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Hiring Local

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To Kutaisi... And Beyond

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AMCHAM 42

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Copy Editor	Kate Davies
Marketing & Promotion	Salome Tkeshelashvili
Promotional Design	Levan Baratashvili
Magazine Design and Layout	Giorgi Megrelishvili
Writers	Avtandil Chedia, Nick Clayton, Molly Corso, Maia Edilashvili, Kakha Kokhreidze,Ernest Petrosyan and Nelson Petrosyan
Photographs	Molly Corso, Davit Khizanishvili, Vladimir Valishvili

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AmCham Georgia

36a Lado Asatiani Street, 3rd floor
Tel: 2 22-69-07
amcham@amcham.ge
editor@amcham.ge, www.amcham.ge
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Investment in Brief

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China Business Group to Invest $450 million in Tbilisi Projects

On July 8, Hualing Group presented the Hualing Special Economic Zone at Tbilisi Sea, which will provide accommodation for the Tbilisi 2015 Summer Youth Olympics. The project also includes a market, industrial and storage areas, customs, a commercial district, a residential complex, and recreational and entertainment zones. Hualing Group plans to invest $150 million in the first stage, with investments increasing to $350 million over the next two years.

In addition, the Xinjiang-based Hualing Industry & Trade Group bought a 90 percent stake in the "BasisBank" in June and plans to invest $100 million in the bank's development. "Hualing Group" has been an investor in the Georgian market since 2006, with interests in the timber, mining, and processing industries.

World Bank allocated $60 million to support economic growth in Georgia

World Bank approved a $60 million Competitiveness and Growth Development Policy Operation (CG DPO) for Georgia in July. The funds will be the first in a series of reforms targeting competitiveness and inclusive growth.

The program focuses on three areas: improving competitiveness in trade, market exports, and education; increasing transparency in public finance and accountability; and strengthening health care and social services.

Georgian Railway $500 million Bond Emission

JSC "Georgian Railway" listed a $500 million, ten year bond on the London Stock Exchange.The bond was priced at 99.998 percent to yield 7.75 percent, with the sale organized by Bank of America Merrill Lynch, JP Morgan, and Goldman Sachs.

Chinese Grant for Georgian Agriculture Development

The Chinese government will spend $9.5 million as part of an "Economic and Technical Cooperation" signed on July 10 between the Chinese and Georgian governments.

The funds will be spent on agricultural development according to the Ministry of Agriculture. This is the second such grant from the Chinese government.

The United States and Georgia signed a grant

The United States and Georgia signed a $2.7 million grant for the planning of educational programs as part of Georgia's bid for a second Millennium Compact.

Austrian Bank to Finance New Resort in Adjara region

Austrian bank "UniCredit Bank Austria AG" will provide €10.93 million in interest-free financing for "Goderdzi Pass" ski resort. The deal is part of an agreement between the Austrian government and the bank. "Goderdzi Pass" is slated to open by the end of 2012.

Investments in Adjara Increase 14 percent

From January to June, $63.8 million was invested in Adjara, a 14 percent increase over the same period last year, BPI.ge reported on July 2.

More than half of the investments were in new construction projects; the rest, tourism-related.

Georgia received € 500 thousand for Ecotourism Development

The World Tourism Association allocated € 500 thousand for new eco-tourism developments showcasing biodiversity in Lagodekhi, Vashlovani, Mtirala and Kolkheti national parks.

The project budget is financed by the federal ministries of the German environmental protection, nature conservation and nuclear safety.

New Hotel Kabadoni in Sighnaghi Opens in August

The boutique-style hotel will include a spa center, fitness hall, swimming pool. The hotel, a $5 million investment, is part of the "International Network of Hotels."

Israeli Investing in Georgian Hotels

Israeli investors plan to build ART Hotel and Rixos Hotel, with a total of 500 hotel rooms, according to an announcement by the Georgian National Tourism Agency on July 11.

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Ambassador John Bass, Goodbye and Good luck!

I want to thank US Ambassador John R. Bass for his support to AmCham and to the community. He has been a strong advocate for the principles of democracy and free-market economy that are essential to our collective success. We are sorry to see Ambassador Bass and his wife, Holly Holzer Bass, depart Georgia this summer and wish them the very best in all their future endeavors.
Respectfully yours,

Sarah Williamson

Twenty Billion Lari in Four Years: The government's new economic program

On June 4, Prime Minister Vano Merabishvili outlined the government's new four year economic program. Investor.ge is publishing an overview of the state's spending plans and anticipated results.

Billions for Development

The government's plan revolves around four major issues: unemployment, rural development, health care, and education. Prime Minister Vano Merabishvili told parliament on July 4 that the government plans to spend approximately 20 billion lari ($12.2 billion) on all four sectors.

The largest cost to the budget will be for increasing pensions, which will require 6 billion lari – $3.68 billion – over the next four years. Plans to increase pensions will bring monthly payments (including health insurance coverage) to $100 – one of President Mikheil Saakashvili's election promises.

Tied for second in the big ticket items are the education program and rural development – both calculated to cost tax payers 4 billion lari ($2.45 billion) each over the next four years.

Merabishvili told MPs, during his presentation on July 4, that the rural development program includes plans to cultivate some swamp land into good farming soil, as well as to purchase new tractors for villages and build more storage units to help farmers use modern techniques for packaging and exporting Georgian-grown goods overseas.

The education program includes plans for a state-of-the-art technical university in Batumi, as well as three new vocational schools in the country. There are also funds allocated for insurance for school children, and special internship programs to help students obtain hands on experience. Finally, plans to make health insurance more accessible, and a new social program, are both estimated to cost the budget 3 billion lari ($1.84 billion) a-piece.

The health insurance program includes plans to "stimulate" growth in the health insurance industry, according to MP Giorgi Kandelaki, and some effects will be nearly immediate: by September, 2.5 million families will have insurance.

One aspect of the social program, 1000 lari ($609) vouchers for every family, has garnered national attention as Merabishvili travels around the country to introduce the plan.

Merabishvili told members of parliament that the government's plan to issue vouchers to every family in Georgia with provide them with "rainy day" funds that can be spent on utilities, medicine, or any other need over the next four years.

The voucher program is estimated to cost 1.25 billion lari ($767 million), according to an interview with Minister of Finance Dimitri Gvindadze published by local media.

More Investment, More Jobs

At the heart of the program is the government's strategy to tackle unemployment in Georgia. Officially, slightly over 15 percent of the population is jobless; a recent survey published by the National Democratic Institute found that 36 percent of the population is actively looking for work.

When Merabishvili was appointed on June 30, a new state ministry for employment was also created – tasked with designing a plan to identify the country's unemployed, and provide training and job placement programs.

During his presentation to the parliament, Merabishvili predicted an additional $4 billion in investment over the next four years, money that will help create jobs. Also, an increase in tourism is anticipated to employ an additional 140 thousand people, and road construction projects will require an estimated 40 thousand people.

Other projects, including gasification in villages and the process of creating a nationwide list of the unemployed, will also generate job opportunities outside of the capital.

"There is no detailed information about the location of the unemployed today, no data about who is looking for work, or about their qualifications. There is also a lack of systematic information about employers – and about what sort of qualified work force they are looking for," Merabishvili was quoted as saying.

"It is necessary to develop the regions [outside of the capital] and create new jobs so the local population does not have to move to Tbilisi to find work."

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Giorgi Pertaia: $4 billion in FDI in Four Years

Investor.ge spoke with Giorgi Pertaia, the newly appointed head of the Georgian National Investment Agency, about his transition from tax payer advocate to investment guru and how to attract $4 billion in foreign direct investment in just four years.

The newly independent Georgian National Investment Agency (GNIA) is on track to bring in an average of $4 billion in foreign direct investment (FDI) over the next four years, according to Giorgi Pertaia, its new director.

Pertaia, previously the country's first business ombudsman, was tapped to lead the investment agency after former director Keti Bochorishvili was appointed as a deputy at the Ministry of Sustainable Development and Economy.

Years working with the business community – Pertaia worked as a customs expert at AmCham before becoming a Muskie Scholar- will help ease the transition from tax payer advocate to investment promotion, he said.

"The mission of GNIA is to attract FDI, in other words it is selling a product – Georgia. With its low taxes, special regimes, future trade deals with Europe… it is an attractive market for investors," he said in a phone interview.

"My advantage is that over the past years I have been working on the ground; I know this project very well. I know the exact strengths of the Georgian market – its strengths and its weaknesses."

One of his first moves as director belies Pertaia's close experience with businesses: he is creating a new service for investors once their new ventures get off the ground.

"The big businesses can hire consultants but our experience shows they still need help with communication with the government and they still need help answering the questions the consultant cannot answer as quickly," Pertaia said.

"This will be a function to serve a small group of special investors and investors starting out…some people say it is much easier to start than to conduct a business and that is what we want to help with."

In addition, the agency is forming closer ties with the government's equity fund, the Partnership Fund, to help streamline large investments. Newly appointed Prime Minister Vano Merabshvili announced a four year, $4 billion goal for FDI as part of his economic strategy.

Under Bochorishvili, GNIA brought in nearly $1 billion in FDI in 2011, according to official figures, and Pertaia is confident the agency can build on its previous successes.

