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GEORGIA'S IT GENERATION

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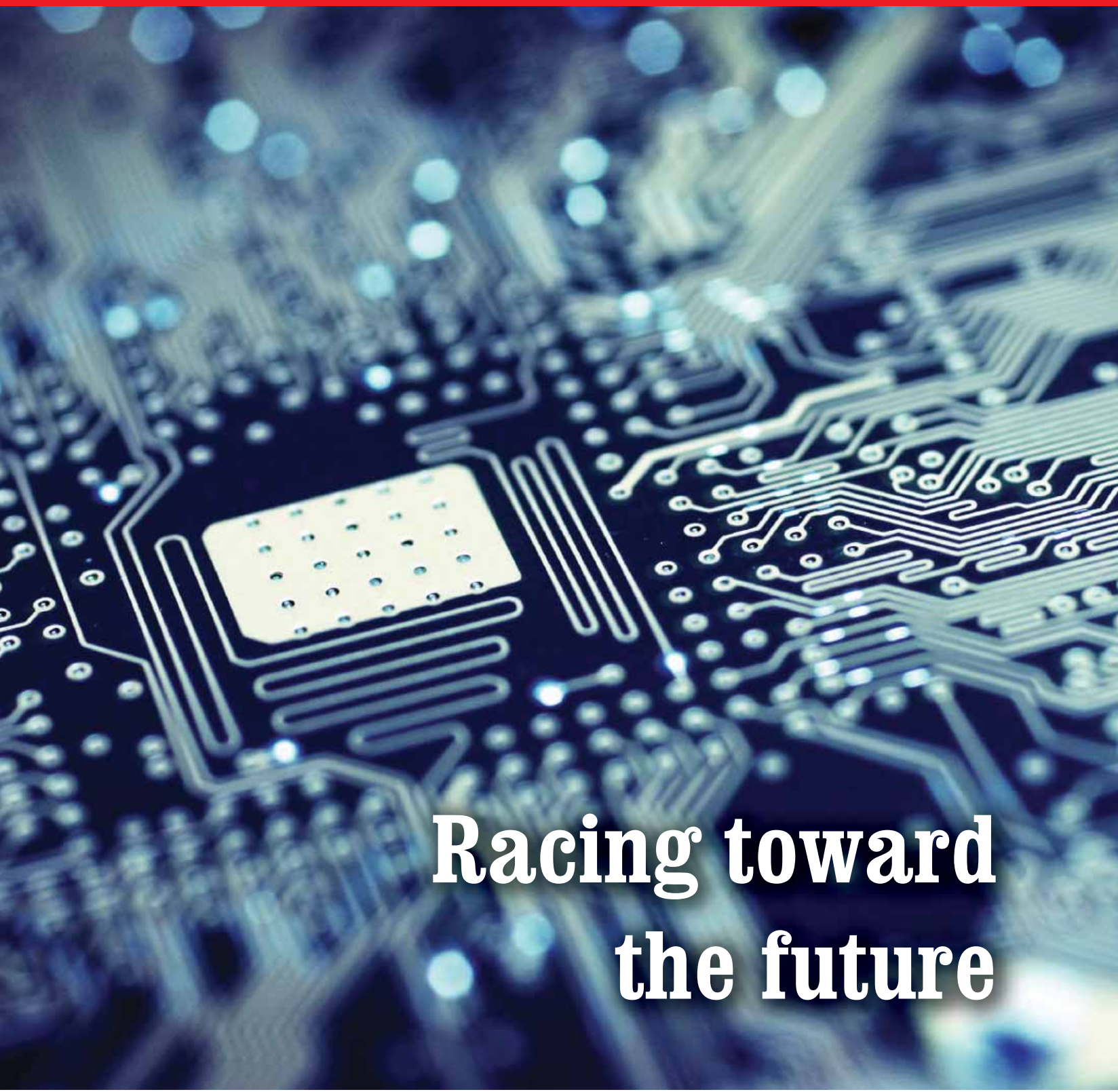

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Investment NEWS

A SHORT SUMMARY OF MAJOR BUSINESS AND INVESTMENT NEWS AS PUBLISHED IN THE MEDIA AND ON OFFICIAL WEBSITES.

GEORGIA SEEKS MEMBERSHIP IN CHINA-LED ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

Georgia is one of fifteen countries that have applied to join China's new loaning entity, the Georgian government-run agenda.ge website reported on March 31.

"Georgia is ready to join AIIB as a founder country," Georgia's Deputy Minister of Finance David Lejava was quoted as saying on the site.

"To be a founder country means to work on the founding documents together with the other countries, where Georgia's interests will be taken into account as well. We [hope] to be a receiver country and not an investor country," he added.

FOREIGN DONORS PLEDGE $250 MILLION FOR SHUAKHEVI HYDRO POWER PLANT

Three international donors have pledged funds to help complete the $400 million Shuakhevi hydro power plant in Georgia's Adjara region, Georgia Today reported on March 27.

The newspaper said the Asia Development Bank ($90 million), European Bank for Reconstruction and Development ($90 million) and from The International Finance Corporation ($70 million) are financing the loan.

GEORGIA'S PARTNERSHIP FUND, ISRAELI ELBIT ANNOUNCE NEW FACTORY

Georgia's state-owned investment fund, the Partnership Fund, has signed an agreement with Israel's Elbit Systems - Cyclone. The $85 million deal is for a state of the art airplane parts factory, the fund announced on its official website, www.fund.ge.

The factory, to be built in three years, will employ 300 locals trained by Israeli specialists, according to the report.

EU GRANTS €4.8 MILLION TO BANKS FOR AGRO-LOANS

The European Union is giving banks €4.8 million to enhance services to agri-businesses, agenda.ge reported on March 31.

The program is designed to train "Georgian bank staff, develop lending strategies for agriculture projects and improve banks' existing financial products", the website said.

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GEORGIA CREATING TEN-YEAR "CULTURE STRATEGY"

THE GEORGIAN MINISTRY OF CULTURE IS WORKING TOGETHER WITH ALL LEVELS OF GOVERNMENT, CIVIL SOCIETY, RELIGIOUS GROUPS, AND POLITICAL PARTIES TO CREATE A TEN-YEAR STRATEGY OF PRIORITIES TO DEVELOP GEORGIAN CULTURE IN ALL ASPECTS OF LIFE, FROM EDUCATION AND TOURISM TO BUSINESS AND THE ENVIRONMENT.

Deputy Culture Minister Levan Kharatishvili is very clear: after years of ad hoc funding and programs that changed with every new administration, the Ministry of Culture is ready to make a plan.

The strategy, which will set objectives for 2025, is part of a year-long process of consultations and teamwork between the ministry, all levels and branches of government, and all of civil society. the first round of public discussions should start this summer.

The end result, Kharatishvili said, will be both an apolitical "starting point" for all administrations to continue strengthening the role of culture in all aspects of life, as well as a new model of cooperation, transparency and inclusive decision making.

The ministry receives roughly 50 grant applications a day for funding but it lacks any real strategy on how to allocate the limited funds at its disposal. With the EU's help, the ministry created a road map. Now its team is traveling around the country, and working with a wide, fully inclusive group of society – including political opposition parties, religious minorities, the Georgian Orthodox Church, culture groups and other non-governmental organizations – to identify what people's needs and wants are, and to understand the situation outside of Tbilisi.

The result has been eye-opening. It is clear that the country lacks the financing for developing and supporting culture, which is not a uniquely Georgian problem.

But Kharatishvili said a deeper issue – the "roots" of the tree of problems – is a lack of awareness of how important culture is and how to make it part of all aspects of life.

What he is finding in the regions is that there is a lack of information and a lack of resources for how people can use the opportunities on the ground, to utilize "creative industry" and their own local culture and strengths to create business and revenue for the local population.

A key, according to Kharatishvili, will be to find the way – through alternative funding as well as the government – to finance cultural development in all aspects of life, including involving the youth and helping connect youth to the local community.

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GEORGIA PRIORITIZES STEM DEGREES TO ACCELERATE ECONOMIC GROWTH

THE COUNTRY'S LABOR MARKET GAP IS WELL DOCUMENTED. A NEW GOVERNMENT PUSH FOR STEM EDUCATION – SCIENCE, TECHNOLOGY, ENGINEERING AND MATH – WILL HOPEFULLY MAKE THOSE PROBLEMS A THING OF THE PAST.

MAIA EDILASHVILI

In a bid to help to bolster job growth, the Georgian government has agreed to help fund STEM education programs in Georgia, in partnership with the U.S. government and San Diego State University (SDSU).

Starting in September 2015, SDSU and Georgian state universities (Ivane Javakhishvili Tbilisi State University, Ilia State University and Georgian Technical University) will offer bachelor degree programs in Georgia.

Prospective students can already choose from a variety of specialties, such as computer engineering, electrical engineering and chemistry/biochemistry at these Georgian universities. Three more specialties – computer science, civil engineering and construction engineering – will be available from 2016.

STEM=JOBS

Ken Walsh, the dean of San Diego State University-Georgia, says that SDSU is the key producer of the economic workforce in San Diego. "We know how that [education] can transform the region, and we are also seeking opportunities for our students in science and engineering to have study-abroad experiences."

The project is part of the second $140 million compact signed between the U.S. Millennium Challenge Corporation (MCC) and the Georgian government in 2013. The compact, which funds projects in general education, vocational education and higher education, is based on the belief that a qualified workforce is a driver of development and economic growth.

The STEM majors offered by SDSU, together with their Georgian host universities, are the only higher education component in the compact.

