care in special circumstances—the obligation to file an application for insolvency proceedings. Supervisory board members, unlike directors, do not automatically have the authority to represent the company. Consequently, obligations such as filing for insolvency proceedings are unsuitable for them. “Therefore, there may be a ‘technical mistake’ in terms of listing provisions applicable to the supervisory board members. Such mistake, if not corrected, may cause serious legal risks about imposing the liability on a supervisory board member. Revising these provisions to clarify their applicability could resolve the issue,” says Sophie Natroshvili, Legal Director at BGI.

In contrast, the well-known doctrine “business judgement rule” does not apply to the supervisory board member according to the law. This introduces ambiguity since such a rule should naturally also apply to the members of the supervisory board in order for them to benefit from this rule as long as they act in the best interest of the company.

“In practice, the extension of “business judgment rule” to supervisory board members may be crucial to determine their personal liability and assess whether they were in compliance or in breach of statutory provisions while adopting certain decisions within their capacity as supervisory board members,” Natroshvili explains.

Challenge #2: Challenges of Definition and Clarity

The CLT committee has identified many areas where new regulations have ►►

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► been developed with definitions of terms that are particularly prone to misinterpretation. For example, in an attempt to create greater disclosure and transparency practices, the law has often created procedures which, if interpreted a certain way, can create unnecessary and impractical burdens on companies.

Brand name registration can also create problems for the same reason. Authorities can reject a name if it deems it resembles an existing one. However, currently there is not a sufficiently clear definition of “similarity,” and this can cause unnecessary rejections and delays.

Another challenge relates to disclosures. The new law requires publishing the draft of shareholders’ decisions to promote transparency. However, it does not specify what information must be disclosed, leading to concerns about whether sensitive documents, like financial statements or agreements with third parties, must also be published. Balancing transparency with confidentiality is essential to safeguard investor privacy while maintaining compliance.

Challenge #3: Inflexible Demands on Meetings of Partners/Shareholders

A third problem is that the law sometimes demands shareholders to have physical meetings, where common sense might suggest alternatives would be better. For example, the law lacks provisions explicitly allowing JSC shareholders to adopt decisions without convening a general meeting, even with unanimous consent. This omission has led authorities to reject such decisions, due to non-compliance with the existing law. Therefore, explicitly permitting the adoption of decisions without convening a general meeting could reduce bureaucratic hurdles and align the law with practical corporate needs.

In today’s digital age, it is also crucial for LLCs to have flexible rules for partner/shareholder meetings and decision-making in general. Currently, it is unclear whether the law allows LLCs to notify partners via email, meet remotely, or vote by email. These practical issues could be regulated by LLC articles of associations.

Fortunately, discussions are underway to clarify the provisions of the law and enable electronic methods for meetings, notifications, and remote voting.

As Nino Suknidze, Managing Partner at Suknidze & Partners, explains, “If these proposals are integrated into the current legislation, the result would be a much more efficient, predictable, and swift process for conducting meetings of partners/shareholders that will significantly enhance the overall experience for shareholders, ultimately aligning the legal framework with the needs of modern businesses.”

The work of the AmCham Commercial Law and Tax Committee on this law provides a treasure trove of practical insights for legislators. Corporate law in Georgia has improved immeasurably in recent years, but with so much change, it has created areas where lack of clarity and unforeseen consequences can undermine the effectiveness of the new law. Moving forward, by integrating our input, we are hopeful that the corporate governance environment will continue to improve. ■

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BUILDING BRIDGES Not Barriers: **STRUCTURING YOUR**

Recent decades have seen a surge of tech conglomerates and multi-billion companies, which take pride with the origin story of “being started in their father’s garage.” While each story is truly inspirational, businesses based on friendship are as old as time.

Industries and scales of economy may differ. However, the basics of human dynamics remain the same all over the world. Friends discuss ideas; friends are comfortable to share certain starting risks and are not comfortable negotiating commercial terms of partnership. In the majority of cases, soon the company finds a life of its own and grows, sometimes exceeding even the very optimistic expectations of its shareholders.

Our practice shows that with the first success comes the first trouble. We often see an ambiguity in roles and functions, socialist model of profit sharing (everything being divided equally), different visions for the company’s path forward and the unavailability of deadlock resolution mechanisms or exit options. And, although each similar business may share a similar story, the resolution or rather, ending, varies. Some manage to transform into a corporation, while others remain hostages to their misperceptions and failures. Lawyers do not like to talk in absolute terms, and we tend to qualify everything, but it is true to say that almost all businesses that fail to adequately organize shareholder relations will eventually stop growing and fail, or, as a minimum, fail to realize their potential fully.

Having worked with a number of similar clients and companies, and after orchestrating many turnarounds, these are the main takeaways and lessons learned.

PARTNERSHIP **FOR BUSINESS** **SUCCESS**

It is never too late to negotiate a shareholders agreement

People are reasonable and the truth is, if given adequate forum and framework for discussions, they will make reasonable choices and decisions. Business is, to a large extent, like marriage. If something is not working, the chances are both parties feel it and are bothered by it. Therefore, don’t be afraid that your partner will not be willing to start the negotiation process or that you will damage the relationship. Trust the person you chose as your partner and believe that when solutions and propositions are reasonable, they improve the lives of all parties involved. Therefore, it is never too late to start negotiating shareholder relations and formalizing a comprehensive shareholders’ agreement with clear terms and equitable solutions that foster stability and mutual success. Having a shareholders agreement that outlines the rights and obligations of relevant parties is neither a luxury nor a nicety. It is simply a necessity. We are the worst witnesses to our memories and even the most self-evident understandings and arrangements can be challenged in the absence of explicit contractual regulation.