"We both know how Georgia is developing right now. We believe we can do it," he said, noting that Bochorishvili was "very efficient" and will continue to have a role in investment promotion as one of three councils overseeing the agency under its new structure.

In July, along with Pertaia's appointment, GNIA was separated from the economy ministry and put under the stewardship of a three person council. Now, in addition to Pertaia, the agency is managed by three councils, lead by former Prime Minister Nika Gilauri (in his new role as head of the Partnership Fund), Bochorishvili, and Deputy Minister of Finance Kote Kintsurashvili.

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Georgian Banks Flexing Lending Muscle

Georgian banks are seeing high growth in loan portfolios, capping a two year growth spurt, reports bne.eu.

From BusinessNewEurope: While the rest of the economy has struggled to match levels seen before the 2008 war and financial crisis, the banks have enjoyed steady growth since 2009 – unlike their counterparts in Europe and the US.

A large demand for loans from both retail and commercial clients is the driving force behind the growth, notes Macca Ekizashvili, head of investor relations at Bank of Georgia's London office.

According to Ekizashvili, Georgia has a low loans/GDP ratio for the region, somewhere around 30 percent of GDP, with household loans making up less than 10 percent of GDP. That leaves a lot of space for individuals and corporates to borrow. Total loans by commercial banks increased 14 percent in June to 5.41 billion lari (€2.69bn), helping to make the banking sector the third fastest growing sector in the first quarter with 16.7 percent year-on-year growth.

Bank of Georgia, the first Georgian bank to list on the London Stock Exchange, on July 9 raised $250 million by placing five year Eurobonds at 7.75 percent. Ekizashvili says the funds will help the bank continue to increase its loan portfolio. "The loan book has been increasing by 20 percent for the past year," she says.

Deposits are up across the board for banks in Georgia, including for the country's microlenders. National Bank of Georgia data shows that micro-lending jumped 41% over the past year, from 241 million lari (€120m) in the first quarter of 2011 to 341 million lari (€170m) in the first quarter of 2012. The jump is a strong signal that lending demands have not been met in agriculture and small businesses, the target audience for micro-finance institutions.

This brief was reprinted with permission from bne.eu, a business news website and monthly magazine.

Iran Sanctions: A Cheat Sheet for Business

Investor.ge asked John Ashworth, the deputy chief of political and economic affairs and senior economic/commercial officer at the U.S. Embassy in Tbilisi, what businesses in Georgia should know about the latest wave of sanctions against dealings with Iranian companies and banks.

"The United States and the international community are committed to preventing Iran from acquiring a nuclear weapon," Ashworth said in an email interview.

"The United States and our partners have implemented a number of sanction measures against Iran. Many of these are focused on Iran's energy and financial sectors- two areas highlighted in United Nations Security Council Resolution1929 as possible avenues used by Iran to fund its illicit nuclear activities."

Sanctions include, but are not excluded to, some types of transactions with the Central Bank of Iran (CBI), and transactions with "designated Iranian banks."

Providing goods and services to Iran's energy and petrochemical sectors is also illegal under the sanctions.

"All of these sanctions come with significant consequences for the businesses involved, including potentially being cut off from the U.S. financial system or from other interactions with the United States," he noted.

The U.S. Treasury outlines specific categories of business dealings that are prohibited by the sanctions, including the conducting or facilitating of "any significant transactions with a U.S.-designated Iranian financial institution or with the CBI – whether for the purchase of petroleum or otherwise – unless the transaction is for the sale of food, medicine, or medical devices to Iran."

Banks and other private financial institutions in the United States and abroad, including central banks or foreign state-owned or -controlled banks, "potentially face sanctions" if they are involved in "significant transactions" for the "purchase of Iranian petroleum or petroleum products with a U.S.-designated Iranian financial institution or with the CBI."

More information about the sanctions is available at: CISADA: The New U.S. Sanctions on Iran http://www.treasury.gov/resource-center/sanctions/Programs/Documents/CISADA_english.pdf.

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Five Questions with... Nino Zambakhidze

Nino Zambakhidze is the owner of Georgian Business Zone (GBZ), a dairy processing plant and a mixed fodder producing factory in the village of Tsnisi in Akhaltsikhe in South Georgia. Zambakhidze won Georgia's National Business Award, the Mercury, in 2011 for her innovative work in agriculture. Investor.ge spoke with her about how a woman from Tbilisi started a dairy farm and what she is doing to change the market.

MAIA EDILASHVILI

Q: It's unusual in Georgia that a women from Tbilisi launches a business in the agribusiness sector in a remote village.

A: There is a funny story behind this - I have a business partner in Tbilisi who went fishing, drank some alcohol, and felt like buying two cows. Not knowing what to do with them, we had to purchase a small [piece of land]. In 2008, we received a grant worth approximately $125,000 under Millennium Challenge Georgia's Agribusiness Development Activity as well as $50,000 within the framework of the Farmers to Markets project that is being implemented by CARE International in the Caucasus, a project which is a part of Community Investment Program initiated and funded by BP and its co-venturers and, in 2009, opened the diary plant where we now produce two types of cheese – Imeruli Sakhachaoure and Salty Cheese - under the trade mark of Akhaltsikhuri.

In 2010, we also obtained a co-financing grant from BP and its partners Care International in the Caucasus for $40 thousand (GBZ has invested $150 thousand in the project) to open a mixed fodder producing factory. Both plants hold ISO quality certificates.

Q: How welcoming was the village when you appeared there? Do they feel that they are benefiting from these projects?

A: We employ 25 people, all locals. In addition, we have 350 beneficiary farmers from eight villages, which provide the milk… Our diary plant was the first of its kind not only in Akhaltsikhe, but also in Georgia.

The main problem with farmers is that they do not calculate expenditures when they produce something. Initially, they did not realize that it would be more beneficial for them to sell milk to us rather than produce cheese domestically and sell it. The salary at the plants ranges between 250 lari and 300 lari monthly, while farmers selling milk to us get more on a monthly basis.

Q: Do you consider exporting your cheese?

A: If you send a product for export you have to send at least one container. In Tbilisi, the demand for cheese alone is 40 tons a day.

Now our diary plant's capacity is 2.5 tones per cycle - four hours is one cycle - but we can produce five tones, or 600 kg cheese. If we had more cows, we would produce more cheese and work around the year – at the moment we have to close down due to the lack of milk in wintertime.

Q: Do you plan expansion? What's next on your agenda?

A: We purchased a plot to construct a hothouse with the ability to produce bio gas. In addition, we will make an artificial lake to develop agro tourism around our place… like a demonstration village. [It would be] a training center both for our farmers and others. There will be a two-week long practical course – starting from the very first stage, when milk is obtained from cows, to selling cheese to consumers, and will include information about the sanitary-hygienic norms necessary for the cows. Additionally, we will teach how to calculate cost price. For instance, if you use bio gas instead of electricity, you will save money and then can use that money to buy better pesticides or a better variety of potato.

It will be more like a social project-providing training for free. A farmer can't afford to travel overseas. I spent months living in various countries, including Holland and Turkey to see how farmers keep their farms. In Akhaltsikhe, no one had a clue that cows have claustrophobia and should not be milked in a closed space. So the more I see and the more I read, the higher my interest is in sharing it. Currently, I am in talks with potential donators.

As part of our future plans, we are thinking to introduce high producing cows in Georgia, since the genetics of the local breeds has been damaged and their milking ability is very low.

At present, local cows provide just six liters a day, which is disadvantageous to both farmer and entrepreneur.

A Holstein cow, for instance, would provide 25-30 liters per day, although we don't yet know how well they will adapt to this environment. The productivity may suffer for some time but it would improve later.

Then we plan to introduce artificial insemination, which is the biggest factor in changing the birth cycle: Currently, in all Georgian villages, all cows give birth at the same time, meaning high milk productivity occurs at the same time everywhere – in May, June, and July. But if they start birthing from October, November and December as a result of artificial insemination, we will have high productivity all the year round.

Q: The share of the agriculture sector in Georgia's GDP has been declining and many people blame the government for not taking enough measures to help it. Do you think – given your experience – that there is potential in this field? Do you think that the initiatives should come from the government or from the private sector?

A: Georgia is an agrarian country, no matter what you plant or seed, everything grows here. I understand the government. Now farmers own 600 meter or one hectare plots and it's really hard to make a profit on such a small territory. If they merged their lands, that would increase profits.

Agriculture is a field which can't be revived overnight. I think it's like a chain process involving both the state and the farmers. We are grateful to the state for cancelling VAT for producing cheese. Previously we were selling plus VAT meaning that, in a month, we were paying approximately 15 thousand lari in VAT.

At present I am developing a consulting agency with a specific focus on advising entrepreneurs who want to invest in agriculture so we can play as mediators between suppliers and the market.

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Tax Court: An Easier Way to Regulate Tax Claims

Kakha Kokhreidze, the Vice President of the Georgian Small and Medium Enterprises Association (GSMEA), analyzes the tax dispute resolution in Georgia compared with international practices. While the tax authorities have made steps towards easing the process of contesting tax fines, creating a tax court could streamline the process of resolution and improve the quality of judgments.

