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Agriculture and the Agribusiness Sector: Problems and the Need for Change

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Investor.ge CONTENT

6 Investment in Brief
A brief synopsis of new investments and business news.

8 Finance Minister Nodar Khaduri: Georgian Securities Market in "Embryonic" Stage
An interview with Minister Nodar Khaduri about the government's plans to recharge the local stock market.

10 TI Georgia: Georgia's Procurement System Transparent but Loopholes Remain
Transparency International published a report on Georgia's procurement system in June.

13 ISET: Agriculture and the Agribusiness Sector
A report by ISET about the agriculture sector's problems and the need for change.

16 Reforming the Civil Service
Investor.ge spoke with Irakli Kotetishvili, the head of the Civil Service Bureau.

17 U.S.-Georgia COmmerical Diplomacy Training to Strengthen Georgia's Diplomatic Corps' Expertise

20 Five Questions with Vano Sturua, founding partner of Villa Dzara Capital
Investor.ge speaks with Vano Sturua of VD Capital, a chain of eight restaurant brands.

24 Radisson Plans Ten Hotels in Georgia Over Next Five Years
Investor.ge interviewed Tom Flanagan, Area Vice President for Eastern Europe for the Carlson Rezidor Hotel Group.

25 Education Challenge Facing Hospitality Industry
Georgians' love of guests and hospitality has failed to cross over from culture at home to practice in business.

28 The Travel Advisory Conundrum
Georgia is a gem for tourists, but foreign embassy travel advisories paint a less than tempting picture. Investor.ge looks at why, and what impact it is having on tourism.

30 Shopping for Souveniers
Why is it so hard to spend money on souvenirs outside of Tbilisi?

32 Independence of the Judiciary in Georgia: Trends and Challenges
BGI's Otar Kakhidze looks at changes and challenges for the judiciary in an editorial.

34 Siemens Brothers in Georgia
Historian Emil Avdaliani provides another fascinating look at Georgia's business history.

36 A Magician in the Kitchen
Helene Bedwell interviews Black Lion (Shavi Lomi)'s Meriko Gubeladze about her take on traditional Georgian cuisine.

38 My City, Tbilisi: Rebuilding Tbilisi's Icon
For the first article in a new Investor.ge series about Tbilisi, GMT Group's Irakli Baidashvili speaks about the developers' newest historic property.

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Investment in Brief

AVTANDIL CHEDIA

Georgia, EU Conclude DCFTA Talks

On July 22, the European Commission announced that the European Union and Georgia have completed talks on a Deep and Comprehensive Free Trade Agreement (DCFTA). The agreement, part of Georgia's Association Agreement with Brussels, will be signed as soon as "internal EU and Georgia procedures" are completed, the commission reported.

Specialists have estimated that the DCFTA could increase exports to the EU by 12 percent, and imports by 7.5 percent.

Three Year EU/UN Project to Aid Ministry of Agriculture

The European Union and the United Nations Food and Agriculture Organization (FAO) have announced a new three-year project to provide technical assistance to the Ministry of Agriculture. The project, and 2 million euros in aid, will focus on improving the competitiveness of the agricultural sector through the development of effective policies.

Georgian American Alloys Invests in Mines

Over the course of 2013, Georgian American Alloys has invested more than 10 million lari in its mining holdings, including 600,000 lari spent to improve social conditions for miners. The bulk of the investment was for new equipment.

World Bank Allocates Another $75 Million for East-West Highway

Georgia and the World Bank signed the fourth financing agreement for the East-West Highway project in June. The World Bank has committed a total of $292 million to construct the modern highway, which will connect Tbilisi and the Black Sea, easing transit and transportation costs.

Number One Investor in Georgia: Japan

Geostat reported, based on preliminary data, that in the first quarter of 2013, Japan was the country's largest foreign direct investor, with $46.3 million. Coming in second was Azerbaijan, with $38.4 million, followed by the Netherlands with $34.9 million.

IFC Extends $4 Million Credit Line to Finca

The International Finance Corporation (IFC) has opened a $ 4 million credit line to microfinance organization Fincato spend on loans to small- and medium-sized businesses.

Millennium Challenge Corporation Approved Second Compact to Georgia

The Georgian Ministry of Education and Science reported on June 19 that the board of the US Millennium Challenge Corporation approved a five-year compact with Georgia worth $140 million. The program includes three projects: improvement of general education quality, development of production skills and labor force, and STEM (Science, Technology, Engineering and Mathematics) higher education.

Radisson Plans New Park Inn Hotel in Tbilisi

Carlson Rezidor, the parent company of Radisson Hotels, announced plans for a new Radisson Park Inn Hotel in Tbilsi on July 9.

The 200-room hotel is scheduled to open mid-2015 on Rustaveli Avenue. Radisson currently operates two hotels in Georgia, in Tbilisi and Batumi.

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Finance Minister Nodar Khaduri: Georgian Securities Market in "Embryonic" Stage

The Georgian Stock Market has failed to ignite investor' interests in the past, but Finance Minister Nodar Khaduri is betting that new reforms could bolster investor confidence and create new opportunities for portfolio investors.

NINO PATSURIA

For Finance Minister Nodar Khaduri, the Georgian Stock Exchange is something akin to a flashlight for investors: when it works, it shines a light on all the country's opportunities. When it doesn't, potential interest in the country's enterprises and joint stock companies fades into darkness.

"[It is like the] difference when a person goes groping in the darkness, and when a person enters a lighted room where they see where investment opportunities are, what is the value of this or that enterprise," he said.

"The price of and demand for a company's shares provides opportunities to analyze the market and invest in this country. We might attract many more investments…"

Khaduri, appointed to the Ministry of Finance (MOF) last October, is not the first member of the cabinet to see potential in the country's sluggish securities market. Trade skidded to a near standstill after a 2006 effort to reform the Georgian Stock Exchange; today just state entities and the Bank of Georgia are listed.

But mere reform, noted the minister, is not enough: the new law has to encourage private companies to look locally for the opportunities they are currently finding abroad. To date, the Bank of Georgia has already been listed on the London Stock Exchange and TBC Bank is eyeing an initial public offering on the Warsaw Stock Exchange in 2014.

Georgian companies who tried to raise capital on the Georgian Stock Market were met with silence in the past. Now, stressed Khaduri, the government needs to create a law that will attract investment and bring portfolio investment.

"We face a serious problem at the moment: our enterprises go to the European market to trade," he said.

"We must create conditions here to develop the securities market … We should encourage our neighbors, Armenian and Azeri entrepreneurs, to trade on our stock exchange. The most important thing is to create proper institutions that we lack at the moment."

Khaduri added that creating a pension market will play an important role in the process. The Ministry, together with parliament, the Economy Ministry, and the National Bank of Georgia are already working on creating the new legislation to support their efforts.

He stressed that creating better institutions for the securities market and more effective legislation – as well as learning from stock market success stories like Poland and the Baltic States – will be crucial to rebooting the country's securities market.

"[Over the past 20 years] we lost an important institution that might attract very important investments and lay the groundwork for economic development of the country," he said.

"There are a lot of joint stock companies … operating in Georgia but nobody trades on the GSE … therefore, we should properly create institutions to keep this mechanism going permanently."

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TI Georgia: Georgia's Procurement System Transparent but Loopholes Remain

Transparency International (TI) published a report on Georgia's Procurement System in June. Investor.ge spoke with Gerard de Boer, an author of the report, about TI's findings and recommendations – and the organization's new online platform to track tenders and procurements, www.tendermonitor.ge.

MAIA EDILASHVILI

Georgia fundamentally overhauled its government tender system in late 2010 when it introduced centralized and comprehensive electronic procurement system. Regularly procured government tenders are announced on one central website (procurement.gov.ge) and the whole process, starting from the date when the tender is announced until the contract is awarded, is publicly visible.

"Georgia has a very innovative electronic procurement system and most government contracts are tendered in a competitive and transparent way on a centralized website, tenders.procurement.gov.ge," Gerard de Boer, an author of the report, said.

"There are only few countries at this point that have switched to fully electronic bidding."

There are two types of tenders conducted through the e-procurement system: simplified electronic tenders – a procedure with shorter deadlines that can be used for smaller purchases of no more than 200,000 lari – and electronic tenders, which are used for larger procurements. Tenders and awarded contracts under both types of procurements are publicly available for registered users and guest users.

In the report, TI Georgia found that a key strength of the system is the official electronic procurement website which is very innovative and transparent and, thanks to increased efficiency, has "severely" reduced red tape and wasted time. According to official figures, to date more than 400 million lari have been saved since the introduction of the platform in 2010. Another important advantage is that the platform allows a useful appeal mechanism: any person can file electronic complaints that are reviewed by a Dispute Resolution Board, which can force the procuring entity to adjust or cancel the tender. The Board, ▸▸

The Procurement Agency

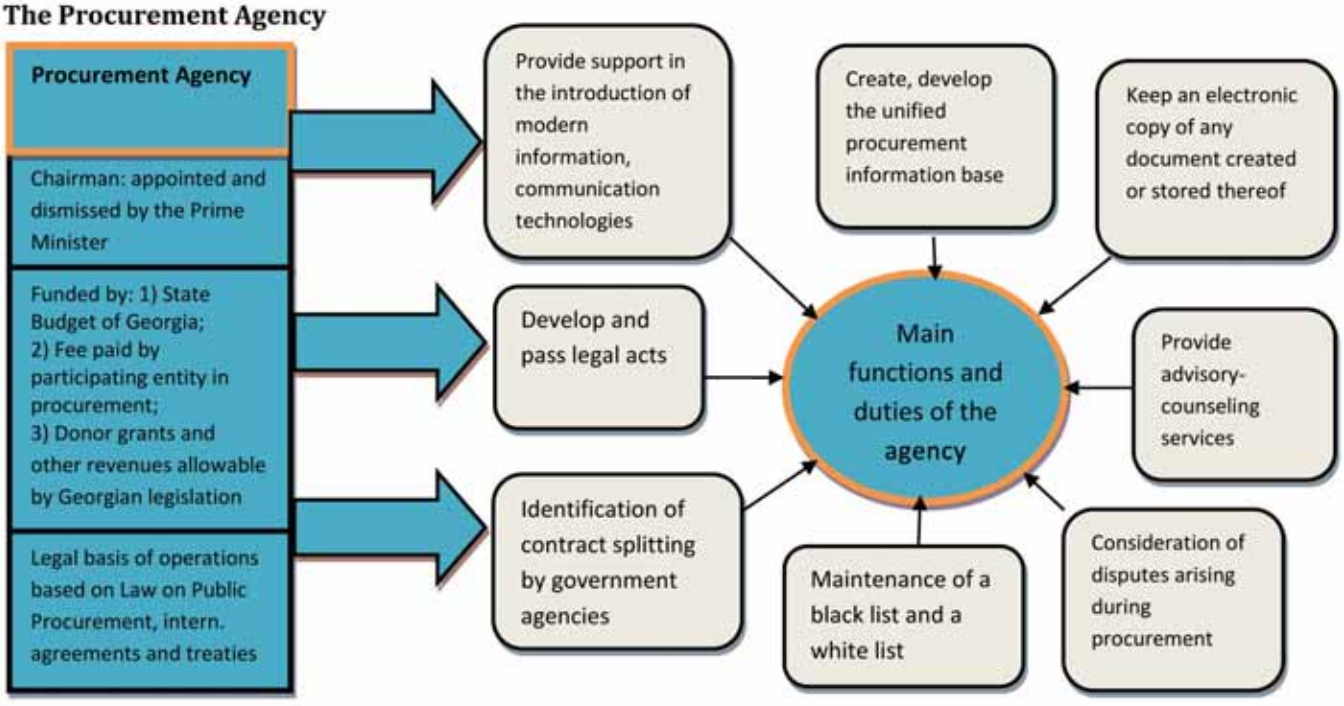

Chart based on the State Procurement Agency (2010) *Unified Electronic System of State Procurement; Users Manual,* Published on http://procurement.gov.ge/files/_data/geo/publication/e-tenders_guideline_eng_v3.0.pdf

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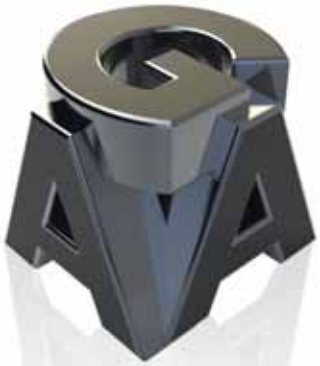

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Georgian American Alloys, Inc. ("GAA"), headquartered in Miami, FL, owns and operates a number of companies, both domestic and international, which manufacture and supply various grades of ferrous alloys. Companies under the GAA umbrella include North 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 plant and Chiatura mine. The company's unique organizational structure allows it to control all facets of the silicomanganese production process.

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consisting of three representatives from the Competition and State Procurement Agency (CSPA), and three representatives of civil society, reviews complaints within ten working days.

