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AmCham Executive Director
Amy Denman

Editor in Chief
Molly Corso

Copy Editor
Kate Davies

Marketing & Promotion
Sophia Chakvetadze

Promotional Design
Levan Baratashvili

Magazine Design and Layout
Giorgi Megrelishvili

Writers
Emil Avdaliani, Nick Clayton, AvtandilChedia, Molly Corso, Maia Edilashvili, Roza Hovhannisyan, Marta Ferrer Lubeck,Paul Rimple, Ana Static

Photographs
Molly Corso and Maia Peikrishvili

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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

www.investor.ge

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Investment in Brief

AVTANDIL CHEDIA

Forex Club to Operate in Georgia by the End of the Year

One of the world's largest brokerage companies «Forex Club» is in negotiations with Green Capital to open in Georgia this year, according to a report on Commersant radio.

New Agro-Industrial Complex in Kakheti

On May 9, an agro-industrial complex opened in the village of Badiauri in the eastern region of Kakheti. The event was attended by officials from the Ministry of Agriculture and the MOLI project. The complex, a $265,000 investment by the Swiss Agency for Development and Cooperation, includes a milk factory and a refrigerator which has the capacity to store 250 tons of various kinds of fruit.

Ukrainian Company to Build Laundry Detergent Plant in Poti Industrial Zone

Aroma Fragrance, a Ukrainian company, has invested $800,000 in a new laundry detergent plant in the Poti Industrial Zone, according to a report on Bpi.ge.

Turkish Entertainment Powerhouse Enters Georgian Market

Reina - a Turkish entertainment group - plans to build a hotel, restaurant, club and casino complex, according to boom.ge. The $25 million investment will employ 240 people.

EU Helps Small Farmers in Adjara

The EU, together with the United National Development Programme (UNDP), is planning a 3.3 million EUR agricultural development project in Adjara. The project, which focuses on the promotion of small-scale farms, will last from 2013-2016.

Ministry of Energy of Georgia, Anadolu Group Signed MOU for HPP project

Anadolu Group plans to invest $125 million to build a new 300 megawatt hydro power plant.

At this stage, the Turkish company is making investments in the Samtskhe-Javakheti Region for an 85 megawatt HPP. The HPP will annually generate 420 million kilowatt-hours. The company employs 630 persons.

Three New Airlines to Enter Georgian Market

"Air Onix Airlines" and "Israir Airlines" plan to enter the Georgian air market this year. In addition, negotiations are also underway with the airline "Nouvelair", which will provide charter flights to Tunisia.

Azeri company to build HPP

TunderStrik has expressed interest in developing Ponichala1, Ponichala 2 and Digomi hydro power plant projects in Tbilisi on the Mtkvari River. The company already submitted an application to the energy ministry, according to the ministry. The approximate investment for all three projects is about $100 million.

Georgian Wine Wins Grand Gold at Concours Mondial 2013

Chateau Mukhrani won the Grand Gold Medal for its Reserve Du Prince Saperavi 2007 and a gold medal for Rkatsiteli 2010.

The Concours Mondial annual competition is considered the wine world championship. Started in 1994, over 7000 products from four continents participated this year.

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PayPal™ in Georgia:

Promotion for E-Commerce

PayPal officially launched its operations in Georgia on April 11, and local businesses are betting its online service can bolster e-commerce in the country.

MAIA EDILASHVILI

E-commerce has yet to boom in Georgia, but a new deal with PayPal has local online retailers and banks feeling bullish about its future growth.

A recent survey conducted among 426 adults in Tbilisi by ACT Research, a consulting group, showed that only 17 percent of the interviewees had made an online purchase during the last six months.

Of these online shoppers only 16 percent buy products – mostly clothes, home appliances, electronics, shoes and accessories - at Georgian stores, while the rest prefer to make purchases abroad and wait for delivery.

Kakha Barabadze, Head of the Public Relations and International Cooperation Division at National Bank of Georgia, believes that the launch of the PayPal service in Georgia is "a significant step forward" in terms of developing e-commerce. "The volume of online payments at commercial banks will increase," he told Investor.ge.

PayPal provides online shoppers and entrepreneurs a simpler way to send money without sharing financial information, and the flexibility of being able to pay using their account balances, bank accounts, credit cards, or promotional financing.

With 128 million active accounts in 193 markets and 25 currencies around the world, PayPal enables global commerce, processing more than 7.6 million payments every day. Now Georgians with Visa, MasterCard and American Express cards can register at PayPal and enjoy shopping at international online auctions and stores.

The Georgian government has long lobbied for PayPal to operate in Georgia. Throughout the past several years, National Bank of Georgia (NBG) and the Ministry of Economy have been in intensive cooperation with PayPal, including "numerous formal and informal communication, correspondence, phone conversations and visits," Barabadze noted.

Given the California-based company's strict criteria for new markets, Georgia sees PayPal's decision as recognition of its reliability and potential. Georgians, however, still don't have access to the entire spectrum of PayPal services, such as the option of posting local producers on eBay.

While Georgia did request the full package of PayPal services, currently Georgian users are only allowed to make online payments. The right to receive/withdraw funds and set up a merchant account is not yet available for Georgia.

Sophie Balavadze, Head of Public Relations at Bank of Georgia, the country's leading commercial bank, believes that even access to PayPal's basic services will bolster the country's e-commerce industry.

"PayPal will allow payment on such websites which were beyond reach before. Their entry is an acknowledgment that Georgia is a developing market for e-commerce," she said, noting that, as of December 31, 2012, the number of online transactions via Bank of Georgia increased 36% compared with the previous year, and the volume of transactions grew by 66%.

Damien Perillat, the managing director at PayPal Central Eastern Europe, told us that while the company cannot comment on local numbers, which also include the number of users per market, he can say that they are "really satisfied" with the results.

"It seems that Georgian consumers were looking for a simple and secure way to buy goods without sharing financial info," he noted in an email interview. "More than 5 million active accounts were added in the first quarter of 2013 globally- Georgia made a serious commitment to this growth."

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New Fees for Borjomi and Nabeghlavi Could Harm Exports

Mineral water producers claim the government's decision to increase water extraction will raise prices and decrease their competiveness at home and abroad.

MAIA EDILASHVILI

Minister of Economy and Sustainable Development Giorgi Kvirikashvili announced in April that the fee on mineral water extraction will triple, while the fee on fresh water extraction will double.

The new rates, which are slated to start in October, will raise Borjomi fees to 30 lari, up from the current fee of 10 lari per 1 cubic meter. Competitor Nabeghlavi will pay 18 lari instead of 6 lari.

Smaller bottlers will not be affected by the change, after they complained their production volumes are too small to stay profitable if the rates are raised.

The larger bottlers are also concerned, however, by the affect of the tariff increase. Borjomi noted it could jeopardize the company's large investment in foreign sales.

"This is quite painful," noted Zaza Kikvadze, the general manager of IDS Borjomi Georgia.

"We export Borjomi to 40 countries and once the increased fee will be reflected in the price, the demand will decline. As a result, Borjomi's compatibility will decline."

IDS Borjomi increased sales from 2.5 million liters in 1997 to 108 million liters in 2005, the period prior to the Russian embargo. Without the Russian market, sales dropped to almost 30 million liters. But – after a major expansion into foreign markets - Borjomi sold about 140 million liters in 2012.

Currently, 64 percent of Borjomi's revenues is from foreign sales.

Healthy Waters, which bottles Nabeghlavi, depends on foreign sales for 20 percent of its production.

For Georgia, mineral water is among the top ten export commodities. In 2012, the export of mineral water was worth approximately $59 million, a jump from $47 million the previous year.

Kikvadze noted, however, that after the price increase, Borjomi will become the "costliest mineral water resource in the world," and, while the fee hike will bolster the state budget in the short term, eventually it will hurt the government's revenues when companies are not able to sell as much as before.

In the CIS and European countries, the fee ranges between 0.1 euro and 5.7 euro, IDS Borjomi reported in a press release when the higher extraction fees were announced.

"The only country with a higher fee is France. However, is has to be noted that in France, mineral water companies enjoy preferential tax, which means that while the country has a VAT tax of 19 percent, water producers pay 7 percent. Given this, we can say that the existing fee is the highest for our company throughout the CIS and European space."

For now, however, that does not appear to concern Kvirikashvili. The current fee for mineral water extraction is "inadequately low," noted the minister, adding that the government has compared tariffs in other CIS countries to ensure that Georgia's fee is comparable.

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In the Gamble to Control Casinos, All Loses Stay with the State

In the battle to control casinos and gambling addictions, the new government could be playing a losing hand.

PAUL RIMPLE

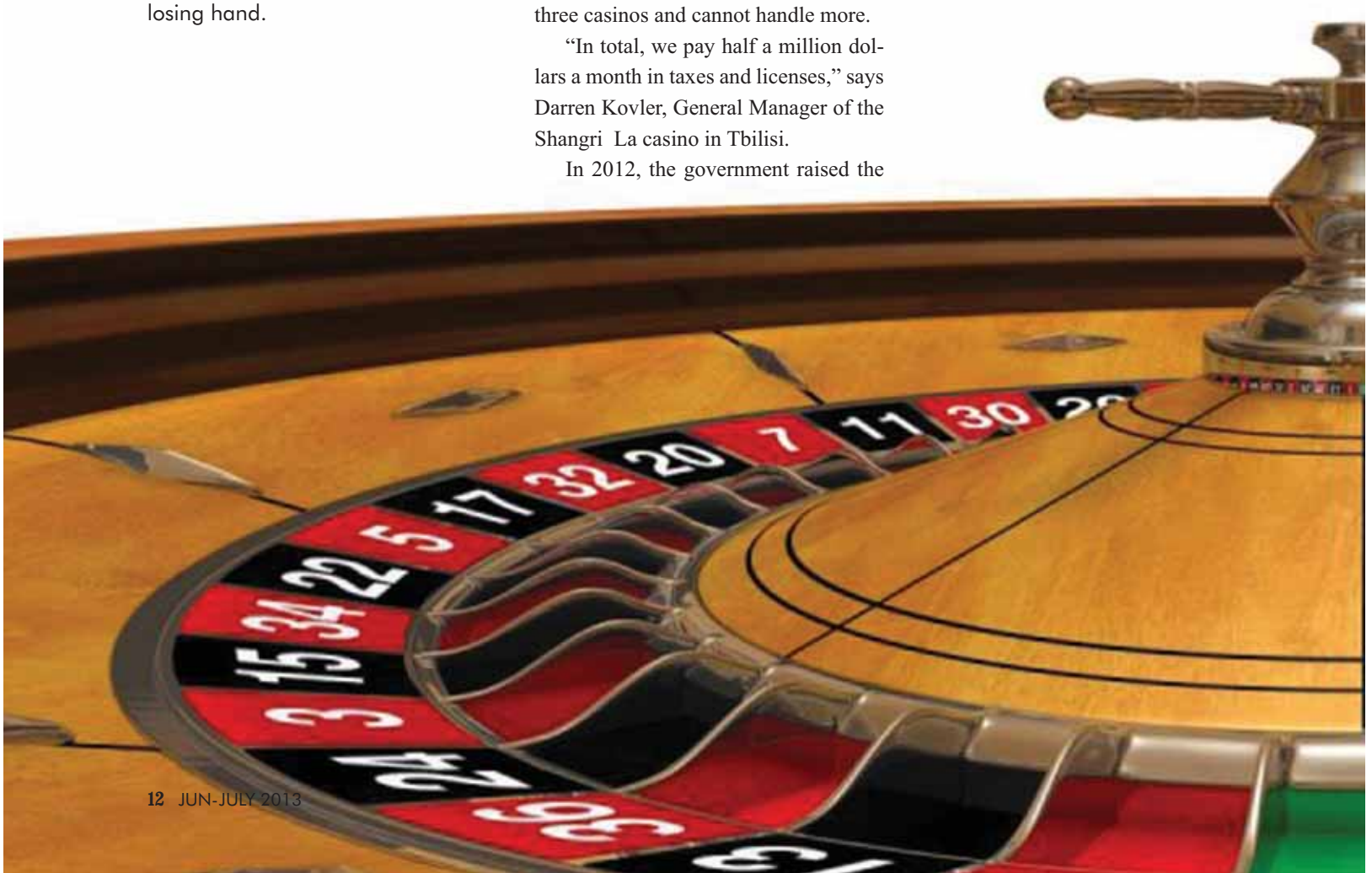
Georgian lawmakers may not be familiar with American journalist Heywood Broun, who once said "The urge to gamble is so universal and its practice is so pleasurable, that I assume it must be evil," but they have come to the same conclusion. Parliament is drafting a law to ban gambling in Georgia, ostensibly, to protect people from its addictive effects. But if it is passed, it's the state that could lose.

Since its first attempts to regulate gambling in 1992, the Georgian government has taken great strides in defining gaming laws and collecting revenue for the state budget. In March 2005, there were 18 gaming casinos in Tbilisi when the government slapped the city's casinos with an annual 5 million GEL licensing fee and imposed high taxes on table games and slot machines. Today, the Tbilisi market is stretched thin with three casinos and cannot handle more.

"In total, we pay half a million dollars a month in taxes and licenses," says Darren Kovler, General Manager of the Shangri La casino in Tbilisi.