Ensure that shareholder relations are fair and tailored to the corporate reality

When it comes to the shareholders agreement, it matters that the contract is fair, and it adequately reflects the company reality. If the contract is unfair, it will be breached. If the contract is not tailored to the corporate reality, shareholder relations will find the life of their own, independent from the respective contractual regulations and the agreement will remain a file stored on a hard-drive. Therefore, ensure that the contract accommodates the strength and weaknesses of each shareholder, and that the allocation of duties is balanced and fair.

Functioning corporate governance framework is a necessity

A functioning corporate governance framework is essential for accountability, transparency, and sustainable growth. It ensures effective decision-making and risk management. Strong governance fosters investor confidence, making it easier to attract capital and drive long-term success. It also enhances operational efficiency by clarifying roles and responsibilities. Without proper corporate governance, sustainable growth is nearly impossible. However, an overly complex, multi-layered governance structure that is unsuitable for the company can be just as damaging as having no governance at all, leading to bureaucracy, slow decision-making, and operational inefficiencies. The key is to establish a governance framework that is clear and adequately tailored to the company's needs, ensuring both stability and agility.

Make sure that the company adheres to sound corporate governance principles

We have yet to see an example where negotiating a sound shareholders agreement does not make it evident that other parts of the corporate governance also have to be dealt with. Of course, that does not mean that every company needs audit and remuneration committees or independent board members. The complexity of corporate governance is, of course, dependent on the size and scale of the company in question. However, we have seen that baseline reporting, accountability and organizing incentives according to the medium to long-term business strategies are usually necessary components of a successful business.

Find advisors with complex outlook and uniform approach

We often say that some finance and legal knowledge is needed to negotiate shareholder relations but most of all it requires understanding the relevant business and the art of mediation. Disregard advisors who come with ready-made solutions for you and trust the ones who listen, spend time on interviewing the relevant parties,

and try to understand what it is that you want from this process.

Challenge your vision, challenge others

Don't be afraid of challenging your prejudices and preconceptions. As part of the process, you may find it necessary to change your internal structure, hiring or firing practices, or the business model—or even discontinue or start a new line of the same or a different business. Sometimes you may find that this is not the company or the shareholders with which you see your future. And that is also normal. For similar scenarios, an adequate corporate governance framework shall accommodate a fair and financially sound exit.



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Georgia Promotes Major Infrastructure Projects at COP in Baku

The international event was a chance for Georgia to scout for investors for two critical transit projects in need of funding: the Trans-Caucasus Trade Route (Middle Corridor) and Black Sea energy corridor. Political instability at home puts the projects' future at risk, however.

SALLY WHITE

Georgia presented two flagship infrastructure projects for consideration at the UN's 29th major Climate Change Conference (COP 29). Topping Georgia's list was the \$20 billion-plus multi-modal land, sea Middle Corridor, and the 1,200 kilometer, \$2.3bn "green" Black Sea energy corridor, the submarine cable project which it has initiated (along with Romania) to carry energy generated in the Caucasus to en-

ergy-hungry Europe.

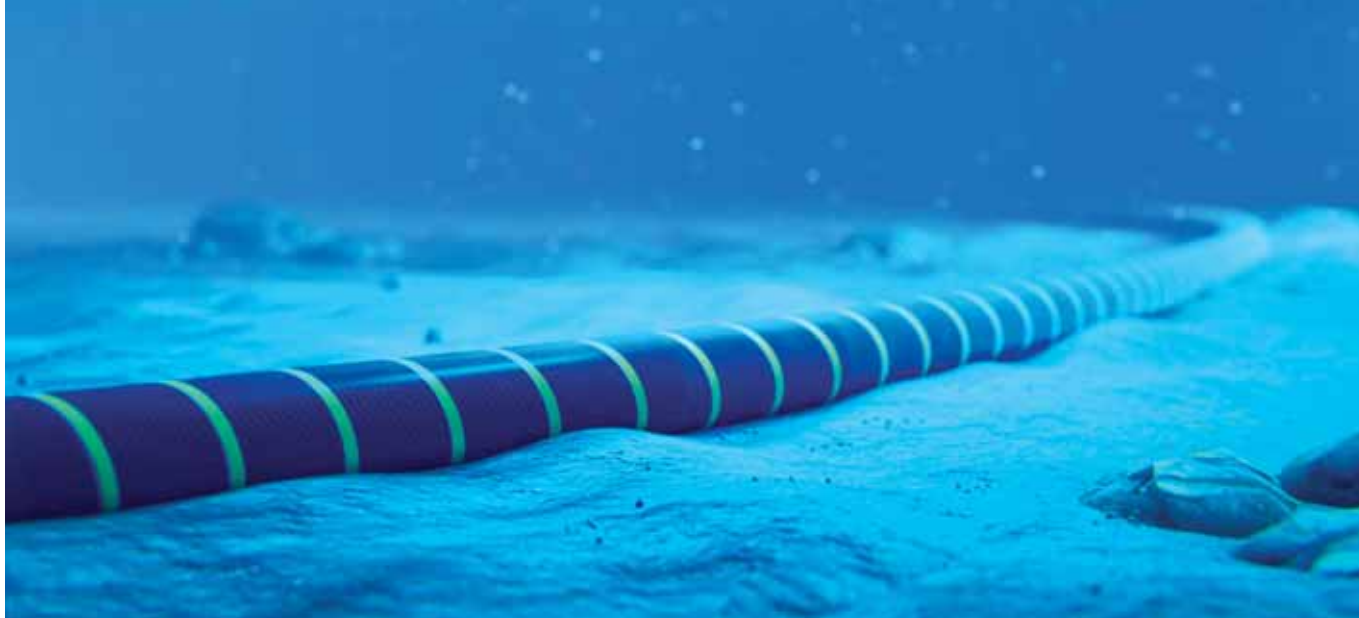
The recent political tumult in Tbilisi has arguably created considerable uncertainty for any new large scale projects, as international financial institutions and international investors will have to reconsider their long-term plans. However, at the time of the COP, the plans that were presented seemed to offer considerable opportunity for the green development of the Middle Corridor.