As Benjamin Franklin said, nothing in life is certain except death and taxes. That means that when an investor is exploring business opportunities in a country, the local alternative tax dispute resolution (ATDR) format is of paramount importance.

The government's online services for paying taxes, and low tax rates, are significant improvements for the businesses, but there will always be ground for disagreements.

In Georgia, tax disputes are discussed at the Revenue Service (RS), in the Dispute Resolution Department (Mediation); at the Ministry of Finance (MoF), in the Dispute Resolution Council; and in the common Courts.

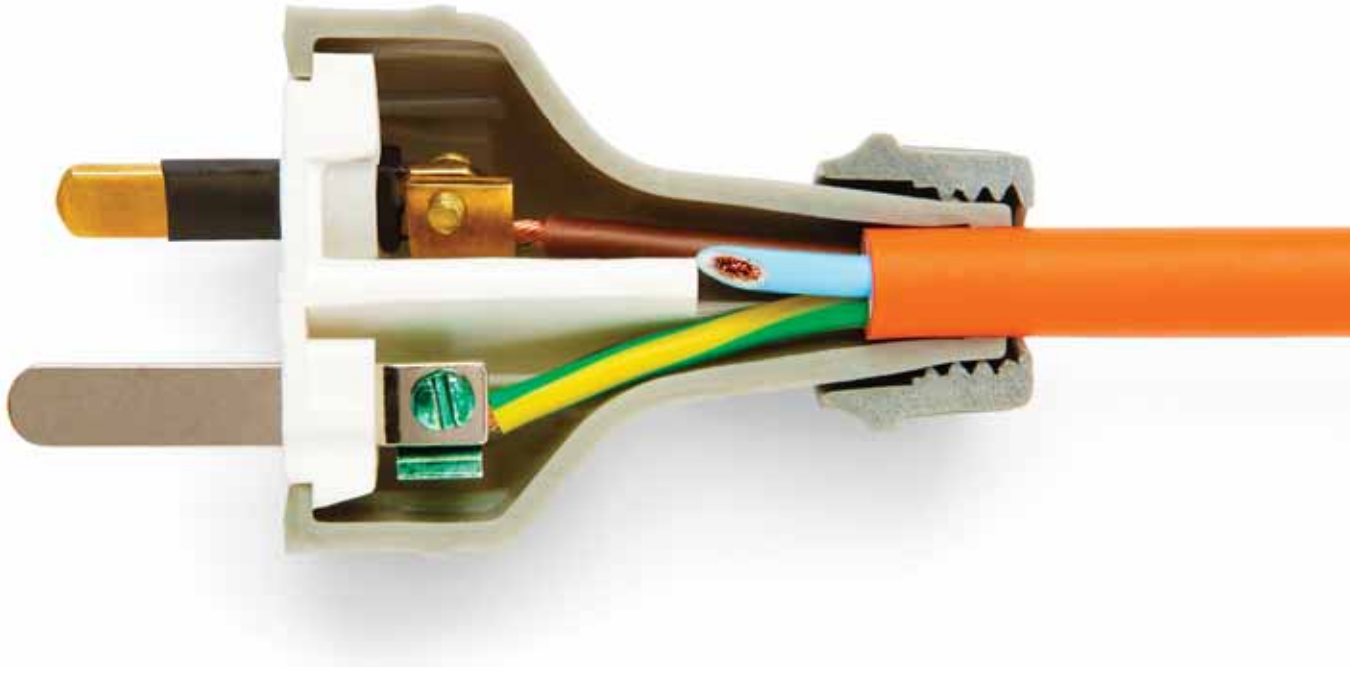
The current policy puts a preference on dispute prevention rather than resolution.

The current policy puts a preference on dispute prevention rather than resolution: companies can appeal to the RS before the fine comes into force. But the system has its shortcomings. The RS determines preventative measures on a case-by-case basis, which can add an unwelcome sense of insecurity to the process. While members of the business community agree that the dispute resolution at RS and MoF is taxpayer- friendly , they would prefer a method that is based solely on rule of law and institutions, rather than on a system that can be influenced by subjective factors.

Today, taxpayers who wish to appeal decisions made at the RS and the MoF are treated like those in any other administrative dispute: they have to go to court – first to the City (District) Court, followed by the Appeal court, and finally the Supreme Court. Because of the small number of tax disputes in the courts, the judges cannot deepen their experience and are ill-prepared to rule on complicated tax issues. Moreover, there are no financial professionals involved in the decision-making process, which also increases the possibility that the court does not have the level of understanding necessary to make qualified decisions.

Tax Courts: an international approach to resolving tax disputes

To resolve such problems, many countries have created special Tax Courts, staffed by judges well versed in complex financial issues. In the United States, tax courts were established in 1942, although today tax courts exist ▸▸



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Justin Bancroft
Managing Partner
jbancroft@deloitte.com

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In Germany, tax disputes are resolved in two instances: tax disputes in Fiscal Courts are resolved by 11 Senates. Because of the complexity of tax issues, Senates specialize on narrowly defined issues within the Tax Code; there is an Income Tax Senate and a VAT Senate. Special Sub-Senates were created to rule on even more specific cases.

While the approach is different in Denmark, where tax disputes are resolved at a Tax Tribunal- an independent administrative agency the Supreme Tax and Customs Appeal body -the pattern of turning to highly trained specialists is the same. The Tax Tribunal resolves disputes according to the offices, which specialize in taxes, and three judges rule on every case.

Conclusion

Based on international practice, GSMEA recommends two possible solutions for tax dispute resolution in Georgia:

- Short-term Reform – In the Tbilisi and Kutaisi Appeal courts, tax disputes should be separated from administrative cases and a Tax Case Chamber should be established. The Appeal Court and the Supreme Court should be on two levels for tax disputes, where cases will be directed following RS and MoF, a structure that should deepen the experience of judges dealing with tax dispute, as well as decrease the amount of time necessary for the resolution of cases.
- Medium-term Reform – It is possible to create a Tax Dispute Resolution body, which will be separated from the executive government of the country, without changing the Georgian Constitution. GSMEA recommends the creation of a legal entity of public law, "Tax Disputes Resolution Bureau," with offices in Tbilisi and Kutaisi. Decisions made by the Bureau can be appealed at the Supreme Court. It is also recommended that special Tax Chambers are created within the Bureau, according to the tax competences, in particular a VAT chamber, income tax chamber, import tax chamber, and a corporate profit tax chamber. The Bureau's decision can be appealed in the Supreme Court according to the rules established by the Administrative and Civil Procedure Code. In addition, the decisions passed by the Bureau will be systematically published. Arbitrators serving in the Bureau will be nominated by the GoG, business community, ombudsman office (possibly tax ombudsman), and approved by the Parliament of Georgia.

> It is possible to create a Tax Dispute Resolution body, which will be separated from the executive government of the country, without changing the Georgian Constitution.

This reform guarantees the detailed and qualified discussion of tax disputes and the establishment of a common approach for this vital area of the law. By resolving cases in courts ruled by qualified judges, tax disputes will be concluded more quickly and with more qualified judgments. This will eventually reduce the likelihood of a misinterpretation of the law by the tax authorities and of misperceptions by the taxpayers. Overall, this will be a significant step forward towards improving the business climate in Georgia.

Georgian Small & Medium Enterprises Association (GSMEA) is implementing a project "Supporting the Development of a Business-Friendly Legal Framework in Georgia", which is supported by USAID, through EWMI and EPF. The goal of the project is to increase the effectiveness, independence and transparency of the judicial system, which is of vital importance for the attraction of foreign direct investment. This report was prepared as part of that project.

GSMEA carried out several roundtables and the idea is most appreciated by the business community and even by public service representatives. The Association plans to submit legislative proposals, based on its research, to the Parliament of Georgia following additional discussions.

Business Optimism and Resulting Decision Making

Around the world, the year 2012 started with businesses confidence on a knife edge. Now, six months into the year, there is a glimmer of hope for the global economy as business investment picks up. GrantThorton's Nelson Petrosyan writes about the trend.

Grant Thornton
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At the beginning of 2012 global business confidence was balancing on a knife edge, standing at net 0%, indicating a balance between those business leaders feeling optimistic about their economies and those feeling pessimistic.

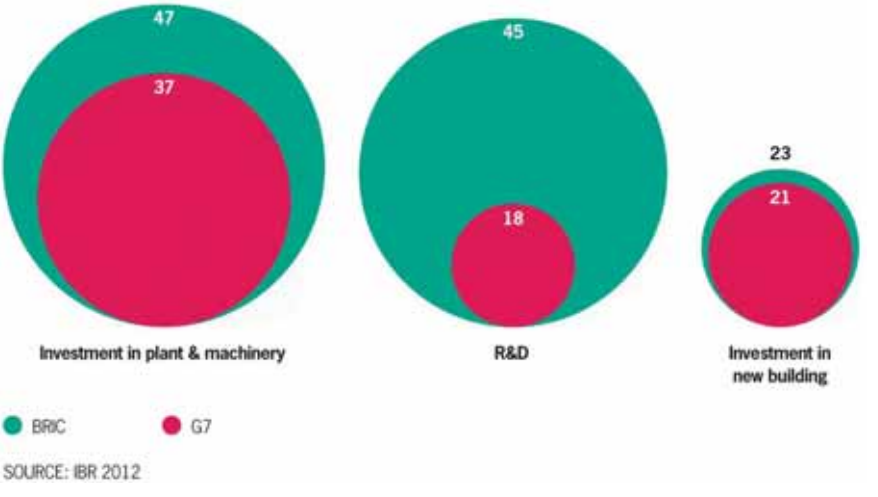
The regional picture was, however, more nuanced. Optimism levels in the BRIC economies and in North America have shown significant improvement. However, at the global level this has been offset by a large drop in Europe where optimism in the eurozone fell to -16%.