The MCA's project will run for five years; the government of Georgia has pledged to continue to fund it for 20 years, a country contribution to the project of 23 million lari.

USING MATH AND SCIENCE TO BRIDGE THE GAP

The World Bank's 2013 report describes Georgia's unemployment rate as "very high." While there is political dispute over the number, even the official data – 18 percent – represents a large portion of Georgia's employable population. Particularly worrisome is youth unemployment, which, at 36%, is more than twice as high as that of prime-age workers. More than half of the unemployed have secondary school diplomas and as many as 40 percent hold higher education degrees, in part because of a skills mismatch in the Georgian labor market.

According to the WB experts, high unemployment in Georgia reflects both limited net job creation and the skills mismatch. "Despite high formal education, many of the unemployed lack skills sought after by employers. There are job vacancies that the employers cannot fill because of skill shortages," reads the WB's "Georgia Skills Mismatch and Unemployment Labor Market Challenges" report.

One solution: help young Georgians receive the education they need to compete in the 21st-century workplace.

As a result of a several-stage, two-year-long international competition, San Diego State University-Georgia was chosen to provide the STEM university education.

The jury's favorite will not have a stand-alone campus in Georgia.

Instead, facilities hosted by the three partner universities will be shared and students will travel back and forth between the campuses to attend specialty courses. This format is expected to benefit partner universities as well, by contributing to their development through capacity building; creating cutting edge laboratories; and rehabilitating libraries, among other facilities.

"Our laboratories will be available not just for SDSU-Georgia students. So it's a way to accelerate the advancement and learning technologies in the Geor- ▸▸

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The Georgian government has agreed to help fund STEM education programs in Georgia, in partnership with the U.S. government and San Diego State University (SDSU).

gian Universities much more rapidly," Walsh said. At SDSU-Georgia, initially all professors will be from San Diego State University, but the idea is that Georgians also develop in these areas.

Ivane Javakhishvili Tbilisi State University (TSU) Rector Vladimer Papava believes this cooperation will help Georgia create a new generation of engineers – with internationally recognized diplomas.

"These diplomas will help [graduates] find employment both in Georgia and abroad. This project opens up new opportunities for joint scientific research. This is a serious challenge that will move our university to an international level," he noted.

NEW GOVERNMENT, NEW STEM VISION

The Saakashvili government was the first to recognize the importance of strengthening technical skills among the Georgian workforce and had planned to open an American IT University in Batumi, even constructing a special building for this purpose.

The plan failed to materialize, in part because of the change in government in 2012: the new government did not agree with the plan to open a science and technology university in Batumi and recently sold the building for approximately $25 million to hotel developers.

Instead, the Georgian Dream government has tasked a special commission to develop a concept for a scientific-educational center for modern technologies, including the construction of a technology university and research center for hadron-therapy, a cancer treatment that uses ionizing radiation.

The commission is chaired by Prime Minister Irakli Gharibashvili and also includes his predecessor, billionaire Bidzina Ivanishvili, whose charity foundation Cartu, will finance the initiative.

Successful Georgian physicist Giorgi (Gia) Dvali, a professor of physics at New York University's Center for Cosmology and Particle Physics and at LMU Munich, is a co-chairman of the commission.

According to Nikoloz Chkhetiani, chairman of the Kartu Foundation, meetings have already been held with representatives of various international universities. "The University will be built in Tbilisi, as it is the most convenient location for such large projects. The project will take several years to implement and will target a large number of students. A campus will also be constructed," he told Interpressnews news agency.

THE COST OF THE BEST

While funding for the STEM program is coming from the U.S. and Georgian governments, the degree programs will not be free for students.

In addition, the courses will be taught in English, a potential barrier for some Georgian high school graduates.

To help, SDSU said it is offering some scholarships, as well as special English-language preparatory classes, for eligible students who require extra assistance.

For Georgian citizens who will study at SDSU-Georgia, the tuition is about $7,500, which is less than half of the cost Georgian students would pay if they went to SDSU San Diego. "It's an opportunity to get an American degree –it's exactly the same degree, but at much more reduced cost," Walsh said.

In addition, SDSU-Georgia will offer a wide range of scholarship opportunities – covering full, half, or 25 percent of tuition.

"The scholarships are targeted both towards merit, and we will also give scholarships to those who qualify for social support in Georgia, minority populations, orphans, and to those from occupied territories," Walsh noted.

Georgia's IT Generation

YOUNG GEORGIANS ARE PUSHING THEIR GENERATION TO INNOVATE AND CREATE, USING TECHNOLOGY TO GIVE LIFE TO A NEW ERA OF GEORGIAN SCIENTISTS AND INVENTORS.

HEATHER YUNDT

Gears interlock across the back of the leather glove, wires running down each finger. When the prototype is complete, the interactive glove will allow gamers to feel the shape and temperature of objects in virtual reality.

The idea belongs to 17-year-old Dimitri Tskhovrebadze and it's already drawn the attention of investors. If all goes according plan for Tskhovrebadze's team, InGlove will be the world's first affordable virtual reality glove — and a Georgian innovation success story.

Tskhovrebadze and his team member Simon Invia, also 17, show me around the room that the Agricultural University has loaned them to use as their lab. The boys still attend school at Komarovi #199, but the technology- and mathematics-focused high school has supported their innovation — even funding a trip to a tech competition in Ukraine.

The InGlove team was one of three Georgian teams to be selected at an idea-pitching competition in Tbilisi last June to join Turn8, a Dubai-based accelerator. The chosen teams spent more than four months in Dubai last year developing a business plan, being mentored, and meeting investors. Now back in Georgia, the InGlove team plans to finish their prototype in the next few weeks and then head back to the UAE to show it off to potential investors.

Tskhovrebadze and Invia show me the product's complex digital designs on a laptop, a photo of MIT on the computer's desktop background. Tskhovrebadze says the technology behind the glove was not difficult to learn.

"I think it's not something to learn because you get those things in everyday life—you just have to observe, like motors. It's the basics of physics that we learned in school," Tskhovrebadze says.

The team members are quick to point out the support they've received. The motors and gears are attached to the glove by plastic parts the team 3D-printed at Ilia State University's new government-funded fabrication laboratory, or fab lab.

When I visit Ilia State University's fab lab, the room is humming with the sounds of drills, machines and chatter. More ▸▸

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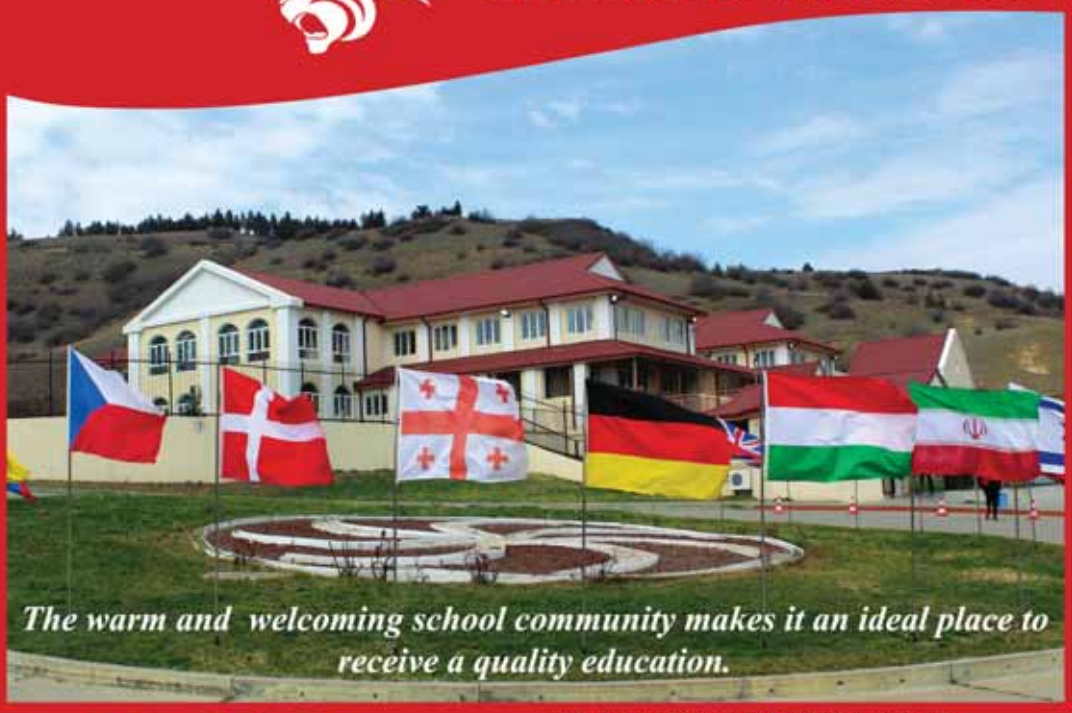

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than 30 young men and women crowd around the computer stations, desks and machines. A Led Zeppelin composite is printing on the laser engraver.

I've walked into an art-focused startup competition. The deadline is approaching and the teams are putting together their final products. One group called MT Design shows me their creations: cat- and guitar-shaped cellphone holders that hang from electrical outlets as your phone charges.

The fab lab's technical assistant, Dimitri Shishlovi, shows me the lab's high-tech machines: several 3D printers, a programmable woodcutter, and a laser cutter.

"This fab lab is mainly for people who have some kind of concept, ideas or some kind of crazy thoughts about what to make or innovations. So mainly these are students," says Mikheil Darjania, the fab lab's technical expert.

This is the first fab lab built by Georgia's new Innovation and Technology Agency, known as GITA. The agency was created last April to boost innovation and has been pushing forward with a series of projects, including a technical park that will house a business incubator and accelerator, a co-working space, a conference room, and GITA's new office. The first stage of the tech park is set to open in September.