A potential issue, however, is that the system is currently geared to reward tenders to the lowest bidder. TI Georgia's experts reckon that the procurement system should better reflect the quality of a product or the expertise and experience of a supplier, "to ensure that taxpayer money is spent to maximize the value for the public."

CSPA has developed a Two-Stage Electronic Tenders Module to attach more weight to quality; however, it has not been officially launched.

The main loophole identified by TI experts is that "too many exemptions" in the law on state procurement allow certain state-owned entities -- Georgian Railways, Georgian Lotteries, Georgian Oil and Gas Company, Partnership Fund, the Government's and President's Reserve Funds and the Ministry of Defense -- bypass the electronic procurement platform which "have resulted in misconduct and corruption."

In 2011, according to TI Georgia, 600 million lari, which is two-thirds of Simplified Procurement Tenders, consisted of procurement conducted via the president/government consent clause. In 2012 this amount increased to 800 million lari. Consequently, the report recommends that these exceptions should be revised.

de Boer told Investor.ge that "the most important loophole" is a provision that allows tenders to be awarded directly, bypassing the procurement system." A reform initiative by the CSPA, however, should address the problem, he noted. "We found that many contracts, especially for large construction projects, have been procured in this way, raising the risk of wasteful spending and corruption," de Boer said.

"The Competition and State Procurement Agency has started to publish these contracts online, allowing anyone to see what has been spend on what and for how much and who won these non-competitive contracts."

He added that this was TI Georgia's only major criticism of the system.

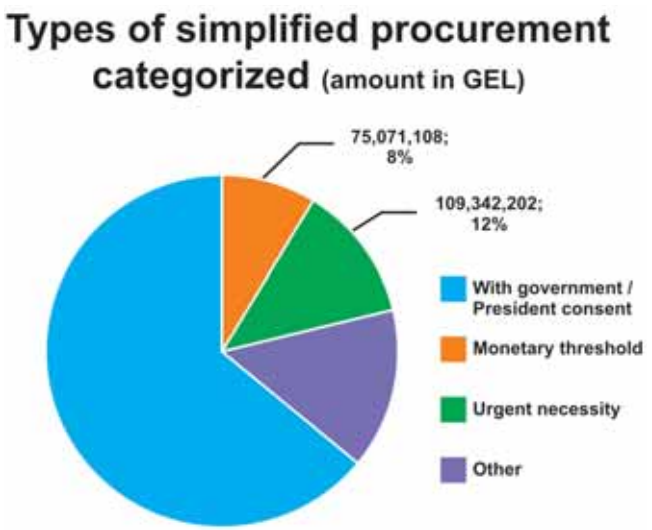
"In general the electronic procurement system in Georgia, as well as the regulatory framework, is a great improvement and can be a best practice model for other countries," he said.

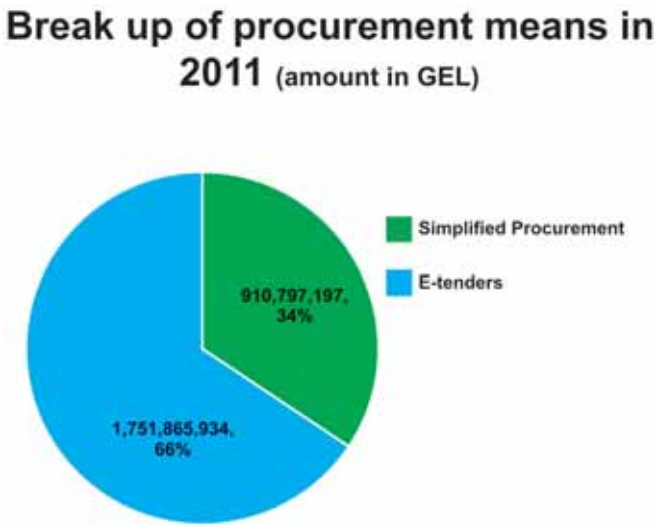
"The transparency, the bidding system, but also elements like the appeal mechanism, allowing everyone to appeal a tender they think violates the law, as well as the dispute resolution board, are very innovative and positive attributes of the system. That is why we say if some adaptations are made this system really can be one of the best in the world."

On June 14, TI Georgia also launched tendermonitor.ge, a new website which gives an in-depth look at government spending in Georgia by allowing the public to search, explore and monitor public procurement online. While the CSPA has done a good job of providing information, it is still difficult to understand the "big picture" of government spending, de Boer said.

"The official tender website has all the contracting data, but you cannot get the big picture there," de Boer said.

"[We] wanted to make a website that civil society, but also businesses or students, can use to find for example tenders with an increased corruption risk. Tendermonitor.ge is designed so that users can get the big picture, and see, for example, how government spending priorities change over time, and get a better understanding of the relationship between businesses and the government."





ISET

Agriculture and the Agribusiness Sector: Problems and the Need for Change

ISET STAFF

In addition to producing food, the agriculture sector in Georgia provides a social safety net to a very large part of the population, including those who are unemployed and whose qualifications are a poor match for current market needs. Any future reform of the Georgian agricultural sector has to take these facts into account. Failure to achieve coordination among small farmers and failure to coordinate between smallholder farmers and other market players is one of the biggest issues in the sector. While the private sector is able to solve these problems to some extent, the role of the government can be crucial. From promoting infrastructure and vaccination programs, to conducting research, establishing education and vocational trainings, and dealing with the cost of financing or promoting farmers' cooperatives, the government can play a significant role.

Productivity in the agricultural sector is embarrassingly low. Adam Pellillo, Ph.D., an assistant professor at ISET, noted that it is remarkable "that Georgia seems to be the only former Soviet republic in which agricultural productivity hasn't returned to or exceeded its level in 1992. As of 2010, agricultural productivity stood at only 77 percent of where it was at nearly two decades ago." This finding is even more puzzling if we consider that during the same period agricultural productivity has grown by nearly 200 percent in neighboring Armenia.

A major issue for Georgia's future agricultural development is fragmentation. This has several aspects: highly fragmented land ownership, as a result of the land privatization of the 1990s; and weak links, if any, between different actors in the various value chains. The result is depreciated or nonexistent machinery, obsolete and inefficient cultivation techniques, and poor storage, packaging and transportation — all of which lead to very low agricultural output.

Private Sector Capacity to Resolve Coordination Failures in Agriculture

From an economist's perspective, the persistence of fragmentation reflects two types of market failures: firstly, failure to achieve coordination among small farmers, and secondly, failure to coordinate between smallholder farmers and other market players (aggregators, processing plants, large retailers, hotel chains, etc.).

However, the truth is that in quite a number of cases the market has been able to fully "internalize" the issues plaguing the Georgian agricultural sector. The most prominent recent successes in overcoming the fragmentation impediment are associated with major international brands such as Hipp, Carrefour, and Ferrero Rocher. Launched in 2007, Hipp's plant in Gori makes organic apple juices for world distribution from Georgian apples. By acting as an integrator it has drastically improved quality standards and yields in organic agriculture. Likewise, the French hypermarket chain Carrefour is already procuring most of the fresh produce for its store locally, imposing its rigorous quality standards on the Georgian producers.

Aggregators such as Hipp and Carrefour provide guarantees of long-term demand and offer technical assistance with choosing crops, as well as with growing and post-harvest treatment methods. This provides farmers with stronger incentives to learn (i.e. to invest in their own human capital), to invest in improved facilities and machinery (i.e. to invest in physical capital), and very importantly, to cooperate. Cooperation allows the exploitation of economies of scale in many areas, including the procurement of inputs, cul- ▸▸

tivation, storage, and transportation. The presence of guaranteed demand reduces the market risk for related investment projects, lowers the cost of finance and speeds up the process of technological upgrading in agriculture.

Social Risk as an Externality

If the market is able to internalize coordination externalities in agriculture, are there any reasons for the government (government and foreign donors) to "meddle" with free-market dynamics to try and speed up the (inevitable) process of consolidation in Georgian agriculture?

The primary reason for intervention, in our view, has to do with the natural role of the agricultural sector as a buffer zone, which poses an important socio-political externality. The slow pace of productivity growth in agriculture has left large swathes of Georgia's rural population far behind the urban middle class, often in poverty and with no or limited access to high-quality education and healthcare. The result has been political uncertainty and risk through protest voting or worse, as reflected by Georgia's performance in the Global Competitiveness Index (GCI), country risk ratings, and FDI dynamics. Political risks, in turn, have translated into high lending interest rates, which have affected the entire economy. Not only do they slow down investment and job creation in the non-agricultural sectors (limiting its ability to absorb surplus agricultural labor), but these risks limit smallholder farmers' access to credit, stalling their productivity and disenfranchising them even further. We contend that the government should attempt to resolve this vicious circle.

Endorsed and supported by the international donor community, the new Georgian government's general strategy — to promote rural development and agriculture — is, indeed, consistent with our analysis.

The Role of Government in Addressing the Social Risk Externality

In considering potential interventions, we adhere to our general approach that, first, the government should spend its scarce resources in ways that address market failures and coordination externalities across the entire economy. One obvious example is the negotiation of free trade agreements and the use of WTO arbitration mechanisms to improve market access to the EU, Russia and other neighbor countries. Another example is investment in strategic transportation infrastructure, which has positive repercussions for the entire economy (e.g. see post by Eric Livny, "Roads and Rural Development: the Case of Samtskhe Javakhet," ISET Economist blog, http://www.iset.ge/blog/?p=1033).

Next in the order of priorities are interventions that address the cost of entry and market failures that are specific to the agricultural sector and yet are broad in nature. Examples of this are vaccination programs, and prevention, monitoring and control of animal and plant diseases. While already in place, relevant programs could be further strengthened to boost productivity and to meet the requirements for the Deep and

Comprehensive Free Trade Agreement with the EU.

Other areas of concern include research, education and vocational training in relevant fields. Government-provided scholarships and the new Millennium Challenge Corporation multi-year agreement with the Georgian government, both targeting technical education, are excellent examples of the latter type of intervention. The agricultural-education component is also included in the EU's new European Neighbourhood Programme for Agriculture and Rural Development program that seeks to support Georgia's rural development, including agriculture.

Third, to complement investment in education, extension centers could help increase the general level of expertise available to the agricultural sector, facilitating the introduction of new crops, thus improving yields and incomes.

Fourth, investment in irrigation and drainage systems would increase the supply and quality of arable land. While the "last mile" of irrigation infrastructure could be undertaken by individual farmers (or farmer cooperatives), the construction of dams and irrigation canals are clearly a matter for government (or donor) attention.

Last, but not least, the government and donors could choose to address the cost-of-financing impediment affecting Georgia's agriculture.

Lending interest rates and collateral requirements are generally very high in Georgia. On top of that, given the very small volume of lending to the agricultural sector, the financial sector (banks and insurance companies) do not have the skills to properly assess agricultural risks.

The government could try addressing this obstacle by supporting relevant training and research to establish proper criteria for judging the agricultural risks that are specific to Georgia, like the different types of Georgian agriculture, soil and climate zones.

The possibility for the government to promote farmer cooperation, as a means of overcoming fragmentation at the level of the primary agricultural producer, is one of the most debated issues regarding Georgia's smallholder agriculture. Indeed, farmer organizations could exploit economies of scale by undertaking joint investment in machinery and equipment, procurement of inputs, processing, branding, bargaining and marketing.

However, successful farmer organizations are almost nowhere to be seen in Georgia because cooperation requires a common vision, mutual trust and excellent management skills – issues that will hopefully be tackled by the new government and aid programs.

Reforming the Civil Service: An Interview with Irakli Kotetishvili

Georgia is working on creating a modern civil service based on professionalism, not nepotism. Investor.ge spoke with the head of the Civil Service Bureau, Irakli Kotetishvili, about the reforms and their potential to help the economy and business.

Georgia has struggled with a tradition of nepotism for generations, but over the past several years the effort to force government agencies to hire based on ability, not family ties, has been growing.

Having clear procedures for hiring, firing, job descriptions and promotions are a key element of eliminating nepotism in the public service.

Irakli Kotetishvili, the head of the Civil Service Bureau (CSB), is working with USAID, NATO and HR heads from ministries and state agencies to create the country's first human resource handbook for public service.

"[I]f you take an example of the civil service and the civil servants who are appointed via nepotism, that means that they don't do their job well because they are not selected because they are skilled, because they are educated, because they are experienced; they are just picked because they have a relative in the government," he said.

"This type of civil servant, he or she cannot provide good service to the citizen or to business in general. So I think weak and unprofessional civil servants have a direct impact on the smooth running of any type of business in any part of the world."

In addition to the HR manual, CSB has also created a website, www.hr.gov.ge, to make recruitment more transparent. State agencies use the site to post jobs for public servants. There are 86,000 public servants working in Georgia, who are five percent of the country's workforce, according to official statistics.

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"[T]alks about the reform of the Georgian civil service have been going on for years now. The previous government made huge improvements in reshaping the whole civil service. And the services that our citizens receive today are of much higher quality than they were years ago," Kotetishvili said.

"However, I think that the core of the civil service, which doesn't have the face-to-face communication with business -- which works every day behind doors -- it still needs to be reformed."