Transportation projects were lobbied hard at the COP, as countries seek financ-

ing to convert their trade transport routes and infrastructure to greater sustainability. Key to the multilateral banks' benign policies on transport is the UN view that, particularly in land-locked developing countries, "efficient, cost-effective, affordable, reliable, and sustainable transport systems and infrastructure—including better roads, more railway links, and transport corridors with unimpeded border-crossings— are keys to further progress toward sustainable development." The logic is that otherwise trucks will be toiling slowly through towns and villages, degrading landscapes, and creating pollution.

Increasing competition for "hubs"

The COP was an opportunity to talk,



formally and informally, to lenders and investors who are less censorious of contentious governments than the EU or US. That seems to be the case for the Asian Development, World Bank, the EBRD, and other multilateral development banks, as well as the world's risk tolerant hedge funds and private equity investors. Georgia seized the chance to push for its connectivity projects; all of them need urgent progress as competition intensifies to provide logistic "hubs," processing centers, and container parks for the network of cross Eurasian trade highways.

Almost all the Central Asian countries have plans to improve interlinking between their countries to facilitate trade locally and as an essential step to improving accessibility to the highly profitable markets of Europe. Talks have reached beyond the region into Iran, Iraq, and Afghanistan, as well as India and China. For example, in December,

a 486-kilometer China-Kyrgyzstan-Uzbekistan railway was officially launched along with plans for a cold chain system for fruit and vegetable exports. However, competing with it will be the 3,000 miles of new rail routes being built by Kazakhstan, the chief node for East-West trade through the emerging Middle Corridor, which is investing in hundreds of new trains, passenger cars, stations, and containers to enable its growth.

Middle Corridor potential opportunities, obstacles

Good news for Georgia is that many of these new regional corridors and rail routes in process will feed into the Middle Corridor, sending transit-fee-earning container traffic through its rail and highways to Europe and the Americas. However, Georgia needs to heed and respond to the criticism of its current poor transport infrastructure and technology

in order to capitalize on these new opportunities.

Currently a number of reports describe widespread discontent among freight forwarders on the pace of modernization of the Middle Corridor. For Georgia, weaknesses listed by the Georgia-based Policy Management Consulting Group range from "continued lack of investment in the development of transport and logistics infrastructure," lack of ferries and locomotives, and "capacity constraints on equipment." Other issues include the current absence of adequate port capacity or facilities, including a deep seaport. The new port at Anaklia is a response to the latter, but work has only just started.

While APM Poti Port has said many times that it is "ready to invest at least \$200m in a port expansion project subsequent to the Georgian government's issuance of a decree authorizing its sign- ▶▶

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► ing,” there has been no news on that yet. International credit rating agency, Fitch has downgraded its view on Georgian Railways on grounds of the political background, making credit more expensive.

Green Energy Corridor

The Caucasian Green Energy Corridor is still in the study stage but it is attracting stakeholders, despite security fears for underwater cables and the Black Sea location. Georgia, Azerbaijan, Hungary, and Romania agreed last summer to establish a joint venture for the cable project and signed a memorandum of understanding with the EU. Recently Bulgaria has said it wants to join, and other countries in the region have indicated interest. While the target deadline is 2030, the technical, security, political, and financial hurdles are not small ones. Next steps are studies to gauge transmission capacity and a more detailed look at the seabed.

The enhanced connectivity resulting from the corridor elevates Georgia's significance in the broader regional and European energy markets, opening doors to greater economic investment, international partnerships, technologi-

cal advancements, and security. “For Georgia, the Black Sea Submarine Cable Project is more than an energy corridor—it is a strategic opportunity to redefine its position on the global energy map. By playing a central role in this multilateral initiative, Georgia solidifies its status as a critical energy transit hub between Europe and Asia,” states the Georgian Foundation for Strategic and International Studies, a think tank. “Additionally, the project can catalyze the growth of Georgia's domestic renewable energy sector, allowing the country to not only meet its own energy needs but also to become a future exporter of green energy to Europe.”

This, as Sebastian Burduja, the Romanian Energy Minister, told Offshore Energy online media, “is not a cheap project.” However, the European Commission has indicated willingness to bankroll it with €2.3 billion. The World Bank has committed \$35 million for feasibility studies and other preparatory work.

Azerbaijan will be the predominate energy supplier, holding as it does substantial renewable electricity potential—it has plans for offshore and onshore wind farms along its Caspian Sea coast and for vast solar projects. The country

aims to generate 30 percent of its electricity from renewables by 2030, meaning 70 percent would still come from natural gas when the cable is operational. The country is already a vital gas supplier to Europe via the existing pipeline network, a role that increased following Russia's invasion of Ukraine.