GITA, with a 2015 budget of 6.3 million GEL, has recently opened two innovation labs — spaces anyone can use to develop software ideas — including one focused on game development. More innovation labs and fab labs are in the works. The long list of projects is intended to help Georgia make a name for itself in the field of tech and innovation.

"We see lots of talent," says Giorgi Kintsurashvili, GITA's head of skills development and capacity building. "We see lots of passion from young people who have lots of ideas. But at the same time we understand that the whole country is early in the beginning phase. Because, for many years, there was nothing happening, and the whole world accelerated so fast."

Lasha Kvantaliani's startup, Plex was another one of the three Georgian ideas selected to join Turn8 in Dubai. Plex is an application that allows event attendees to find other attendees by interest, exchange contact information, chat, and meet up using indoor maps. Once he finishes developing his prototype, he plans to pitch it to investors in the US.

"I think it's not something to learn because you get those things in everyday life—you just have to observe, like motors. It's the basics of physics that we learned in school," Tskhovrebadze says.

"We have a cool new generation [in Georgia]. We have big potential, I think," he says. "What's most important: we need one success story. This is critical for Georgia now. For example, in Estonia [there was] Skype. Skype developed the hopes of a whole generation of entrepreneurs. We need one international successful startup in Georgia."

There is one startup that everyone I speak to mentions: Deehubs, a company that allows people to broadcast their messages on digital billboards around the world.

Giorgi Gurgenidze, one of the founders of Deehubs and now living in Seattle, says he believes that the constraints Georgian innovators have faced in the past pushed to them to be more creative.

"We see lots of talent," says Giorgi Kintsurashvili, GITA's head of skills development and capacity building. "We see lots of passion from young people who have lots of ideas. But at the same time we understand that the whole country is early in the beginning phase. Because for many years there was nothing happening, and the whole world accelerated so fast."

"The problem is that we do not make innovation popular in Georgia," Gurgenidze says. "Young people might have curiosity and drive to go ahead and create, but at some point getting a diploma in other fields is more common, and it's not about universities, but about the fact that we as a society do not praise innovation as much as Western cultures do. I really hope we will have more role models in this field and that more young people will aspire to dedicate their time to bring innovation, because the talent is there, and it doesn't require anything more than that and determination."

GITA's Kintsurashvili says Deehubs' founders themselves are role models.

"What I personally like, and what we think, is that these people have a good impact because they got very popular in Georgian society, and they are just typical Georgian guys who got a startup and were successful," Kintsurashvili says.

Back at InGlove's lab, Simon Invia and Dimitri Tskhovrebadze tell me about their hopes of going to MIT. Like many Georgian startup founders, they are drawn to the opportunities of the U.S. But both say they would like to come back to Georgia afterward.

"Georgia is a place that you would miss after a while," Tskhovrebadze says.

There has been great progress in the past two years, Invia says, and innovation in Georgia is "flourishing." Still, he thinks the country would benefit if it had its own engineering-focused university like MIT.

"I think it would be a great thing for Georgia to have such an environment for students," he says. "And then students wouldn't go to another country like the USA to study. They would study here; then they would work here, and it would be beautiful for the country."

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GEORGIA PLANS FOR A NEW, PRIVATE PENSION SYSTEM

WITH FEWER BIRTHS AND A GROWING NUMBER OF PENSIONERS, THE GEORGIAN SOCIAL PENSION SYSTEM – AND THE COUNTRY'S BUDGET – IS FACING A SERIOUS THREAT. BUT THE ECONOMY MINISTRY IS WORKING TO CREATE A VOLUNTARY PRIVATE PENSION SCHEME TO HELP EMPLOYEES SAVE MONEY TO FINANCE THEIR OWN RETIREMENT. INVESTOR.GE SPOKE TO OTAR DZIDZIKASHVILI, THE HEAD OF THE PENSION REFORM UNIT AT THE MINISTRY, ABOUT THE PLANS AND WHAT THE FUND COULD MEAN FOR THE ECONOMY.

In just fifteen years, Georgia could have close to a million pensioners on the books – a huge expense for the country's developing economy, even at the 150 lari currently paid out every month.

"The government simply cannot keep having 1 million pensioners on the payroll," Otar Dzidzikashvili, the head of the pension reform unit at the economy ministry, told Investor.ge.

"The government cannot increase the pensions. The only way the pensions can increase is by having an additional income stream, and an addition source of income, for future pensioners. This is where the private pension system comes in."

A VOLUNTARY FUND FOR EMPLOYEES

Dzidzikashvili said the concept for the planned private pension scheme, which is currently waiting government approval, lays out a 2+2+2 voluntary system for legally employed workers: all three parties – the government, the employer and the employee – would put two percent into the system for a total of a six percent payment. The employee's two percent would be in addition to the 20 percent social tax currently taken out of paychecks.

While the new system would cost the government an estimated 120 million lari in the first year, the benefits are worth it for both the state and the employees in the long run, Dzidzikashvili said.

"I wouldn't call this money a loss because this money is reinvested into the economy and generates additional growth, additional income," he said.

For the employees, the two percent sacrifice during their working years will translate into a second stream of income during their retirement, he said.

"Whatever is in place as social pension will remain in place so you are not messing up with that system. But on top they will receive an extra income from their private pension," Dzidzikashvili said.

A STIMULUS FOR THE ECONOMY

While the funds will be able to invest the money, they will have to follow strict guidelines that will minimize risk, Dzidzikashvili said.

"I would like to keep expectations low. I think it is an exaggeration to say that it will be a driver of the economy. However, it is going to provide a huge stimulus for the economy, especially for large corporations that would like to have funding to grow and to expand," he said.

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CURRENT TRENDS IN BUSINESS AND LEGAL LIFE OF GEORGIA

Georgia is a small country but we would like to believe that it has a significant investment potential due to its exceptional location, natural resources, strive to be more investment friendly than others and continuous efforts to uphold the rule of law. Apart from the general legal framework and investment opportunities, it is important to share practical stories of the on-going business projects as well as the significant trends established by the courts of Georgia.

Defamation Dispute

In March 2015 Tbilisi City Court decided on one of the most important and broad-lined defamation disputes where BLC represented TBC Bank and its founder Mamuka Khazaradze vis-à-vis the Georgian newspaper Asaval-Dasavali. Starting from January 2014, in almost every issue of the newspaper defendant published defamatory, misleading articles containing allegedly fabricated facts with regards to the claimants. In addition, the names of the defendants were used in the negative context in the unrelated stories without any evident purpose of telling the true story or news. The contents and spirit of publications led to the obvious conclusion that the newspaper was engaged in the negative information campaign against the bank and its founder. Court ruled in favor of TBC and Mamuka Khazaradze and established that all three facts given in the civil complaint were defamatory and false and the newspaper was instructed to negate the facts in its own issues. Nevertheless, the court did not share our arguments on imposing the monetary damages on the newspaper as a preventive measure of the likely future defamations. Considering the need to protect the business reputation of the bank and its founder from unsubstantiated and provocative statements and with the purpose of setting up the precedent of the efficient judgment preventing the fabricated statements, we intend to appeal the decision in the higher courts of Georgia.

Financial Close of the Largest Investment on the Energy Sector of Georgia

In March 2015 Adjaristskali Georgia (a joint venture of Clean Energy and Tata Power) marked the financial close of the multimillion investment made by international financial institutions – European Bank for Reconstruction and Development (EBRD), International Financial Corporation (IFC) and Asian Development Bank (ADB) in Shuakhevi HPP with the installed capacity of 187 MW. The latter is the largest infrastructure Project in the energy sector of Georgia with the aggregate investment of USD 400 million. BLC acted as a legal counsel to Adjaristskali Georgia and assisted the latter in execution of the necessary condition precedents for bringing the Project to the financial closing. Notably, this is the first non-recourse project financing in Georgia, which promises further development of similar projects with the active involvement of the international financial institutions.

Manufacturing of Premium Segment Bavarian Beer in Georgia

In February 2015 Castel Georgia, represented by BLC Law Office signed the Trade Mark License and Know-How Agreement with König Ludwig International. Castel Georgia intends to manufacture internationally recognized Bavarian premium brand locally. Notably, the license territory also covers Armenia and Azerbaijan. Respectively, Castel Georgia intends to start sale and export of beer in summer 2015, which will have positive impact on Georgia's economy and diversity of the locally produced beverages.

Financing of Dariali HPP

In January 2015 JSC Dariali Energy obtained the syndicated loan from EBRD in the amount of USD 80 million, co-financed by FMO Entrepreneurial Development Bank, the Netherlands and the Green for Growth Fund, Southeast Europe. Dariali Energy is engaged in the construction of Dariali Hydro Power Plant on river Tergi, in the north-eastern Georgia. BLC has acted for the Borrower and assisted the latter in complying with the Lenders' requirements for obtaining the financing. Dariali HPP is one of the few privately owned greenfield hydropower plants in Georgia with the installed capacity of 108MW.