CSB is working with the government and parliament to improve legislation: as a policy-making organization it can lobby for change but not make laws.

"[W]e are a policy-making agency, which means we are drafting legislation and some other policy documents and can go to the parliament and lobby them and talk to the government," he said. "We don't have the power of issuing legal acts, the vast majority of the work we do is to talk with the stakeholders on the importance of the issues."

One of the issues Kotetishvili has been discussing is a special school to train public officials. Training and job shadowing, he said, are the keys to creating effective-human resource managers and public servants.

"I think that the first part of the reform should be focused more on the education of the civil servants, on the modern practices of how to run offices, how to do better management in the offices," he said.

"For this reason, educational trainings are required but this is not enough. They need to do lots of job shadowing with their colleagues abroad and it would also be a good idea to bring some really good, experienced experts here so they can talk with each other and look at examples on how to run efficient offices."

U.S.-Georgian Commercial Diplomacy Training to Strengthen Georgia's Diplomatic Corps' Expertise

ALEXANDER MELIN

A small crowd of diplomats leave the comfy confines of an air-conditioned training room at the Ministry of Foreign Affairs (MFA) with cups of coffee to brave the hot summer temperatures for a smoke or chat outside, milling about in their dark suits and high heels between commercial attaché training sessions. They represent a veritable menagerie of Georgia's diplomatic missions strewn across the world, everywhere from the Netherlands to Uzbekistan. Different as they are geographically, after a few minutes they reassemble in the training room with a unified sense of purpose: to deepen the skills necessary to promote Georgia's exports and Georgia as place of investment.

It is no secret that Georgia's fortunes are intricately tied to its external trade, and this is not lost on the Georgian men and women who are on the front line of Georgia's diplomatic corps. Georgia remains an attractive location for investment with a highly educated and cheap labor force, and a structurally sound investment framework. From the standpoint of trade, Georgia has a wide variety of exports that are highly competitive on world markets, some with which readers may be familiar, such as mineral waters and wines, but others with which they may not be, such as live sheep and nuts (Georgia is the world's third-largest exporter of hazelnuts!).

Yet the lack of knowledge about Georgian products and investment opportunities on the world market is a distinct challenge. Georgia has historically faced difficulties in trade promotion due to the small size of its diplomatic corps (some attendees mentioned the difficulty in being perhaps one of just two people in their respective posts handling commercial affairs, compared with the enormous services of some larger countries like the U.S. and China) and a lack of trained commercial attachés. But that is something the Ministry of Foreign Affairs is taking active steps to improve.

From July 9 to 11 the Diplomatic Training Center of Georgia held a high-level training workshop in Tbilisi on commercial law, trade, and the skills necessary for Georgia's economic diplomats. This is the second phase of training for a core group of MFA and Ministry of Economy and Sustainable Development (MOESD) officials, following the first phase, which was held in Washington, DC in May of this year.

The workshop, now being held in its second year, is part of a multi-year joint project among the Commercial Law Development Program (CLDP) of the U.S. Department of Commerce, the Ministry of Foreign Affairs of Georgia, the U.S. Embassy Georgia, and the MOESD.

Maia Kipshidze, the Director of the MFA's Diplomatic Training Center, ▶

described the goals of this partnership training as twofold: firstly, to deepen the experience of and provide knowledge to commercial attachés to increase their skills to promote Georgia abroad and Georgian exports; and secondly, to help put together a commercial development curriculum for the Diplomatic Training Center to provide a short-term training course on commercial diplomacy for potential attachés before they leave for their posts — in short, to turn the working core group into working trainers.

Kipshidze sees a link between "the skills and the experience of the commercial attachés and the economic attachés, whose direct duty and responsibility it is to facilitate the process of attracting investments to Georgia from abroad" and improving the Georgian economy.

"I think [commercial diplomacy] is crucial, very important. Georgia is a small country and needs to put its name on the commercial map; the more investments, the more economic growth — that is, there is a proportional link; the more qualified and experienced staff that the Ministry will have, the more prospects there will be for Georgia," she told Investor.ge.

Training topics included areas as diverse as WTO trade law, negotiating free trade agreements, financing trade and insuring against political risk, dispute resolution, export promotion, trade fairs, and presentation skills, among many others. The areas of training are indicative of the high level of Georgian commercial development, which has improved immensely. Training, accordingly, is specifically tailored. Manoj Desai, the Principal Commercial Officer of the U.S. Consulate General in Istanbul, indicated that the training had become tailored according to Georgian needs and feedback, focusing on areas this year like presentation and negotiation skills.

Desai arrived for two days of the program to lecture on a variety of topics and engaged in a bilateral dialogue with his Georgian counterparts. He emphasized the importance of the program to Investor.ge, "The goal [of the program] is to help Georgia become a global player in world markets. If you look at any government, any country that has these types of programs — like the United States, where … for every dollar that's invested in export promotion, the return was 142 dollars, that's tremendous," he said.

"[W]e have seen that each of those countries has gained. The UK has a program, the Canadians have it, the U.S. has it — almost every country that is either developing or developed has a program where they are leveraging their foreign services to grab business. Business has become part of diplomacy; countries that trade usually don't go to war."

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Five Questions with...

Vano Sturua Founding Partner of Villa Dzara Capital

Vano Sturua, a founding partner of Villa Dzara Capital (VD Capital), manages eight restaurant brands in Georgia. He spoke with Investor.ge about VD Capital's secret for success and the importance of having well-trained staff.

MAIA EDILASHVILI

Q: You started in the restaurant business in 1998, a time when Georgia was widely considered a failed state and few people dined out. Today you have expanded to eight brands, including Taghlaura, Machakhela, Samikitno, Texas Chicken, Jaffa Shawarma, Café de Paris, New York Burger and Pizzeria Fiorino. How quickly has the hospitality industry developed in Georgia over the past 13 years?

A: We started in 1998 with a small café with just five tables. The turnover was approximately 300 lari a day. We had five service employees at that time; today we have 800 people. The number of restaurants and our revenues have increased as well...

I think we made the right decision at the beginning to be very aggressive and [we] kept opening new restaurants, even though we did not have our own resources. We cooperated with banks . . . and succeeded in taking a good part [of the market]. We are not stopping: our brand Taglaura, for instance, is a large-scale restaurant chain with four restaurants. Since it would be costly to expand such a large brand, we decided to introduce a small brand as well . . . We called it Samikitno and merged it with another brand, Machakhela, which is a traditional Georgian pastry chain. The Machakhela brand started two years ago and it's pretty successful; we recently opened the eighth restaurant in the chain . . . By the end of the year we plan to open two more.

Q: All your brands are quite different in terms of cuisine and concept; what has been your strategy?

A: When we started working on the Taglaura concept, everyone warned us against creating spacious dining halls since Georgians prefer to sit down in small booths for more privacy. We took a risk and it has proved to be a success: over the years, the culture of dining out has changed. People are happily dining in a big hall now, instead of locking themselves up in small booths.

Concerning the demand, it's always higher for Georgian cuisine, although European and American [cuisine restaurants] are performing well, too . . . what played a key role in making our

brands popular is just the quality of the service, the quality of meals: we have a monitoring system to constantly check cleanliness, food quality, the service level, every detail. Most important, as I mentioned already, has been our aggressive approach. Today taking the same market [share] would be much more difficult than it was when we started. Intuition and passion for work also help. I am myself a great cook and can prepare and assess any type of meal…

Q: Even though Georgians are known for their hospitality, the service quality at Georgia's restaurants, cafés and hotels is continually criticized – even by locals. Why?

A: The service quality is really a big problem, starting from restaurant staff to hotel personnel. The problem stems from our past — we are a post-Soviet country. It will require several generations to change to the mentality that being a waiter/waitress is a profession. In Western countries people are waiters for their whole lives. I think that people here need to have serious training and, over time, the perceptions will also change.

Q: How do you select your waiting staff?

A: People in this industry are . . . mostly changing from one restaurant to another. The majority of them have experience, but not a diploma. We plan to open a training center to increase their qualifications but it is not an easy task. At the same time, we are talking with several institutions about opening training centers . . . I think very soon the time will come when no waiter can get hired without a diploma.

Command of foreign languages is also a big problem. Almost no one speaks English among the waiting staff. I will tell you an interesting story: we have a plan to expand and open Georgian restaurants in European cities . . . So we ▸▸

needed a chef with a command of English as he/she would need to communicate with foreign staff there . . . we can't find one. This is an indication of how bad the situation in the whole country is, in this regard.

Next year we will move to a new office where we will have a training center. We may not be able to launch professional courses for waiters and chefs — that requires special infrastructure — but we will certainly offer English classes and send all our personnel there. Basic English language skills will be obligatory for everyone.

Q: You have mentioned that changing the mentality takes time. But what should restaurant/café owners do right now to create a pleasant, inviting atmosphere so customers return?

A: In the first place, the quality of meals and service play a role. However, something which is even more important in Georgia is the price. Georgia is a low-income country and price is the most important factor . . . For instance, recently we opened a Ukrainian restaurant, Kobzar, near the Dry Bridge (Mshrali Khidi), which offers high quality both in terms of interior design and service, and we brought a very high-class chef from Ukraine. Despite all this, we set moderate prices. Otherwise it would not work.

I myself travel a lot, spending half of my time abroad . . . Our country's big problem is the lack of qualified service staff and due to this tourists suffer a lot . . . Renting a car and getting around the city is not even a matter to discuss, it's so complicated. So, the lack of qualified service personnel on the market is a problem throughout Georgia, not just for our chains.

The number of tourists is increasing in Georgia and the service quality should follow suit. If the service level can't catch up with the pace of visitor inflow, interest may die down. ■

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Radisson Plans Ten Hotels in Georgia Over Next Five Years

Tom Flanagan, the Area Vice President for Eastern Europe for the Carlson Rezidor Hotel Group, was in Tbilisi in June for the group's annual conference. Investor.ge spoke with him about Radisson's projects in Georgia and its vision for the hospitality industry in the region.

With two hotels in the country, two more in the pipeline, and plans for several more, Tom Flanagan, the Area Vice President for Eastern Europe for the Carlson Rezidor Hotel Group, said Georgia is the fastest growing market in the region for the hotel group, after Russia and Turkey.

Georgia, noted Flanagan, is a country where seeing is believing. He was in Tbilisi in June for the group's annual conference – a one-a-year opportunity for Radisson hotels to host executives and to showcase their facilities.

He noted that after bringing a group of large event brokers to Georgia, Radisson received several bookings instantly. The norm is a couple bookings after several weeks.

"I think one of the main factors is definitely the access, but even before you get to the access, it is the awareness… you have to see it to believe it," he said, noting that the reaction of the 75 guests for the hotel group conference was amazed from the moment they arrived at the airport.

If Georgia increases its investment to bring business in, thereby advertising Georgia,"that is really going to one key factor to developing the business [hotel industry] even before we ask people to book a flight to get here," he said.

Bringing Russian tourists will be the "big kahuna" for the Georgian tourism sector if it can capture the winter and summer tourists.

"Now it is predominately business [tourists from Turkey, Germany]… Now the Russians, I think, will be their number one clientele, even after summer," he said. "We are working now on a program especially for the Russian holidays because that is a really an interesting capture period because everyone travels anyway so it is easy to convince them but what we are really working on is the business clientele."

Nostalgia and niche tourism should help Georgia's tourism sector continue to grow, he noted.

"[W]e were discussing how Georgia could compete with Turkey and I think they shouldn't. The south of Turkey is very much like the Cote D'Azur, it has its own tourism, its own prices -– I think we have to go with more boutique tourism here and they are definitely doing that and retaining these resorts, ecologically," he said.

Georgian wine, in particular, could have mass appeal.

"[T]his week we had a huge amount of different varieties of suppliers here to show the general managers and to experience Georgian wine. It is stunning and it is extremely different. We had flavors that I have never personally tasted before. There were so many international general managers looking for wine shops!" he said.

"You want to try something that is from the newer world and this is the oldest newest world together."

He noted that Radisson's project with partner Silk Road Group in Tsinandali has the potential to be "one of the classist experiences" in Georgia.

"In three or four years time, we want ten hotels in Georgia," he said. "And we are going to do it."

Education Challenge Facing Hospitality Industry

Despite a love for guests, Georgians have struggled to overcome their Soviet past and create efficient, professional –- and civil –- hospitality staff for the growing number of tourists coming to the country. A new program by Tbilisi City Hall, however, hopes to increase standards and create a warm welcome for tourists and locals alike.

MAIA EDILASHVILI

From Host at Home to a Professional Hospitality Sector

Being a gracious host is an art form in Georgia, where being hospitality is a considered a birthright and nurtured from childhood. But despite the priority placed on hosting at home, in the commercial sector, Georgians are still struggling to create a culture of hospitality.

Hotels that lack basic amenities, boring tour guides, and cafés with surly wait staff that serve more snark than sandwiches may mar otherwise fabulous trips to gorgeous Georgian destinations.