In 2012, the government raised the annual permit fees on slot machine salons, which in Tbilisi were 20,000 GEL a year. Today, if you are not a licensed casino operator, you'll have to pay 1 million GEL in Tbilisi for a slot parlor. The Georgia Revenue Service reports that gambling businesses in Georgia contribute 2% of the total budget in taxes. In the Autonomous Republic of Adjara, the percentage is said to be higher.

In an effort to transform Batumi into a mini Monte Carlo on the Black Sea, the government offered incentives to attract investors, including a reduced annual fee of 250,000 GEL and a 10-year freeze on annual licenses to anyone who builds a 100-room hotel. Last year, the Adjara government hosted its first Casino Investors' Congress in Batumi, where casino industry executives offered feedback on how the government could better develop the sector. Right now, Batumi has four casinos- with a fifth to open soon, a



sixth slated for August, and another due next year.

"For Adjara, it's a huge part of the budget- about one-third," says Mehmet Esen, Finance Director of the Peace Casino in Batumi. "And there's nothing to replace it if you take gambling away."

Lawmaker from the Georgian Dream coalition Koba Davitashvili, who drafted the law, says gambling money "stinks" and talks of how many Georgian families have been ruined by having to sell property to cover a relation's losses.

"Gambling leads to addiction. It's not a choice; they can't choose not to gamble," Davitashvili asserts.

He estimates that 80 percent of the population gambles and insists half do so daily, although there have not been studies that reveal how many compulsive or problem gamblers exist in Georgia. What is known, however, is that Georgians aren't going en mass to casinos to lose their pants. Tbilisi casino operators say 90-95 percent of their customers are foreigners, mostly from Azerbaijan and Iran. In Batumi, it's the same scenario, although their clients are predominately Turkish.

There is little evidence that closing casinos will reduce the number of problem gamblers in Georgia, particularly since online gambling is available to anybody with a computer and internet connection. Studies have found that electronic games such as video slots and video poker are the most addictive forms of gambling. The Illinois Institute for Addiction Recovery calls these games "the crack cocaine of gambling" and the U.K.'s Gambling Commission estimates that 7.4 percent of online gamers go on to develop an addiction.

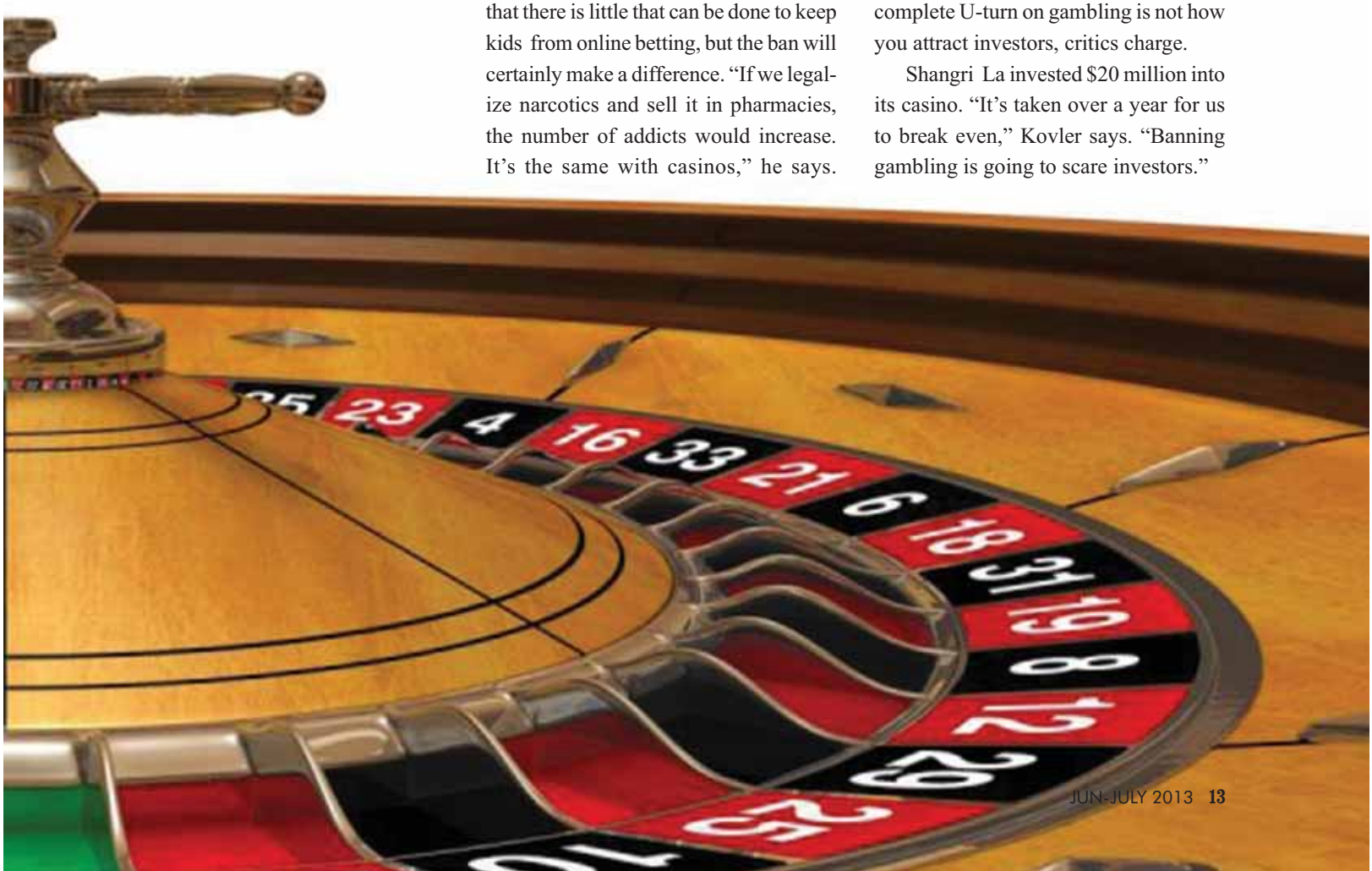
Davitashvili is aware that a ban on gambling won't cure Georgia of its problem gambling ills and recognizes that there is little that can be done to keep kids from online betting, but the ban will certainly make a difference. "If we legalize narcotics and sell it in pharmacies, the number of addicts would increase. It's the same with casinos," he says. "Why have all our neighbors outlawed gambling if it's good?"

Casino patrons must be 21 years old and register before playing. Kovler says Shangri La monitors its regular patrons and will black list problem gamblers, those who ask to be prohibited from gambling themselves, or those whose families have called to request a ban. He maintains that outlawing gambling will only drive gambling underground, as it was during the Soviet Union.

"The fight against illegal gambling costs money," Kovler contends.

Money is one thing the government is short of. Foreign direct investment for 2012 was only $865.2 million - a 22.5 percent decline, according to Geostat. "The planned budget is based on a six percent growth of economy, while most probably, we will have less than three percent growth," predicts UNM lawmaker Zurab Japaridze. Making a complete U-turn on gambling is not how you attract investors, critics charge.

Shangri La invested $20 million into its casino. "It's taken over a year for us to break even," Kovler says. "Banning gambling is going to scare investors."



ISET

Georgian consumer confidence barometer

ISET POLICY INSTITUTE
APRIL 2013
LASHA LABADZE

Why does consumer confidence matter?

The Consumer Confidence Index (CCI) attempts to capture the expectations of consumers about the future development of the economy. In this way, the CCI can reliably indicate the current well-being of the economy and predict its short-run prospects. The reason is that consumption activity and savings behavior are driven by expectations – and, as economists like to say, expectations are self-fulfilling prophecies. Optimistic consumers are inclined to spend more money. This stimulates the economy, leading to a higher economic output. Expectations are fulfilled! Pessimistic consumers, on the other hand, cut down spending, and the decline in demand will affect the economy negatively. Again, expectations are fulfilled!

There is another reason why the CCI reveals something about the economic situation, a reason that is sometimes referred to as the "Wisdom of the Masses". Each single consumer may be quite ignorant about the state of the economy, as each is able to observe just a tiny fraction of the whole economic system. A shopkeeper knows how much was sold in the last month, the restaurant knows how many people were served, the employee observes whether a pay-rise was granted and whether there were layoffs in the company. The information is scattered in the economy- nobody sees the big picture – but all of it together is the big picture!

How does the CCI aggregate this information? People in the streets were shown a big sack filled with beans and were asked to estimate how many beans were in the sack. As it turned out, nobody gave the correct answer. Yet surprisingly, on average the answers came extremely close to the real number. Similar experiments were made with the weights and lengths of objects and other estimation tasks. It always turned out that on average, the estimations of the crowd were very close to the true values.

The CCI can also be considered an average of many individual estimations of the future development of the economy. None of them is right, but on average, these estimations provide a reliable prediction.

Consumer confidence in Georgia continues to climb

ISET's Consumer Confidence Index (CCI) and both its components – the Present Situation Index and the Consumer Expectations Index – increased in April 2013. The CCI gained 1.2 points, amounting to -6.4 points, up from -7.6 points in March 2013. The Present Situation Index increased by 0.6 points, while the Expectations Index climbed by a more significant 1.8 points.

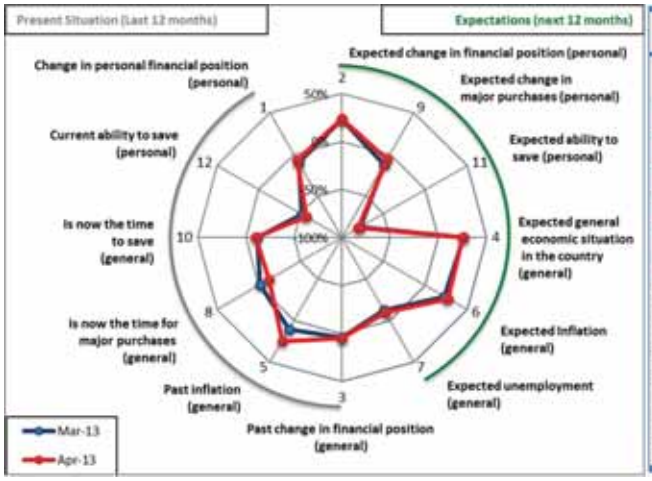
What do these numbers mean? If one selects a random sample of 100 Georgians and asks them to assess their personal economic situation and the state of the economy as a whole, there will be some in this group who think that the situation is generally positive, some who consider it to be neutral, and some whose perceptions are negative. When our index has a value of -7.6 points, this means that on average, in such a sample of 100 Georgians, there are 7.6 fewer people who have a positive view than those who think that the situation is negative (neutral assessments do not count). For instance, a sample of 100 in which 30 people think that the situation is good, 38 think that it is bad, and 32 are neutral, would match our estimated average pretty closely. If we were to base the CCI exclusively on those 100 persons, the index would have a value of -8 points instead of -7.6. In reality we base our estimation on a sample of approximately 350 Georgians, which is one of the reasons why we end up with non-integer values.

ISET Policy Institute first launched the Consumer Confidence Index Survey in May 2012, thus we already have 12 months of data. In total, 3,864 unique individuals were interviewed all over Georgia during this period. Judging by our data, the overall CCI trend is positive. It is mainly driven by the Present Situation Index, which has experienced the most significant progress over time. The average level of the Present Situation Index in 2012 was -16.4 points, compared to -9.8 points in 2013. This

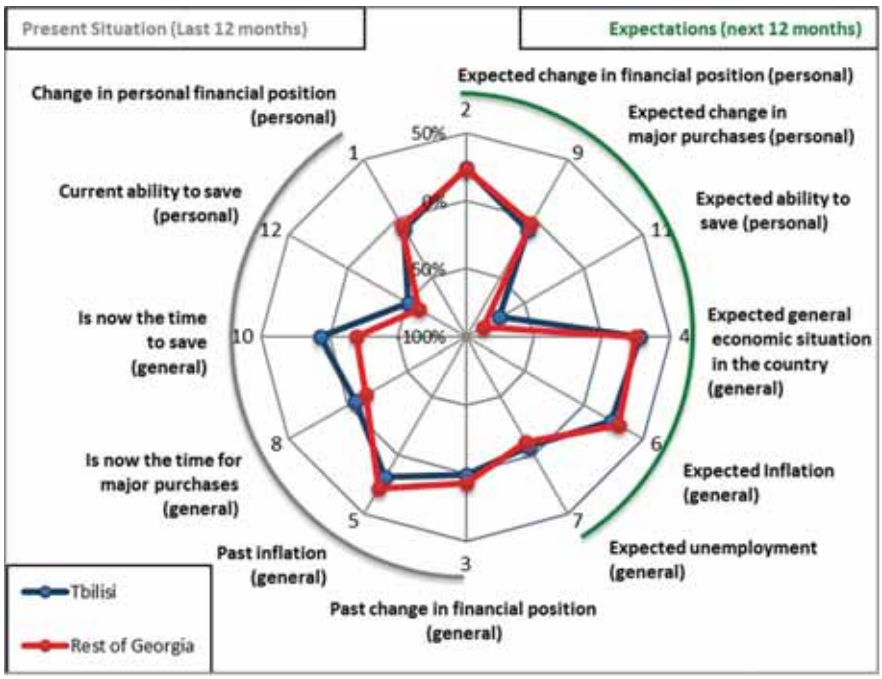
is a considerable improvement, but it is still negative (the Index runs in the [-100; 100] range). The Expectations Index did not improve significantly over the last 12 months and roughly varied around -3.4 points. Expectations tend to be highly volatile, a good example of this point is the temporary hike in expectations seen after the parliamentary elections in 2012. Perceptions of the current situation, on the other hand, tend to be less subjective and are less influenced by mere opinions about future developments.