In part due to support from foreign donor and international finance organizations, Georgia has been rapidly developing its renewable energy sector, particularly in wind and solar power. Already known for its hydropower, which accounts for 73 percent of electricity production, Georgia is now focusing on expanding its wind energy generation. The pace of new projects, including plans for a large wind farm in Tskaltubo Municipality, could slow depending on access to funding.

Once the renewable energy from Azerbaijan and Georgia reaches Romania, it would be connected to the European grid, providing clean energy to several EU member states. Romania, which already generates over 11,000 MW of renewable energy primarily from wind and hydropower, plans to use the surplus to increase its renewable energy exports to Europe.



Georgia Eases into Smart Contracts



Georgia's embrace of crypto currency has not translated into the wide introduction of other new technologies. The National Agency of Public Registry's new Smart Contract System is a step toward more breakthroughs that could open new opportunities for business.

SALLY WHITE

Georgia has emerged as one of the top crypto-friendly countries, so it would be logical to think that it was equally advanced in other elements of Web 3, the latest iteration of the internet. Far from it! The launch of a new piece of commercial technology, a "Smart Contract" for Georgian real estate transactions a few weeks ago was a rare sign of momentum. But it is at least a concrete first step.

Web 3 incorporates concepts such as decentralization, blockchain technology, and tokenized systems. Probably the most popular of its features is Smart Contracts—the piece of code that runs on a blockchain and automatically executes a specific contractual clause when a defined condition is met. Internationally

it is being used across the economy, including the commerce, banking, finance, industry, healthcare systems, royalties, election management sectors as it is secure and cuts time and costs. Almost all processes concerning business transactions or admin can be mapped digitally.

The leader on Georgia's new "Smart Contract System" is the Ministry of Justice's National Agency of Public Registry (NAPR).

"This system redefines traditional transaction processes, allowing payment and property registration to happen simultaneously. Buyers and sellers can now finalize sales agreements remotely by signing them digitally through any internet-connected device. Additionally, the Smart Contract enables users to register a mortgage using the same method," NAPR said in a statement when the sys-

tem was announced.

Smart Contracts automate various stages of the property registration process. This will significantly reduce manual intervention, paperwork, and associated delays, ensuring a more efficient and streamlined experience.

"The announcement by the NAPR in Georgia regarding remote property registration is a progressive step toward modernizing public services. However, the lack of key features associated with pure Smart Contracts highlights several areas where the current system could be further improved," commented Mari Tsutskiridze, a consultant on digital transformation who has worked on a number of Georgian international assistance projects.

Several of Georgia's institutions, from the Business Association of Georgia and the Ministry of Foreign Affairs and Ministry of Economy and Sustainable Development to the National Bank (NBG) have been involved in this launch. The latter, in cooperation with donors, has been spearheading the initiative to develop a legal and regulatory framework ►►



- for Smart Contracts as these revolutionize the way in which parties make legal agreements. Smart Contracts themselves are (despite the name) not contracts in the legal sense.

Neither lawyers nor estate agents are likely to be replaced by Smart Contracts. These are a tool, and have neither the expertise, capacity to negotiate nor can they give advice and they need to be written by experts. Estate agents' roles are also secure, given the need there to be street savvy, to provide clients with tailored assistance, and to be able to handle complicated legal and financial matters with confidence.

One promising area for Smart Contract application in Georgia on the

grounds of the cost cutting it provides is tourism. "Smart contracts could enable tourism service providers to trade directly with customers bypassing some intermediaries," states a study in the *International Journal of Technology Management & Sustainable Development*. It also suggests possible applications in tourism areas such as hotel reservations, airline tickets, car rentals, payment management, reward programmes, traveler identity, luggage tracking, validity of reviews and ratings and more.

Another potential sector is retailing. Automated payments between suppliers and retailers based on predefined conditions could minimize delays. Also, Smart Contracts can automate loyalty

programs, rewarding customers for their patronage and driving customer engagement.

For supply chains, paper-based forms traditionally pass through multiple channels to get approvals, increasing the risk of fraud and loss. The blockchain can nullify such risks by delivering an accessible and secure digital version to parties involved in the chain. Smart Contracts can be used for inventory management and the automation of payments and tasks.

"Smart Contracts help transform traditional financial services in multiple way," points out Canadian banking and finance consultants CFI. "In the case of insurance claims, they perform er-

ror checking, routing, and transfer payments to the user if everything is found appropriate. Smart Contracts incorporate critical tools for bookkeeping and eliminate the possibility of infiltration of accounting records.

“They enable shareholders to take part in decision-making in a transparent way. Also, they help in trade clearing, where the funds are transferred once the amounts of trade settlements are calculated.”

There is no shortage of platforms set up by major companies for the use of Smart Contracts, as US consultants Modern Web point out. For a start, IBM has produced a revolutionary blockchain-based platform, IBM Blockchain, to give companies the ability to create and execute intelligent agreements for various applications such as inventory management and digital identity confirmation. Microsoft has created the Azure Blockchain Workbench, a platform that makes it possible for companies to generate and launch Smart Contracts with various blockchain technologies.

In the financial sphere, US-based international bankers JPMorgan Chase have revolutionized the blockchain industry with their pioneering Quorum platform, allowing companies to craft and deploy Smart Contracts for multiple purposes – from managing supply chains to conducting financial transactions.