A 2011 Value Chain Assessment report from USAID's Economic Prosperity Initiative (EPI) found several reasons for these problems, including the fact that workers are undertrained, young people are uninterested working in the service industry, and employers are reluctant to hire potential employees over the age of 40.

The problem is not due to a lack of demand: GeoStat, Georgia's official statistics body, reported that the number of jobs in the hospitality sector has jumped over the past nine years, from 7,920 in 2004 to 23,630 in the first quarter of 2013.

Rather, it is more likely that poor salaries and low prestige associated with jobs in the service sector have exacerbated the lack of quality. While the average monthly salary in the hotel and restaurant business increased from 155 lari ($93) per month in 2004 to 462 lari ($280) per month in 2013, it is quite low compared with the average monthly salary in the trade sector and in the transportation and communications sectors, at 676 lari ($409) –- and 991 lari ($600), respectively.

However, Eka Ketsbaia, a manager at Piano, an Italian restaurant in Tbilisi, said that a good waiter should earn 50 lari ($30) a day. Good, she noted, is more about service with a smile than know-how.

"Bringing a fork in a timely manner is not the main thing, more important is that a waiter is nice to our guests so that they want to come again," Ketsbaia said. "Even a smile has a huge role."

But experts in the tourism and hospitality fields note that education is also necessary. While there are management schools providing training in the hospitality industry, specialists like Tbilisi City Hall's Arianna Briganti believe modern training — and higher standards — are vital to improve the level of service available in Georgia today. Tbilisi City Hall, together with the German Development Cooperation (GIZ), the Italian Embassy in Georgia, and Ingrao Tradizione e Innovazione, is working on a project to strengthen Georgia's tourism industry, particularly its culinary sector. The multifaceted project, which tackles the development of occupational standards in line with EU regulation, capacity building, and the Vocational Education and Training (VET) Center development, started earlier this year.

"The aim of the project," explained Briganti, the Integrated Expert of the Centre for International Migration and Development and an advisor in economic issues at the City Hall, "is that the labor force acquires the experience and capacities — both professional and ethical skills — sought by national as well as international employers..."

Management schools and vocational training centers for tourism and the hospitality sector already exist. ▸▸

Lika Vashakashvili, the manager of programs and quality at Icarus, a vocational college in Tbilisi specialising solely in the tourism industry, noted that of the 369 students who graduated in 2012, all the chefs are already employed.

Students like Nino Ajiashvili, 23, praise the school for its practical approach. Ajiashvili, who graduated with a degree in tourism management from a Georgian university, turned to the vocational school to increase her skills and, hopefully, find a job.

"I realized I needed more practical training; I would like to start from housekeeping — the lowest position — and pass through every stage in this profession," she told Investor.ge.

Vashakashvili said the school prioritizes feedback from potential employers: she noted that when research indicated employers needed staff with strong English language skills, the school increased English classes in the curriculum.

But Briganti believes that the existing VETs (vocational education training centers) are not doing enough to prepare their students. Graduates from state and private VET centers "fall below the requirements of [EU] standards, lacking those professional skills and general abilities required to be appropriately employed in both the local and international tourism sectors."

The Tbilisi City Hall project will create the first Academy of Tourism and Gastronomic Science in Georgia. The academy's curriculum will focus on the hospitality sector with a special emphasis on gastronomic science and food culture. The study program will be based on the ISO 22.000 Food Safety Standard.

Better prepared students, noted Briganti, will not only increase service standards in Georgia, but could lead to more jobs as improved services develop the tourism and hospitality sectors.

"Tourism is labor-intensive and therefore has the potential to impact a large number of lives through the generation of employment," she said. "It produces considerable potential linkages, especially with the rural and agricultural sector and communities through the food and wine industry. It creates initial demand for goods and services that can themselves develop into growth sectors."

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The Travel Advisory Conundrum

Georgia is a gem for tourists: a relatively inexpensive, unexplored, beautiful country that still welcomes foreigners and prides itself on keeping them safe. Travelers, airlines, and international investors have already fallen under its charms: why, then, are the travel advisories for visitors so alarmist?

For anyone who has ever been to Georgia, or lived in Tbilisi, the only mystery about travel journalists' new love affair with the country is why has it taken so long for them to figure it out.

This year, even British Airways listed Tbilisi, alongside Las Vegas, Rio de Janerio, and Seoul, as one of its top ten destinations for travelers, naming it a "a fascinating smorgasbord of cultural influences." But the British government views travel to the country through less rose-tinted glasses: its latest advisory warns travelers against driving at night and even mentions the threat of terrorism – even though there has not been a single major terrorist attack or threat against Georgia, while large-scale attacks have, unfortunately, been carried out in London, New York, and other foreign capitals. The Canadian and U.S. governments are equally cautious. The U.S. State Department echoes London's warnings about traveling at night, and urges U.S. citizens to "vary" times and travel routes, travel in groups, avoid public transportation and "keep a low profile."

While warnings about travel to separatist regions like South Ossetia and Abkhazia could be justified since the regions are not under Tbilisi's control and embassy staff has little access or influence there, the fears about crime, robbery, and attacks on foreigners seem alarmist in light of Georgia's low crime rates. The country has one of the lowest crime rates in Europe, based on the findings of a 2011 survey funded by the European Union, less than a percent of the 3000 people surveyed nationwide had been a victim of robbery or assault.

While the Georgian government has reportedly lobbied hard to have the travel advisories toned down in light of the reality on the ground, diplomats note that foreign governments are obliged to err on the side of caution. The policy is across the board, one diplomat said, adding that there are even dire travel warnings from some governments against visiting towns within the United States. The British government warns travelers to the US about terrorism threats; the Canadian government warns travelers to Miami about potential "break-ins, assaults and pickpocketing" and instructs citizens to "exercise caution" and "[r]emain alert and discreet while in entertainment areas." There have been reports that travel advisories issued by the U.S. State Department has discouraged tourists from coming to Georgia. Tourism specialists, however, noted the negative travel advisories have not affected tourism to Georgia: the number of international tourists grew 38 percent from 2010 to 2011, from 2.03 million to 2.82 million, and increased an additional 56 percent in 2012.

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Shopping for Souvenirs

Georgia's tourism industry is in overdrive as the number of international visitors – and domestic tourists - continues to grow. But while investors are building hotels and the government is paving roads, there are a surprisingly limited number of places for visitors to spend money outside of major urban areas like Tbilisi and Batumi.

Intricate rugs, beautiful handcrafted jewelry, t-shirts, magnets, and miniature flags: artisans and entrepreneurs in Tbilisi are finally catching on to the souvenir business. But travel to any one of Georgia's breathtaking regions, and the opportunity to buy things quickly evaporates.

Natalia Kvachantiradze, the chairman of the Georgian Tourism Association (GTA), said the lack of souvenirs is a "problem" for the rural tourism industry.

"[Villagers] want to sell but there are not enough shops where the tourists can come and spend money – it is a big problem," she said.

"We want to help people who live in the regions to increase their incomes."

Around the world, the commercial trappings of tourism – the money spent on hotels, restaurants, shops, and local services – is a multi-billion dollar industry. And Georgia is missing out: a 2011-2012 survey by the Georgian National Tourism Agency found that international visitors spent just 546 lari ($330) during their trips, far below other countries.

The lack of facilities around popular tourist destinations, like the Holy Trinity (Sameba) Church in Kazbegi, could be part of the problem.

Irakli Toloraia, the Rural Economic Development Advisor for the USAID-funded Georgia New Economic Opportunities (NEO) Initiative, noted that an initial study into tourism in the Kazbegi region uncovered a real demand for cafes and shops near the church.

While busloads of tourists travel to the site on a regular basis, not all the travelers make the trek to the church, leaving them to sit on the bus for hours, waiting for their fellow passengers to return so they can finish their trip.

As part of the four-year Rural Economic Development program, NEO worked with locals in Kazbegi, awarding grants to individuals and businesses that could fill that gap.

One of the recipients, Luka Gotsiridze, built the first modern souvenir-making factory. Located in Aragvispiri, Dusheti municipality, Combimap employs 16 people and has sold 200,000 souvenirs locally – as well as 60,000 souvenirs internationally.

Gotsiridze told Investor.ge he decided to start producing small souvenirs in 2008 after he realized that the items for sale for tourists were too big and bulky for the average tourist to buy and take home. But he is one of the few to branch out into the business: the lack of production facilities in Georgia mean souvenirs have to be mass produced abroad, a complicated procedure for many small businesses, Gotsiridze noted.

In addition, private financing is still expensive and relatively difficult to obtain for rural households. Organizing and educating tour guides about newly opened facilities is another stumbling block, Kvachantiradze noted.

"People in the village don't know how to create businesses and develop this [sector] and they need someone who will be more active in this [process]," she said, noting that GTA, as well as other tourism associations, NGOs and donors have created a tourism advisory board with the government to tackle issues like creating souvenir shops and workshops in rural communities.

Toloraia, however, remains optimistic that Georgian entrepreneurs are up for the challenge. He noted that at popular destinations like Vardzia cave complex, services for tourists have started to open.

"Nothing is happening in one day. In Svaneti for example, they used to have tourists during the Soviet times so they know how to behave with tourists. But a couple of years ago, we had places in Georgia where if you asked a guesthouse owner to take money from guests for food, they were ashamed or angry about it because these were guests," he said.

"But I think everything will come little by little."

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OTAR KAKHIDZE, BGI

Independence of the Judiciary in Georgia: Trends and Challenges

Over the past 15 years, the judiciary has gone through several waves of reforms. Throughout this period, Georgian society never stopped talking about the independence of the court system, the degree of trust toward it and the need for its further reformation. In this editorial, I will address the following questions: how has the court system changed in recent years? What does the independence of courts mean? How should a better judiciary be achieved?

Corruption

One of gravest problems the former government inherited was an utterly corrupt judiciary. Low salaries and corruption bogged down the courts. Honest judges, often marginalized, lived in poverty and were forced to supplement their meager income by academic activities. Whether it concerned the registration of a business, "legalization" of property, lesser sentences for criminals or the settlement of civil disputes, nepotism and bribery infested the system.

Combating corruption in the judiciary was a far tougher challenge than other reforms, including, e.g., the police reform. Yet, this fight was won. Since 2005 up to 20 judges have been prosecuted for bribery, standards of ethics and for conflicts of interest were drafted and implemented and the salaries of judges significantly increased. As a result, according to the research conducted by UNDP in 2009, 92 percent of Georgian citizens no longer consider corruption to be a problem in the courts.

Institutional Independence

To establish whether the courts are independent, several questions need to be raised, including who appoints and dismisses judges, and based on what procedures; how are judges disciplined; and how are the courts financed?

The High Council of Justice, the main administrative body in the court system, plays a key role in regulating these issues. Prior to the 2007 reform, the High Council of Justice was a consultative body of the President of Georgia. Out of the 12 members of this council, four were appointed by the president and another four by parliament. One member was appointed by the Chairman of the Supreme Court. The Justice Minister and chairmen of the supreme courts of the autonomous republics of Adjara and Abkhazia were ex-officio members of the council, while the secretary of the High Council of Justice was appointed by the president.

The appointment and dismissal of judges, as well as issues concerning the management of the court system, fell under the control of the executive branch.

Under the reforms implemented since 2007, the High Council of Justice became part of the judiciary and the rules for service on the council were fundamentally changed: The president and the justice minister were fully disengaged from the council and the Chairman of the Supreme Court became the head of the body, nominating a pool of candidates for the positions of secretary of the High Council of Justice and the majority of its members. Following the reforms, the positions were decided by the Conference of Judges.

Other changes included making the Chairman of the Parliamentary Committee on Legal Issues an ex-officio member of the council, and stipulating that one of the three members elected to the council by parliament one was from the parliamentary opposition.

New amendments to the rules on the membership of the High Council of Justice have increased the body's autonomy: the new rule allows each and every judge to nominate candidates for membership of the council to the Conference of Judges, which is the judicial self-governing body. In addition, it establishes a procedure for secret ballots, strips the executive branch of the right to appoint a member, and allows parliament to elect non-judge members of the council. The new law stipulates non-judge members should be representatives of the legal

field – academics, the Georgian Bar Association and the non-governmental sector –- rather than politicians, meaning that Parliamentary members will no longer serve on the High Council.

Allowing parliament to appoint members of the High Council of Justice is a means of balancing the judiciary. The regulation of the council, decisions on disciplinary issues and the appointment of judges are approved with the participation of the non-judge members of the council.

It should be noted that out of the six non-judge members of the council, two are elected by the parliament by two-thirds of its composition. This requires the participation of the parliamentary minority in the decision-making process. However, the parliamentary majority can refuse to approve candidates supported by the minority and, in such a case; these two seats will remain vacant.

Challenges

After the Rose Revolution, the government was faced with a failed state and simultaneously had to rebuild the country on all fronts. We witnessed the construction of new state institutions, often from scratch. The Rose Revolution government did not view the real redistribution of power as a priority; rather it focused on the rapid implementation of reforms. The main driving force was a hyperactive executive branch, which brought about fast progress in almost every direction. In so doing, however, it diminished the role of the legislature and the judiciary.