While the current negative value of the CCI index is highly problematic (at -6.4 level in the [-100; 100] range), it is still considerably better than it was for most of the previous months. In April 2013 the CCI measure is the third largest value since May 2012, after the highest value of -4.3, as recorded in November 2012, and almost the same level of -4.4 as recorded in February 2013.

In April 2013 an atmosphere of optimism and enthusiasm prevailed among considerable parts of the population. In April, as compared to March, Georgians mainly had relatively greater optimism regarding price developments. To the question "how do you expect prices to change in the next 12 months?" 56.7% of respondents answered that they will remain the same or even fall, while the same number was 50.4% in March. Interestingly enough, the index of this particular question (Question 6) switched from negative to positive territory after the elections of October 2012. Certainly this is due to the politics of the new government, which, despite maybe initially overestimating their abilities by announcing huge price decreases by the elimination of cartels and monopolies in different industries, clearly positively affected the beliefs of many Georgians with the later, sizable decline of natural gas tariffs and fuel prices. Stable prices over the previous year was also the main cause of the positive trend in the present situation; correspondingly, we have observed a constantly increasing index of past price developments (Question 5), which has been positive since October 2012. The second, most important improvement in the Expectations Index is due to expenditure on major purchases: 58.7% of respondents expect to spend the same or more money on major purchases, while this number was 55.6% in March 2013. Still, compared to March, in April more people think that it is not the right moment to make major purchases (Question 8).



	Mar-2013	Apr-2013	
	-7.6%	-6.4%	▲
Q2	22.8%	23.5%	▲
Q9	-12.8%	-6.6%	▲
Q11	-78.0%	-80.3%	▼
Q4	26.5%	25.7%	▼
Q6	23.2%	27.4%	▲
Q7	-13.0%	-10.2%	▲
Q3	4.6%	5.0%	▲
Q5	10.4%	24.4%	▲
Q8	-1.4%	-12.3%	▼
Q10	-11.7%	-9.8%	▲
Q12	-51.9%	-56.8%	▼
Q1	-10.1%	-7.1%	▲



Regional peculiarities

Changes observed in consumer confidence were totally different in Tbilisi and in the rest of Georgia. While the Present Situation Index as well as the Expectations Index increased in Tbilisi, both of them experienced a decline in the rest of Georgia. The Present Situation Index increased by 1.6 points (to -6.9 ▸▸

points) in Tbilisi, compared to a tiny drop (to -10.9 points) in the rest of Georgia. The Expectations Index also improved by 5.0 points (to -2.3 points) in Tbilisi, compared to a decline of 0.1 points (to -4.1 points) outside the capital. Thus, the overall CCI in Tbilisi was up by 3.3 points, while it declined by 0.1 points in the rest of Georgia. As a result, the gap between Tbilisi and the rest of Georgia increased to 2.9 points. Overall, consumer confidence is higher in the capital compared to the rest of the country (-4.6 points compared to -7.5 points).

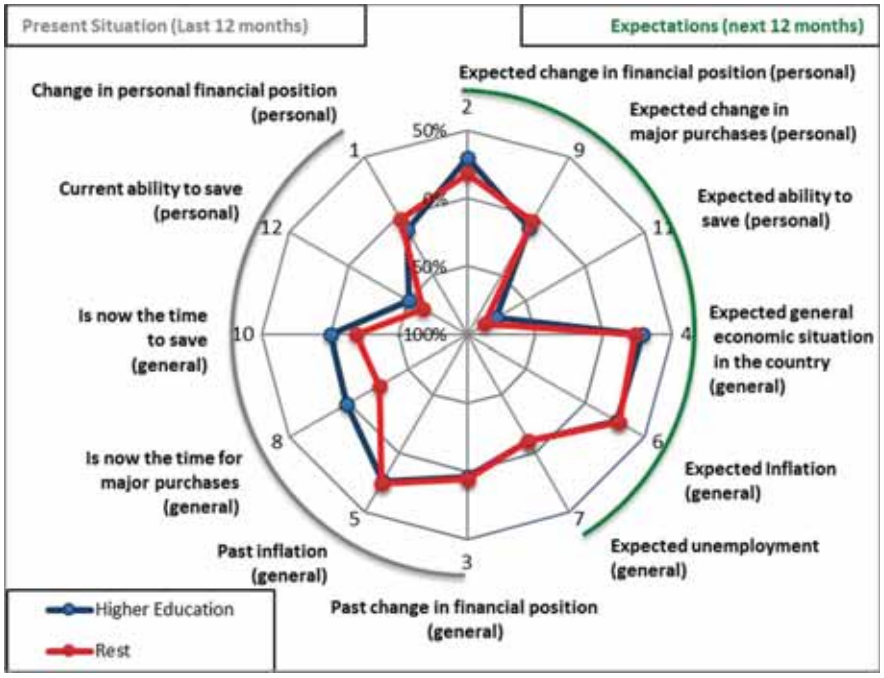
Major geographic differences were observed in Questions 10, 11 and 12, with Tbilisi being in a better position in all cases. Question 12: the financial situation of households outside the capital is worse, with 59% of respondents reporting that they are running into debts, compared to 51% in Tbilisi. About 44% of Tbilisi citizens interviewed are just managing to make ends meet on their income or even save some money, while this number is a much lower- 34% -for rest of the country. Question 11: Georgia is essentially a society of pessimists, as we described in the previous month's CCI publication, but logically pessimism is higher outside the capital. 11.3% of Tbilisi's respondents report that they are likely to save some money over the next 12 months, while the same number for the rest of Georgia is just 4.9%. Question 10: in view of the general economic situation, 55% of Tbilisi citizens think that now is good moment to save money, while only 38% of population outside the capital think so.

Tbilisi falls back when it comes to price developments (Questions 5 and 6). Fewer people are satisfied with how prices have changed over the past year compared to the rest of Georgia. About 58% of Tbilisi citizens think that prices have remained the same or have even declined over the past 12 months compared to 66% outside the capital. Accordingly, fewer people (54%) in Tbilisi hope that prices will remain the same or fall over the next year compared to the rest of Georgia (58%).

The education factor

The Consumer Confidence Index differs significantly by the education levels of the respondents. The Expectations Index improved for everybody regardless of education, but the rise in expectations was less pronounced among people with higher education (0.2 points compared to a 4.0 point rise for people without higher education). The Present Situation Index moved in the opposite direction for these two groups: it increased for people without university degrees by 3.8 points (to -13.2 points) and decreased for those with degrees by 1.5 points (to -5.6 points). Thus, in April 2013 the expectation gap between people with and without higher education decreased slightly compared to March 2013, with educated people still considering their current situations to be better and being more optimistic for the future. The overall CCI for people with higher education amounted to -3.7 points (down by 0.7 points) while for the rest of the population it stood at -9.1 points (up by 1.2 points).

Significant differences were detected in the assessment of the present situation, with educated people exceeding in the majority of parameters. As usual, the most pronounced difference related to Question 8. Here, 36% of respondents with higher education think that now is an opportune time for major purchases, while only 23% of lower qualified people hold the same opinion. While the Present Situation Index of people with higher education has been consistently increasing since May 2012, it was decreasing for people without higher education until October 2012, when it started to increase, and after a significant decline in March, is now going up again. Overall, people with higher education assess their current and expected financial situations more positively. They have greater optimism and believe more firmly in favourable changes to the general economic situation.



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Five Questions with...
First Deputy Minister Dimitry Kumsiashvili

Dimitry Kumsiashvili, First Deputy Minister of the Ministry of Economy and Sustainable Development of Georgia shares the new government's vision and plans for development of the country's tourism sector.

MAIA EDILASHVILI

Q: Prime Minister Bidzina Ivanishvili has said that tourism will be a significant sector but that its place will not be as prominent as it was before. What will that change mean for the tourism policy?

A: Tourism is a priority field for our government. As you know, the development of this field helps increase employment, facilitates the development of small and medium sized businesses, boosts budget revenues, and encourages regional development.

There are fundamental changes underway in this direction: a council of advisors has been set up that unites representatives of businesses- a step which aims to increase their engagement in the decision-making process; work is in progress on the tourism development strategy whereby, taking into account recommendations provided in the framework of EU twinning project – an institutional building tool –, a law on tourism will be drafted and works will be launched to establish regional management organizations. Changes are planned in the marketing area as well.

Q: What is the main challenge to further developing international tourism? What is your perspective on domestic tourism? What can provide a quick incentive for a long-term impact?

A: Direct flights and affordable air tickets are urgent for the development of international tourism. Lately, the entry of low budget air companies has considerably decreased ticket prices, leading to an increase in the number of visitors.

Concerning domestic tourism, according to the United Nations World Tourism Organization (UNWTO), local tourism is growing at a faster pace than international tourism and in many developed countries domestic tourism has greater importance in terms of economic growth and job creation. Hence, like international tourism, domestic tourism is also a priority for the Georgian National Tourism Administration (GNTA).

Q: From 2000 to 2012 over four million non-residents crossed into Georgia, according to official statistics. The validity of those statistics has often been questioned, however. Do you plan to change how the number of foreign visitors is calculated and, if so, how will it affect the numbers?

A: The Georgian National Tourism Administration has always followed the recommendations of UNWTO, which clearly distinguishes the concepts of international traveler, visitor and tourist. The cause of the criticism was a lack in understanding of the terms...

According to UNWTO, "A traveler is someone who moves between different geographic locations, for any purpose and any duration." A visitor, however, "is a traveler taking a trip to a main destination outside his/her usual environment, for less than a year, for any main purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor), if his/her trip includes an overnight stay, or as a same-day visitor (or excursionist) otherwise."

The statistics published by the GNTA are provided by the Ministry of Internal Affairs and take into account the dynamics of international travelers, not visitors/tourists. GNTA is actively focused on improving the methodology for counting.

Q: GNTA's report illustrates that neighboring Turkey, Azerbaijan and Armenia lead in the number of visitors traveling to Georgia. What does this trend signify for the tourism sector in Georgia? What efforts are being made to increase visitors from other countries?

A: During the past three years, apart from those three countries, we have seen growth in the number of travelers from the Russian Federation as well, which brings the share of all neighboring countries to 90 percent, according to the first three months of 2013. In order to change this trend and diversify the markets, promotion campaigns have been carried out in target markets, for instance in Israel and Poland. ▸▸

Q: After the new government came to power, some large infrastructure projects were removed from the agenda. In an April 16 interview with Rustavi-2 TV, President Mikheil Saakashvili said that this has a negative impact on tourism development and that, in Svaneti, the tourism season was a failure. Do you agree?

A: The development of Mestia as winter resort is one of our main priorities. Last year, the interest towards Mestia was generated not only thanks to promotional events, but also by the fact that the region offered a new profile to consumers. In order to maintain that interest, it is important to constantly develop the resort's infrastructure and improve the service quality. This year we aim at supporting a balanced development of tourism in the regions.

Sound attention will be given to advertising Georgia on the international markets.

Simultaneously, various events will be organized in Georgia's touristic locations, to boost both international and domestic tourism and ensure the distribution of economic benefits.

Georgia's tourism sector has great potential. Throughout Georgia, there are a lot of infrastructure projects interesting for investors.

The current government's efforts are concentrated on improving the investment environment and increasing investment.

To give you an example, in the framework of the Kakheti Regional Development Project, a $75 million investment has been earmarked for the rehabilitation of infrastructure (arranging public spaces and cultural heritage zones, reconstruction of facilities, road rehabilitation, construction of information booths) and institutional development (promotion of tourist sites, developing tourist routes, creating qualified personnel, and more).

The Sea and Competitive Prices Draw Armenians to Georgia

A growing number of Armenians are opting for vacations in Georgia, drawn by lower prices, nostalgia, and access to the Black Sea.

ROZA HOVHANNISYAN

The Government of Armenia may have declared tourism a priority, but Armenians are thinking about spending their summer holiday abroad. And, for a growing number of them, that means a trip to Georgia.

While the number of international tourists coming to Armenia grew in 2012 by 11.3 percent, to total 843,330 people, a holiday at home is too expensive for many locals.

"I am not rich enough to afford a holiday in Armenia, while in neighboring Georgia there is a sea, and prices are affordable," an Armenian citizen who chooses to holiday at seaside regions in Georgia every year, says.

The most preferable holiday destination for Armenians continues to be Georgia, followed by Turkey. During recent years people have also started to prefer exotic countries like Sri Lanka,

Egypt, Dubai, and Tunisia.

Based on past trips to Georgia, Armenians calculate a person with $300 can vacation in Batumi or Kobuleti for 7-10 days, while $300 will only cover three days of expenses in Armenia's Sevan resort.

"Citizens of Armenia love to vacation in different places. People love sea vacations, but we do not have a sea. Among the countries offering coastal resorts, Georgia is the leading one for Armenians as it is close to us and affordable," Mekhak Apresyan, the Head of the Tourism Department at the Ministry of Economy of the Republic of Armenia, noted.

Ara Petrosyan, Deputy Economy Minister of Armenia, however, believes it is the sea, not the prices, that is pushing Armenians to vacation in Georgia.

A government survey, Petrosyan stressed, did not show that hotels are more expensive in Armenia.