For logistics, global shipping group Maersk has constructed a blockchain-

based platform called TradeLens to revolutionize their supply chain processes. By leveraging Smart Contracts and automation capabilities, they have been able to increase efficiency across the entire process while simultaneously optimizing costs. Mega-retailer Walmart is using blockchain technology and Smart Contracts via IBM’s Food Trust platform, to create a cutting-edge platform that can trace the supply chain for food products. Their objective is to combat waste while also improving overall food safety standards.

No one, however, claims that Smart Contracts are without their limitations. For a start, Smart Contracts cannot always handle terms and conditions that are vague, and contracts are only as good as they are written. Then, using Smart Contracts makes it difficult to operate on the “good faith” concept on meeting of terms. And there are currently no uniform standards for Smart Contracts, so compatibility issues may arise.

“Smart Contracts are often complex, involving intricate code that must be error-free to function correctly. Any vulnerability in the code can be exploited, leading to significant financial losses or security breaches. Ensuring the security and reliability of Smart Contracts requires rigorous testing and auditing by experienced developers,” cautions Delaware-based contract management platform Legittai.AI. Correcting any errors in the code is time-consuming and

expensive.

Most of this lies ahead for Georgian business. But, in a world rife with bureaucratic red tape and often cumbersome legal processes, Smart Contracts offer an attractively streamlined alternative.

In Georgia, the capital markets sector will probably move first, following on real estate. The NBG’s current Supervisory Strategy 2023-25 report contains several references to Smart Contracts in relation to the financial sector and names insurance, banking and fintech. It states: “..... the idea of Smart Contracts is a cornerstone of the digital GEL ecosystem initiated by the NBG. The ability to use these contracts is crucial for various fintech companies to offer innovative products to customers. Local and foreign experts, actively collaborating with the NBG...are conducting this research.”

Back in 2023 the NBG contracted San Francisco technology group Ripple Labs to implement various real-life test scenarios in Georgia, including with Smart Contracts, under the heading of “Encouraging Financial Innovation....”. The result of its assessments should be available this summer.

In addition, notes consultant Mari Tsutskidze, workshops are being held across the financial sector to “to address challenges and define actionable recommendations on using Smart Contracts effectively.” All of this, she says, should help build confidence in their use. ■



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Let's Change the World: A volunteer-based organization helping children

Shalva Akhrakhadze was inspired to start Let's Change the World by the kindness of his own children. Today, the organization is helping children in need from across Georgia and is nurturing a culture of volunteerism in the country.

How did Let's Change the World come about?

Let's Change the World Together was founded with a mission to support children's health by funding various medical procedures. The charity was established by Shalva Akhrakhadze, a financier, strategic business consultant, executive coach and associate professor at Georgian Institute of Public Affairs (GIPA). The inspiration for the foundation came from Shalva's children, George and Ana, whose inclination toward kindness inspired him to write the book, *The Book of Kindness - Let's Change the World Together*. This book played a significant role in shaping the core values of the foundation and also inspired its name. The foundation's journey began with its first beneficiary, a six-year-old child



named Ioane, who required financial support for medical treatment after severe burns. Ioane's successful recovery stands as a testament to the foundation's impact.

Please provide more information about your policy of donating every tetri of support to the beneficiaries.

Our policy ensures that every single tetri of donations is directed exclusively to children's health needs. None of the donations we receive are used to cover any operating costs, allowing every contribution to have a direct and meaningful impact.

The sustainability of our foundation is made possible through two key factors. First, we are fortunate to collaborate with numerous companies that generously support our operations by providing their services free of charge. For example, Nexia TA manages our accounting books, and Grant Thornton Georgia conducts our financial audit, all on a pro bono basis. Second, we rely on a dedicated team of volunteers who actively contribute to various operational aspects without any financial compensation.

This unique model enables us to maintain full transparency and direct all donations to our beneficiaries. To reinforce trust, we publicly share monthly bank statements on our website and social media platforms and undergo an annual independent audit.



Please tell us more about your beneficiaries.

We currently support children in urgent need of medical assistance, working closely with trusted sources such as clinics like Iashvili Children's Central Hospital. Doctors provide us with firsthand information about critical cases, ensuring the accuracy and urgency of the needs we address and minimizing the risk of fraud. Our internal procedures involve thorough communication, verification of medical documentation, and careful evaluation by our committee before any decision is made.

To further ensure transparency, we make payments directly to the clinics or pharmacies rather than to families. This system, supported by formal agreements with our partners, guarantees that funds are used solely for their intended purpose. Each case we support brings significant positive change to the lives of children and their families.

How many volunteers do you have now? Please describe the volunteering process in more detail.

Currently, we have a growing network of dedicated volunteers (currently up to 20 volunteers). They play a crucial role in various aspects of our organization, including managing social media, communicating with partner organizations, and working directly with beneficiaries' parents and related hospitals.

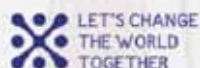
Our volunteer sign-up process is simple; any interested individual can apply through our website. Volunteers are vetted based on their motivation, skills, and availability and receive orientation to better understand their roles. Challenges such as balancing volunteer commitments with personal responsibilities are common, and we provide support and guidance to help them stay engaged.

In your view, how is volunteering developing as a culture in Georgia?