While it is not serious to talk about the deterioration of judicial independence compared to the judiciary prior to 2004, it is true that the court system during the previous government often failed to perform its role of balancing the executive branch and providing checks on the arbitrariness of its conduct. Especially worth noting in this regard, in the area of criminal law, is the protraction of both jury trial reforms and the correction of the progressive norms of the new Criminal Procedure Code (the chapter on secret investigative activities and the new rules for interrogating witnesses), which led to the stagnation of reforms and harmed the interests of justice.

It can also be argued that the judicial corps was reluctant to take responsibility and enjoy its institutional independence: 99% of the motions from Prosecutor's side were approved and judicial control was often purely formal in substance. At the same time, the judiciary could not reposition itself as a transparent and trustworthy body, a problem likely aggravated by the decision to close the courts to members of the press. Around 95 percent of Georgian citizens have never be inside a courtroom, and have never had the opportunity to watch and assess ongoing cases. The subsequent lack of transparency created more opportunities for the often unsubstantiated attacks that were intended to discredit the authority of the judiciary in general.

Nevertheless, it must be said that the courts gained institutional independence during the rule of the former government. This was clearly seen after the October parliamentary elections when the court system proved to be a stable, self-sustaining body. Presented with this golden opportunity, it seems the judges have realized that they are really independent and do not have any "moral obligation" to toe the line of any political conjuncture.

The current challenges facing the judiciary include withstanding the apparent political pressure coming from the executive and the legislature (e.g., one may recall statements of Justice Minister Ms. Tsulukiani, vice speaker of Parliament Ms. Kobakhidze, reports about blackmailing of a court clerk by an official of the Ministry of Internal Affairs, summoning a district court judge on the case decided by him, assaulting of the court building in Akhaltsikhe, reportedly by activists of the Georgian Dream Coalition, etc.); defining clear and uniform criteria for resolving controversial procedures (such as secret investigative activities, pretrial detentions, etc.); and continuing to build up public trust while delivering justice and demonstrating that is equitably and appropriately.

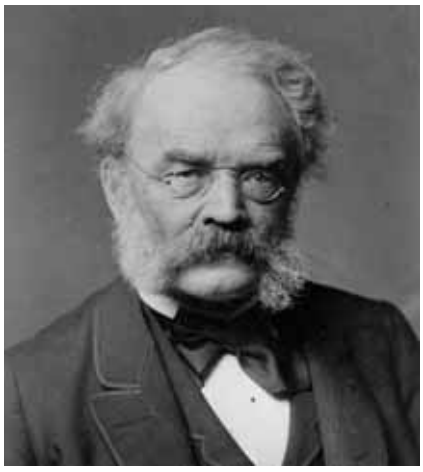
We could very well be witnessing the birth of a judiciary that is truly independent of the government, both institutionally as well as factually, after years of reforms. This is the result of the transfer of power via elections, the reforms implemented by the former government and the forward-facing steps taken by the new government that finally strengthened the independence of the courts by providing them with a new source of legitimization and setting a standard of transparency.

Otar Kakhidze is a Director at BGI advisory services Georgia, specializing in criminal and administrative law. Prior to joining BGI, Mr. Kakhidze held several key positions at the Ministry of Justice of Georgia, including serving as a Deputy Minister of Justice, where he chaired the drafting group and co-authored the new Criminal Procedure Code. Otar was centrally involved in the drive to liberalize criminal justice policies, particularly towards juveniles and those accused of 'white collar' crime. His professional experience also includes four years with the Georgian Young Lawyers' Association (GYLA), a leading legal aid NGO in Georgia, where he served as a Parliamentary Secretary of the organization. Otar teaches criminal law, legal writing and trial skills at the Free University of Tbilisi.

Siemens Brothers in Georgia

Few people know that the founders of Siemens made their business in Georgia and two of them are actually buried in Tbilisi. From oil drilling to setting up a telegraph line, the influence of the Siemens brothers brought Georgia in closer contact with the outside world.

Carl Siemens



Werner Siemens

EMIL AVDALIANI

Siemens was established in 1847 by Werner von Siemens and his friend Johann Georg Halske. Eventually, Werner's entire family would play a role in the business, especially his seven brothers (Hans, Ferdinand, William, Friedrich, Karl, Walter and Otto). Together they invented the inert regulator for a steam engine that enabled engineers to check the pressure level in pipelines, as well as the first "electric railway" — otherwise known as a tramway — and the first elevator.

"Russia is a country where it's possible to earn money..."

In the late 19th century, the Russian Empire was predominantly agricultural. Social and economic reforms implemented by the Tsar Alexander II changed little and development in the empire was considerably behind that of countries in Western Europe. Nevertheless, the Russian elite supported capital inflow from such mighty families as the Siemens, Nobels and Rothschilds to effectively use the country's natural-resource and industrial-potential.

"Russia is a country where it's possible to earn money, if you understand her well. You should find friends and acquaintances there," wrote Werner from Berlin to his brother Karl in St. Petersburg. After a number of successfully accomplished projects in the imperial capital, the Siemens established their mission in Tiflis (Tbilisi). They understood perfectly how important, in geographical terms, the location of the Transcaucasus was — the city would provide them with much easier access to reach the Middle East and India. The Siemens brothers also used Poti, and from 1878 on, Batumi, as port cities to export their products to Europe.

In 1858, in cooperation with Grigol Orbeliani, the first telegraph line, Kojori-Tiflis, was established in Georgia. Two years later, in 1860, Werner's brother Walter took charge of the Tiflis-Kutaisi-Poti telegraph line. In 1863, the Tiflis-Moscow line was established, and, in 1865, the Siemens company finished works on the Tiflis-Yerevan line, completing the network in 1868 with the Tiflis-Baku line.

At the same time, Siemens was building the Caucasus telegraph line. In 1867, Siemens brought its branches in Berlin, London, and St. Petersburg together to work on the longest telegraph line in the world, a network that would stretch from London to Calcutta.

By 1869, Karl Siemens brought the telegraph line to Georgia to be installed under the Black Sea, connecting the two sides of the worldwide network, as well as the underground line for the Tiflis-Moscow line. The latter project was finished only in 1880-81. The so-called 11,000-kilometer-long "Indian telegraph" was completed in 1870. Connecting 34 countries, including Georgia, it was the longest terrestrial line in the world. And, until recently, traces of the telegraph (Siemens-Patent-London)

were still visible in some parts of the country. In his memoirs, Werner Siemens provides rich details of working on the "Indian telegraph" on the shore of the Black Sea and in Georgia. Particular favorites among his memories were Georgian nature and the ancient cities of Kutaisi and Mtskheta.

The "Indian telegraph" project was also overshadowed by tragedy: in 1868, Werner's brother, Walter Siemens, aged 35, died in Tiflis (he accidentally fell off a horse).

Walter had lived on Sadovaia Street (currently Lado Asatiani) in the historical Sololaki neighborhood for nearly eight years. During the stay he had to travel to Iran to ensure the local government's commitment to the "Indian telegraph" project.

Following Walter's tragic death in 1868, his brother Otto became the head of the German mission in Tiflis, eventually becoming the consul of Prussia in the Transcaucasus.

Otto also passed away in Tiflis in 1871 from unknown cases. Both brothers were buried in the cemetery in the Vera Garden.

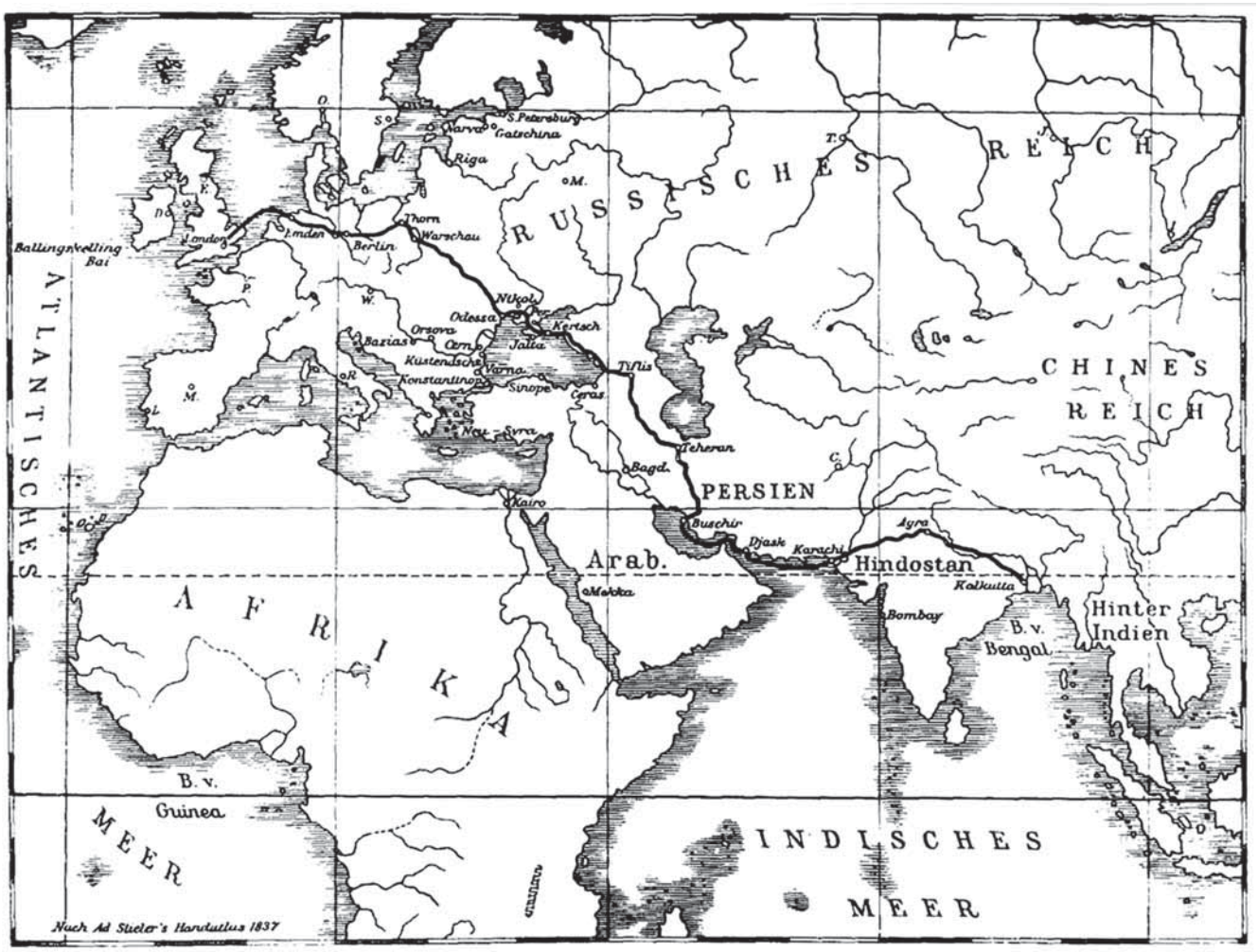
Technical Progress in Georgia

In addition to connecting Georgia with major European cities via the "Indian Telegraph," which allowed the country to receive news from abroad in just one or two days instead of weeks, the Siemens brothers were also innovators in the oil industry by drilling the Tsiteltskaro and Mirzaani oilfields in Kakheti.

Legacy

When the Russian Revolution began in 1917, work on the company's oil and ore holdings stopped abruptly.

While Soviet propaganda depicted the Siemens family as robbers who exported gold and silver, the company's partnership with the government continued, culminating in the Siemens' construction of the Zestafoni Ferroalloy Plant in 1930.



A Magician in the Kitchen: Meriko Gubeladze Takes on Traditional Georgian Cuisine

HELENE BEDWELL

One Ghobi, Chadukebi and Green Elarji Please...

Everyone who admires Georgian cuisine also knows just how monotonous it can become after a while! Have you ever noticed, just when you are just about to order a meal in your regular restaurant, the wait staff simply brings you and your friends one menu for all, assuming that everyone knows what to order: khachapuri, khinkali, peasant-style green salad, cheese rolls, and garlic-fried chicken?

Well, here is some good news for those who are in Georgia and are seeking something different, something unusual and unique: Shavi Lomi (The Black Lion).

This is a place where diners can exercise their taste buds with new delicacies, according to Meriko Gubeladze, The Black Lion's renowned chef and Georgian television personality.

I visited her restaurant some time ago, when a friend suggested trying something different from the famous — and famously traditional — riverside restaurants and modern Chardin eateries. The only real problem we had is that we couldn't find the place! Meriko admitted that The Black Lion is not well advertised, but insisted that is not because she's trying to keep it a secret.

She offered me some samples from the menu in her restaurant, which is in the bohemian design of a basement diner that, at first glance looks more like a cellar, than an upmarket establishmen. Where a diner can enjoy what they have to offer.

Meriko was very young when she began to develop her cooking abilities, thanks to the help of her mother and grandmother.