During the Soviet Union, Armenians preferred to spend their holidays either in Sochi or Yalta, noted economist Samvel Avagyan. He noted that over the past 40 years, holidays in the Black Sea region have become a tradition for Armenians.

But vacationing in Georgia is more economical today, so Armenians can still enjoy the Black Sea at a more reasonable price. Armenians are also opting to take winter vacations in Georgia. For the New Year holiday, December 25 to 31, some 27,609 Armenian tourists visited Georgia.

Avagyan noted that that the Georgian strategy – which opens resorts to serve a larger part of society – is the right direction to take.

"Georgia's tourism infrastructure is convenient for people with medium and low incomes…It does not mean, however, that the services in Armenia are bad or the prices are very high, it is just the way the infrastructure has developed here," he said. ■

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Georgia's Energy Future: What's Happening? What's to Come?

Opportunities abound for Georgia's energy sector, both as a transit country and an electricity producer. But specialists warn that the country will not be able to reach its potential if it does not reform its legislation.

NICHOLAS CLAYTON

In 2010, Georgian President Mikheil Saakashvili proudly announced that after two decades of energy dependency and deficits, Georgia had become a significant net exporter of electricity.

As late as 2005, Georgia received its entire natural gas supply from Russia, and Georgia remained a significant importer of electricity as well. By 2010, Russia's share of Georgia's energy imports had dropped to 17.3 percent and Georgia was actually exporting 15 percent of the electricity it generated, according to figures from the Georgian Oil and Gas Corporation (GOGC) and the Ministry of Energy and Natural Resources (MoE).

But since then, electrical power generation in Georgia has been outpaced by growing demand and analysts say that the country's ability to maintain its energy security will depend on key regulatory reforms and the fate of large international energy transit projects.

A Growing Opportunity

If Georgia can continue to develop electrical generation projects, it has an opportunity to not only become energy independent, but to reap dividends as a major energy exporter to Turkey and European markets.

According to MoE studies, Georgia has only tapped about 18 percent of its hydroelectric power generation potential and could produce as much as 40 TWh more – about four times the country's current electricity consumption – through new projects.

Three such projects took a big step forward last month with a pledge for a $700 million investment from India's Tata Group, Norwegian company Clean Energy Invest, and the International Finance Corporation. The deal marked one of the largest single foreign investments in Georgia's history, and the three new hydropower plants the group will develop in Georgia's Adjara region will supply about 400 MWh per year once they are fully realized. The projects should start producing after their first phase of construction is completed in 2016.

In a statement, Tata Power Managing Director Anil Sardana said the power generated by the project will be primarily sold to Turkey.

Turkey's energy demand is expected to increase by more than 90 percent by 2021 according to MoE figures, and Georgia's western neighbor is developing into both a lucrative potential export market, and also a major source of investment capital.

Turkish companies Anadolu, Agaoglu and KGM are already developing hydro projects in Georgia and many analysts say that private Turkish investment in renewable energy in the region is set to rise considerably. OnurKurugöl, a partner at the Istanbul-based Odin Financial Advisors, said that due to increasing profit margins and government incentives, "every major Turkish holding (company) is getting into energy."

A legal advisor for the European Bank for Reconstruction and Development, which is helping to provide financial support to Georgia's renewable energy development, said that Turkish firms are "dominating" the applications for new projects so far. He spoke on condition of anonymity because he is not authorized to speak with the press.

However, he also said that out of the 51 Memoranda of Understanding already signed between private companies and the Georgian government for hydroelectric projects, only two to three are likely to move forward in the next year if the regulatory environment does not change.

Currently, he said, if a company signs a concession agreement with the government to develop a hydroelectric plant on a river, for instance, there is no guarantee to stop another company from building a project upstream from it that would negate its capacities.

USAID is currently working with the Georgian government to create this framework and is hoping to do some of the investors' legwork for them by conducting 40 pre-feasibility studies for hydro projects over the next two years, said Stephen M. Haykin, USAID's Caucasus mission director.

Speaking at the Georgian International Oil, Gas, Infrastructure and Energy Conference (GIOGIE) in March, he noted that many potential investors are worried by Georgia's scant legislation, understanding that even if necessary changes are made after the company invests, the new regulations might ad-

versely affect their bottom line.

USAID has proposed legal guarantees of financial compensation for the adverse affects of future laws and is also working to improve Georgia's energy trading system, Haykin said. But Norberto Pignatti, an energy specialist at the International School of Economics in Tbilisi, said that regulations aren't the only obstacle to hydropower development.

First, he said, most of the "easy" projects for increasing Georgia's hydroelectric power generation have been completed, including upgrades to existing Soviet-era plants. Any additional increase will require building new projects from scratch, and a hydro plant, he said, "is not like any other investment."

Because they are expensive to build, investors must look to extremely long horizons for returns. On the plus side, hydroelectric dams generally have high longevity, with an average lifespan of 70-75 years, he said. On the downside, however, the long-term nature of the investment magnifies the impact of any uncertainty in the market.

Due to nagging apprehensiveness among international investors over Georgia's political situation and other factors, Pignatti said it is understandable that developers are not "rushing to invest."He also stressed, however, that while it can be useful for a country like Georgia to have a domestic energy surplus- and guard it against international price shocks - regions with more integrated energy markets made up of countries both importing and exporting electricity tend to be more efficient in the long run.

Developments on the Horizon

While Georgia works to get its renewable energy development on the right course, the future of its natural gas supply will be most impacted over the next 10 years by forces outside of its control in the international haggling over Caspian gas pipeline projects.

The launch of the South Caucasus Pipeline (SCP) in 2006 gave Georgia access to Azerbaijani natural gas, allowing it to drastically reduce its dependency on energy supplies from Russia. Georgia currently receives 26 percent to 35 percent of its annual gas supply through this pipeline at a highly discounted rate and purchases another 56 percent of its gas through it from SOCAR, according ▸▸

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to GOGC statistics.

Towards the end of 2013, the Shah Deniz Consortium, led by BP, plans to begin building an expansion to the SCP and has agreed to provide Georgia with 5 percent of the gas transited through it.

The Consortium is also expected to commit later this year to building the Trans Anatolian Gas Pipeline (TANAP), which will transport 10 billion cubic meters of gas per year from the SCP to Turkey's border with Europe. From there, the gas will continue on to terminals in the EU either through the Trans Adriatic Pipeline (TAP) or the Nabucco West project.

In addition to increasing Georgia's overall gas supply, Pignatti said the new pipelines will strengthen Georgia's position as a strategic energy corridor bypassing Russia at a time when the EU is seeking to diversify energy sources. But, he said, "Quantifying this impact […] is easier said than done."

Looking to the Future

While analysts say that predicting trends in the energy sector beyond 10 years is difficult to the point of futility, many in the region point to a future opportunity for Georgia once the pipeline pieces fall into place.

The second phase of development of the Shah Deniz field in Azerbaijan – the country's richest – will add an additional 16 billion cubic meters of gas per year to the energy mix being transported through Georgia to European consumers. Most of this is expected to be pumped straight through Georgia. But Liana Jervalidze, a professor and energy specialist at Ilia State University, said at the GIOGIE that this increase in capacity, plus the development of other gas fields in Azerbaijan, could present a lucrative opportunity for Georgia to re-export natural gas across the Black Sea.

A feasibility study is currently being conducted for the Azerbaijan-Georgia-Romania Interconnector (AGRI) project that would funnel Azerbaijani gas to Georgia's Black Sea terminal at Kulevi where it would be liquefied and sent across the sea to Constanta, Romania, by ship. According to Jervalidze's presentation, the project would require $2.6 billion to $5.7 billion in investment to make it possible, depending upon its final scale, and much of that would be spent constructing infrastructure and a liquefied natural gas (LNG) terminal in Georgia. Another project, called White Stream, would deliver gas through the same route by pipeline with an initial price tag of $3 billion.

Although potentially lucrative for Georgia, even champions of the projects like Jervalidze admit that they would only be feasible about 10 years after the TAP or Nabucco West pipelines are built.

Currently, LNG is more expensive to transport and three forces are likely to make a major impact on worldwide gas demand in the coming years – the development of previously inaccessible shale gas resources in the United States, the push for lower energy consumption in Europe, and the fate of Turkmenistan's massive untapped resources.

These three trends could both drastically increase supply to the European market and depress its overall demand, thus jeopardizing any new East-West energy transit project.

While these future projects are tantalizing to think about, analysts say, Georgia currently needs to get down to the dull business of building a regulatory framework that will increase investor confidence in renewable projects and find smart ways to invest its own funds.

If Georgia is going to be able to capitalize on its potential in the energy sphere, Pignatti said that it needs to "step in, pushing for the projects that it considers to be more promising, becoming an active investor, maybe to resell its share later once the uncertainty has gone down."

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Georgia Applies to the Energy Community

Tbilisi avoided membership to the European Union's Energy Community for years but the new government has made a bid to join. Ana Stanič explains why it matters.

On January 29 this year Georgia applied to become the tenth member of the Energy Community. Georgia had been an observer of the treaty since December 2007. Upon its accession to the Energy Community Treaty, the borders of the Energy Community will be on the east bank of the Black Sea.

The treaty establishing the Energy Community was signed on October 25, 2005 in Athens, with the aim of establishing an integrated market in natural gas and electricity encompassing the countries of the European Union, as well as Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Macedonia, Romania, Serbia, and UNMIK on behalf of Kosovo. Membership of the Energy Community is seen as a stepping stone towards full membership of the EU.

With the receipt of Georgia's request to become a member, the next phase in the enlargement of the Energy Community is now underway. A careful analysis of the implications of, and timeframe for, Georgia's transposition and adoption of EU law, in particular as it relates to the EU Second and Third Energy Package, will be needed.

Pursuant to the Treaty, non-EU members of the Energy Community agree to implement core EU law concerning energy into their national law. So in order for Georgia to become a member of the Energy Community, the government will have to undertake to transpose and implement EU legislation concerning areas of electricity, gas, environment, competition, renewables, energy efficiency, oil and statistics into its own laws.

Relying on the Moldovan precedent, it may be able to agree to different deadlines for the transposition of EU law in respect of the above-mentioned areas.

Moldova was the first country to join the Energy Community after the initial treaty. Its eighth member, it signed in May 2010 and agreed to implement the majority of the provisions of the Second EU Energy Package and inter alia legally unbundle its transmission operators as of that date.

It was able to negotiate an extension with regard to the implementation of the EU Third Energy Package as it relates to effective unbundling until 1 January 2020.

The second enlargement of the Energy Community happened on 1 February 2011 when Ukraine acceded to the Treaty. It agreed to implement EU law as set out in the Treaty by 1 January 2012.

Unlike Moldova it was not granted any extensions with regard to the implementation of the Third Energy Package.

Ana Stanič is an English Solicitor Advocate and Honorary Lecturer at CEPMLP, University of Dundee. She can be reached by email: anastanic@ealaw.eu

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Building Green: New Trends in Georgian Construction

As part of the ongoing series about the Georgian real estate sector, Investor.ge spoke with Giorgi Abulashvili, the director of the Energy Efficiency Centre in Georgia, about the state of eco-friendly construction in the country today.

Construction increased in 2012, the latest figures available, with a production value – an indication of the monthly value added - of 3.8 million lari ($2.33 million), up from 3.3 million lari ($2.02 million), according to official statistics.

The competitive market for developers is driving a growing interest in building energy efficient new apartments and homes, noted Giorgi Abulashvili, the director of the Energy Efficiency Centre and one of Georgia's strongest activists for the efficient use of natural resources.

Tbilisi, and the rest of the country, has long struggled with homes and offices built during the Soviet Union, when natural resources were plentiful and inexpensive. A 2008 report by World Experience for Georgia (WEP), an energy efficiency think tank, found that energy efficiency in homes could save the country 30-35 percent of the country's energy consumption.

Abulashvili said that enterprising developers are starting to tap into the pull of potential energy bill savings.

"At the last there are some good cases or good examples in Georgian new construction. We can find energy efficiency technology in buildings being constructed," he said. "[S]ome two or three years ago that was almost impossible to mention such a building but now you have around ten new buildings, new residential constructed buildings around Tbilisi having insulated building envelopes and some energy efficient equipment…"

There are no standards for energy efficiency in the current construction code – or energy efficiency provisions in the procurement laws, Abulashvili said, which makes it difficult to motivate government contractors to build using energy efficient building materials.

It also makes it difficult to track how Georgians are using the energy efficient construction materials that are already available in the country. Abulashvili said that based on the availability of incandescent light bulbs with fluorescent bulbs – as well as the extensive sales of double glazed windows – Georgians are increasingly interested in energy efficiency.

The WEP report indicated that changing the type of light bulbs is the "most profitable and easy-to-implement energy efficiency measure, on a large scale."

Changing six million bulbs could mean a $85.6 million saving for Georgia's external trade balance. WEP analysts found that if all light bulbs were changed, it could save the energy sector $26 million a year.

"[D]ue to awareness raising campaigns, the population is becoming more aware… [W]e are seeing an increased trend of energy efficient goods entering the Georgian market and that is a good indicator that the demand is increasing," Abulashvili said.

There is also an increase in the use of insulation in building residential homes and replacing roofs, he noted. The biggest problem, however, is that even with a new building code that requires energy efficient building materials – the existing stock will still exist, and will still consume more energy than necessary.