The culture of volunteering in Geor-

gia is gradually developing, with more individuals becoming aware of the importance of community support. However, finding committed volunteers remains a challenge. To nurture a culture of volunteerism, we actively engage with local communities, educational institutions, and corporate partners to promote the spirit of giving and social responsibility. We have conducted awareness campaigns to encourage more people to volunteer and have formed partnerships that have been instrumental in promoting our mission. ■

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MEET *the* TEAM

Volunteers / Heads of Different Directions



Shalva Akhrakhadze

Founder and
Chairman



Tamar Arveladze

Chief Executive Officer



Andreas Hadjimitsi

Consul in Cyprus



Davit Vardiashvili

Communications



Anano Iamanidze

Beneficiaries



Konstantine Giorgadze

Administrative topics



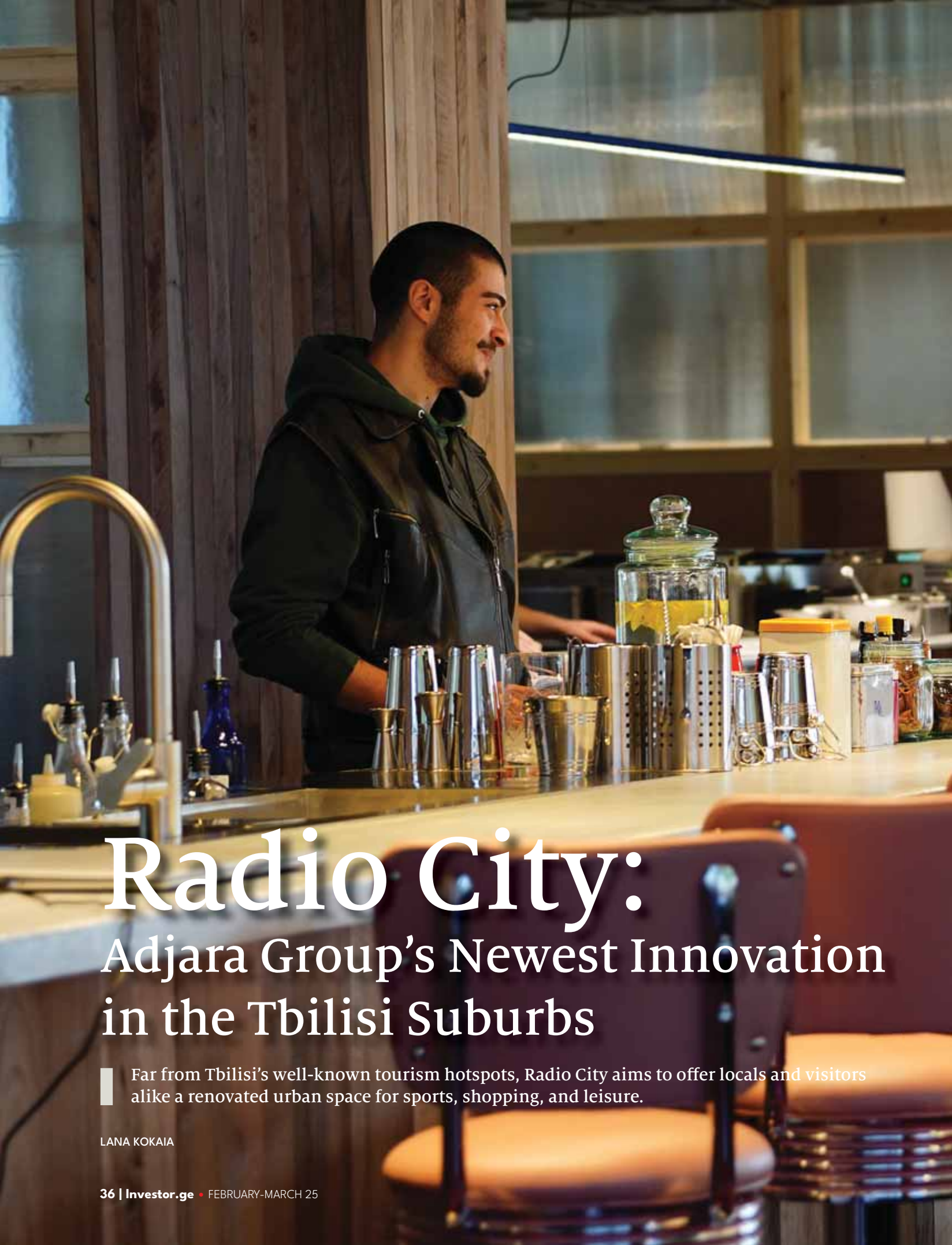
Lasha Surguladze

Donors & Partners



Tamar Tchavchavadze

Coordination and
Growth

A man with a beard and short dark hair, wearing a black jacket, stands behind a bar counter. He is looking to his right. The bar counter is cluttered with various items, including several metal shakers, a large glass jar with yellow liquid, and other bottles. In the foreground, there are two red bar stools with wooden frames. The background features large windows and a modern interior design with wooden paneling.

Radio City:

Adjara Group's Newest Innovation in the Tbilisi Suburbs

Far from Tbilisi's well-known tourism hotspots, Radio City aims to offer locals and visitors alike a renovated urban space for sports, shopping, and leisure.

LANA KOKAIA





The Adjara Group—best known for turning abandoned Soviet-era buildings into crowd-pleasing hotspots (such as Rooms Hotel and Fabrika)—recently completed the first stage of its latest urban project, Radio City.

Over a dozen kilometers from its previous successes in Tbilisi's chic Vera neighborhood and upcoming Chugureti district, this new effort aims to bring new services and attention to the suburbs by turning a 12-hectare abandoned radio factory complex into a modern, multifunctional space in one of the city's largest residential areas.

A new hub

The Adjara Group acquired the Radio City property from Tbilisi City Hall in 2019 through an auction, paying over 23 million lari. The total investment in the project amounts to 90 million lari, with approximately 25 million lari allocated to the first phase of development, which was completed at the end of 2024.