While her first attempts at cooking

were not always successful — like the time she threw an eggplant into a boiling soup pan (her mother was not pleased) — today all that has changed. She pleases her customers with such creations as khachapuri prepared quesadilla-style, with meat, mini chadukas, and almond sauce.

Meriko was twenty-three when she moved to the United States for non-food-related studies, but was shocked to discover that despite coming from such a colorful and spice-loving country like Georgia, she was still discovering more and more new tastes. Her curiosity landed her jobs in various restaurants and reignited her desire to become a chef.

She then went on to study professional cooking and kitchen management at the Vienna Tourism College.

When Meriko finally returned from America, she happily accepted a managing position at a restaurant that was very different from the usual Georgian concept. "The most difficult part was to convince the traditional cooks to use something different than all those known ingredients," Meriko said. "I was called crazy, insane, and everything under the sun, but I persisted."

Meriko's protests about Georgian food being too bland and sometimes even harmful to weak stomachs is easily understood when one tries one of her creations. She fries the corn flour for the famous Georgian cornbread, chadi, which darkens the dish and gives it a slightly lighter taste than the traditional golden-fried patties.

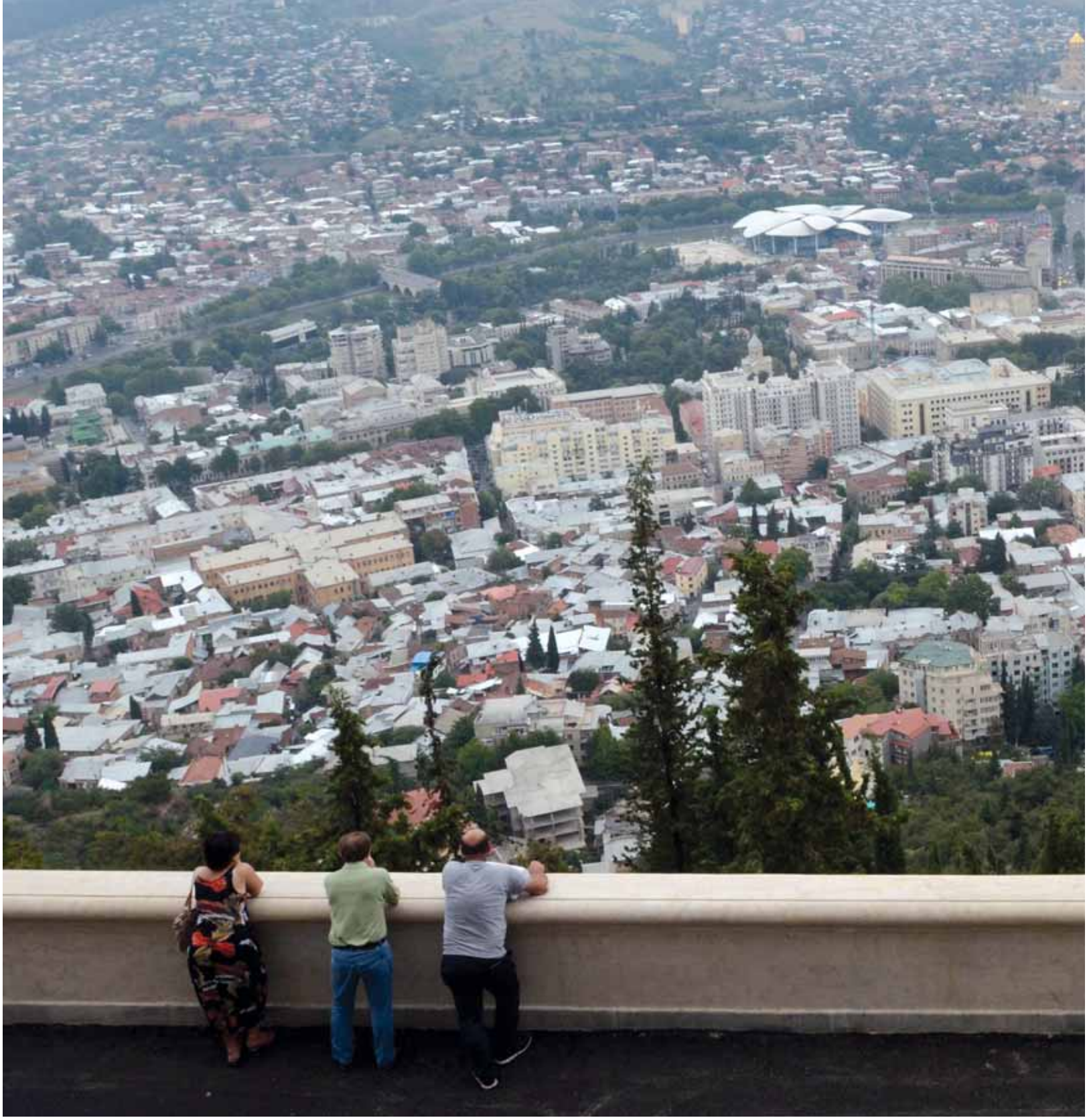
She uses almonds, instead of traditional hazelnuts, for the famous Bajhe sauce, another shocker for the conventional Georgian kitchen. Her ghomi is green, full of mint flavor, and simply divine when served with mouth-watering gebjhalia (sulguni and cottage cheese wraps).

Meriko said that she would love to discover more forgotten recipes from across the country: for many years Georgians were trapped by the idea that just a handful of standard recipes exist and all others were just made up or adopted from abroad.

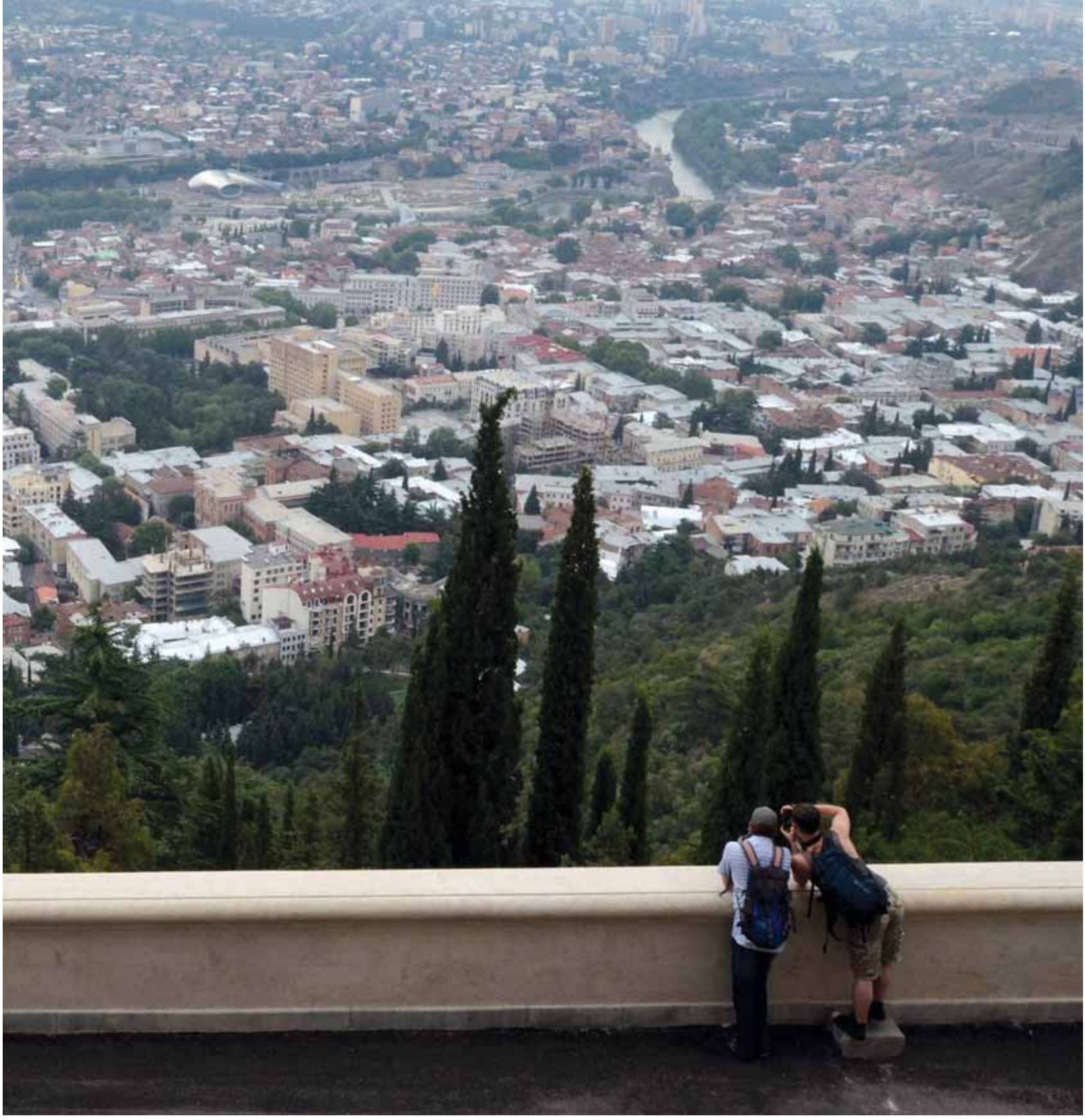
"I categorically denounce the idea of mayonnaise usage in Georgian restaurants. We can do better than the Soviet-style salad recipes," she said.

The Black Lion, named after Niko Pirosmanishvili's eponymous painting, is one of the pioneers of the new era of Georgian food, along with Mandari and the cooking academy at the Agricultural University of Georgia, founded by Kakha Bendukidze, a former economic minister and current chairman of the Free and Agricultural Universities.

Meriko's culinary findings certainly represent the future of Georgian cuisine, something visitors and Georgians alike will miss and crave when away from Georgia.



My City, Tbilisi: Rebuilding Tbilisi's Icon



For the past year, Investor.ge has brought you a series of six guides about Tbilisi, from what to do with children to a tour of the city's 1930s architecture. For the next six issues, Investor.ge will speak with locals about different neighborhoods and events in the city in a six-part series to bring Tbilisi's grand history, graceful streets, and great cultural life alive for all readers, whether local, expat, or visitor. Investor.ge welcomes readers' input; if you have any ideas or suggestions for the series, please contact the editor at m.corso@amcham.ge.

For the first installment in the series, Investor.ge spoke with Tbilisi native Irakli Baidashvili, one of the developers behind the renovation of the Mtatsminda Funicular Station and restaurants –- as well as other cultural gems in the city's historic center.

Restoring Tbilisi's Great Buildings – And Businesses

For over a decade, Irakli Baidashvili and his partners at GMT Group have worked to restore, renovate, and revitalize Tbilisi's greatest buildings and most famous businesses.

Baidashvili, who also serves as the treasurer and vice president on the AmCham Board of Directors, said the GMT Group is motivated by a desire to restore the jewels of the city's architecture without sacrificing modern business sensibilities.

GMT Group stepped in when the city's treasures were languishing, after years of war, civil strife, and poverty, and purchased a package of real estate, including the collapsed funicular station and the ruins of the Hotel Tbilisi (now Tbilisi Marriott).

"Our vision is not only to make profit … our ambition is that we want, with our investment, to contribute to the developing of the country, to contribute to bringing back the glory of those businesses that were existing before," Baidashvili said.

"So it is a combination of the history, the emotions of Tbilisi, and the many generations who were raised with this."

Tbilisi's wide avenues like Rustaveli and Aghmashenebeli are

relatively new additions to the ancient city, he noted. Tbilisi started in the eastern neighborhoods of Narikala and Ortachala and developed around the river in a spiral. It was not until the 19th century, when Georgia became part of the Soviet Empire, that avenues and grand squares were added.

The Mtatsminda Funicular Station is just the latest cultural treasure to be rebuilt and reopened by GMT Group: they also rebuilt the Tbilisi Marriott and the block on Freedom Square that holds the Courtyard Marriott and the GMT Plaza.

While it was not the group's first project, Baidashvili said it is one of the most "sophisticated and complicated" of GMT Group's efforts to date.

"In our approach to our projects, in the concepts, in the task for the architects, we try to blend the old town and the old historical values, with the top modern quality, technology, and architecture," Baidashvili said.

"Our approach to Mtatsminda is even more complex and sophisticated than with our other businesses because the property itself is very sophisticated. It is also practically an identifier for the town. This became like the Eiffel tower of Tbilisi."

The Eiffel Tower of Tbilisi

While GMT Group based its reconstruction on the station building opened in 1938, Tbilisians' ties to the site and the mountain are based on hundreds of years of Georgian culture and religion.

Mtatsminda, which means "Holy Mountain" in Georgian, has been a holy site for Tbilisians for centuries, Baidashvili said.

"This mountain was always considered a holy place. In the medieval centuries, Saint Davit Garejeli founded his building here, and then this place became a sacred place, a place of pilgrimage. When he became one of the patron saints of Tbilisi, Tbilisians started to call this mountain Mtatsminda, which means Holy Mountain, and they somehow mentally and emotionally they understood this as a counterpoint to Athos Mountain in Greece," he said.