Basic misconceptions also still exist, Abulashvili noted. For instance, the belief persists that concrete walls do not require insulation although they are less energy efficient than brick walls.

"The awareness level is slowly raising but the realization of the knowledge, I would say, remains that the same level," he said.

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Living with Asthma in Tbilisi – Does Air Quality Play a Role?

Higher rates of asthma have been diagnosed in Georgian children and teenagers. Marta Ferrer Lubeck investigates the causes for Investor.ge.

MARTA FERRER LUBECK

My three-year old son suffers from asthma, and some friends have told me that I should leave Tbilisi for a while and spend time in a health resort in the mountains. This raises some questions, like what does this say about Tbilisi's air quality? How prevalent is asthma in Georgia, and how interconnected is asthma to air pollution?

According to the World Health Organization, asthma affects 235 million people worldwide, and it is the most common chronic disease among children. In an asthma attack the airways in the lungs become swollen and constricted, causing coughing and wheezing and limiting the flow of air in and out of the lungs. More than 13,000 children from Tbilisi and Kutaisi have taken part in the International Study of Asthma and Allergies in Childhood, a multiphase program that started in 1995. The results of ISAAC phase V, which studied more than 11,000 children in 2012, revealed that the prevalence of asthma in Georgia has increased significantly in the past 17 years, and for ages 13-14, it has doubled.

Dr. Maia Gotua, the director of the Center of Allergy and Immunology in Tbilisi, believes that asthma rates have increased for "many reasons," including more pollution, as well as more exposure to chemicals used for cleaning and in food.

Dr. Gotua notes that asthma is often linked to allergies, and an allergy test can identify what triggers a person's attacks. House dust mites are the most common allergen, she says, but pollen, molds, and certain foods are common causes too.

In some instances, the allergen can be removed from a person's environment, such as removing carpets and stuffed animals to decrease exposure to house dust mites.

Lily Mulatu, who moved from Washington, DC to Tbilisi three years ago, was diagnosed with asthma about one year ago. She treats her asthma with Flixotide as a long-term preventive measure, and uses her Ventolin "rescue" inhaler when necessary.

Mulatu noted that pollution could have played a role in her newly developed asthma. "[G]iven the lack of emission controls, and the large number of road and housing construction sites in the part of the city where I both live and work, it's hard to rule out pollution and particulates as possible triggers for my symptoms," she said in an email interview.

"But this is all obviously anecdotal. I would love to have access to a professional air quality study for Tbilisi to confirm (or not) my assumptions."

That type of data, however, can be difficult to come by in Tbilisi. Despite several attempts to reach the Tbilisi Municipality about its programs to study and improve the air quality, City Hall did not provide information to Investor.ge.

One monitoring program, which was started by the Dutch government in January 2011, funds the only automated air quality monitoring ▸▸

station in Tbilisi—located in the Vashlijvari district. There are three other stations in Tbilisi, but they are not automated. The Vashlijvari station works 24 hours and sends information to the National Environmental Agency on a regular basis.

According to the NEA, there has been an improvement in the levels of ozone and carbon monoxide, but the levels of dust, sulfur dioxide and nitrogen dioxide exceed the permissible limits according to Georgian regulations.

Data from the Ministry of Environment (MoE) for 2012, based on readings from the non-automated stations in more heavily polluted neighborhoods, echoed the NEA's findings.

The ministry stressed, however, that it is difficult to draw a direct parallel between air quality in Tbilisi and other international urban areas because of a discrepancy in how air quality is measured.

Nitrogen dioxide and sulfur dioxide are created by cars: nitrogen dioxide is created by fuel combustion at a very high temperature in abundance of oxygen – motor vehicle exhaust. Diesel fuel sends sulfur dioxide into the air.

One of the problems, according to Tamriko Maghlakelidze, the deputy head of the Department of the Environmental Pollution Monitoring of NEA, is the increase in the transport sector in Tbilisi. "Families used to have one car," she explains. "Families now have two or three cars." Also, "many cars are old and not up to standards." She notes that the Tbilisi City Government plans to reinstate obligatory technical inspections for motor vehicles starting in January 2014. Tbilisi City Hall has not confirmed this.

In the meantime, some Tbilisi residents are turning to the Air Quality Egg, a community-led air quality-sensing network. The device consists of an outdoor sensor taking regular air samples, and an egg-shaped base station that receives the data.

Mitch Belkin, a Tbilisi resident originally from Maryland, says he highly recommends the use of the air quality egg to others. The Shota Rustaveli Egg, which he helped install in downtown Tbilisi, "is a prototype egg, which means the kinks are still being worked out," he said.

"We need a large number of dedicated people to obtain accurate information on the air quality in any particular city. It is only by comparison with other egg readings that this relatively inexpensive technology can get good measurements of the air quality of our city."

For those worried about living in urban Tbilisi, there are the mountains of Abastumani. I still have not taken my son to a health resort, and before doing that I wanted a more scientific answer. Asked whether going to the mountains makes a positive difference to asthma sufferers, Dr. Gotua agrees, but adds: "Going to such places is fine, as long as you are not allergic to the vegetation growing there!"

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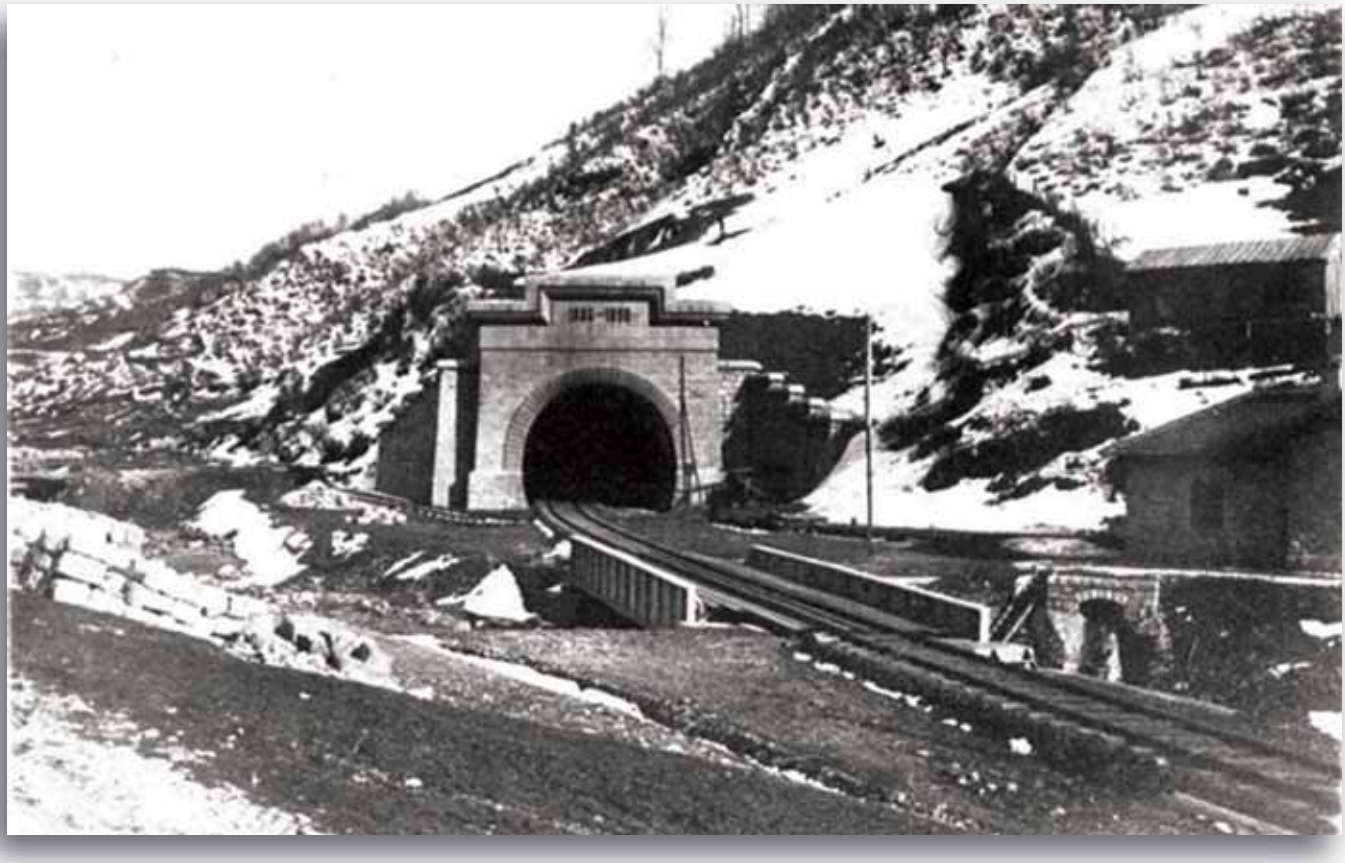

The Battle for Transcaucasian Railway and Oil: the Nobels, Rothschilds and Rockefellers in Georgia

In the hectic days of the Russian Empire, when Georgia was part of Tsarist Russia, three of the world most powerful households – the Nobels, Rothschilds, and Rockfellers – fought to build the Batumi-Baku railway, building up invaluable infrastructure in Georgia in the process.

EMIL AVDALIANI

Nobels: Creation of the Business Empire

The first Nobel to come to Georgia was Robert, the eldest brother, who came to Tbilisi in 1873 in an attempt to persuade officials to allow him to import duty free dynamite for construction. It was his younger brother Ludwig, however, who recognized Georgia's potential as a transit country to move oil from Baku to Europe.

Already a scion of industry in Russia, Ludwig Nobel purchased a kerosene plant and oil-rich territories for 8000 rubles from the "Tiflis Society" in Baku in 1875. Three years later, in 1878, the Petroleum Production Company Nobel Brothers Limited (Branobel), was formed by the special imperial degree of Tsar Alexander II.

In the beginning, the Nobels shipped oil and kerosene to Europe via Poti- a small, dusty and underdeveloped Georgian town, or via the Baltic Sea Ports, since Batumi was still under Ottoman Rule. But once the Tsar reasserted control over Adjara following the Russo-Turkish War and Batumi became a free port, investors like the Nobels started exploring the city's potential, laying the groundwork for the Batumi-Baku railway -- a project that took the region's precious resources out of Russia's orbit and set the course for development in Georgia. ▸▸

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"The 30 Year War" (1880s-1917)

From Baku, Ludwig Nobel turned to his brothers in Petersburg to convince them that Batumi was the best route for their oil.

"From all the routes available for oil transportation from Baku, I recommend… the one through Georgia, because of the friendship and mutual loyalty existing between Georgians and Azeris for centuries. For us, foreigners, this factor is of considerable importance. Since all other routes involve much more danger, and because there are no such favorable conditions elsewhere except for both Baku and Tbilisi, I'm sure that we should choose exactly this route."

To build the railway line, however, the Nobels had to enlist the Rothschild family, who became interested in developing the oil industry in the region after they were contacted by a group of Russian investors.

The Rothschilds eventually provided $10 million for the railway project, and were able to finish it in 1883, establishing the "Societé Commerciale et Industrielle de Naphte Caspienne et de la Mer Noire," known by its Russian abbreviation – БНИТО (BNITO).

Ludwig Nobel and the Rothschild family was not the only industrial magnate to realize Batumi's potential. Another powerful clan of tycoons, the Rockefellers, also sought to exert influence over the region's oil and transit systems.

Competition between the three families over influence in the region became known as the 30-Year War, and lasted until the Russian Tsar fell and the Russian Empire ended. While the battle was largely fought by lawyers and took place in courtrooms, it obstructed developing the Caucasus' oil potential and fledging business interest in Georgia.

Building Batumi and Georgia's Transit Infrastructure

To protect his company, Ludwig signed new contracts and reinforced his positions in the Black Sea trade by bringing in a 286-feet-long tanker "Свет" (The Light) meant to ship kerosene to England. To keep up with the competition it was absolutely essential for the Nobels to increase oil production output.

Initially, they added transportation cars and built several new refineries in Batumi. That was not enough, however, and in 1883, Ludwig Nobel tried to convince local authorities to build a pipeline between Baku and Batumi.

Fearing the pipeline would give the Nobels an unfair advantage over the Rockefellers and allow them to drive up prices, the local government refused to support the project.

To circumvent their opposition, Ludwig Nobel founded the first syndicate in Baku, and started work on the 835 kilometer pipeline.

Construction was completed in 1903, and included telephone lines and 19 pumping stations.

The completed pipeline could pump 900,000 tons of hydrocarbons per year; its construction required 400 tons of Alfred Nobel's dynamite and cost 12 million rubles to build.

When the Russian monarchy eventually collapsed in 1917, the new Bolshevik government introduced harsh measures.

Nobels, Rothschilds, Siemens and many other foreign investors did not survive the governmental onslaught, and their businesses were nationalized.

Lasting Legacy

During their decades in business in the Caucasus, however, the Nobel family created a lasting legacy. They built homes for their local staff, a third grade school in Baku, and the consulate of Sweden-Norway in the Caucasus, which became the Nobel Brothers Batumi Technological Museum in 2007.

The Secret Life of Georgian Bees

Once prized, Georgia's unique species of bees have been largely forgotten since the end of the Soviet Union. The crisis with honey bee populations in the United States and Europe, however, could unexpectedly offer Georgian bees a chance to survive.

Colony Collapse Disorder (CCD) has decimated honey bee populations, forced scientists and societies to reconsider pesticides , been blamed for another crisis in Russian and Georgian relations – and, Georgian scientists hope, will save the Apis mellifera caucasika-Georgia.