For more information and advise please contact us:

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PRINCIPLES OF GEORGIAN PENSION SYSTEM–TIMING FOR SHIFTING THE PARADIGM

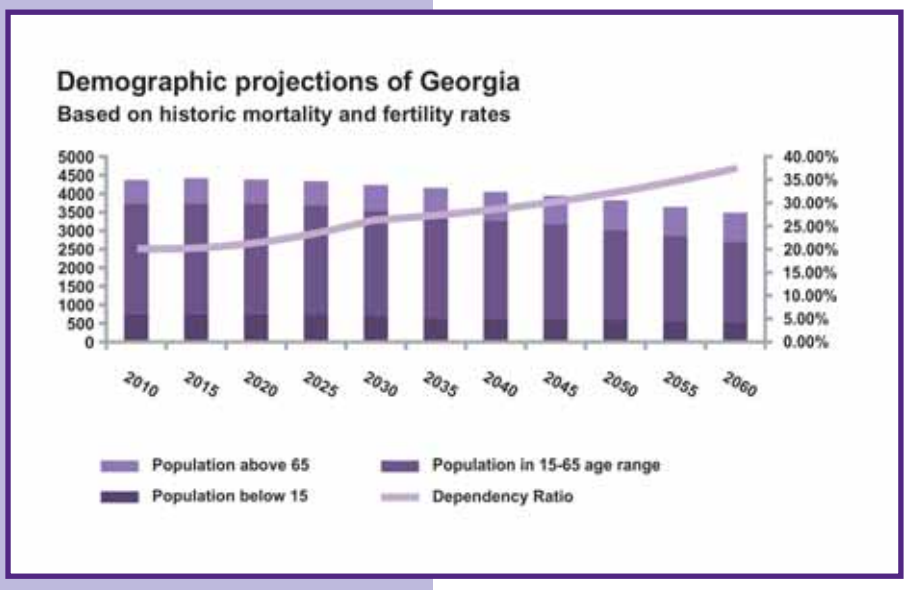
KETEVAN GABELIA –
GRANT THORNTON

CURRENT SYSTEM AT A GLANCE

Georgia's current pension system is operating, for the most part, on a pay-as-you-go (PAYG) basis. Under the PAYG system, the payment of pension benefits to retirees is financed from the state budget, which is financed from tax revenues. As taxes are paid by the current workforce, pension benefits depend on the taxes paid by the current workforce. In such a system, the government acts as intermediary between pension beneficiaries and taxpayers.

In such a system, the current workforce impliedly agrees to finance pension benefits in exchange for the promise that, after their retirement, they will receive pension benefits from the government. From this perspective, the government acts as a guarantor of future pension benefits for the current workforce. However, sustainability of this system largely depends on factors, such as demographic variables, that are outside the government's control.

These demographic dynamics affect the stability of the PAYG system. The growing number of elderly in society means more pension beneficiaries and more pension expenditures, while declining birthrates leads to a decreasing workforce and fewer pension contributors. This results in a negative effect on the support ratio - the number of pension contributors per pension beneficiary - and a positive effect on dependency ratio - the number of pension beneficiaries per pension contributor.



To maintain system stability in spite of demographic changes, governments can either increase taxes to fill the gap, or decrease the pension benefit levels to keep pension expenditures in line with pension revenues. Alternatively, retirement age can be adjusted, which would allow for artificial adjustment of the dependency ratio to maintain balance in the system. These are not always popular decisions for governments since, either way, one segment of society has to make a sacrifice.

DEMOGRAPHIC DYNAMICS

Georgia is not an exception in terms of demographic changes: the population is getting older. Life expectancy increased by 8.7% between 1993 to 2011(from 69 years in 1993 to 75 years in 2011), while the fertility rate in 2014 was as low as 1.8 births per woman, compared with 2.2 births in 1990.

Future demographic projections based on historic averages for fertility and mortality statistics suggest that the ratio of the population above age 65 to the population to the age group 15-65 will hit 38%, compared with just 20% in 2010. This means that in the same time period the dependency ratio will increase by 86%.

Such significant change will likely create problems for the existing PAYG pension system balance in Georgia, which will raise the need for reforms that involve increasing taxes, decreasing the level of pension benefits, increasing the retirement age or a combination of these. Alternatively, a more comprehensive reform could be implemented, introducing the funded pension system pillar to the system.

FUNDED PENSION SYSTEM AS AN ALTERNATIVE

In contrast to the PAYG system, a funded pension scheme implies individuals saving for their own retirement. Contributions made by workers are saved and invested in various asset portfolios until their retirement. At the start of retirement, the portfolio value is available for the individual to withdraw as annuities during retirement years, take as a lump-sum amount, or a combination of both (benefit withdrawal can vary depending on the pension system). The funded system has many benefits: it generates savings within the country, which increases the long-term capital available for investments and therefore contributes to economic growth. ▶▶

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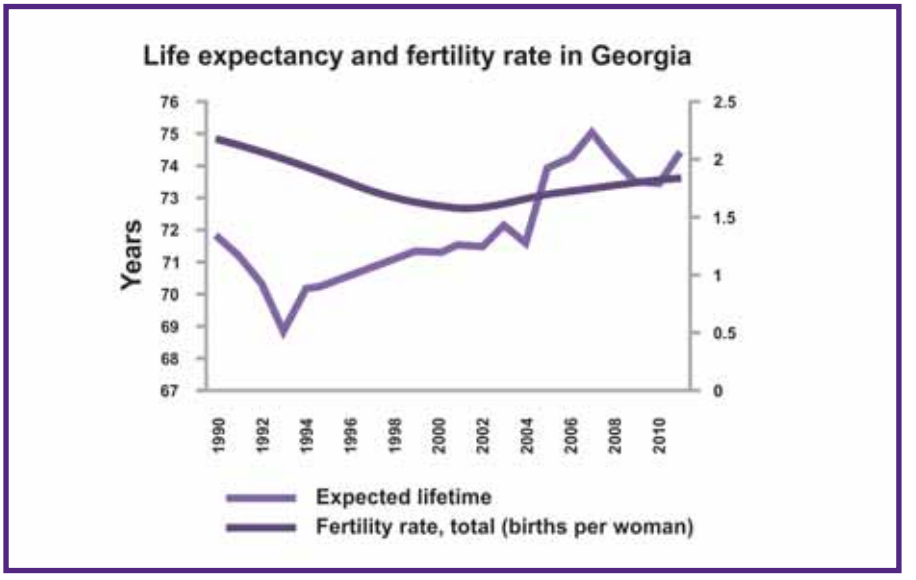

It is also known to be more effective, as savings grow over the investment period due to investment returns and generate higher levels of benefits for the same level of contributions.

Capital market development is another benefit created by introducing a funded pension system. As more funds are made available through portfolio investments, new financial securities are developed by companies to absorb the available capital. This will bolster the development of stronger financial institutions (stock exchanges, clearing houses, investment management companies and their regulators, etc), lead to a wider variety of financial services being offered (pension savings management, IPOs, bond placements, etc.), and all of them will represent the positive spillover from the funded pension system. There are, however, some drawbacks for the funded system - a lack of ability to distribute welfare, the lack of total immunity to demographic changes, investment risk and transition costs during reform.

FUNDED SYSTEM'S LACK OF ABILITY TO DISTRIBUTE WELFARE

Under the standard PAYG system, contributors with a higher income make larger contributions to the system, contributions that are then equally distributed to pension beneficiaries. Hence, PAYG plays a role in welfare distribution, which helps reduce the wealth gap among individuals and reduce poverty. According to an assessment published by the Caucasus Analytical Digest, in Georgia old age pension benefits have reduced poverty by 9 percent (2007 data). A fund system cannot play such a valuable role, and therefore cannot substitute the PAYG system in this regard.

LACK OF TOTAL IMMUNITY TO DEMOGRAPHIC CHANGES

As there are no intergenerational transfers and dependency ratios involved, a funded system seems to be demographically immune. However this is not entirely true, as demographic change still has an indirect effect on the funded system. A smaller workforce in the future produces a reduced quantity of goods and services. Even if retirees have sufficient funds accrued for their retirement, there might be a shortage of goods and services when they would be willing to buy at that time. To avoid this, it is necessary to heavily invest in productivity growth. Such investments can be financed from the pension savings itself, but their success would still depend on the performance of investment.

INVESTMENT RISK INHERENT IN FUNDED SYSTEM

Due to investment risk, funded schemes may fail to generate promised or necessary levels of retirement benefits for individual savings accounts. Such risk is not present in the PAYG system. To reduce investment risk, the government should use regulatory tools and avoid aggressive investments. But even when the government regulates the privately funded schemes as part of a policy of investment risk mitigation, individual accounts might still fail to earn sufficient returns. Due to this risk, many governments go further to regulate and offer explicit guarantees for funded pensions.

TRANSITION COSTS DURING REFORM

If the pension system switches from PAYG to a funded system, there will be some "overlap"of the two systems, since PAYG system liabilities will still need to be met. At first sight, this puts double burden on a working generation caught up in the transition phase - they will still need to pay taxes to support PAYG beneficiaries, while also creating savings for their funded pension schemes. However, there are various ways to finance the transition cost to avoid a double burden on the current workforce, such as raising state debt, cutting public spending, privatization of state assets, etc.

CONCLUDING REMARKS

PAYG pension system in Georgia is facing challenges due to changing demographics, while the alternative (the funded pension system) offers many benefits. However, the PAYG system plays an important role in poverty reduction and serves a valuable welfare distribution function, so its disappearance would have many undesired social consequences. Nevertheless, the country's changing demographics calls for the introduction of more sustainable system. One possible solution is a reform that is a mix of PAYG and the funded pension system. Any decision about a possible mix of systems should be based on comprehensive quantitative analysis and a study of international experience.

Currently Georgian pension system also has a voluntary funded system pillar, but due to its small size (total assets of GEL 11,289,694 as of 2012; source: National Bank of Georgia) the funded pillar system is not considered in this article.