Quite interestingly, while global business confidence stood at net 0%, Georgia's business optimism stood at 78%. Together with Peru, this was the highest business confidence index out of the 40 countries participating in the survey, representing over 80% of the world economy. The index mark for Georgia's optimism displays the business community's hope for continued development and sustainable economic growth. Looking at the overall chart by country, business optimism is also high in Brazil and the Philippines. Comparison with survey participant neighbouring economies shows that businesses also show optimism in Armenia (52%) and in Turkey (20%), while Russia's businesses indicated some pessimism (at -4%).

Now, let us see how the optimistic or pessimistic outlooks at the beginning of year have influenced the decision-making in business to date. The global survey suggests that businesses, especially in emerging markets, are taking a longer-term approach to growth by increasing levels of investment.

The proportion of businesses looking ▸▸

EMERGING MARKETS INVESTING FOR LONG-TERM GROWTH
NET PERCENTAGE OF BUSINESSES EXPECTING AN INCREASE OVER NEXT 12 MONTHS



SOURCE: IBR 2012

to increase investment in new buildings and plant & machinery has risen considerably over the past 18 months. Expenditure on research and development is also set to climb, further supporting evidence from the World Intellectual Property Organisation which recorded a growth in patent filings. Moreover, businesses are also investing more in their employees – 68% plan to offer pay rises over the next 12 months, compared with 51% in 2010.

By comparison, business expectations for revenues, profits and employment remain at or below levels observed 18 months ago. And the slowdown in the global economy is further highlighted by the sharp rise in the proportion of businesses in the eurozone, China and the US citing reduced demand as a constraint on expansion.

Global economic uncertainty is weighing on short-term business growth prospects. However, it is encouraging to see dynamic businesses willing to adopt bolder, long-term growth plans. This strategy is not about immediate returns in terms of revenues and profits, but rather about investing in their long-term growth and competitiveness. A regional breakdown of the IBR research reveals that businesses in emerging markets lead the way in investing for long-term growth - investment in research and development

With the eurozone still to work through its financial issues, and businesses in the US awaiting possible changes in policy following the November elections, it may take some time for the current economic uncertainty to lessen. In this climate, businesses in mature markets are sitting on trillions of dollars, wary of spending and hiring.

However, the results should act as a wake-up call to businesses in developed economies, because, while they are sitting on their cash, their emerging market counterparts are investing in their own futures. If such behaviour continues, they could find their competitiveness eroding as emerging economies put increasing resource behind research and innovation and equipment that will increase their productivity. Even in tough times, businesses need to be forward thinking, keep pace with their competitors and invest in the future of their companies. ■

SOURCE: IBR 2012

Global business optimism
Net percentage of businesses indicating optimism less those indicating pessimism

Georgia	78
Peru	78
Brazil	74
Philippines	74
India	58
United Arab Emirates	53
Armenia	52
Chile	52
Mexico	50
South Africa	47
Germany	46
Canada	46
New Zealand	36
Vietnam	34
Botswana	28
Argentina	24
Australia	24
China (mainland)	22
Turkey	20
Poland	12
Hong Kong	10
United States	1
Denmark	0
Singapore	-4
Malaysia	-4
Switzerland	-4
Russia	-4
Sweden	-8
Ireland	-12
Italy	-20
Taiwan	-29
United Kingdom	-35
Greece	-42
Netherlands	-44
Belgium	-46
France	-46
Finland	-48
Thailand	-52
Spain	-62
Japan	-71

Source: Grant Thornton IBR 2012

Georgia's Workforce Going Local

International organizations are phasing out foreign hires, replacing them with locals – a sign that Georgia's local talent pool is improving. But for the trend to take hold, experts say Georgia needs better trained professionals.

MAIA EDILASHVILI

Companies in Georgia are looking local for staff hires, a change that bucks earlier trends when foreigners were given preference for their skills and qualifications. In a country where unemployment figures range from 15 to 40 percent depending on the source, the issue of local labor is a crucial topic.

From large internationals like BP Georgia, to smaller businesses, local staffing is picking up speed, according to Lana Tsagareishvili, founder and managing partner at Mindstream, a professional recruiting and headhunting company.

Companies like BP Georgia, ProCredit Bank, and others, are tapping into universities and the labor pool to bring locals on board for a variety of reasons, including cost efficency and sustainability. Better training and better English language skills are also making local hires more attractive.

Over the past five years, the proportion of Georgian nationals working for BP Georgia has steadily increased, including local hires in management positions.

According to the BP in Georgia Sustainability Report 2011, while the number of national employees was less than 300 in 2007, it exceeded 350 last year. At the end of 2011, 95 percent of its staff was Georgian citizens.

Eka Abashidze, Administrative and Human Resources Manager at NRC International Services Representative Office in Georgia (formerly known as SEACOR Environmental Services International), also says that, currently, they employ 75 people – and foreign highers are eight times less than when the company started in 2004.

While there are no official statistics available for foreign nationals working in Georgia, some analysts from ILO claim that their number is 10 thousand, which they say "is pretty high" for a country fighting wide spread unemployment.

In July, Prime Minister Vano Merabishvili announced plans for a Ministry of Employment, with a former construction company tycoon, Paata Trapaidze, at the helm – a sign that the government is also tuned into the unemployment issue.

Trapaidze has been tasked to create a database of Georgia's jobless, and create a strategy to pair people with jobs. But making Georgians more competitive will require more than just a database: the labor pool needs to match the demands on the ground. For instance, Georgia is flush with quality personal for the banking and financial sectors, but lacks experienced professionals in IT, engineering, metallurgy, heavy industry, and construction – as well as sales and services, according to Tsagareishvili.

The International Labor

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Organization (ILO) reported that hundreds of migrant workers, mostly from China, Turkey, and India, come to Georgia for jobs in agriculture, construction, trade and services sectors. While the workers are taking advantage of Georgia's easy visa requirements, their numbers are also a sign that the local labor pool does not fit real demands.

Elza Jgerenaia, analyst of Georgian Trade Union Confederation, who has worked with ILO on the issue of foreign hires, said that the market suffers from both the lack of workforce and the excess of it.

"This is because certain professions do not meet the criteria set by the market," she noted.

For example, companies have to hire expatriate contractors when specialist skills are needed. At BP Georgia, foreign hires are still necessary for "technical" jobs, like engineering and pipeline operations.

In November, Mindstream, the recruitung company, is organizing a job fair in partnership with ten leading industry companies to connect companies and university graduates so that, after several months of training, selected candidates receive hands on experience.

Training is crucial to bringing more locals on staff, Tsagareishvili noted.

ProCredit Bank Georgia is a good example: the bank currently has 1,420 employees – and just five of them are foreign. To keep local hires up to speed on the latest skills, though, the bank spent $1 million on training last year, noted Teo Lezhava, a marketing specialist at ProCredit Bank Georgia.

NRC International Services's Abashidze also noted that "intensive training" is part of their employment package. "Education and professional experience is the key selection criteria for us," Abashidze said. "Given our company's specifications, finding qualified local staff is comparatively hard. Therefore, after we hire someone, we provide intensive training and teaching opportunities."

Big Sports, Big Events, Big Profits?

Sports are big business, and, so the logic goes, sporting events attract big business: countries and cities across the globe – not to mention businesses – invest billions in sporting events and merchandise. Georgia itself is hosting the 2015 Youth Games, as well as the 2015 UEFA Super Cup, and Tbilisi is bidding, together with Baku, for the 2020 European Championships. But are the sporting events worth the cost?

Build it and They'll Come

Sports and business, business and sport. The allure of sponsorship dollars, ticket sales, and event tourism is enough to drive cities to bare the brute of the cost of hosting large sporting events.

The London 2012 Summer Games, for instance, is estimated to have cost the United Kingdom £8.4 billion, or roughly $13 billion, according to research done by the University of Oxford.

The cost – which includes security, infrastructure, and ceremonies – along with construction and technology upgrades – is par for the course for a city and country hosting the world's largest sporting event. Different cities have managed the cost of the Olympics with varying degrees of success: Montreal ran up a $2.8 billion debt that took the city three decades to pay off. Seoul, on the other hand, turned a cool $300 million profit.

Cities celebrate large sporting events as an opportunity for economic growth – for the events' ability to create a 'legacy' for a region that will translate into investment, jobs, and prosperity, according to sports economist Andrew Zimbalist.