The mountain, which used to be just rock with no trees or greenery, was slated for development by the city at the turn of the 20th century, when Georgia was still part of the Russian Empire. Baidashvili said at first the city thought to turn it into a residential area but eventually the authorities decided to make it a city park. The funicular was commissioned in 1906 and, as the upper station started to function, small eateries appeared for people to have a cool drink and lunch.

By the time the Communists came, in 1917, the site was well established.

When the Communists developed Shabatoba (Subotnik in Russian), the obligatory volunteering on Saturday, residents were happy to be assigned the chore of planting trees and greenery on Mtatsminda, Baidashvili said.

"Therefore this place became also part of their lives, because they contributed to this and now we have a green mountain," he said, adding that by the 1930s, the Communists decided to capitalize on the site's value as a meeting place.

"In the late 1930s, the Communists decided to have the restaurant of the restaurants, one of the top restaurants in the Soviet Union. Lavrenti Beria was personally supervising it."

The building, opened in 1938, became the trademark of Tbilisi. It was famous as a restaurant, but also included, among other things, a restaurant, a library, and a nursery.

"All the generations were spending the whole day here," Baidashvili said.

The graceful columns began to define the city.

"For Tbilisians, this became part of their life. For the kids, it was a reward to be taken here, and for the adults it was for having rest and to see other people."

Balancing a Thin Line

Baidashvili and his partners took the responsibility of restoring the city's icon very seriously. Together with investors from the United States and investment from the Overseas Private Investment Corporation, they spent $20 million and several years studying and rebuilding the three-story building.

"Our approach and our vision was derived from its past. It was the number one restaurant of the town, therefore it should remain as it was. This was a historical building and it should remain as it was," he said.

"Our approach was very careful. We studied everything, every single remnant that was historical in the building … this was a challenge, a challenge which some people told us this was "mission impossible" to maintain the historical value of the building and to maintain its spaces .. and to make it an efficient, viable, income generating building."

But, after years of work, the group unveiled three floors –- 7000 square meters –- of dining, accessible for all income levels.

"Our core approach was that this should become a showcase of the Georgian cuisine since it is an integral part of the Georgian culture -- maybe one of the main parts -- of the Georgian culture," Baidashvili said.

"And luckily, the investors ▸▸

agreed with us." It has not been easy, however. Every detail had to be studied and reviewed. GMT Group sought out masters to carve out Georgian ornamentation on the plaster works and foreign consultants to help create restaurants that combined the best of both Georgian culture and modern technology.

The first-floor bakery, Puri Guliani (Bread with Heart), uses state-of-the-art-ovens to bake the finest in Georgian traditional baked goods like khachapuri, as well as cakes and sandwiches. Chela (which means cow in Megrelian) hits a striking balance between upscale American steakhouse décor and great Georgian grilled dishes like mtsvadi, kebabi, and khinkali.

For the second-floor bar/lounge, GMT Group brought in an international drink expert from the UK, Drinks Fusion, to create local cocktails based on Georgian products and international standards. A London drinkmeister has relocated permanently to help develop mixed drinks and cultivate a bar culture in Tbilisi.

The second-floor restaurant, Funicular, requires a reservation, and offers diners the only Spanish Josper charcoal oven experience in town, as well as the best views over the city.

And the third floor, a banquet hall, combines the site's historical terrace with the modern demands of a conference hall: glazed walls allow guests to enjoy breathtaking views over Tbilisi, and the latest technology allows the room to be converted for everything from weddings to business conventions.

Turning a city icon from a ruined memory into a viable business in the 21st century requires balancing a "thin line," Baidashvili said.

"This is a thin line but I would say it is a mandatory line to walk and challenge. You have to respect everything that is valuable for the buildings. This is a challenge that you have to face," he said.

"On one side you really have to respect whatever is embedded as a historic element, the historic value of those sites. And, at the same time, you should bring a modern element into it. The core is that it should be viable … whether we will succeed or not, time will tell."

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CONTENT

54 AmCham's Annual Fourth of July Picnic

46 Practical Advice Workshop for Members

46 Lobbying for an Effective Labor Code: An interview with Lasha Gogiberidze

47 AmCham Georgia, BAG Host Presentation of MCA-Georgia's 2nd Compact

47 Forensic Accounting and Fraud: An Overview of Worldwide Trends

48 AmCham's two corporate A members re-elected to board of directors

48 CLT Committee Updated Members on Rule of Law Project

48 CSR Committee Represented in Baku Workshop

49 Improving Performance in Emerging Markets: ISPI EMEA Conference

49 KPMG Specialist on FATCA Offers Workshop for Government, Banks

50 Member Profile: Asseco Georgia

51 AmCham Thank You to Picnic Sponsors

52 Membership Directory

54 Social: AmCham Fourth of July Picnic

56 Social: APM Terminals' Community Outreach

57 Social: American Friends of Georgia and Brazilian Embassy Event

58 Board of Directors

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Practical Advice Workshop for AmCham Members:

How to most effectively and efficiently comply with the new Labor Code

Lasha Gogiberidze, partner at BGI Law Firm and Chair of AmCham's Labor Relations Committee, and Maia Tsereteli, Executive Director of Key Management Solutions (KMS Georgia), led an informational workshop on the topic of the recently enacted Georgian labor on July 19.

In his presentation, Gogiberidze highlighted the most relevant and salient changes in the amended labor code. He specifically discussed requirements that certain contracts be in writing, essential contract terms, details regarding employee handbooks, overtime, warning and termination requirements, and notification requirements in company policies, in contract changes, and in terminations.

Gogiberidze and Tsereteli discussed a host of other matters essential for company directors and HR managers doing business in Georgia and entertained many questions from the audience. Tsereteli mentioned that while there is no grace period specified in the new labor law, being in compliance with the law is an issue of utmost topical importance and interest for AmCham members and the business community at large.

Tsereteli answered a number of questions on topics ranging from employee warnings to employee leave and answered practical questions from the audience on issues that may arise due to the new regulations. AmCham received many positive comments on the event and its practical utility for the members companies.

Gogiberidze underlined that the complexities of the new labor law require that any business with concerns rely on appropriate professional advice and that labor code presentation was for informational, not legal purposes.

Lobbying for an Effective Labor Code: An interview with Lasha Gogiberidze

AmCham Georgia, particularly the Labor Committee and Board Member Lasha Gogiberidze, spent months working with the government and business associations to produce a labor code that provides adequate protection for both employers and employees. Investor.ge spoke with him about the experience, and Georgia's new labor code.

Lasha Gogiberidze, a partner at BGI Legal, helped AmCham Georgia's efforts to negotiate for a balanced labor code. Talks with the government, business associations, and labor union representatives lasted for months, and AmCham staff, with Chamber President Sarah Williamson, Executive Director Amy Denman, and Lasha Gogiberidze, attended hours of discussions, debates, and meetings in an effort to voice the business community's concerns.

Lasha Gogiberidze noted that with the exception of a few "minor hiccups," the process of working together with the government on the new law was positive.

"We were generally rather pleased with the cooperation and the level of responsiveness from the government and the deputy minister of justice, in particular," he said.

Out of 35 initial amendments, 17 were identified as unacceptable by AmCham's labor relations committee and a dozen were prioritized for change.

One of the most important amendments would have ended the policy of "fixed term contracts." The proposed draft would have eliminated fixed term labor contracts, except some very specific circumstances. After AmCham's successful lobbying, it is now possible for the employer to make an initial one-year contract for two consecutive times, plus a six-month trial period, before hiring an employee for an indefinite period of time.

Another important issue for our members was shift work. Proposed amendments eliminated the possibility to negotiate amount of working time between parties and set it at a maximum 40 hours per week. AmCham suggested to the authors of the draft law to add a special provision for shift work. Our suggestion was accepted and now employers can make contracts for shift work, where working time can actually exceed 40 hours in one certain week but it will be compensated for by rest time in next week or the week after that. Moreover, overtimes can now be compensated by additional rest time instead of overtime pay. "Termination at will," a major element of the 2005 Labor Code, has now been removed.

The new labor code, Lasha Gogiberidze said, should not cause too many headaches for businesses.

"The biggest concern initially was in several drafts that were floating around which were, for a lack of a better word, outright wrong and dangerous. If those were to be adopted, Georgia would effectively lose the labor market and everything would have been reverted back to the shadow arrangements or outsourcing," he said.

"I think, in general, the final form of what was adopted is fine and businesses generally operating in good faith should be able to continue functioning normally."

AmCham, BAG Co-Host Presentation of MCA-Georgia 2nd compact

At the invitation of the American Chamber of Commerce in Georgia (AmCham) and the Business Association of Georgia (BAG), Millennium Challenge Account - Georgia presented the MCC's Second Compact in Georgia to the business community on June 24 at Radisson BLU Iveria hotel. This presentation reported on the progress made in the preparations for signing and launching the compact agreement, as well as on the milestones achieved so far. Over 100 of the largest companies in Georgia attended.

The opening remarks were delivered by the Vice Prime Minister and Minister of Education of Georgia, Giorgi Margvelashvili, H.E; the Ambassador of the United States of America to Georgia, Richard Norland; and Minister of Finance Nodar Khaduri. The presentation was led by Resident Country Director in Georgia, Jim McNicholas and the Acting CEO of MCA-Georgia Gia Zurabashvili.

On June 19 the U.S. Millennium Challenge Corporation Board of Directors approved a five-year, $140 million compact with Georgia to increase the quality of human capital by investing in science and technology education and workforce development.

"One of the key ingredients to economic growth is equipping citizens with the education and skills they need to succeed in a modernizing economy," MCC CEO Daniel W. Yohannes said, stressing that "this compact will strengthen teaching, learning and educational intuitions in Georgia so that students can learn skills that are directly matched to industries driving growth. A better-educated workforce will accelerate economic growth, stimulate job creation, reinforce democratic participation, and better position Georgia to be a strong trade partner of the United States."

For its subsequent compact, the Government of Georgia conducted an analysis that identified the quality of human capital as a binding constraint economic growth, particularly acute in science, technology, engineering, and math (STEM).

To improve the quality of education in these fields and increase earning potential, the proposed compact will make strategic investments from the start of a student's general education to graduation from technical training and advanced degree programs, including a focus on increasing women's participation in STEM professions. The compact, expected to be signed during the summer of 2013, consists of three projects:

The Improving General Education Quality Project seeks to improve the quality of general education through rehabilitation of deteriorating schools, training for educators and school managers and support for education assessments.

The Industry-Led Skills and Workforce Development Project aims to improve the link between market-demanded skills and the supply of Georgians with those technical skills.

The STEM Higher Education Project proposes to attract one or more American university partners to modernize science, technology, engineering, and math education by offering high-quality degree programs that boost productivity and growth and increase employment opportunities.

MCC's Board selected Georgia as eligible to develop a second compact in January 2011; the country successfully completed a five-year, $395.3 million compact in April 2011.

AmCham Business Roundtable

Forensic Accounting and Fraud: An Overview of Worldwide Trends

Clinton Hagfeldt, the head of the advisory department at KPMG Georgia, spoke to AmCham members about tendencies in fraud in private, public, and non-governmental organizations over the past three years during the roundtable event for AmCham members at the Sheraton Metechi Palace Hotel on July 10.

Bridget Brink, US Embassy in Georgia Deputy Chief of Mission, opened the meeting with a frank, off-the-record discussion about local and international current events. In his presentation, Hagfeldt highlighted three years of research into frauds worldwide, paying special attention to how the complexity of modern business, coupled with the unique challenges of working in a developing economy like Georgia, impacts the situation for businesses and the government.

Hagfeldt noted that 86 percent of fraud discovered around the world over the past three years was perpetrated by male employees who have worked at their organization for one to five years. Statistics indicate that most fraud is discovered 18 months after the fact, and in 35-42% of the cases, two or more employees are collaborating together, a situation that complicates the ability to discover fraud.

Most cases of fraud are typically discovered after management gets a tip, and continued, diligent oversight is necessary to protect any organization from fraud.

Studies have found that $3.5 trillion was lost due to fraud in 2011, based on figures from the Association of Certified Fraud Examiners. During the meeting, several members made announcements. BDO announced it has hired Clifford Isaak as a partner and BGI Legal announced that Otar Kakhidze has been named the new legal director at the firm.

General Assembly of AmCham Georgia

AmCham's two corporate A members re-elected to board of directors

BP's Neil Dunn and TBC Group's Badri Japaridze were re-elected on June 19 as directors on the Board of Directors for the term of two years during the AmCham General Assembly meeting at Radisson BLU Iveria Hotel. With a quorum of 43 percent, AmCham corporate A members had to choose among four candidates.

The meeting was opened by AmCham President Sarah Williamson who gave a general overview of AmCham's activities and achievements over the past year, which was followed by a review of AmCham finances and member information for year 2012 by Treasurer Irakli Baidashvili.