Ketevan Gabelia is a consultant at Grant Thornton. She holds Master's degree in Economics and Finance from Rhine-Waal University of Applied Science and a Bachelor's degree in business administration from Georgian American University. Prior to joining the Grant Thornton advisory team, Ketevan worked as a sales specialist and trader on capital markets. During her time with Grant Thornton, Ketevan has worked on a range of assignments, including valuation, market research and feasibility study.

WASTE NOT, WANT NOT: A NEW CAMPAIGN, INITIATIVES PROMOTE BETTER WASTE MANAGEMENT FOR GEORGIA

IT'S NO SECRET THAT GEORGIA HAS A WASTE MANAGEMENT PROBLEM: TOO MUCH LITTERING, OLD LANDFILLS AND NO 19 RECYCLING STRATEGY ARE JUST THE TIP OF THE ICEBERG. BUT WITH A NEW LAW ON THE BOOKS, THE GOVERNMENT IS BUCKLING DOWN TO TIDY UP.

LIKA ZHORZHOLIANI

A new public service campaign from the environmental ministry goes to the high peaks of the Georgian mountains to illustrate a simple message: don't pollute.

The two-minute public service announcement, which introduces new fines for littering, follows an alpinist up the remote side of a high mountain, only to find a pile of trash at the peak.

Trash piles abound in Georgia, from the parks and roadsides in Tbilisi, to the fields and rivers of the country's tourism sites, villages and settlements.

But new EU regulations, part of Georgia's responsibilities under the Association Agreement, could help the country find modern, progressive ways of dealing with its trash problem, and, perhaps, bolster the country's struggling recycling industry.

NEW RULES, NEW PLANS

In addition to the new fines for littering, the government passed a new law on waste management in December 2014.

The new law details a list of deadlines for better waste management infrastructure, including improving Georgian landfills and building new ones by 2022. It also stipulates that separate collection of municipal wastes should be put in place by 2019.

A 15-year strategy and a five-year action plan is also planned for develop, according to the law.

Infrastructure plans aside, the new law also puts responsibility for waste management on manufacturers, who are tasked to take care of product packaging after consumers are finished with it. Companies are also required to create their own waste management strategies by 2019.

NEED FOR NEW LANDFILLS

Current estimates indicate that, by 2025, the country will have to invest 370 million lari (approximately $169 million dollars) for new landfills, waste loading stations, closing old landfills, compost facilities, and waste transportation.

The new law also foresees new regional landfills throughout Georgia.

The government is already getting started, having announced its interest in a new waste processing facility in Tbilisi.

Currently, there are 56 existing landfills, but only three of

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them (in Rustavi, Tbilisi and Borjomi) have environmental impact permits. Solid Waste Management Company of Georgia (SWMCG) manages 52 landfills, according to Giorgi Shukhashvili, the company's director.

He said that while the company is constantly working to improve existing landfills until the new regional ones are built, the process will take four or five years. Within eight years, all existing landfills should be closed, according the new law. Shukhashvili added that the government gave the company 22 million lari in 2013-2014, and SWMCG undertook initial steps to improve waste management conditions in the landfills through fencing the landfills; collecting unorganized waste and creating the main structures of the landfills; rehabilitating local roads; installing weighing bridges; creating berms in necessary places; arranging fire-fighting shields; and constructing check points.

In general, however, he noted that the future is in reducing the volume of waste.

REUSE, REDUCE, RECYCLE

Expert Gela Khanishvili also believes recycling of waste is the future of Georgia. "If we consider the hierarchy of recycling of residues we are on the first level – the level when existing landfills are streamlined," he said.

He noted, however, that in Europe, the vast majority of waste is recycled, and provides a valuable source of income for the countries' economies.

"For example, in Sweden, only four percent of all waste reaches the landfills," Khanishvili said.

"Europe tries to limit the quantity of waste in landfills to just 25 percent; the rest is separated and utilized in secondary manufacturing. We must try to start processing waste and attracting investors. Besides, the country must have a tariff implemented that will provide for selection and placement in modernly equipped landfills."

SEEKING A BENEFIT FROM WASTE

The Mayor's Office of Batumi, in cooperation with the NGO Sustainable Development Centre Remissia decided to use waste from the old landfill to create natural gas (compressed methane).

The Head of the Department on Strategic Planning and Development of the Mayor's Office of Batumi, Lasha Nakashidze, said the city started reusing wastewater in 2012. Now they are waiting on funding, pending a grant application, to start a methane-collection program using waste.

"If the project is successful, we plan to use the methane gas for municipal transport. We will be able to provide a part of the fuel for the municipal transport of Batumi partially," he said.

Batumi is tapping into a great opportunity for municipalities, according to Giorgi Abulashvili, the director of the NGO Energy Efficiency Centre Georgia.

"In Georgia there is the technical potential for producing gas and diesel fuel from waste. Not only is it important to make biological fuel from the municipal waste, but from agricultural waste as well," he said.

"But…there is no a tax system to assist in the production of ecologically clean fuel to provide competition in the market with suppliers of diesel and petrol. It is necessary to have a preferential regime to compensate for the cost of such products, for healthy competition in the market."

TROUBLE WITH QUALITY, QUANTITY

The former manager of Caucasian Pet Company, Enriko Moselishvili, also believes tax incentives are necessary to make secondary production based on waste a success in Georgia.

Caucasian Pet Company, a foreign investment that closed in 2013, had manufactured pet preforms from recycled plastic bottles.

"We exported manufactured preforms in Turkey and sold them in the local market. In Georgia, there is a field where all bottles are sorted, but they are of a low quality…It is also a very small volume for a secondary manufacturing," he said.

In addition to the new fines for littering, the government passed a new law on waste management in December 2014.

RECYCLING SUCCESS STORIES REFLECT NEED FOR MORE WASTE

There are, however, already successful production companies creating goods from recycled waste. But they also complain that more – and higher quality – waste is necessary.

Georgian Paper Production Company was established in 2009 and uses waste paper to produce toilet paper. The company has an official patent from a Ukrainian company for the production of paper under the Obukhov trademark.

Giorgi Khachaturov, the company's manager, said they require 100-300 tons of waste paper per month. However, the local raw material isn't enough and the company imports scrap paper from Turkey, the USA, Azerbaijan and other countries.

In fact, they buy 30-40 percent of the raw material for production from abroad.

"Our company's goal is to stop importing raw material. For this, we have already opened points for acceptance of scrap paper in three cities of Georgia: Tbilisi, Gori, and Batumi. In addition, in different districts of Tbilisi, there are minibuses where anyone may deliver scrap paper," Khachaturov said.

"Frequently companies come to us and deliver waste paper by themselves. We are working on this effort with commercial banks and governmental companies. Georgia has the potential, and so we are planning to organize points to receive scrap paper near underground stations as well."

Currently there are 56 existing landfills, but only three of them (in Rustavi, Tbilisi and Borjomi) have environmental impact permits.

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RECYCLING, SORTING THE FIRST STEP TO BETTER WASTE MANAGEMENT

NINO KVERGHELIDZE,
RESEARCHER AT POLICY AND MANAGEMENT CONSULTING GROUP (PMCG)

Georgia's trouble with waste management is clear to even casual observers. While it has proven to be a persistent issue for the government, the country's new waste management code could be a major step forward in efforts to control the problem. In addition to instituting many regulations,the code also imposes increased fines on dumping waste in the environment. The size of fines varies from 50 to 5000 GEL. However, effective implementation of this law still remains challenging.

In towns and self-governing cities waste collection services are more or less available, but it is difficult to say how many of the 3,629 villages controlled by the Georgian government are covered by this service. According to the Green Movement of Georgia, almost every village has its own dumpsite. Moreover, these dumpsites are mainly located near agricultural lands, pastures, schools and houses. Hence, by not providing waste collection services, the municipalities unintentionally compel people to pollute the environment.

In developed countries, waste management is a very complex system that includes waste reduction/ prevention, reuse, recycling, energy recovery and disposal. In Georgia, the only way to "manage" waste is by collection and disposal in landfills. The Performance Audit Report on Solid Municipal Waste Management prepared by the State Audit Office of Georgia sheds light on many shortcomings and gaps that exist in the current waste-management system

in Georgia.The country faces lots of weakness in governance, planning and implementation processes. According to this report, there are 56 active municipal landfills in Georgia and 53 of them do not meet any environmental standards or sanitary norms. Since waste is not treated properly at landfills, it implies an adverse impact on the environment and on human health.

The amount of waste generated in the country is increasing every day, and this is an irreversible process. More waste necessitates more landfills/ dumpsites, and the environment is becoming more polluted. The only solution to this problem isto start waste reduction as soon as possible, and the best approach to this is recycling waste: it saves natural resources and reduces the amount of waste disposed of in landfills. In the current situation, waste reduction is very important in Georgia, and it is necessary to start separate waste collection to achieve this goal.

Today, all types of waste are disposed of in landfills without having been sorted, despite the fact that a significant portion of this waste has the potential to be recycled.The list of recyclable waste materials is very impressive: plastic, glass, paper, bio-waste, metals, construction waste, waste electronic and electrical equipment, end-of-life vehicles, tires, batteries, etc. If sorted properly, actually almost every type of waste can be recycled.

Due to the fact that waste recycling is a profitable business, waste is sorted and recycled to some extent in Georgia; however, waste sorting does not have a well-organized character. Different types of waste are recycled in Tbilisi, Adjara, Kakheti, Kvemo Kartli, Shida Kartli and Imereti. In all these regions, waste recycling is applied mainly for paper, plastic, tires and glass. In order to cause waste reduction, it is necessary to start waste sorting on a larger scale. However, it is impossible to implement a separate waste collection system in the whole country in one or two years. There are not enough resources, finances, and experience to do it. Moreover, public awareness of waste management is not high enough. Due to these facts, it is appropriate to start separate waste collection in public service offices, schools, ministries, restaurants and organizations, like a pilot project.