Georgian bees – or Apis mellifera caucasika – were studied, prized, and protected during the Soviet Union. A unique bee species, Georgian bees are known for their gray color, long proboscis (the tubular nose-like structure bees collect nectar with), good nature, and phenomenal work ethic.

They might also be in danger of losing their traits due to lax breeding standards and an absence of scientific study for the past two decades.

But a new interest in Georgian bees, in part due to the devastation of CCD in North America, could be their salvation.

Unlike Georgia and many other countries, the United States does not have any native honey bee populations. For decades, the honey bees in the United States have been bred based on imports of bees from European countries.

Georgian bees, however, are sparking new interest due to CCD: American entomologists are slowly starting to import genetic material from Georgian bees in the hopes it could add diversity to the dwindling bee populations in the United States.

Georgian scientists like Maia Peikrishvili and Marina Barvenashvili, however, caution that after years of neglect, Georgian bee populations require intensive study to ascertain that the purity of the species – including its unique traits – has been preserved.

There are four families of Georgian bees, including the Mengrelian and Abkhazian families, and, under the Soviet Union, their purity was considered so important that the entire country was deemed a natural reserve and no bee populations could be moved from one region to another without special attention.

Those controls, however, were abandoned in the chaotic years following independence.

"Unfortunately, the political and economic crisis in the country has mean that control over the [bee] populations has practically stopped," noted Barvenashvili in a report on the scientists' project to restore genetic study and protection for Georgian bees.

Peikrishvili and Barvenashvili won a ▸▸

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Maia Peikrishvili

grant from the Agriculture University last year to conduct the first scientific study of Georgian bee purity since the collapse of the Soviet Union. In the spring and fall of 2012, under Peikrishvili's direction, five scientists traveled to Samegrelo, in western Georgia, to make an initial assessment of the bee population living there. The team decided to start with the Megrelian family of Georgian bees due to its strong characteristics. Megrelian bees became the most famous Georgian bee in the world, after it received three major gold medals (1961 Germany; 1965 Romania; 1971 Moscow).

The purpose of the study was to ascertain the extent of purity that still exists in the Megrelian bee populations, i.e. had bees still maintained their gray color, long proboscis (7.1-7.2 mm – longer than any other in the world), gentle demeanor?

Peikrishvili and her team visited two municipalities in Samegrelo where the mountains and natural habitat might have protected bees from mixed breeding.

They studied 34 bee colonies - 4576 worker bees – and determined that the bees still match six main markers for the family, which includes the length of the proboscis, the length and width of the wings, etc are of the "normal range established for Megrelian population," the team said. There were, however, signs of yellow on the bees – an indication that some mix breeding has occurred. But, in order to prove the extent of the damage to the breed, the team has to study the genetic makeup of the bees.

Eventually, they would like to establish the current genetic makeup of the bees, but for that they require more funding.

"The result of our work would allow us to create a reproductive core which would be useful for specialists in the country, as well as abroad because it would allow us to artificially inseminate Megrelian bees," Peikrishvili and her team wrote.

"Currently, however, our work has been stopped and we are looking for sponsors."

For more information about the project, the current research on Georgian bees and their potential for other bee populations, please contact Peikrishvili, m.pheikrishvili@agruni.edu.ge, and Barvenashvili, m.barvenashvili@agruni.edu.ge

10 Things You Didn't Know About... Off the Beaten Path Day Trips From Tbilisi

There are plenty of great places to visit in Georgia over the summer, from the mountain peaks of Svaneti to the shores of the Black Sea. When you are short on time, however, it is easy to think your only options are Sighnaghi, Bodbe, and Telavi. While those are all great destinations, Georgia has even more to offer: great day trips to castle ruins, pristine lakes, and the remains of the oldest Europeans are just a few of the exciting day trips just a few hours from Tbilisi.

Alaverdi Church and Monastery

1 Mtskheta… and several centuries of churches: Just 27 kilometers - or 20 minutes by car - from Tbilisi (marshrutkas leave from Didube Station), Mtskheta is a natural day trip. In addition to being the site Georgia adopted Christianity in 337 AD, Mtskheta is home to several stunning churches and historic sites, including Sveti-Tskhoveli Cathedral, allegedly the resting place for Christ's robe. It is also one of the best places in Georgia to try lobio, Georgia's delicious bean soup.

2 Gori Fotress: If you haven't been to Gori yet, it is worth the trip. Everyone will tell you about the Stalin Museum, but the small, tidy town has more to offer than its tribute to Georgia's infamous son.

An hour drive from Tbilisi (an hour and a half by marshrutka, which leave from Didube Station), Gori is also home to an ancient fortress. Gori Fortress dates back to antiquity, and was said to have been besieged by Pompey in 65 BC. Some parts have been restored, and the view from the walls over the valley and the Caucasus Mountains is priceless.

Ananuri

3 Uplistsikhe: Once the residence of Georgian kings, this cave ruin is not to be missed. Uplistsikhe (God's Fortress) is believed to be one of the oldest settlements in the Caucasus, dat-

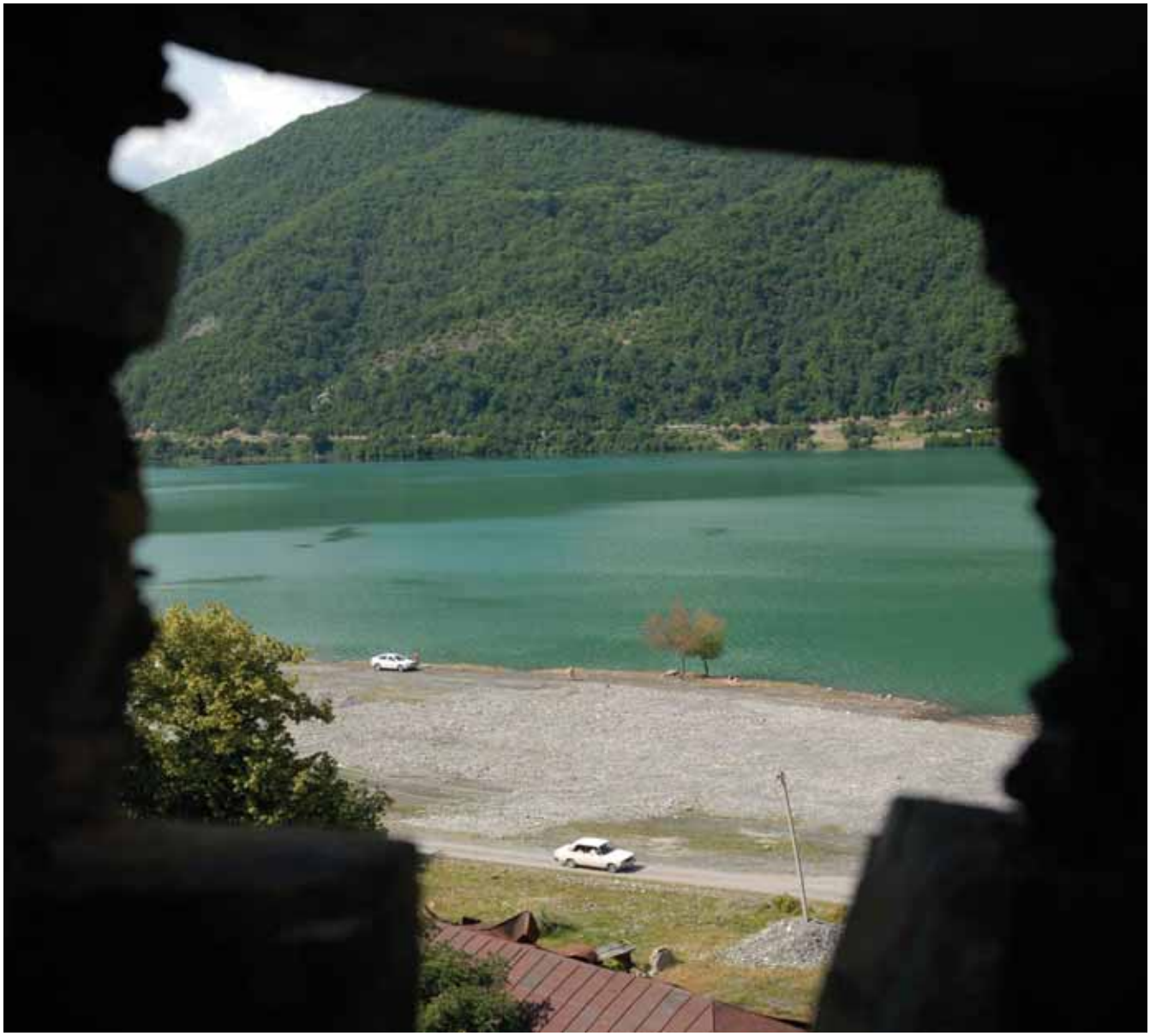
Ananuri

ing back to around 1000 BC. It was a center of paganism until Georgia adopted Christianity, and was a booming town of 20,000 in the middle ages. Out of the original 9.5 hectares and 700 caves, just a 150 are still accessible. Uplistsikhe is located right outside Gori, and is easiest to reach by taxi from the city center.

4 Ananuri/Pasnauri: Up Georgia's legendary Military Highway, before you reach Gudauri ski resort, are the wooden hamlets of Ananuri and Pasnauri. Located where the White Aragvi meets the Black Aragvi. There are beautiful churches, little cafes for mtsvadi, and – best for a hot summer day – a lovely lake where locals swim near the Hvtaeba Church.

5 Tsinandali: The former residence of Alexander Chavchavadze, one of Georgia's most famous statesmen, Tsinandali is 101.5 kilometers from Tbilisi, in the heart of Kakheti in Georgia's wine country. Now the site of a hotel andvineyard, the house is a museum dedicated to the life of Chavchavadze and his family. Tours include wine tasting and a trip to the family's famous wine cellars.

6 Ikalto Monastery: On the way from Tbilisi to Alaverdi, Ikalto Monastery was one of Georgia's most famous academies. Former students include Shota Rustaveli, Georgia's national poet. The ▸▸



academy was founded in the 6th century.

7 Alaverdi: Site of Alaverdi Monastery, and the Alaverdi Church. The church, built in the 11th century, is the largest medieval churches in Georgia: it survived attacks by the Mongols, Shah Abbas, and an earthquake. Parts of the monastery date back to the 6th century, and the monks who currently live there have worked hard to preserve the country's ancient wine making techniques.

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8 Dmanisi: There are just 102.9 kilometers between you and the excavation site where Georgian archeologists discovered the oldest discovered skull of a Homo erectus. The site, managed by the State Museum, includes ruins of a medieval fortress.

9 Horseback riding: A country of mountains, valleys, and beautiful plains – Georgia was made for horseback riding. There are a variety of private tour operators, with excursions that range from a day out to a multi-day trek into the wilds of Tusheti. For ideas, check out www.wildgeorgia.ge.

10 Hiking trips: The ruins of a castle and a monastery so well hidden locals forgot about it are just two of the secrets tucked in the hills near Tbilisi. A hiking club, coordinated by Dutch expat Myrthe Korf and a local guide, can be reached at myrthekorf@gmail.com. ■

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Parliament Speaker Davit Usupashvili: Open to Communication with Business

Davit Usupashvili, the speaker of the parliament and a leader in the Georgian Dream coalition, told AmCham members he – and the parliament – would be "glad to receive advice from the business community."

Mr. Usupashvili was speaking with members during the May 21 luncheon at Sheraton Metechi Palace hotel. During his presentation, Mr. Usupashvili also provided an overview of the laws and developments in the parliament over the past several months including efforts at cohabitation between the National Movement – the minority – and the Georgian Dream coalition.

He also took questions from members, including issues concerning plans for the parliament building and constitutional reform.

In addition to Mr. Usupashvili's talk, Lasha Gogiberidze provided an overview of the labor code draft currently under consideration in parliament.

New members were also introduced, including Georgian American Alloys, Inc., David Tvildiani Medical University, Imperial Tobacco International Ltd Representative Office in Georgia, and Marilisi Jewelry House.

Ambassador to the United States Archil Gegeshidze Meets AmCham Members

Archil Gegeshidze, a newly appointed Georgian Ambassador to U.S. met AmCham members on May 1 at a regular luncheon meeting to talk about Georgia-U.S. relations and the goals he is planning to achieve during his tenure of office. Ambassador Gegeshidze touched on several issues during his address, elaborating on Georgia-U.S.-Russia relations and investments. He stressed that one of his major priorities is to ensure Washington maintains a high level of interest in Georgia.

The meeting took place at Radisson Blu and featured more than 50 AmCham member company representatives.

Following the Ambassador's speech AmCham's First Vice-president Michael Cowgill introduced a new chair of the Training and HR committee Misha Chkhenkeli who informed the meeting participants about the upcoming international conference on the performance improvement organized by Chemonics, USAID and the International Society for Performance Improvement in cooperation with AmCham Georgia.

AmCham Briefs Members on Draft Changes to the Labor Code

AmCham Georgia President Sarah Williamson, Board Member Lasha Gogiberidze, and AmCham Director Amy Denman explained the major changes expected in the labor code when the parliament votes on the final draft this month during a specially organized meeting on May 28.

The draft law, currently in its second reading in parliament, will impact businesses and labor relations in a number of areas. AmCham, along with other business associations, has worked closely with the government and the parliament to create a new labor code that is beneficial for all sides.