In 2015, Tbilisi will host two large sporting events – the Youth Games and the UEFA Super Cup. Both events require millions of dollars in investment in infrastructure, such as expanding the airport, as well as constructing hotel rooms, and bigger sporting venues.

While the total cost for both events was not available, Zviad Archuadze, the ▸▸

official in charge of municipal economic development programs, said the city is already talking with investors about picking up a large portion of the price tag.

"In the end, it is all about the long term benefits for promotion and future tourism," said Archuadze.

"In the long term prospective, of course it will create income for the city," he said. "We must prepare the city for big events."

Revaz Arveladze, general secretary for the Georgian Football Association, said the UEFA Super Cup will cost the association an estimated 5 million euro, or $6 million. That does not include the additional cost of other upgrades necessary to host the event – like expanding Tbilisi airport or insuring that there are 2500 luxury hotel rooms (as well as other accommodation) for the 20 thousand anticipated fans that will descend on the city for the event.

The event, however, is about more than just money and investment for Georgia, noted Arveladze.

"On the side of organization, it is for us, for our employees, for the businessmen, it is also the challenge; for us it is a challenge to host these things," he said.

"Of course, for the city and the country it is an economic issue also because a lot of people are coming … of course they will stay for more than one day… for the city, for the country, for the small restaurants, small businesses, small hotels, and large hotels – of course it is a business."

And, pure economics aside, hosting large events is a chance for Georgia to show the world what it is capable of, according to sport event organizers like Giorgi Khachidze, the project coordinator for the Tbilisi 2015 European Youth Olympic festival.

"[It is an opportunity] to say that we as a whole country are trying to proceed to the next level, not only in sports," he said.

Tourism and Jobs, Jobs and Tourism

While there is a growing body of research that questions the connection between sports and direct economic benefit, economists appear more confident that large events bolster city economies indirectly.

Zimbalist, a Robert A. Woods Professor of Economics at Smith College in the United States, noted that the benefits are far from straightforward, and differ greatly depending on the host city.

In a 2010 article, "Is It Worth It? Hosting the Olympic Games and other mega sporting events is an honor many countries aspire to—but why?" Zimbalist argued that, while direct benefits – like new infrastructure, ticket sales, and the flurry of economic activity by attendees – is tangible, the indirect benefits could be more important.

"The indirect economic benefits generated by mega sporting events are potentially more important than the direct benefits, but are more difficult to quantify," he wrote.

"Many Olympic host metropolitan areas and regions view the Olympics as a way to raise their profile on the world stage. In this sense, the intense media coverage before and during the Olympic Games or other big events is a form of advertising, possibly attracting tourists who would not have otherwise considered the city or region, and who may generate significant, broad, and long-lasting economic benefits. "

In reality, however, Zimbalist cautioned, it is hard to correlate the direct impact that sports coverage – even Olympic coverage – has on later tourism figures.

Neil Prothero, a Western Europe Economic Intelligence Unit (EIU) analyst, agrees.

"I think it is quite difficult to actually ascertain exactly how much benefit, if any, comes from a big event such as this [Olympics] until quite some time afterwards," he told Investor.ge during a telephone interview from London.

"I think there are probably two main areas in terms of benefits. One is in the run up to the big event on the construction side…if you are having to build quite large new developments, new buildings…obviously that will provide a construction boost and through that, in the employment market as well for a sort of temporary period."

Other economists have also noted that job opportunities increase around large events like the Olympics, although it is difficult to pinpoint the direct impact because it depends on a variety of issues, including how venues are used after the event, and how many other economic development programs proceeded and followed it. Zimbalist noted that cities that are less developed – for example Tbilisi as opposed to London – can receive more of a boost from large events.

"The impact of hosting major sporting events varies according to the level of development in the host city and country," he said. "With proper planning, hosting a large event can serve as a catalyst for the construction of modern transportation, communications, and sports infrastructure, which generally benefits less developed areas more."

In Tbilisi, the 2015 Youth Games have already inspired one large investment: in July, China's Xinjiang Hualing Industry and Trade (Group) announced plans to invest $150 million to build an "Olympic Village" in Tbilisi for the athletes competing in the games.

Reportedly, 3000 people will be employed during construction.

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Kutaisi Airport, the Tip of the Tourist Boom?

Georgian officials say that discount flights to Kutaisi will be a boom to the local economy and Georgian tourism in general when the city's renovated airport opens this fall, but local tour operators maintain there is much more work to be done for the city to be able to handle the coming influx of tourists.

An artist's rendition of the new Kutaisi Airport.

NICK CLAYTON

Wizz Air, the largest low-cost carrier in Central and Eastern Europe, announced in June that it would be the first international airline to use the airport, beginning three weekly flights between Kutaisi and Kiev in September. This news came earlier than expected, as the renovation of the airport, which had long been out of use after serving as a Soviet military airfield, was slated to be completed no sooner than October.

Still, the arrival of Wizz Air to the Georgian market has excited tour agencies, as it will provide bargain flights to the country, starting at €22.99 ($28).

"The biggest problem for [Georgian tour agencies] has always been the prices of flights," said Gvantsa Razmadze, Marketing Manager of Georgia's oldest tour agency, Caucasus Travel.

The price tag on most flights in and ▸▸

out of Tbilisi, and Batumi, to nearby hubs starts at several hundred dollars. Budget carrier Pegasus offers daily flights between Istanbul and Tbilisi starting at €79.99 ($98), but uses Istanbul's Gokcen airport, making international connections complicated. As a point of entry, Kutaisi's central location is also more convenient for arriving travelers interested in Adjara and Svaneti, said Caucasus Travel General Director Maia Khubuluri.

"It presents the opportunity to make leisure packages for people traveling to Adjara and the areas in between, because it's about a two-hour drive," she said. "From the Kutaisi airport to Svaneti, you can get there in one day, which is important because if you arrive in Tbilisi at midnight, you have to stay one night in a hotel and then spend another day getting to Mestia."

However, the addition of cheap flights and a third point of entry into Georgia for air travelers has exposed other weaknesses in the local tourism infrastructure, said Inga Mumladze, Deputy Director of Concord Travel.

"The situation is like this: if you want to develop the region, we need to build new hotels; some roads are not finished yet, some places are not reachable right now," she said.

Mumladze said the lack of hotels in Kutaisi is particularly acute, keeping prices high, while quality remains low.

"When a group comes, they expect to have twin rooms, like they can all around the world, with the same kind of beds. In Kutaisi You cannot find a hotel with twin rooms – real twin rooms," she said. "You know, we want to operate, we want to have groups in Kutaisi, but somehow it's impossible. And when you negotiate with an airline company or a tour operator, in the end, they go somewhere else."

Bagrati1003, Kutaisi's only five-star hotel, charges 155-180 lari ($94-108) per night for double rooms and has more negative reviews than positive on TripAdvisor.com, with one reviewer saying "the only five star thing about it was the price," and another comparing it to "Saddam's palace circa 1990."

Khubuluri from Caucasus Travel said there is great demand for "tourist-class hotels" in Georgia, especially in Kutaisi. What currently exists, she said, is a large amount of big high-end hotels and low-capacity affordable bed-and-breakfasts. What are needed are more mid-level hotels with 60 or more rooms that can soak up the demand for large groups. Both Khubuluri and Mumladze said that their agencies regularly have to turn away travel groups interested in Kutaisi due to the scant availability of rooms.

But Giorgi Tsikolia, First Deputy Director of the Georgian National Investment Agency, said he expects the situation to improve rapidly as Kutaisi develops. He said the opening of Kutaisi's Kopitnari Airport represents the second stage of Georgia's air travel development.

The first stage, he said, was to allow Turkish firm TAV to take over the Tbilisi and Batumi airports to make them more attractive to international airlines. Now, the government is focused on developing regional airports in Mestia, Poti and Kutaisi, the latter being a part of a wider strategy to remake Georgia's second largest city into a major business center.

By moving the Parliament to Kutaisi, Tsikolia said he expects the demands presented by international delegations to quickly expand both the air traffic through Kutaisi airport, but also the market for hotels in the city.

"Currently, if you look at Kutaisi, you find that there is what, one hotel that provides more or less adequate service? The opportunities over there are huge. The first guys that come in – we're talking about four-and-five-star hotels – those are the ones that will get the biggest gains," he said.

However, the prospect of a new rush of budget tourists to Georgia has not been universally welcomed by the country's tourism industry. Mumladze said that the government organized a forum in June with industry representatives on the topic, "Do we need more tourists?"

In discussions, she said the various sides debated whether Georgia should work to lower prices and orient itself towards attracting mass tourism like Turkey with its affordable all-inclusive resorts, or if the country should stick to lower-volume "niche tourism," involving adventure tours, cultural excursions and the like. In the end, the vote was a 50-50 split among industry associations.

"I think that Georgia is not the kind of country that needs, like, 10 million tourists. Right now, we just cannot serve them. It should not be very cheap, it should be interesting and special, with special types of tourists," she said.

Betsy Haskell, founder of AmCham Georgia and Betsy's Hotel in Tbilisi, said that Georgia has room for all types of tourism, but noted that the country has yet to fully capitalize on the economic opportunities presented by its recent tourism boom.