As a first step, three types of waste can be chosen for recycling: PET bottles, paper, and glass bottles. As a second stage, according to demand, other types of waste can be added to this list. The company providing separate waste collection services can either state-owned or private. The mechanism for implementation might be as follows: public service offices, schools, restaurants or organizations that buy special recycling bins and start waste sorting will be exempted from waste collection fees for one year. After this period, organizations will pay a reduced fee (30-40% of the initialone) on the collection of waste that remains after sorting.The amount of recycling bins needed can be determined according to demand, activity and number of employees of the respective organizations. Further financial details can be agreed to between institutions and waste transportation companies, and the last step will be to negotiate with waste recycling companies that are interested in purchasing the sorted waste.

Despite the number of institutions covered by this waste sorting system, the volume of waste disposed of in landfills will be significantly reduced. In addition to this, people will get used to waste sorting, and this system will gradually change their behavior. Moreover, if separate waste collection is implemented in schools, it will facilitate raising the awareness of children regarding the importance of waste management. At the very beginning, separate collection of waste can be a voluntary practice; however, it will be better if it becomes mandatory practice step–by–step, and if appropriate laws and regulations are in place.

Currently, the existing problems in waste management in Georgia are very complex.Therefore, all of them cannot be tackled initially at the same time. First of all, the country should start separating waste at the institutional level: in schools, universities and public service offices. This will raise awareness regarding the importance of waste management and facilitate the change of the behavior of a considerable part of society.

Moreover, it will encourage waste recycling and, as a result, the amount of municipal waste will be reduced in the country.

Georgian cultural heritage, like the Jvari Monastery from the 6th century, is unique in the world. (Source: Wikimedia Commons/Levan Gokadze)

REDISCOVERING GEORGIA'S TOURISM POTENTIAL

FROM AN ANALYTICAL LOOK AT HOW TOURISM IMPACTS THE ECONOMY TO WHAT THE GOVERNMENT IS DOING TO BRAND GEORGIA AS AN INTERNATIONAL DESTINATION, INVESTOR.GE EXPLORES THE POSSIBILITIES AND CHALLENGES FACING THE SECTOR.

Let Tourists Arrive and Georgia Thrive!

FLORIAN BIERMANN, NINO MOSIASHVILI, AND NIKOLOZ PKHAKADZE

ISET MA Program in Economics Policy Institute
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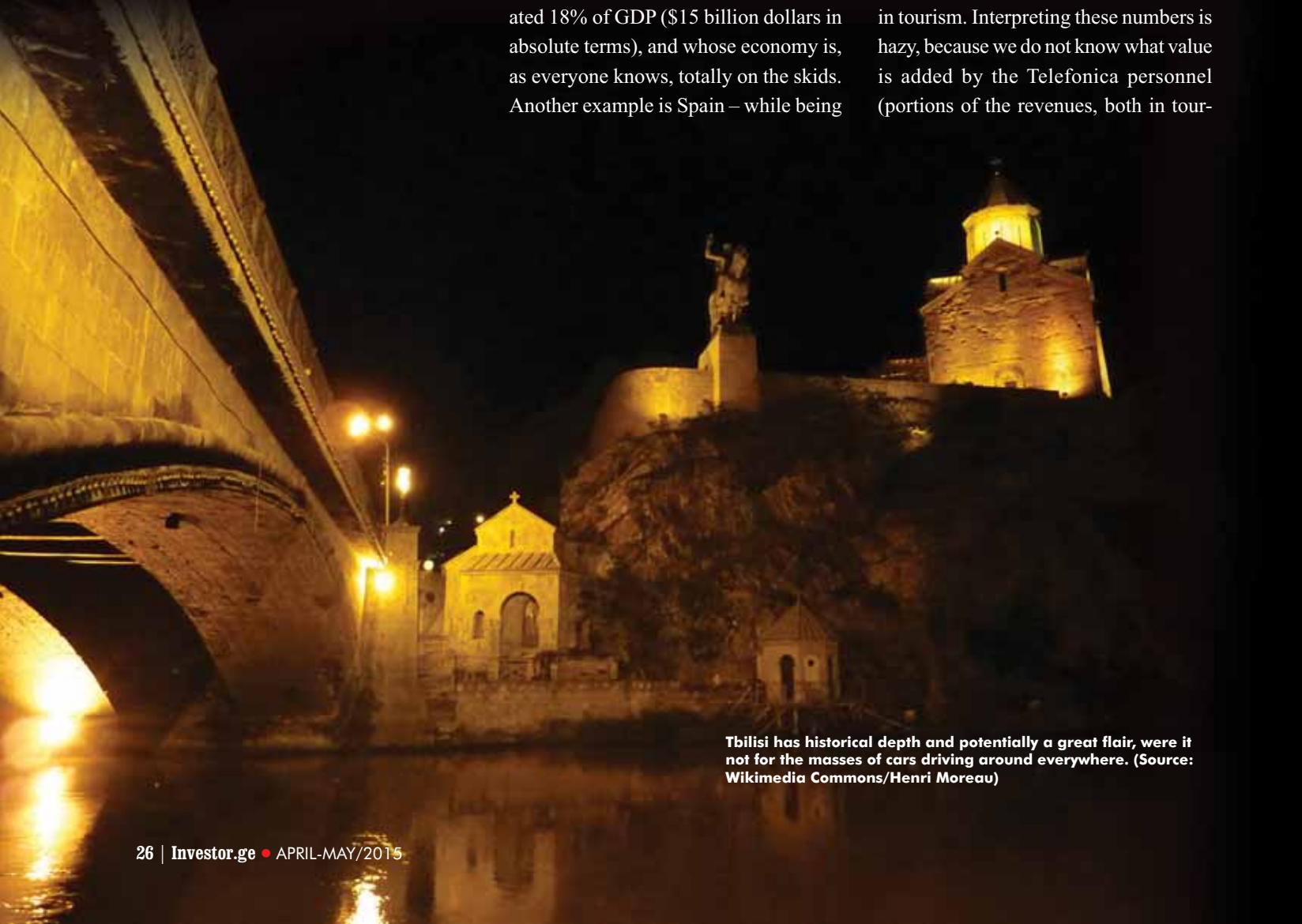
The contribution of tourism to world gross domestic product (GDP) is just 3%, and the economies of countries where tourism accounts for a big share of the GDP often perform poorly. The most notorious case is Greece, where in 2011 tourism generated 18% of GDP ($15 billion dollars in absolute terms), and whose economy is, as everyone knows, totally on the skids. Another example is Spain – while being struck disastrously by the European economic crisis, the country can boast the second highest tourism revenues in the world, amounting to $60.4 billion dollars in 2013(or about 6% of Spanish GDP).

Even if one disregards that tourism-centered economies are often weak, the absolute size of the tourism contributions are not that impressive. Economists typically talk about billions of dollars, sometimes about trillions, like astronomers talk about light years – so what the heck is so exciting about $60.4 billion? In 2012, the Spanish telecommunications provider Telefonica, one single company, generated revenues of about $85 billion, almost $25 billion more than Spain's entire tourism sector. And this turnover was generated with just 275,000 employees, whereas 2 million Spaniards are working in tourism. Interpreting these numbers is hazy, because we do not know what value is added by the Telefonica personnel (portions of the revenues, both in tour-



Tbilisi has historical depth and potentially a great flair, were it not for the masses of cars driving around everywhere. (Source: Wikimedia Commons/Henri Moreau)

ism and in telecommunications, account for preliminary products), but there can be no doubt that production (and hence average incomes) in telecommunications are much higher than in tourism. On the surface, one might conclude that Greece and Spain should not deliver the blueprints for developing the Georgian economy, and, instead, Georgia should-strive for more sophisticated sectors. A "national champion," i.e. a company like Telefonica in Spain, might create more value than all the tourism businesses taken together (Florian Biermann discussed the merits of this argument in the article "The Economics of Great Personalities," to be found on the ISET Economist Blog).

The argument ofthe apparent economic insignificance of tourism, however, misses many advantages and positive externalities associated with this sector.

TOURISM AND EDUCATION

First of all, tourism is an important source of income for low-skilled laborers and those living in rural areas. Transportation, hospitality, gastronomy, and tourist guide services provide employment without the need for higher education.

Equally important are the educational incentives created through tourism. To understand this, one has to review an important psychological finding of the 20th century. The ability to wait, or to defer gratification, as it is called by psychologists, has been identified as one of only two character traits which (1) can be measured among children and (2) statistically significantly predict the overall well-being and success of a person in their later lives (the other one being the IQ). In the famousStanford Marshmallow Experiment of the late 1960s, eminent psychologist Walter Mischel gave children marshmallows and told them that they would get more marshmallows if they would not eat the first marshmallow within 15 minutes. It turned out that those children who succeeded to wait did much better in their later lives.When they had reached adulthood, they earned higher salaries, had better educational achievements, and followed healthier lifestyles, among other accomplishments.

The ability to defer one's gratification is also the foremost character trait needed for upgrading one's human capital. One needs great stamina to attend boring lectures, read lengthy books, memorize material in which one is not interested, and to do all of this under the pressure of exams. And, worst of all, the reward for all of this trouble comes several years later. It is, therefore, not surprising that it has been shown that people who do not acquire much human capital are very often those who cannot defer gratification.

Even if one disregards that tourism-centered economies are often weak, the absolute size of the tourism contributions are not that impressive.