At the meeting, Gogiberidze, the director of BGI Legal, outlined major changes to the labor code and how they could affect businesses. The issue of fixed contracts, shift work, overtime, and relations with labor unions were covered.

For more information about the changes in the current draft law, please see the presentation on AmCham's webpage, www.amcham.ge. If you have any questions, please contact theAmCham office, amcham@amcham.ge.

CSR Committee Partners with Ministry of Environment and Natural Resources

AmCham's CSR committee met on May 29 to discuss partnership opportunities with the Ministry of Environment and Natural Resources Protection of Georgia regarding planned events to mark World Environment Day. World Environment Day, which is celebrated every year throughout the world on June 5th, aims to raise global awareness of the need to take positive environmental action. The planned events include: picking up trash inTbilisi and the regions; media tours; eco car test driving; and a presentation of progress on the strategy and law of waste management. AmCham CSR committee has agreed to join efforts and help pick up trash in Tbilisi.

Intellectual Property Rights was also discussed during the meetin. Margarita Zhiznevskaya, the Committee Chair, briefed members on AmCham's role worldwide in the development of IPR which includes the establishment of IPR committees, the provision of recommendations to companies and the government, the organization of IPR events etc. The discussion mostly focused on the ubiquitous usage of illegal software in the country and various ways AmCham can help improve the situation.

CLT Committee Creates Working Group on Securities Market Draft Law

On May 2, the AmCham Commercial Law and Tax Committee discussed the draft law on Securities Market. Several important issues were reviewed including how the law governs private placement, secondary trading and rules governing international public offerings. A working group will make a further analysis of the draft law and present to the committee next week. Additionally, the competition law was discussed. The latest draft is being reviewed and further input will be relayed to the Ministry of Economic Development.

CSR Committee, PR Club of Georgia Plan CSR Forum

On May 1, the Chair of the CSR Committee, Margarita Zhiznevskaya, together with Michael Cowgill and Amy Denman, the Executive Director of AmCham Georgia, met with the leaders of the PR Club of Georgia to discuss cooperation in promoting the understanding of CSR within companies, as well as in the media and wider public. The group agreed to schedule a jointly organized forum on CSR to raise awareness within companies and present best practices. Other initiatives were discussed such as World Environment Day and promotion of paper recycling in offices.

CLT Committee Starts New Project with EPF

On April 17, the CLT committee discussed the new project that AmCham is entering into with the Eurasian Partnership Foundation.

Project Manager George Welton provided a short summary of the "Advocacy for Equal Application of Law Against Businesses in Georgia." The committee also discussed the amendment to Criminal Procedures Code of Georgia relating to trial by jury. Findings of research of amendments and international best practices will be forwarded to all committee members for further review and discussion.

In addition, Lasha Gogiberidze updated committee members on the situation with labor code amendments and the timing of the draft law as it moves between plenary session and committee hearings.

He outlined AmCham's position on issues that are of most importance to AmCham members.

The Georgian Economy: The best of the past and the best hope for the future

AmCham Georgia President Sarah Williamson spoke on a panel about the Georgian economy during the 83rd NATO PA Rose-Roth Seminar in Tbilisi on April 30.

This year, AmCham will celebrate 15 years as the largest international business association in Georgia with over 150 members. About half of our corporate members are made up of companies with significant US ownership and/or trade, and the rest are made up of Western-minded International and Georgian companies.

Our mission is to improve and promote the business environment in Georgia, particularly by remaining active in public policy and by supporting US-Georgia relations and Georgia's ties to the west, in general.

Our public policy work in Georgia is done, at least initially, through our committee work. AmCham houses committees covering Commercial Law and Tax, Labor Relations, Corporate Social Responsibility, Agribusiness, IT&Telecom, Trade & Transportation, and Tourism.

Through these committees we are able to closely review new legislation and government policy and then to provide input directly from the business community to the policy makers. In the last year, for example, this has allowed us to provide particularly significant contributions on issues such as banking legislation, the employment law, competition policy and the tax code. Having given you that background on where I'm coming from, I will move on to the real reason we're here - Reforms in Georgia. My objective is to tie together the best of the past with the best of what we hope for of the future.

First, I want to acknowledge that I believe the reforms of the former government left Georgia a dramatically better place to do business than it was when they came to power.

For me, four areas stand-out in the reforms and policies of the previous government: Removal of day-to-day corruption, improvements in infrastructure, reforms to the tax system, and promoting Georgia as 'Open For Business.'

On corruption reforms, we have all seen the documentation of the improvements provided by Transparency International and the World Bank, but for those of us living in Georgia these do not begin to capture the nature of the change. In 2003, when the former government came to power, corruption in Georgia was debilitating to everyday life and particularly to business.

In every area of interaction with the government, before the Rose Revolution, the impact of corruption was crippling. With no revenue, the government could not provide basic services, and for businesses this created huge inefficiencies and uncertainties. The most visible form of this corruption was the patrol police. Their principle responsibility seemed to be eliciting bribes.

A few years into the former Government's time in power, the reform of the Patrol Police had been felt and appreciated by most, if not all. Not only were the new Patrol Police not corrupt, but they were trusted and respected. The second undeniably positive reform is in infrastructure. In 2003, as I am sure many in this room will remember, electricity and water supply, even in Tbilisi, was intermittent. Now, electricity has been returned to the entire country and water supply is much better. In addition, roads were in a disastrous state of disrepair. These have also been transformed. In 2004 only 24% of Georgia's trunk roads were considered 'good'; in 2010 that was 82%. For Georgia, who wants to position itself as a transit and logistics hub, adequate infrastructure is the most basic and necessary foundation for economic development.

Third, the administrative environment for business, and particularly the tax code, was dramatically simplified. Again, we've all heard the bullet-points. The number of taxes dramatically reduced, import tariffs removed on most goods- and license requirements for most areas of business more or less eliminated. The fact that this allowed tax rates to drop dramatically, while actual levels of collection went up, tells its own story.

The aggregate impact of these changes, and others, really has been transformational, and is most clearly demonstrated by Georgia's average growth in GDP of 6.6% in the 10 years since 2003.

Another contributor to this growth achievement was that the previous government was extremely successful in projecting the image that Georgia was 'Open For Business'. It is our opinion that The World Bank Ease of Doing Business ranking, which shows Georgia as the most improved country in the world over the last decade, does, therefore, provide an accurate picture in at least one respect: Georgia undertook changes in a few years that in most other countries would have taken a generation.

All of these things are still considered by the business community to be quite

positive, but it is not the whole story. There is no doubt that, even with these changes, problems lingered or, in some cases- seemed to return.

The persistence of high unemployment and high poverty certainly drove public dissatisfaction. For businesses, while there had been changes in the regulation of the tax regime, concerns grew in the community at large, that tax legislation could be applied selectively, as a mechanism for revenue generation or political retribution.

Opinions differ about how often these concerns were realized but the perception among the business community is certainly that it happened. State interference, if not control, of the media became another increasingly large point of contest. Underpinning these problems was the perception that the judicial system was unreliable. It was certainly unreliable in its ability to adjudicate tax-disputes, as few judges have the training or commercial experience to act as independent arbiters of revenue-service decisions. More broadly, few large, and particularly international companies, were prepared to leave contract dispute resolution to the Georgian courts. This created the need for expensive international arbitration provisions… and again created uncertainty in an environment that investors already considered risky.

That brings us to the change of government: The change of government brought with it concern, but also considerable hopes from amongst the business community. The first concern was simple- change generates uncertainty and uncertainty is bad for business. This concern was at least partially exacerbated by the novelty of the terrain into which we were entering. In a country used to single party rule, cohabitation obviously risks governmental paralysis. Even when both sides have the interest of the country at heart, if politics are sufficiently polarized, then it can make it extremely hard to get work done, as American politics has recently demonstrated. The second significant concern was that, in their desire to make growth more socially inclusive, the new government might overturn many of the reforms that made Georgia such an attractive place to do business. In particular, there was a concern that the new government might increase taxes and regulations and project a less pro-business image of the country. But, as I mentioned, the change of government also brought about many hopes from the business community. First - the strong hope that this transition would cement Georgia's democratic aspirations and perhaps hail the start of a more institutionalized, more conventional, political and governmental system. Second, we had hope that the uncertainty which has plagued business for years would improve or disappear. As part of this, it was hoped that fears about the application of tax rules and selective use of government authority, in any form, could finally be laid to rest and Georgia could produce a judicial and court system which would provide transparency, equity and predictability in all court cases.

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What can we make of the new situation, so far, in each of these respects?

First, as we've heard several times throughout this conference, the very fact that a change in government happened, without violence or protests, as the result of a free election, is remarkable. It's a testament to the democratic maturity of the Georgian political process. In the long-term I have no doubt that this is one fact of the current situation that will be remembered, and like the removal of street corruption, its impact will be transformational.

Second, cohabitation is starting to work. While both sides criticize one-another using language that is sometimes stronger in tone than we prefer, this is increasingly working to demonstrate that democratic debate has been reinvigorated. The parliament has taken on a new relevance precisely because there is contest and disagreement. There is a high level of open debate about government reforms and the new government should certainly be congratulated on its level of engagement with civil society, including a range of business associations.

Third, the emphasis that the new government has placed on transparency and the rule of law could truly provide a context for the next phase of Georgia's development. If Georgia could reach a level where businesses were even confident that disputes with the government would be independently adjudicated by the courts, then it could provide a strong context for entrepreneurship and investment.

Fourth, the social re-orientation of the new government has not, so far, proved overly damaging to business. The most tangible legislative reform to be put forward to-date, is the reform to the labour law which has passed its first reading in parliament and will soon come up for its second. While AmCham has reservations about certain components of the law, we are pleased with the level to which we, and our partner organizations, were able to engage with the government as the law evolved, and for the most part- their receptiveness to our concerns. There has been real discussion and some compromise on all sides. No one thinks the new law is perfect, which might just mean it's basically ok.

There are still areas of uncertainty

I believe out of necessity, the previous Government took a very libertarian approach to the economy. I say necessity because, in order to eradicate the deeply embedded corruption in the regulatory bodies and various government authorities, I would argue that you had no better option than to get rid of them all together and give the country and the Georgian economy some liberation to breathe and mature, to the point where regulation is helpful in creating space for competition, rather than preventing it.

Many argue that in their efforts to encourage business anf investment, the former government were a little too libertarian. We could debate all day about whether or not that's a fair criticism. But regardless, it was inevitable that the pendulum would swing back the other way eventually. While this is naturally a scary prospect for the business community, it might not be a bad thing. Policy that is a little more socially oriented could ultimately be good for business. Greater productivity in rural areas and higher social protections for citizens can also mean more confident consumers, more entrepreneurs and more opportunities for all. As we face the upcoming changes, this is certainly our hope. However, we must remain vigilant and ensure that the pendulum does not swing too far the other way, it must be recognized that too much higher regulations, taxes and controls on businesses can also undermine business growth and the job and wealth creation that comes with it. There is uncertainty, but also hope, with regards to the new government's stated policy of renewing certain ties with Russia. Given the Russian market has 140 million consumers, clear comparative advantage exists for Georgia in some areas (like agriculture) and cultural and linguistic ties that go back for generations, the opportunities presented by an open and reliable Russian market could be enormous.

However, so far Russia has done little if anything to prove itself a reliable trade partner for Georgia. Companies that lean too heavily on the Russian market in their business plans are going to be very vulnerable to the Russian government's attitude on Georgia at any given moment. So while we are excited about the opportunity, it will obviously take considerable time before trust in Russia, as a consistent commercial partner, can be restored amongst Georgian businesses.

In closing, from my perspective, one of the greatest challenges for the new government is to acknowledge where reforms of their predecessors were effective, even if they feel that some improvements could be made, and move on from there. This is essential for the country because it will develop, rather than undermine, Georgia's reputation as one of the world's great reformers.

This will help to maintain the best of the former government's reforms and will ensure confidence in the new government's plans.

It could also provide indication that Georgian politics can move beyond its current polarization. That would be a lesson that even the West could learn from. Thank you.

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NEW MEMBERS

CGS Group
Corporate A Member

CGS Group LLC, a newly established American consulting firm, offers a variety of services to clients interested in establishing themselves in Georgia and the South Caucasus. CGS Group supports foreign and domestic companies with government relations, public affairs and due diligence services to reduce the risk of business failure. CGS Group also providestraining and information services to support government structures in decision-making, policy implementation and image management.

www.cgsgroup.ge

Georgian American Alloys, Inc.
Corporate A Member

Georgian American Alloys, Inc. ("GAA"), headquartered in Miami, FL, owns and operates a number of companies, both domestic and international, which manufacture and supply various grades of ferrous alloys. Companies under the GAA umbrella include North American-based Felman Production LLC, Felman Trading Inc., CC Metals & Alloys LLC, and Georgia's Georgian Manganese LLC and Vartsikhe 2005 LLC.