At the General Assembly AmCham also sought member approval for the Chamber's financial auditors for years 2012, 2013 and 2014. KPMG was unanimously approved.

CLT Committee Reports on Rule of Law Project

AmCham's Commercial Law and Tax Committee discussed various legislative issues and undated the committee members on the status of the Eurasia Partnership Foundation-funded Rule of Law project during a meeting on July 5.

George Welton, the Rule of law Project Manager, introduced the newly hired staff members of the project to the CLT committee members and briefly discussed the arbitration system, the dispute resolution system, and a range of issues related to government initiatives towards correcting alleged commercial/administrative injustices. Ketti Kvartskhava also updated the committee members about the competition law, which is currently pending at Ministry of Economy. AmCham's lobbying effort will continue in the Ministry of Economy and move to parliament when a draft bill is introduced. Ketti also briefed the committee on lobbying efforts concerning the securities law.

CSR Committee Represented in Baku Workshop

On July 15-16 the Amcham CSR Committee attended the "Post-2015 and Sustainable Development Goals (SDG)" workshop organized by the Northern Alliance for Sustainability (ANPED), International Eurasia Press Fund (IEPF) and Global Compact Network-Azerbaijan, in Baku.

The goal of the workshop was to develop a regional platform to discuss the green economy in the context of sustainable development, poverty eradication and governance in relation to the SDGs, in line with the perspectives of CSOs from Central and Eastern Europe.

The CSR Committee Chairman, Margo Zhiznevskaya, participated in the panel discussion on "Challenges for the Caucasus Region" along with experts from Azerbaijan and Russia, and gave a presentation on "Green Business and its Effect on Globalization in the Context of the Regional Development."

Improving Performance in Emerging Markets

On September 26-28, for the first time in the Caucasus, Tbilisi will host the ISPI EMEA 2013 annual conference, with the support of USAID, Chemonics and AmCham.

The International Society for Performance Improvement (ISPI) is the leading international association working to improve individual and organizational productivity in the workplace. ISPI unites more than 10,000 members from more than 40 countries, and ISPI's Europe, Middle East, and Africa (EMEA) chapter aims to share and expand the knowledge of ISPI practitioners in other geographical areas.

This year's conference topic is "Improving performance in emerging markets." The conference sessions will be conducted by performance improvement experts from around the world. Participants will also have the opportunity to interact with a panel of senior executives with diverse backgrounds in a special two-hour question and answer session: Farooq Siddiqui, General Director of the Rustavi Metallurgical Plant; David Lee, President of Magticom; and Michael Cowgill, President and Co-Founder of Georgian American University.

Conference participants will also have a chance to work with diverse multi-national teams to help a real client in a simulated consulting assignment. This year's simulation client is the National Center for Educational Quality Enhancement.

The conference also includes pre-conference workshops facilitated by leading international experts and also social events to provide participants time outside of the conference to learn, socialize, and enjoy themselves.

ISPI EMEA conferences are unique and highly-interactive events with a track record of high value and the open exchange of knowledge, experience, and innovative ideas in the field of human and organizational performance.

Please visit the conference website to learn more: www.ispiemea2013.com. Participants from Georgia are eligible for reduced registration rates and should contact ispiemea2013@hicdplus.ge for a customized registration form. AmCham members are also eligible for a 10% registration discount.

KPMG Specialist on FATCA Offers Workshop for Government, Private Banks

Dmitry Chistov, a specialist on the US government's Foreign Account Tax Compliance Act (FATCA), provided two days of workshops on the new legislation for the government and private banks on July 16-17.

Chistov, director of Risk & Compliance at KPMG's Moscow office, walked banks through the law and its requirements for foreign banks during a two-and-a-half-hour presentation at the Tbilisi Marriott Hotel on July 17. FATCA was created by the U.S. Congress in an effort to recoup an estimated $100 billion lost every year due to tax evasion by U.S. taxpayers who fail to report income on investment and dividends earned in the United States. The law, which will be introduced in steps, requires compliant banks to filter their clients and identify accounts belonging to either American citizens or individuals who match a set list of qualifications. The filtered list will be sent to the IRS, where American tax specialists will determine if the account holder is liable for taxes on income he or she has not disclosed. Banks that do not comply with the law risk losing 30 percent of gross payments related to revenue and income obtained by investing in the United States.

asseco GEORGIA

The Largest IT Company in Eastern Europe – Asseco – enters Georgian Market

Asseco Group is one of the largest European IT companies, operating in over 30 countries, with more than 16,000 employees.

In June 2013 Asseco expanded its presence to the South Caucasus region and established a local company, Asseco Georgia.

This is the first case when a world-class IT company enters Georgia, whose aim is not just to sell its existing products, **but to build a strong local IT company, which would be able to offer high quality IT products and services to the customers in Georgia and in the region**.

To achieve its aims, Asseco elaborated a multi-year development strategy, which includes creation of IT competence centre in Georgia. **We would like to be perceived as a long-term and reliable IT partner for large businesses with complex demands**.

> This is the first case when a world-class IT company enters Georgia

Asseco brings to Georgia a wide array of competencies and expertise in all sectors of business.

We are delighted to offer a huge variety of different kinds of software, for various price-ranges, that could be customized and adjusted to the local needs. For instance, IT company Asseco is not only a **Gold Business Partner of SAP**, but also the company develops add-Ons to this largest and most complex ERPP. However, we also offer a lower-tier and smaller range proprietary solutions, such as for instance **cutting edge FMCG mobile distribution software Mobile-Touch**.

Asseco has multitude of solutions for Banking, Insurance, Telco, Education and Healthcare sectors. We plan to organize regional road-shows, to exhibit our solution offerings to the businesses of Georgia, Armenia and Azerbaijan. **The first such road-show will be held already in fall, and it will welcome the banking sector representatives of the three countries**.

But this is only the part of the planned activities of Asseco in Georgia. As mentioned above, we aim to establish IT competence centre in Georgia, and for this to invest heavily in improving human capital quality in IT. **Here we plan to partner with local educational institutions**, in order to establish professional educational courses in various fields of IT, through which, we will be able to transfer our experience and expertise to local professionals.

These plans were among a limited number of issues, discussed between the Prime Minister Ivanishvili and the Founder and CEO of Asseco Adam Goral, who was visiting Georgia on June 25-26 to inaugurate the establishment of the company. It has been agreed that Asseco and the Government will collaborate in different projects and initiatives which would result in improvement of the quality of IT solution and service offerings in the region, and in overall increasing of competitiveness of Georgian IT sector.

Asseco Georgia CEO - David Bazierashvili at AmCham roundtable Meeting

AmCham fellow-members will be offered special discounts and benefits.

> We would like to be perceived as a long-term and reliable IT partner for large businesses with complex demands

Our Tbilisi offices are located on:
7 Bambis Rigi str.
24 Mosashvili str.
7 Gorgasali str.
Company web-site: **www.asseco.com**

Asseco Group CEO - Adam Goral meets the Prime Minister of Georgia - Bidzina Ivanishvili

11th AMCHAM US INDEPENDENCE DAY PICNIC

TBILISI 2013

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AMCHAM CELEBRATES

11th Amcham US Independence Day Picnic

On June 29, the American Chamber of Commerce in Georgia, together with the U.S. Embassy in Georgia, hosted a family-style picnic to celebrate the 237th anniversary of the signing of the U.S. Declaration of Independence. American and Georgian families enjoyed an American style BBQ, a blues band, and games and toys for the children. The event closed with a brilliant display of fireworks.

AMCHAM CELEBRATES

AMCHAM CELEBRATES

APM Terminals Poti Reaches Out to the Community

APM Terminals Poti organized a special reception and concert dedicated to 'Day For Persons with Disabilities.' As many as 50 Children were invited to attend the concert; some of them have participated in the concert where they performed songs together with local music groups. A lovely decorated Tree of Wishes and a red carpet reception were a highlight of the event. In addition, a volunteer artist helped the children to paint pictures and SEAMEN Puppets made the evening unforgettable. At the end of the concert, cookies and chocolates were given to the children.

AMCHAM CELEBRATES

Every year APM Terminals Poti contributes to protect the environment and to create the place that everyone can enjoy. Poti Sport department, Kolkheti National Park and public schools joined APM Terminal staff to clean the public beach. In addition, on June 5 our Environment Protection Department delivered a presentation under the theme "THINK, EAT, SAVE" dedicated to World Environment Day for local educational centers and high school students.

On July 15, the Ambassador of Brazil in Georgia Carlos Alberto Asfora, together with Kees Gelderblom, hosted a wonderful Bossa Nova concert to celebrate 20 years of Diplomatic relations Brazil –Georgia and to help children suffering with leukemia. Donations went to help the Leukemia Children/Parent's House at the Children's Republican Hospital in Tbilisi, a project that was developed and funded -- and is currently financed -- with help from the American Friends of Georgia.

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.

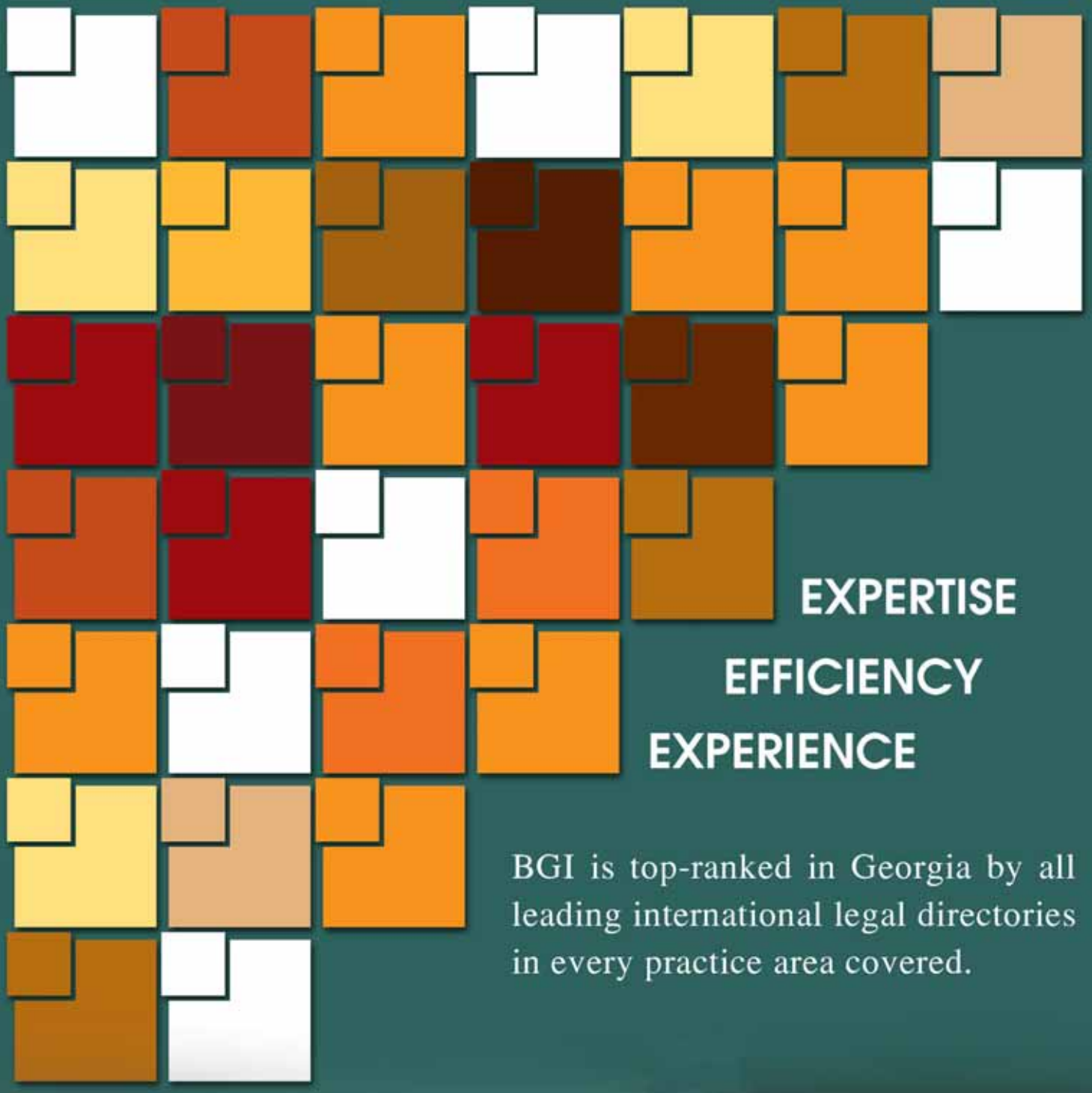
Robin McCone, Director
Robin McCone is a NZ lawyer. He leads PwC's tax and legal practice in Georgia and Armenia. He has been with PwC mainly based in CEE countries for over 16 years. Prior to moving to Tbilisi he spent two years in New York as the leader of the CEE Desk. He looks forward to utilising 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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#1 in global transactions for the middle market (2012) – *Thomson Reuters*

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.

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