Relevant skills for tourism, however, can be acquired in a piecemeal fashion with gratification following almost immediately. One learns a little bit of English, Russian, or any other language spoken by tourists, and immediately one is qualified for certain jobs (selling in tourist stores, guiding people around, luring them into restaurants, etc.). One does not even have to learn genuine English a la Shakespeare – one can already profit from knowing simplest phrases like ,"Where are you from?", "XX good" (where XX is the home country of the tourist), "Shop here!", "Low prices!", "Good offer!", "Come my friend, visit my shop!" and – the classic among tourism workers – "No problem!" (as a universal answer to any question the tourist might have). Therefore, even people who lack the patience to invest in their human capital over the course of many years, because they lack the skill to defer gratification, have incentives to upgrade their human capital step by step, as the gratification is received quickly. Once one speaks English, however, new opportunities emerge to increase one's human capital further in relatively interesting ways - through one of the many online courses offered on almost every subject, among them in tourism management, or through the possibility to work and learn abroad.

POSITIVE EXTERNALITIES

Another important insight about tourism is that people avoid spending their holidays in places that are not interesting, livable, and beautiful. Thus, the more tourists come to Georgia, the more this country is perceived to have these favorable properties. That is reassuring.

Yet a beautiful and interesting place is not only attractive as a tourist destination, but also as a place to live. Tourism stimulates art, culture, gastronomy, and entertainment, which can then also be enjoyed by locals.

One of the authors of this article lived in Berlin for many years, where he could choose from three opera houses and two world-class orchestras (most famously, the Berlin Philharmonic). When he at- ▸▸

Chardin Street offers cozy street cafes -- fueled by tourism revenues, it is a great place to indulge for locals as well. (Source: Wikimedia Commons)

tended these performances, he remembers well sitting among many tourists from Asia, usually from Japan, who paid high prices to cross-subsidize the 10-20 euro tickets reserved for students from local universities. And after the concert was over, he could indulge in one of the hundreds of nice cafes and restaurants in the bohemian quarters of Friedrichshain and Prenzlauer Berg, of which there were only so many because of the masses of tourists roaming through the streets.

One can see the very same effect in Tbilisi. Not too long ago, a museum of modern art was established, arguably mainly for attracting tourists. Now it has become also an interesting destination for locals. Likewise, the nice cafes in Vake and in the Old Town around Chardin Street, in particular, are frequented heavily by tourists, subsidizing street life for native Tbilisians. And that there is now the overdue discussion about how one could make Tbilisi more attractive for pedestriansalso results from the insight that tourists do not enjoy walking around in Tbilisi while: (a) zebra crossings are notoriously disregarded by cars, (b) the police, while cruising around everywhere and shouting angrily out of their cars, donothing to enforce pedestrian rights, and (c) the sidewalks are pitted and usually blocked by parking cars (Florian Biermann discussed these problems in more length in his article "Tbilisi – a City for Cars, Not for People," to be found on the ISET Economist Blog).

While many

Tbilisians do not grasp yet that a city that is car-friendly is generally an awful place to live, the incentive to attract tourists at least provides some extrinsic motivation to make Tbilisi a more pleasant experience for pedestrians. In the same vein, to become more attractive for tourists, Georgia is working on a variety of positive initiatives, ranging from protecting nature and cultural heritage to improving safety and upgrading tourist infrastructure.

WHERE DOES GEORGIA STAND?

After the collapse of the Soviet Union it was believed that tourism might become one of Georgia's "locomotive" sectors. While the Shevardnadze government failed to develop this potential, after the Rose Revolution, tourism became a top priority. Each year since 2005, the direct effect of tourism (i.e. the money spent by tourists) alone has contributed 6-7% of Georgia's total GDP. Georgia is a net exporter of services, and tourism accounts for about 60% of these service exports. This is important income for the country, helping to finance the country's large goods trade deficit and to reduce the depreciation pressure on the lari.

According to the Georgian National Tourism Agency (GNTA), international arrivals totaled almost 5.5 million people in 2014, 2% higher than in 2013. Three out of every four arrivals come from three neighboring countries: Turkey, Armenia and Azerbaijan. If Russia is included, tourists from neighboring countries make up 88% of all arrivals. From 2005 to 2013, the number of international arrivals was increasing by an average of 33% every year. As a result, from 2005 to 2013, the number of arrivals increased tenfold. Last year, however, growth slowed down, mainly due to the new immigration law, which was a blow to many sectors of Georgia's economy and,in particular, to tourism. Fewer people arrived from Turkey (-10%), Iraq (-47%), and Iran (-51%), and since September, arrivals from China also declined.The direct air connection from Teheran was terminated. While some of these countries may currently have minor significance as sources of tourists, they have paramount strategic importance for future tourism. It is not likely that, within the next few years, huge numbers of Western Europeans and Americans will discover Georgia as a primary place to vacation, yet Iranians and Chinese also have a desire to take holidays. If Georgia had not actively prevented the arrivals of travelers from those countries, it could have become an important player in those markets. Now it will be difficult to restore the good reputation that Georgia enjoyed as a holiday destination among people from those countries.

HOW CAN GEORGIA IMPROVE?

DIMITRI SHVELIDZE

It is not news that many counties build their economy and economic strategy mainly on tourism. The hospitality sector plays a huge role in a country's further development. From my position as the deputy director at River Side Hotel Georgia, I have unique insight into how Georgia's strategy for the tourism sector is playing out in real time. While I believe the government's policy and priorities to develop the tourism industry are largely correct, I believe there are several areas that need improvement if Georgia is going to reach its full potential as an international tourist destination.

I work with tourists every day. And every day I see ways we need to improve if we want to compete with Turkey, Greece and the hundreds of other holiday destinations available in our region and further abroad.

● Advertising – Georgia had nice ads that were actively distributed in many EU countries. Currently, it appears that there is no clear strategy on where and how our country is to be advertised. If such a plan exists, we are not aware of it; it is a problem of internal communication or, maybe, a lack of information. For example, the United States and western EU countries like Spain, France, Germany, Great Britain, etc. may be very interested in our country's tourism and business potential. By partnering with their tourism agencies and famous channels, Georgia can actively and successfully advertise itself.

● In order to make effective ads, Georgia must change. Currently, there is need for infrastructure improvements in Tbilisi and the rest of the country. For instance, Georgia suffers from an insufficient number of modern toilets in cities and on the roads. Many other minor issues also exist: roads, signs, accessibility, parking, safety infrastructure, and cleanliness. I often listen to some of our guests who discuss their experiences during their visits. While they like our beautiful country, they usually admit that our infrastructure needs improvements in every way.

● Taxation – Many EU countries have used tax relief to encourage investment. For example, VAT for the hospitality sector in many Western countries has been reduced to 6-8%, while it is 18% in Georgia. Research from Deloitte has concluded that lowering VAT for hotels can stimulate tourism, lower the costs of accommodations, and make these businesses even more profitable.

● Make tourists come to Georgia and spend here – Organizing international forums, fairs, meetings, and concerts will also facilitate Georgia's ability to attract tourists. For example, Maroon 5 will be holding concerts in EU countries in May and June. Georgia could have also hosted one of their concerts and boosted its own popularity among neighboring countries. Georgia used to host famous music stars in Tbilisi, especially during Christmas and the New Year period. These resulted in high tourist inflow, mainly from our neighboring countries.

● Attitude is everything. From the moment people exit the plane, Georgia is being judged. If we can offer good service from touch down to wheels up, tourists – and investors – will continue coming back. That means the government – not just the private sector – needs to focus on a motto that we love in the hospitality sector: "How can we help you?" One of Georgia's biggest problems is a shortage of qualified labor. We face this problem in our hotels too, when candidates often do not have sufficient knowledge of what is required. Even proficiency in several languages is now a major issue, and we constantly motivate candidates to learn. Taking care of one's team is the most important factor.

● Implementing new and effective policy to preserve ecology.

To summarize, tourism in Georgia should be boosted in numerous ways and supported by appropriate agencies, ministries, and officials.

Georgia, despite being very small and suffering from territorial disputes, is rich in nature and beauty that should be utilized in a sustainable way to further the country's development.

However, the government must have the desire to make Georgia better than yesterday and better than any other more-developed country in order for Georgia to compete internationally. Walt Disney once said, "If you can dream it, you can do it." We all can change Georgia for the better.

Dimitri Shvelidze is the business development managerat Mira-Group LLC. The author of four books, Shvelidze graduated from the law faculty at Tbilisi State University in 2011 and the private law faculty at the University of Georgia in 2013 with honors. He also has a diploma from Cambridge College, UK, in Business Management.

CAN 2015 BE GEORGIAN CUISINE'S BREAKOUT YEAR?

JENNY HOLM INVESTIGATES WHAT GEORGIA IS DOING TO BUILD ITS REPUTATION AS A PARADISE FOR FOOD AND WINE TOURISM. 2015 HAS BEEN A GREAT YEAR FOR COVERAGE, BUT IS THAT ENOUGH?

JENNY HOLM

For most Westerners, the states of the former Soviet Union bring to mind something of a culinary wasteland. Blame the Gulag, Cold War-era propaganda, and black and white photos of miles-long bread lines: whatever the source, our associations tend toward "bleak," "frozen," and "scarce." That's why Georgia's rich culinary traditions often come as a surprise to visitors, who tend to expect something more, well, proletarian.

Georgia's government has been working hard to shift foreigners' expectations about the nation's cuisine and to promote it as a "must-taste" destination for food and wine tourists through participation in international tourism and wine fairs, wine tastings, and distribution of plenty of swag. Yet as a small country with a big (and much better-known) bear on its back, it's an uphill battle. The fact that Georgia shares its name with a U.S. state further complicates matters in North America.