Georgian Manganese LLC is comprised of Chiatura Manganese Mine and Zestafoni ferroalloys plant that produces silicomanganese. Vartsikhe 2005 operates Vartsikhe hydroelectric plant and powers the Zestafoni palant and Chiatura mine. The company's unique organizational structure allows it to control all facets of the silicomanganese production process.

www.gaalloys.com

David Tvildiani Medical University
Corporate B Member

David Tvildiani Medical University is a non-governmental organization established by Academician David Tvildiani and Dr. Dimitri Tvildiani in 1991. University is unique in the region in that it provides educational program based on the requirements of the United States Medical Licensing Examination (USMLE). The 6 -year MD program is divided into 3 stages: Basic Medical Sciences (2.5 years); Clinical Sciences (2.5 years) and Clinical Clerkship (1 year). At the end of each stage, a student is eligible to take an appropriate step of the USMLE. University has the Faculty of Medicine with the undergraduate education program for MD and PhD program. A large number of the graduates have already completed or are currently doing the residency or other proficiency courses, working as physicians in prominent USA and European Universities and Clinics. The absolute majority of the graduates have been employed in the professional field, while many more successfully passed the international exams (USMLE, PLAB, MCI) and are currently developing their skills at clinics and research centers of USA, Germany, Britain, Sweden, and other countries. David Tvildiani Medical University is included into the WHO AVICENNA Directory of Medical Schools. It is a member of the Association for Medical Education in Europe (AMEE), Association of Medical Schools in Europe (AMSE) and Organization for PhD Education in Biomedicine and Health Sciences in the European System (ORPHEUS).

www.aieti.edu.ge

Imperial Tobacco
Corporate B Member

The company focuses on delivering high quality sustainable sales growth, whilst effectively managing its costs and cash flows. Company's success is built around its differentiated approach; applying its in-depth consumer understandings to realise the potential of the total tobacco portfolio. Company's key strategic brands are Davidoff, Gauloises Blondes, West and JPS. The fine cut tobacco and rolling papers portfolio is led by well-known brands such as Golden Virginia, Drum and Rizla. The company also produces a range of mass market cigars. This unique total tobacco approach gives the company a competitive advantage in meeting changing consumer choices in EU and non-EU markets.

www.imperial-tobacco.com

Marilisi Jewelry House
Corporate B Member

The company is lobbying ancient Georgian jewelry making technique and represents Georgia in various countries.

www.marilisi.com

Georgian American University (GAU) is an American & Georgian-owned private university in Tbilisi that began operations in 2005, providing Graduate and Post-Graduate degrees and certificates in Business; Law& Social Sciences (Diplomacy & International Relations); Natural Sciences & Engineering; and Humanities & Liberal Arts. Current enrollment is 1,100 students.

GAU is the only true western-style university in Georgia – from its mission, academic programs/ policies to its management/ administration. GAU places a great emphasis on practical-based courses and language and communications skills as they are keys to a successful career. Most of the courses are taught in English.

GAU has a mandatory "Code of Ethics and Conduct" for all students, lecturers and staff to ensure fairness/honesty/respect throughout the university and GAU also places a great emphasis on Corporate Social Responsibility (CSR), including a very active and responsible student self-governmental organization.

The university is run like a business with equal attention to clients/staff/owners – however academic quality is never compromised to increase profits. GAU strategically considers growth opportunities, but always in an efficient, cost-effective manner based on market demand for its graduates. GAU fully realizes that its academic personnel/lecturers are its most valuable resource.

For GAU, its clients are really those organizations, both within and outside of Georgia, that hire its graduates. GAU must continually focus on the needs of those organizations to ensure that our graduates are best prepared for their future careers. International university affiliates and local and international internships are optimized to better prepare the students for the global job market. A key success factor for GAU is the student & graduate hiring rates – over 95% for Business School students/graduates and over 90% for Law School. One of the newest and most popular programs at GAU is the preparation of top graduates to participate in Post-Graduate fellowships to prestigious 1st tier universities in the US.

The most recent news for GAU was the ceremony this spring commemorating the Grand Opening of the new campus at 8 Merab Aleksidze Street overlooking the Mtkvari River. The event included the signing of a $3.5 million loan from OPIC to purchase, renovate and equip the new campus to assist GAU in expanding and improving the quality of its educational programs. The new campus is accredited for 1,500 students.

Following is a brief description of GAU's academic programs:

Business Administration School: providing Bachelor/Master/PhD degrees in Quant's, Accounting/Audit, Marketing, Management, Actuarial, Finance and International Finance.

Law & Social Sciences School: providing Bachelor/Master/PhD degrees in Commercial, International, Comparative, Civil, Criminal, Constitutional/Administrative, International Human Rights, European and Cyber Law and Diplomacy & International Relations. GAU also has a successful legal clinic that provides free legal services to underprivileged persons from teams of students together with law professors that are also practicing law outside of GAU.

Natural Science & Engineering School: providing Bachelor degrees in Geology, Environmental Engineering/Safety (including Ecological Protection), Information Technology/Multi-Media Design, and Construction/Civil Engineering (with use of advanced computer technologies).

Humanities & Liberal Arts School: providing Bachelor degrees in English Philology, Georgian Philology, and History. This is a new program for fall 2013 as GAU believes the Georgian market is ready for well-rounded students with superior language, communications and critical thinking skills that can be more flexible in this changing marketplace.

Certificate Programs: all of GAU's courses in its degree programs may be taken individually on a certificate basis. Further, GAU has a specific program for certificate courses (taught in the evenings/ Saturdays in Georgian language) including Public Relations and Web Marketing (as part of GAU Tbilisi PR School), Practical Accounting, Project Management, Formula of Success, Management of Human Resources, Emotional Leadership/Intellect, Management/Administration (including Economics for Managers), Marketing, CV Preparation, and How to Organize Business Presentations.

Business Administration: Dr. Teimuraz Toronjadze

Law & Social Sciences: Dr. Zaza Rukhadze

Natural Sciences & Engineering: Dr. Mikheil Chkhenkeli

Humanities & Liberal Arts: Dr. Rusudan Tsitsishvili

Summer 2013 Program: new for this summer are courses (taught in English) from 17 June to 27 July. Courses qualify for university credits for students currently enrolled in a Georgian University (subject to university approval). Students will receive a certificate on successful completion in the following courses: Contemporary Principals of Management, Contemporary Principals of Marketing, Introduction to Programming (IT), Introduction to Environmental Protection, Introduction to Political Science, Introduction to European Union (EU) Law, Introduction to Georgian History & Culture, and Conversational Georgian Language. http://gau.ge/en/news/gau-summer-school-program

For more information about GAU and its programs, please contact:
Georgian American University
Tamar Jibuti, Marketing and Career Services Manager
Tel: (+995 32) 2 20 65 20 (312), Mob: (+995) 577 46 55 90
e-mail: takojibuti@gmail.com
website: www.gau.ge, facebook: www.fb.com/GeorgianAmericanUniversity

AMCHAM CELEBRATES

AmCham CSR in Action

AmCham's Corporate Social Responsibility (CSR) committee joined Wissol Petroleum Georgia on April 20 to organize a symbolic marathon at Turtle Lake and to display solidarity with the city of Boston and its marathoners following a deadly explosion which killed three and injured more than 170.

U.S. Ambassador to Georgia Richard Norland joined the runners who braved the rain to ran, walked or crawl the marathon.

In addition, to celebrate International Children's Day on June 1, the AmCham CSR Committee joined the Ministry of Environment and Natural Resources of Georgia, UNDP, GIZ and other corporations at Turtle Lake to provide 65 homeless youth (between the ages of 9 & 18) with toys and presents.

AmCham Members Awarded

Several AmCham Georgia Members received awards during the National Business Award competition, held on May 30 at the Marriott Courtyard Hotel, including Bank Constanta, Bank of Georgia, Caucasus University, Georgian American Alloys, Goodwill, Rustavi Azoti, Rustavi Metallurgical Plant, TBC Bank, and Wissol Group.

AMCHAM CELEBRATES

Georgian American University Signs OPIC Loan Agreement

Georgian American University (GAU) held the grand opening of its new campus and celebrated signing a loan agreement with the Overseas Private Investment Corporation on April 24th.

The event included the signing of a $3.5 million loan from OPIC to purchase, renovate and equip the new campus.

Guests included Ambassador Richard Norland and OPIC's Managing Director of Project Finance Kenneth Angell, Georgian American University president R. Michael Cowgill and GAU's Chancellor Nino Toronjadze.

Board Of Directors 2013

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.

R. Michael Cowgill, First Vice-President
In his 15th. year in Georgia, Michael Cowgill is the President and co-founder of Georgian American University (GAU) in Tbilisi, Georgia, with schools of business, law & social sciences, natural sciences & engineering and liberal arts & humanities. He also continues to develop international energy projects which he has done for the past 38 years in over 40 countries.

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.

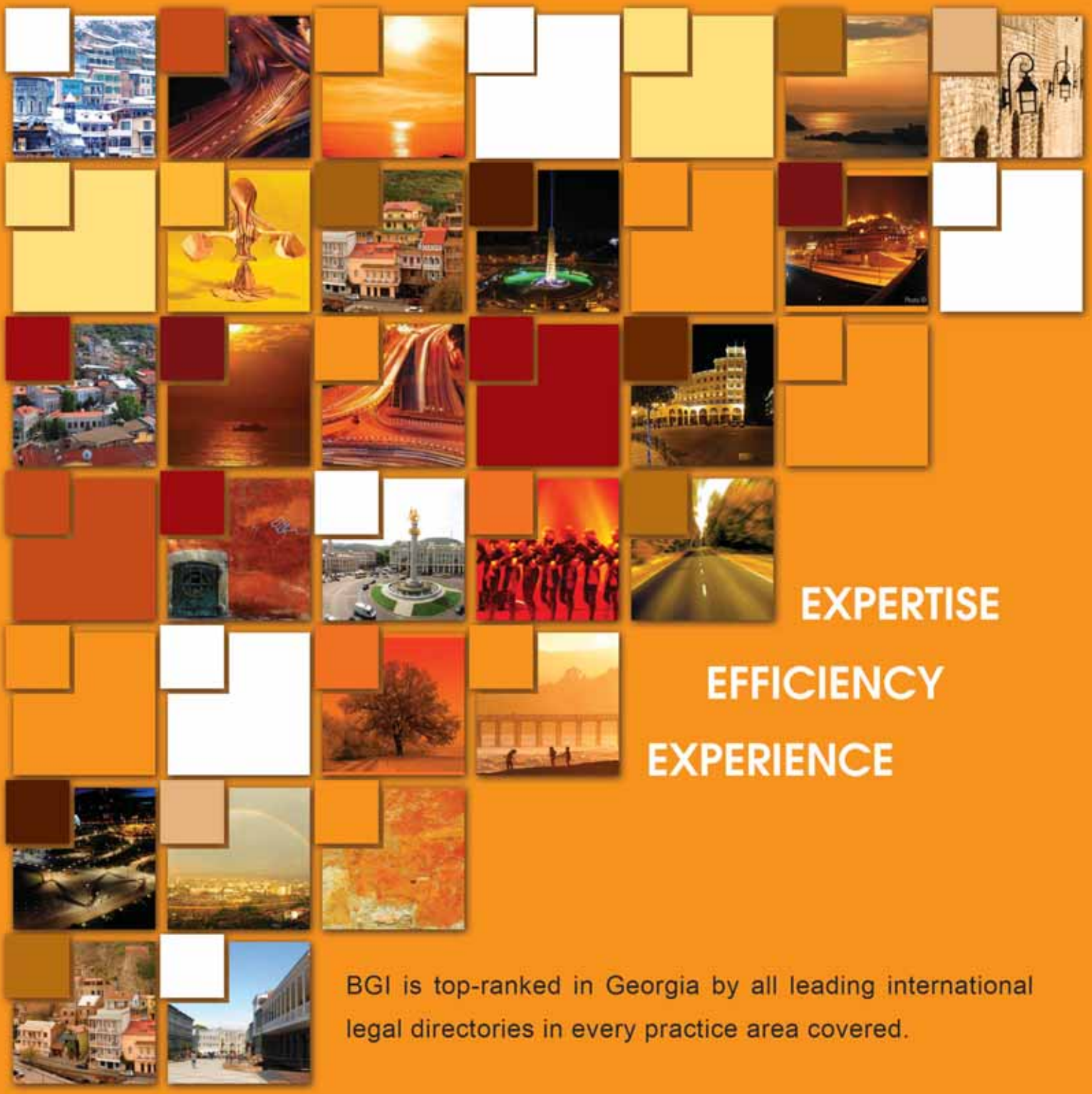
Robin McCone, Director
Robin McCone is a NZ lawyer. He leads PwC's tax and legal practice in Georgia and Armenia. He has been with PwC mainly based in CEE countries for over 16 years. Prior to moving to Tbilisi he spent two years in New York as the leader of the CEE Desk. He looks forward to utilising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

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.

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.

Amy Denman, Exec. Director
Amy Denman came to Georgia in 1996 from Chicago where she worked in the Marketing Department in the secondary education division of publishing company Houghton Mifflin. After working for the IFRC for a year, she became the coordinator then the founding Executive Director of the Chamber.



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For more information contact
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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DLA Piper's Global Corporate team remains one of the leaders in its field. With its strong local presence in Georgia and international breadth DLA Piper stands apart from the crowd in terms of diversity and complexity of the transactions it handles.

The team retains a unique ability to provide national and cross-border advice to Georgian and international corporates and financial institutions, together with many of the region's leading entrepreneurs.

Ted Jonas, Office Managing Partner
T +99532 2509 300 | ted.jonas@dlapiper.com

Otar Kipshidze, Partner
T +99532 2509 300 | otar.kipshidze@dlapiper.com

www.dlapiper.com

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