"Located at the intersection of Gldani and Mukhiani, Radio City was designed with local specifics in mind. The project aims to create a unique hub in Tbilisi's largest district, fostering new connections and knowledge exchange

between professionals from various fields," says Adjara Group Director Nato Japaridze.

Plans for the project span the entire 12 hectares—three buildings and the surrounding territory, which is within a five to 15 minute walk for 455,000 Tbilisi residents, according to Japaridze.

Restoring the old, introducing the new

The site has strong historic ties to the Mukhiani district, which was largely covered in oak trees (Mukha) until the 1970s, according to Kalaki.ge. The name

of the project, Radio City, comes from the radio factory that was built on the territory in the 1980s.

From outside there is not much indication of the developments going on inside the old factory. In interviews with the Georgian media, Adjara Group has underscored the goal is to preserve as much of the original building as possible.

With few street signs advertising it, it is easy to miss the Radio City entrance. However, once inside, the level of care and detail in the renovations done to date are a delight. For instance, the restaurant, Diner, would not be out of place in any American city. It boasts copper tile ceilings, a traditional bar and barstools, and booths complete with quirky ketch-

up and condiment bottles. The only outward sign that the menu is a step above normal diner fare is the bar and the open kitchen, where customers can see the mixologists and chefs at work.

Mixologist Mariam Bolkvadze, 20, says the eatery has already found a large following, despite its distance from the city center.

"It's great to work with these people and in such an atmosphere," she says. "We have a lot of customers, especially on Fridays and weekends. Most of our visitors are younger people. Although it is somewhat remote, the affordability draws people in. The menu starts at just five lari. We offer cocktails on tap, which we prepare ourselves, and each cocktail costs 10 lari."

In addition to the restaurant, there is an office space and paddle courts.

"The area is already quite popular among the local community. The other two buildings are industrial spaces, one of which includes a large-scale event venue with a capacity for up to 10,000 people. These buildings will be fully developed in the coming years, and additional recreational spaces will be created," Adjara Group Director Japaridze explains.

In the future, Adjara Group plans to make Radio City available to tenants, who will be able to create workshops, small enterprises, creative spaces, cafés, and shops on the premises. The company expects to complete the next phase of the project by the end of 2025. ■





Mestia:

Winter Fun in the Great Caucasus

■ Skiers will find the peaks in Georgia's Svaneti well worth the trip.

ELIZABETH LAVIS





High in the Great Caucasus Mountains, in the upper western part of Georgia, you'll find the uniquely beautiful land of Svaneti. This destination is a hiking paradise during the summer when adventurers travel from Mestia to Ushguli on a four-day trek. Its charm continues as the weather turns chiller.

Mestia, the capital of Svaneti, is graced with an elevation of 1500 meters above sea level, surrounded by plenty of peaks featuring varsity-level skiing, and some of the best freeriding in the country. Plus, there's a tight-knit community that will make you feel like family the second that you arrive.

"Mestia is a small city where everyone knows everyone," says Natia Tsigriashvili, co-founder of WT Georgia, a company that offers year-round tours of Svaneti and greater Georgia. "If you stay for one week, you'll probably meet every

local there. You'll ski during the day, and in the evening you'll hang out with people socially."

Taylor Beckwith-Ferguson, founder of Vagabond Adventures, considers Mestia to be one of the best places in Georgia to hit the slopes.

"If you're a skier or snowboarder, it's an awesome place...It has world-class advanced-level skiing and freeriding," he says. "It has big steep mountains, a lot of snow, and it's not crowded. The ski resorts are good, and the infrastructure is very modern. It's better than a lot of places in the U.S. or Alps, and it comes at Georgian prices."

Vagabond Adventures organizes weeklong, all-inclusive backcountry ski trips and day trips with local guides, who have been certified by the Georgia Mountain Guide Association. Vagabond Adventures also provides transportation to Svaneti from any major hub in Georgia,

and the team can create a personalized package for your schedule and activity level. If you want your skiing with a side of tradition and the chance to check out Svaneti's ancient Lamproba festival in February, WT Georgia offers a four-day tour that combines skiing and cultural activities.

Mestia has two ski resorts: Hatsvali, which is within walking distance from the town square, and Tetnuldi-Alpine Ski Resort, which is about an hour away, and you'll need to take a shared Delica vehicle to the slopes. Although Tetnuldi Mountain is a bit of a trek, it's worth the effort, if you're looking for varsity-level powder and the ability to chart your own path. "It's a freerider's dream to be able to ski a whole bunch of slopes without the crowds," Taylor Beckwith-Ferguson says.

Visiting Mestia is also an excellent way to experience Svan culture, learn about the iconic Svan towers and village

rivalries, and visit the Svaneti Museum of History and Ethnography.

Staying and Dining in Mestia

There are plenty of guesthouses, hotels, and Airbnb in Mestia, plus ample places to eat, ATMs, local grocery stores, and other conveniences. While you'll have your choice of accommodations, it's wise to keep the winter road conditions in mind. "Unless you have a car, it's a good idea to stay in the city center," Natia Tsigriashvili says. "It's really difficult to walk because the streets are frozen. Hotel Mestia Inn, Hotel Posta Mestia, and Ushba Guesthouse are all excellent options."

The Ushba Guesthouse also features a traditional Georgian restaurant serving Svan specialties. Cafe Laila is another excellent option. It offers vegetarian and vegan fare, strong coffee, and excellent views of the Great Caucasus Mountains from its roomy patio.