In a recent AmCham experiment, she said she sent groups of four expatriates to Georgia's top six tourism destinations and took down their comments upon their return. Their #1 complaint, she said, was, "There was nothing to buy."

"That's what Western tourists do. They like to travel, but when they get there, they want to buy things; it doesn't even matter what. Georgia still has a ways to go, but there's a lot of money still out there for them in this industry." ■

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Get Away! Where to Go on the Weekend

Whether you are short on money or short on time, Georgia has plenty to see and do on the weekend, from adventure tourism to wine tasting and nearly everything in between. Investor.ge spoke with three tour agencies about day trips and weekend getaways from the capital.

ERNEST PETROSTYAN

Georgians often boast about how much their small country has to offer – from skiing down towering glacier heights to swimming in the Black Sea.

When time is short, however, it seems easier to just cart the family to Tbilisi's Turtle Lake (Kus Tba) than to venture out on the road.

But there are plenty of things to do and see within a short drive of the capital, noted Tourists Tour's Eka Kasradze.

"Weekend tours are very convenient in Georgia, as there are many interesting places within a two-hour's drive," Kasradze, a manager at the tour agency, said, noting that camping, hiking, rafting, and wine tasting tours top the list.

History on Your Doorstep

When a country is as ancient as Georgia, there are plenty of historic wonders. From the stone remains of Uplistsikhe, one of the Georgians' first capitals, to the cave monastery of Davit Gareji in the eastern Georgian desert; living monuments to the country's vivid – and often violent – past are easy to find.

Betania: Georgia's Lost Monastery

Just 16 kilometers (9.9 miles) from Tbilisi, Betania is a perfect day trip to escape from the capital. The monastery, officially called Betania Monastery of the Naivety of the Mother of God, was built in the 12-13th century and is known for its wall paintings. ▶▶

While its religious history is significant, it is Betania's location that made it famous. Located just 40 minutes from the capital, the church and monastery are so hidden from the road and surrounding area that it was forgotten for decades, only to be rediscovered by a royal hunting party in the 19th century.

Sighnagi: The Great Wall of Georgia

While not as long as the Great Wall of China, the wall of 23 towers in Sighnagi is much closer at 115 kilometers – roughly a two hour drive from Tbilisi, into the country's eastern wine country, Kakheti.

Some portions of the wall can be walked; other portions of it can be driven. There are also wineries for wine tasting tours located in and around the town.

Other easy day trips include wine tasting tours through Kakheti, including the historic Tsinandali, the former home of Alexander Chavchavadze – now a museum - and his unique wine cellars, where he once hosted the likes of Alexandre Dumas.

However, according to Kasradze, mixed tours – two or three day trips that combine the historic, the cultural, and the great outdoors – are more popular with tourists. "Foreign guests initially take wine tours, and afterwards they continue with eco-camping and hiking tours," she said, noting that Kakheti easily accommodates both.

Nino Nebieridze, head of international relations at AST Travel, noted that in a weekend, people can enjoy wine tours in Sighnagi, as well as hiking trips in the lush wilderness of Tusheti and Ladodekhi.

The mountain village of Kazbegi (now known as Stepantsminda) is also popular.

Off Road Adventures in the Backyard

At Ladodekhi National Park in Kakheti, groups can take short or long hikes through the protected wilderness. Trails in the park wind though amazing forests and mountains, leading to the 40 meter high Gurgeniani waterfall. The tourist route – roughly a 7 - 8 kilometer hike – continues up to Black Cliff Lake nestled in the mountains at 2,900 meters above sea level near the Georgian-Dagestan border.

The Lagodekhi National Park also provides nature lovers with a plethora of wild animals to watch and photograph, including wild brown bear, wolves, lynx, chamois, roe deer, red deer, East Caucasian goats and wild boar. For birdwatchers, there are local populations of lammergeyer, golden eagle, peregrine falcon and the Caucasian Snowcock.

Trips to Kazbegi, taking hikers through Dariali Gorge, also make a popular weekend trip. Usually, tourists hike up to Saint Trinity Church located at the foot of Kazbek Mount, looking over the village of Stepantsminda (Kazbegi). However, trails continue even higher, leading to the Kazbek summit (5,033m) – one of the highest summits in the Caucasus.

Ilia State University established an Alpine Club for the popularization of Alpinism in Georgia. They also prepare internationally qualified guides. Ilia Berulava, a professional guide from the Alpine Club, says that alpine tourism has become more popular in recent years. "More foreign and local visitors want to ascend the Kazbek summit, as hikers beyond a healthy lifestyle see a kind of self-confidence in it," he said.

"The tour usually lasts three days; it really depends on the physical shape of our visitors. The Kazbek summit, unlike other summits in the Caucasus, is very convenient to climb for beginners," Berulava noted. Descending the mountains can be even more exiting for extreme sport lovers, with rafting tours on Mtiuleti and Pshavi Aragvi mountain river. "Rafting provides a good opportunity to release adrenalin; it is very exciting and, at the same time, it is relatively safe, as the river stream is not that fast," noted 24 year old Ani Robakidze.

For more information about these trips and others, visit: www.georgia.travel

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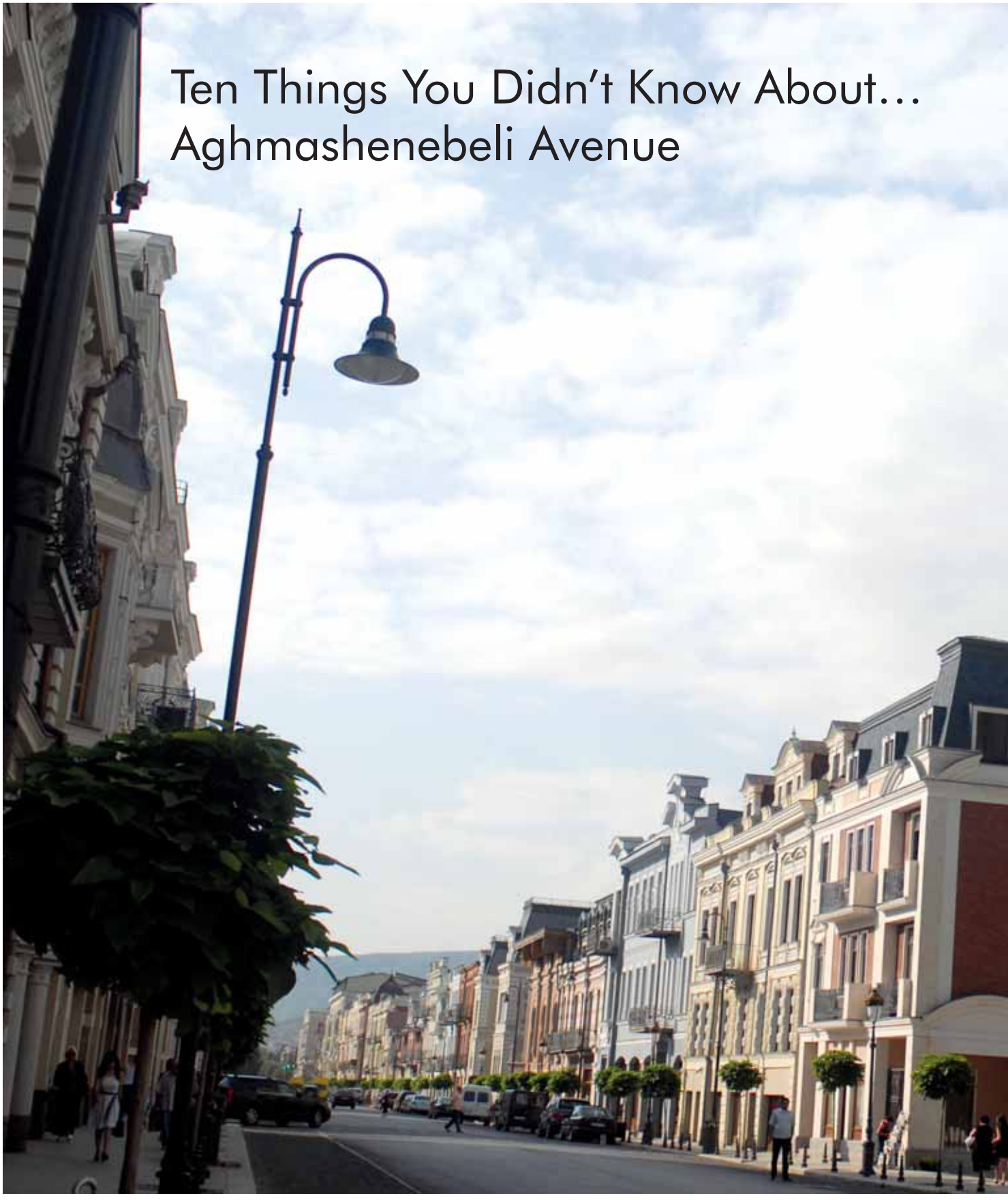
Ten Things You Didn't Know About… Aghmashenebeli Avenue



In the race to see Georgia, there is a tendency to forget Tbilisi. Despite popular opinion, the capital is more than just Vake, Vera, and Meidani Square. Like any small city, Tbilisi is full of colorful neighborhoods and, over the next several issues, Investor.ge will (re)introduce you to their charms.