Best Tips for Visiting

Since the mountains can be unpredictable, avalanches can and do happen on the road to Mestia. Check the weather conditions before you go, and keep in mind that, if the road closes, you might be prolonging your trip by another couple of days.

You can rent ski and snowboard gear in Mestia, but options are limited. It's advisable to call a day in advance to check on and reserve your size or bring your gear with you. Warm, waterproof clothes are a must.

Logistics for Getting to Mestia

You can fly from Tbilisi's Natakhtari Airfield to Mestia's Queen Tamar Airport on Vanilla Sky Airlines. It takes roughly an hour. While flying is arguably the quickest and best way to go, bad weather can cause flight delays or cancellations,

and tickets often sell out.

You can also take a minibus from Tbilisi or a train to Zugdidi and a minibus from there. The minibus, or minibus and train combination, is cheaper and more widely available than flying, but you'll spend at least nine hours on the road.

Alternatives to Mestia

Gudari is a quick and easy option with plenty of beginner ski slopes, which is an ideal getaway from Tbilisi. Vagabond Adventures runs its twenty-instructor ski school from Gudari. Bakuriani is another excellent choice if you're new to skiing, and it's also a very family-friendly winter destination. Those looking for serious snow will want to check out Goderdzi in Adjara. The ski resort is about an hour and a half away from Batumi and its location is close to the Black Sea, which means that it gets plenty of snow and is a fun place for freeriding. ■





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Czech Embassy Presentation and Cocktail Reception

On November 26, the Embassy of the Czech Republic hosted a presentation on Czech-Georgia relations at the Hilton Garden Inn Tbilisi Chavchavadze. At the

meeting, AmCham members also had the opportunity to meet Czech-Georgian businesses. The presentation was followed by a cocktail reception.



AmCham Board Meetings

AmCham President Irakli Baidashvili welcomed newly elected board members to their first meeting on December 10. The board discussed the current situation in Georgia and, particularly, their concern about the violence directed at peaceful protestors.

The board agreed to release a public statement on the issue, and two new members were accepted.

The board met again on January 21 to discuss key elements of AmCham's strategy and upcoming events in 2025, as well as agenda items for the AmCham retreat. Additionally, DHL, Regus, and Highrise Group were accepted as new members.





Meeting with the EU Ambassador

On December 12, AmCham and the European Business Association (EBA) hosted a joint discussion for the private sector and EU Ambassador to Georgia Pawel Herczynski regarding recent developments within the country.

The event brought together members of AmCham and EBA, alongside European ambassadors, trade attachés, representa-

tives from international organizations, and international financial institutions.

Participants emphasized the critical need for collaboration among business sector representatives to drive collective action that supports Georgia's European integration and its path toward sustainable development.



AmCham Scholarship Award Ceremony

On January 23, AmCham hosted an award ceremony for the second-year students participating in its scholarship program. At the event, AmCham and the McLain Association for Children Georgia (MAC Georgia) gave a short presentation about the program, and U.S. Ambassador to Georgia Robin Dunnigan and AmCham President Irakli Baidashvili presented the students with

their certificates. Members and prospective sponsors had the opportunity to learn more about the program and meet its current participants during a lunch that followed.

AmCham's Scholarship Program for university students, which launched in 2023, has sponsored 61 students with 1.2 million GEL in donations committed by AmCham members.



Back to Business Cocktail Reception at Golden Tulip

On January 26, AmCham hosted a back to business cocktail reception at the Golden Tulip Design Tbilisi Hotel. AmCham President Irakli Baidashvili welcomed members and informed them about upcoming AmCham events.







Georgian Express LLC (sole representation of DHL in Georgia) Corp A

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www.iwgplc.com
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Salt Projects Ltd. Corp A

Founded by two lifelong friends, Valeri and Levan, who shared a passion for innovation and a deep understanding of business dynamics, Salt Projects crafts holistic hospitality experiences that blend authentic local culture and cuisine with a fresh global perspective. By collaborating with the right partners, talents, and resources, the company creates spaces that inspire connection and celebrate creativity. Its mission is simple: to leave every guest, team member, and contributor with a sense of joy, belonging, and a deeper appreciation for the destination.

saltprojects.com



Show Technics Center Ltd. (Music House / Solux) Corp B

Show Technical Center is a leading distributor and integrator of high-quality audio, video, professional lighting, and musical instrument brands in Georgia. The company represents well-known American and European manufacturers, providing state-of-the-art solutions for events, concerts, and installations. With years of experience and a commitment to excellence, Show Technical Center delivers innovative products and services to clients in the entertainment, corporate, and hospitality sectors. Its mission is to promote the development of music and art in Georgia, serving both professionals and enthusiasts. The company actively participates in cultural events, festivals, and initiatives supporting the music industry, establishing itself as an essential member of Georgia's music community.

www.MusicHouse.ge
www.solux.ge



Highrise Group (Base Group 2023 Ltd.) Corp B

An investment company Highrise Group was officially registered in 2023, based on the previous successful construction development projects of an apartment buildings in Abashidze and Chkheidze streets and the diverse professional background that the company has accumulated during the last 10 years in the telecommunications and construction development industries.

In 2023, the company has moved forward on the career path to create its history and combine all experiences under one brand concentrated on premium residential development in central districts of Tbilisi. Bloom Bagebi is ongoing project of Highrise Group. It is a family oriented, closed residential complex built on 6,200 square meters, that will combine low-rise energy-efficient building and recreational spaces.

www.bloombagebi.ge

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