Historic and majestic, Davit Aghmashenebeli Avenue is the perfect place to be a tourist in your own city. The wide avenue hosts block after block of exquisite architecture, an eclectic mixture of Classical, Renaissance, Moorish, and Art Nouveau buildings.

Aghmashenebeli, as it is known today in honor of King Davit the Builder, was originally known as Mikhail Street – named after Russian Viceroy Mikhail Romanov – although it is more commonly known as Plekhonov, its Soviet-era name.

The avenue stretches from Dighomi Stadium to the Dry Bridge on the left side of the Mtkvari River. While it is well known today for the government's (controversial) efforts to restore the buildings that grace it, Aghmashenebeli offers a lot more than just architecture.

1 Great parks for hot city nights. Back in the old days, before the renovation works, Aghmashenebeli was infamous for dusty traffic jams, and warring marshrutkas. Today, however, although reconstruction work continues on the east side of the avenue, the street is a nice place for a stroll, with sidewalks wide enough – and smooth enough – for a baby stroller. Nestled between shops, restaurants, and museums, there are two great parks where locals walk their dogs and pensioners gossip away their afternoons. Rose Park, two blocks east of ▸▸

Marjanishvili Square, is a large expanse that includes a covered table tennis room and two squares closed to traffic. Up the street, at 136 Aghmashenebeli, there is a lovely fountain and splash park, with upgraded benches and plenty of room for kids to cool down in the water. If you keep going straight through the rose garden, there is a new playground as well. Great outdoor lighting from the Marjanishvili Metro station to Tamar Mepe makes it the perfect place for an evening stroll.

2 Shop, shopping, shopped. From six lari bikinis to 500 lari watches, if you need it, Aghmashenebeli has got it. The newly renovated facades now house an eclectic mix of inexpensive Turkish brands and high end Italian chains. There are also a number of bookshops and stationary stores, as well as the occasional green grocer. On the east end of the street, where renovation works are just starting, a large, Turkish household goods store provides a quick Target-like fix for those longing to peruse aisles of dishware and Tupperware knock offs. The street is also home to some of Tbilisi's best fabric shops, which offer everything from buttons to glitter dots.

3 Gowns. While purists would argue this belongs with shopping, they have not witnessed the phenomena that is the wedding and fancy gown shops on Aghmashenebeli, where there are literally city blocks of dress shops. Denim and lace wedding dress? Check. Red shiny formal ware? Check. Window shopping has never been so good.

4 Eating Out. There is a plethora of places to eat in Tbilisi, but among the nimiety of cafes and restaurants, Aghmashenebeli stands out for its variety. It is literally a one stop destination for any group of guests with widely different eating expectations. But the street's stand out specialty is Turkish, from yummy-

sticky bakhlava by the kilogram to upscale cuisine, Aghmashenebeli has got it. And, for dessert, there are competing French bistros across the street from each other at Marjanishvili Square.

5 Breakfast. Okay, so technically this is part of the whole 'eating' motif mentioned above. But, as any breakfast lover wasting away in Tbilisi knows, eating breakfast out in this city is no easy feat: most eateries open their doors at the crack of noon. Aghmashenebeli, however, is different. It boasts three – THREE – breakfast-offering, trend-bucking cafes within a 50 step radius at Marjanishvili Metro (full disclosure: one of them is McDonalds, but still). All advertise opening at, gasp, 8am, too, when most people from the western hemisphere actually, well, eat breakfast.

6 Turkish barbers. Baby, if you are missing Istanbul – and you need a trim – this is your place. Brush up on your Türkçe while you are getting a cut at several locations around the 120 block of the street.

7 Travel agency central. Whether you are in the market for some air tickets, or just want to dream a little dream while gazing at beautiful posters of distant lands, Aghmashenebeli has you covered. HQ for Turkish Airlines, the avenue also boasts a titillating number of tour and booking agents. In case you need some excuse to travel, the Georgian Railway Museum at 136 Aghmashenebeli will put you in the mood.

8 …along with Aghmashenebeli's many other museums*. From Folk History to Georgian Dance, the avenue and neighboring streets are peppered with museums that are often overlooked. The House-Museum of Galaktion Tabidze, one of Georgia's many talented poets, is at 4 Marjanishvili, while the Museum of Theatre, Music, Cinema and Choreography, 6 Kargareteli, hosts great exhibits that blend art and Georgian culture. The Folklore State Center, 68 Aghmashenebeli, includes a restaurant, as well, in case centuries of creativity inspires an appetite.

9 Have you been to the theater lately? A block from Aghmashenebeli is Tbilisi's famous Marjanishvili Theater… but don't stop there. From the delightful "Second Home" children's theater at 58 Aghmashenebeli, to the Kakha Bakuradze Movement Theatre at 182 Aghmashenebeli, the avenue is Tbilisi's Broadway. Other venues include the Vaso Abashidze Music and Drama State Theater, also at 182 Aghmashenebeli, and Turmanishvili Theater at 164 Aghmashenebeli, a real treat that also includes a lovely café.

10 Restoration, in real time. In 2010, the Tbilisi Mayor's Office started an ambitious program to repair, restore, and in some cases, rebuild the facades on 70 buildings on Aghmashenebeli. Two years later, the project is still going strong, and the public's reviews have been mixed. Since the rehabilitation is ongoing, however, you have the unique chance to judge for yourself. To check out the new, which includes landmark buildings like the historic Apollo – Tbilisi's first movie theater – and the former palace of Prince Oldenburg, which currently houses the Museum of Theater, Music, Cinema, and Choreography, head west from Marjanishvili metro station. To bask in the originals, head east from the metro. Which is better? You decide. But bets are that, regardless of your preference for the oldest or the newest facades, you'll be wowed by this Tbilisi treasure.

* Due to all the construction and renovation work on and around Aghmashenebeli Avenue, some museums and theaters might not be open. ■

Jansugh Kakhidze Garden

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AmCham Hosts Delegation from Congress

On July 3, AmCham held a cocktail reception for a Congressional delegation at the Tbilisi Marriott.

U.S. Congressman Bill Shuster (Republican-Pennsylvania) lead the delegation of six Members of Congress to Tbilisi July 2-4 to discuss U.S.-Georgian relations. The Congressmen met with President Mikheil Saakashvili and First Deputy Minister of Defense Nodar Kharshiladze, as well as with opposition leaders. In addition, the delegation also observed U.S. and Georgian service members training together in preparation for deployment to Afghanistan as part of the International Security Assistance Force (ISAF).

Shuster has been a member of the U.S. House of Representatives since 2001 and sits on its Armed Services Committee, which is responsible for funding and oversight of the Department of Defense, the United States Armed Forces, and portions of the Department of Energy.

The other members of his delegation include Congressmen Jason Altmire (Democrat-Pennsylvania), Brett Guthrie (Republican-Kentucky), Jeff Denham (Republican-California), Blake Farenthold (Republican-Texas) and Adam Kinzinger (Republican-Illinois), who represent a number of other Congressional Committees, including the Veterans Affairs, Energy and Commerce, and Transportation and Infrastructure Committees.

Opportunities in Rural Development for Small Farmers: an overview of the CARE conference

More than 50 percent of the population is employed in agriculture, making rural development essential for the country in order to fight poverty and ensure social stability. While agriculture is not the only component of rural development, it is a substantial and important part of it.

During the conference, which was organized by AmCham, CARE, EU, FAO, Swiss Agency for Development and Cooperation SDC, and USAID, participants discussed the most important problems facing Georgian agriculture today. The lack of equipment, lack of knowledge, low accessibility to markets, and the lack of funds for buying new seeds or pesticides topped the list of concerns.

Other issues included a lack of openness in farming communities for new ideas or knowledge, as well as problems with irrigation and local infrastructure.

Government participants, however, stressed that, since infrastructure projects are already being implemented, the main problem is a lack of demand in the market and production quality.

In his presentation, George Welton, AmCham in Georgia's executive director, noted that a lack of electricity, equipment, and machinery – as well as irrigation problems – have all played a role in Georgia's low productivity rates. Despite plentiful water resources and a Soviet-era history of high production, Georgia now ranks last in the region in terms of productivity.

The lack of investment – just one percent of all investments in Georgia go to agribusiness – means the majority of small farmers are underemployed, Welton said. For example, SANTE, a local dairy producer, noted that while there is a high demand for quality natural milk, local dairy farmers do not produce the quantity or quality necessary for their products. There are signs, however, that the investment climate for agro business is improving: Welton said food prices are not expected to decrease in the near future, a factor that could contribute to investment.

He stressed that AmCham's Agribusiness Committee is dedicated to continuing the discussion about measures that can be taken to improve the sector, especially potential investment opportunities. For more information about the committee, please contact Konstantine Koridze, k.koridze@amcham.ge.

AmCham Supports Race For the Cure

On June 10, AmCham CSR Committee supported the Race for the Cure at Turtle Lake. In its fourth year in Tbilisi, the Georgia Race for the Cure is a partnership between Women Wellness Care Alliance HERA and the U.S.-based Susan G. Komen for the Cure foundation. All funds raised went to Women Wellness Alliance HERA's work to increase awareness of breast cancer as the leading cause of death for Georgian women and providing screening and treatment services for women. This year's race attracted a lot of people who came to show their support for women's health.

AmCham Hosts Goodbye Luncheon for Ambassador Bass

On June 21, Ambassador John Bass was honored during his last meeting with AmCham members.

Bass, who has returned to Washington, is set to be replaced by U.S. Ambassador-designate to Georgia, Richard Norland later this year.

During the meeting at Sheraton Metechi Palace, Bass provided an overview of the recent visit by U.S. Secretary of State Hillary Clinton, as well some highlights from his time with AmCham.

New members were also introduced during the meeting by newly elected President Sarah Williamson: Luca Polare, Bank Constanta, Thermarsenal, Nodia, Urumashvili & Partners and Lucy Flynn.

NDI: Documenting Changes in Voter Perceptions Before Elections

US Embassy Deputy Chief of Mission Bridget Brink and NDI Country Director of the National Democratic Institute Luis Navarro provided an overview of the pre-election period for members during the last AmCham meeting of the summer.

Brink spoke about recent developments, and answered members' questions during a frank discussion on July 25 at the Hotel Radisson Blu Iveria for AmCham's monthly roundtable meeting.

Navarro provided more detailed analysis of the trends and opinions heading into the pre-election period for the parliament vote, scheduled for October 2012. On July 16, NDI released a survey on public opinion concerning political developments, political parties, and politicians.

The survey, which was conducted over 18 days in June, and contained the views of 6299 voters from around the country, and documents some changes in the country's political climate. This was the first time NDI released its political party polling data to the general public. Its findings show the ruling party holds a ten point lead on issues concerning NATO, education, health care, and democracy, while the Georgian Dream coalition, lead by opposition candidate Bidzina Ivanishvili, is increasing popularity on other issues, like relations with Russia. Voters are also showing "less engagement" on issues like electoral reform while they have firm opinions on "bread, butter, and security" issues.

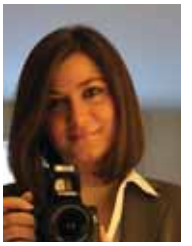
Respondents' views tend to depend on demographics, rather than economic status, according to the data collected by NDI via polling done by the Caucasus Resource Research Center. The survey was funded by the Swedish International Development Cooperation Agency (SIDA).

The presentation is available at www.amcham.ge.

AmCham Committees: Commercial Law and Tax Committee Discusses Tax Code

On July 6, members of the Commercial Law and Tax committee discussed ambiguous articles in Tax code that require further comments from the Revenue Service. Other issues were also discussed, including the frequent number of changes made to the tax code and problematic provisions in tax security measures.

In other committee news, the AmCham CSR committee met on July 11 to discuss its policy regarding solicitations for charity.



Ketevan Sidamonidze: "Farewell or till we meet again..."

Emotional, grateful, courageous and hopeful - all just flawlessly describe my current state as I write this farewell note. At the end of August I am leaving AmCham Georgia, and moving to Barcelona to do my MBA at ESADE, an internationally top ranked business school.

A little over seven years ago, AmCham officially walked into my life. I still clearly remember my first day at work as if it were yesterday - with Levan walking in and offering a chewing gum and a life-time friendship, Dato joyfully commenting on my extremely long hair, Johanna looking at me with hopeful eyes and Amy saying a cheerful "welcome on board."

AmCham gave me a lifetime opportunity to discover my capabilities and helped me grow professionally. I never dreamed about success, I worked hard for it and it paid off! I led dozens of projects and events; earned a Valued Support Award for AmCham at the 11th Georgian International Oil, Gas, Infrastructure and Energy Conference & Showcase (GIOGIE) in March 2012; organized, managed and helped raise money for the first IT innovation conference, and much more. Four Presidents and three Executive Directors later, I know I'll miss AmCham terribly from September! Thank you is the least I can say to you to demonstrate my sincere appreciation for everything you have done for me. Till we meet again!

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SOCIAL PAGE

On June 30, the American Chamber of Commerce in Georgia, in cooperation with the American Embassy Community, hosted its annual Fourth of July picnic at the U.S. Embassy in Tbilisi. Many thanks to everyone who celebrated with us – and especially to our generous sponsors who made the event possible. For more information, please see page 47.

SOCIAL PAGE

SOCIAL PAGE

SOCIAL PAGE

On the Fourth of July, Ambassador John Bass and his wife Holly celebrated American Indepence Day with the American Friendship Club.

On June 10, AmCham CSR Committee supported the Race for the Cure at Turtle Lake.

Board Of Directors 2012

Sarah Williamson, PRESIDENT
In Tbilisi since June 1998, Sarah Williamson is the co-owner and Vice President of United Global Technologies (UGT), the largest IT company in Georgia.

David Lee, Chairman Emeritus
David Lee is the General Director of Magticom, the largest telecommunications operator in Georgia and took up his position March 2004. David is also the Chairman of the Eurasia Partnership Foundation and is a Chartered Accountant with an MBA from Warwick Business School. A Russian speaker, he has worked extensively in the former USSR and served as a Royal Naval Officer for 9 years.

R. Michael Cowgill,
First Vice-President
In his 12th. year in Georgia, Michael Cowgill is currently the President and co-founder of Georgian American University's business and law schools in Tbilisi, Georgia.

Irakli Baidashvili,
Vice-President & Treasurer
Irakli Baidashvili is the Senior Vice President of GMT Group. The company is one of the largest US direct investments in Georgia, the owner of two Marriott hotels, production facility SANTE and several major real estate sites in Tbilisi .

Neil Dunn, Director
Neil Dunn is the general manager of BP Georgia since October 2008. He has 30 years of experience in the oil and gas industry, having various engineering and operations assignments.

Esben Emborg, Director
Esben Emborg has been in Georgia since 1999. He has worked a General Manager for Caucasus Region for Cadbury Schweppes and Nestle until 2008. Now he is working as Principal Partner for an Investment Fund (SEAF) that is currently managing a 30 mil USD portfolio of investments all over Georgia.

Lasha Gogiberidze, Director
Lasha Gogiberidze is a founding partner of BGI Advisory Services Georgia and the director of BGI Legal. Previously, Lasha worked at Ernst & Young's Georgian office. Lasha graduated from Tbilisi State University, has a LL.M. from the University of Illinois, and is licensed to practice law in NY state.

Badri Japaridze, Director
Badri Japaridze has been the Deputy Chairman of the Supervisory Board of TBC Bank since 1999 and the Vice-President of Georgian Glass and Mineral Water Co. (GG&MW) since 1995.

Steve Johnson, Director
Steve Johnson is the proprietor of Prospero's Books and the General Manager of The Hotel Betsy. Prospero's Books and Caliban's Coffee House is the leading English language bookstore in Georgia.

Ted Jonas, Director
Ted Jonas is the Managing Partner of DLA Piper's Tbilisi office. He advises clients on international business transactions, energy and infrastructure projects, government relations, and dispute resolution.

Ketti Kvartskhava, Director
Ketti Kvartskhava is a Partner of BLC Law Office. Her professional experience includes her work as a Commercial Law Advisor at the USAID Georgia and as an instructor at Tbilisi State University. She also worked as a Legal Counsel for the US-Georgian Commercial Bank JSC Absolute Bank and JSC Transcaucasia Bank.

Robin McCone, Director
Robin McCone is a NZ lawyer. He leads PwC's tax and legal practice in Georgia and Armenia. He has been with PwC mainly based in CEE countries for over 16 years. Prior to moving to Tbilisi he spent two years in New York as the leader of the CEE Desk. He looks forward to utilising his large international network in his role as a board member.

John Ashworth, Ex-Officio Member
John Ashworth is the Deputy Chief of Political and Economic Affairs and Senior Economic/ Commercial Officer at the U.S. Embassy. He worked previously in Uzbekistan, Barbados, and on the State Department's India Desk in Washington.

Betsy Haskell, Founding Advisor
Betsy Haskell is an 18 year resident of Georgia who started four successful businesses, and is currently developing a resort hotel and villas in the wine country. For the past 15 years, she has been the Georgia Contractor for Metrica, Inc, a US Treasury Department sub-contractor.

George Welton, Exec. Director
George Welton came to Georgia as a university lecturer in 2004. Soon after arriving he started working as a professional researcher and founded GeoWel Research in 2008. His company conducts research and analysis for non-profits like KfW, GIZ, UNDP, DfID, CARE International and some private companies.

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joint managing partners
Zaza Bibilashvili
(zaza.bibilashvili@bgi.ge) or
Lasha Gogiberidze
(lasha.gogiberidze@bgi.ge)

18, Rustaveli Avenue,
0108 Tbilisi,
Georgia.
Tel.: (995 32) 2 470 747
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Ted Jonas, Office Managing Partner (ted.jonas@dlapiper.com) | Otar Kipshidze, Partner (otar.kipshidze@dlapiper.com)
DLA Piper Georgia LP, 10, Melikishvili Street, Tbilisi 0179, Georgia | **T** +(995)32 2509 300 | **F** +(995)32 2509 301

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