Not surprisingly, most international visitors to Georgia come from the neighboring countries of Turkey, Armenia, Azerbaijan, Russia, and Ukraine. Georgia's National Tourism Administration (GNTA) has focused its marketing efforts thus far on slightly farther-flung places with which Georgia has direct flight connections, particularly in Europe and Israel. Teona Nanava, chief specialist in the brand development department of the GNTA, told me in a conversation late last year that they hope to expand their presence in the U.S. soon.

The GNTA's culinary marketing aims to capitalize on growing interest in "taste of place" through promotion of Georgia's ▸▸

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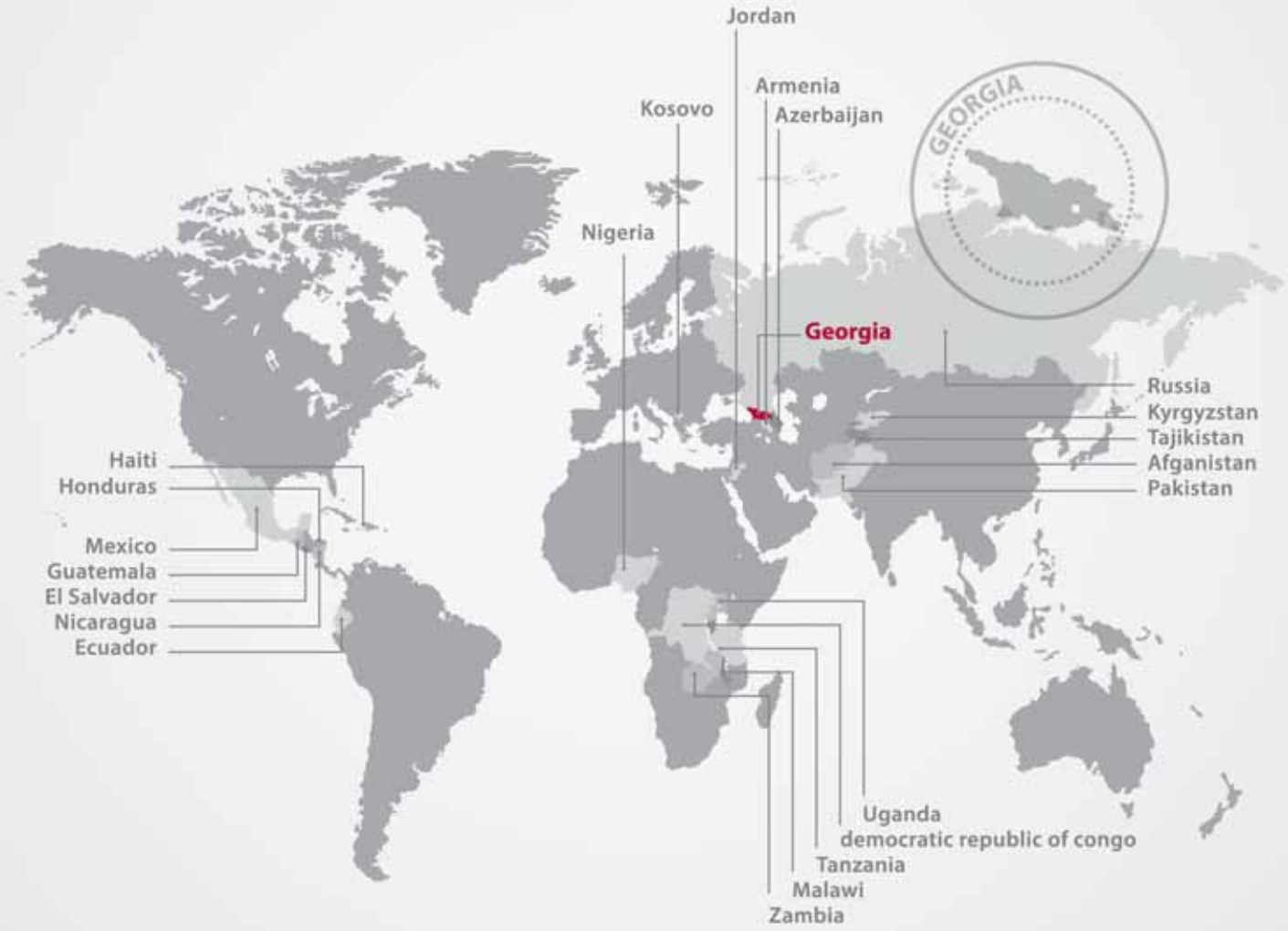

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abundance of locally grown fruits, vegetables, and nuts, diversity of regional dishes, and place-specific products such as wines and cheeses. Georgia's ancient winemaking tradition—at 8,000 years and counting, the longest continuous winemaking tradition in the world—is a natural selling point, rightly touted in national marketing materials.

The fact that not many people outside the former Soviet Union, beyond a small coterie of wine experts, have heard of any of Georgia's more than 500 native grapes makes marketing specific varietals difficult. Saperavi and rkatsiteli are not poised to rocket to international stardom as the "next Malbec." However, the country's collective decision to continue to cultivate and promote native grapes almost exclusively is a wise one. Travelers to off-the-beaten-path destinations like Georgia come seeking what is novel and unique. For them, the mystique attached to a wine whose name they've never heard is reason enough in itself to visit.

Georgian winemakers who produce qvevri wine exhibited their products at the Vini Naturali natural wine fair in Rome in February 2014. "I encouraged the National Wine Agency to send only the producers who are making qvevri wine," says Sarah May Grunwald, a sommelier and professor of wine at the Instituto Lorenzo de' Medici, who helped organize the event. "That's what makes Georgia unique from a wine perspective and what's going to attract Italians, who come from a wine-making culture themselves."

Grunwald visited Georgia for the first time when she was invited to speak at the International Wine Tourism Conference that was held in Tbilisi in 2014. The visit was transformational for her. "I went in with no expectations," she says "and left feeling like I'd found my spiritual homeland." Last summer, she founded Taste Georgia, a company that arranges tours and provides educational and event services focused around Georgian food and wine traditions. 'The table is where you learn the culture of a place," says Grunwald. "It opens up conversations you might not be able to have otherwise."

While food and wine are inexorably linked in Georgian culture, it's important to remember that not all food tourists are also wine tourists. With an average of one-third of international traveler spending going towards food, promotion of culinary traditions in and of themselves should be a critical element of Georgia's tourism promotion strategy.

Thus far, 2015 has been a good year for Georgian food in the U.S. press: Georgia ranked fourth on Thrillist's list of the best cuisines in Europe. The same day, it made the New York Times' list of places to visit in 2015. In early March, the Washington Post asked, "Is Georgian cuisine the next big thing?" in a feature that headlined its food section.

The opening of two Georgian restaurants in Manhattan, a popular Georgian food truck in Portland, Oregon, and growing momentum toward a full-service Georgian restaurant in Washington, DC are building Americans' recognition of Georgia as a place with food worth seeking out. The trick will be to convince potential visitors that the requisite tourism infrastructure and services are in place—particularly in the rural areas where food and wine are produced—to make their stay relaxing and hassle-free.

Outside of her day job, Jenny Holm is a freelance writer and recipe developer based in Washington, DC. You can find her writing and Georgian recipes on her blog, GeorgianTable.com.

REWOVEN: SAVING THE ART OF WEAVING AZERI RUGS IN GEORGIA

AMERICAN RYAN SMITH IS WORKING WITH WOMEN IN GEORGIA'S MINORITY AZERI COMMUNITY TO SAVE THE ANCIENT TRADITION OF AZERI RUG WEAVING.

RYAN SMITH

Awoken from deep sleep by the ringing of my phone, I see a foreign number flashing across its screen. I struggle to gather my wits in the middle of the night and piece together the Azerbaijani words coming from half way around the world, "We're almost out of black yarn."

For most, such a seemingly trivial call at 3 a.m. would be a great annoyance, especially when on vacation back in the U.S. But for me, it was pure joy. After more than a year of unsuccessfully searching for someone to weave a traditional Azeri rug in Georgia, finally our first rug was coming to life, one knot at a time. And with it a project named reWoven was born.

Azeri people living within the southeast of the Republic of Georgia have been weaving gorgeous rugs for centuries. This region has been their home since at least the 12th century. Today, they number around 500,000 and are Georgia's largest ethnic minority. The Azeris are just one of many distinct ethnic groups that have lived for centuries on the lands included within Georgia's borders today. Tbilisi itself has historic Azeri neighborhoods and Azerbaijanis have sold rugs in Tbilisi's markets for generations. Learning about the minority peoples that ▸▸

have influenced Georgian culture and language contributes to understanding Georgia as a whole.

The traditional Azeri name for Georgia's Kvemo Kartli region is Borçalı (Bordjalou). It is also the name of a classic Azeri rug design with repeating hooks around triangular blocks.

Other village names in the region also have corresponding rug designs, including Qaraçöp (Karachopt) and Faxralı (Fachralo), testifying to the rich weaving history in the region. Azeri villages in Georgia wove many of the Caucasian rugs found in museums and collections around the world today. These centuries-old textiles display harmonious natural dyes, playful designs, and finely tied knots.

I first became familiar with these design names when I was living in Baku, Azerbaijan, in 2002. I spent a lot of my free time in its old city's carpet shops while I learned the local language. I immediately fell in love with the ancient craft, and slowly began learn the names of designs and distinct weaving techniques.

When I later moved to a rural region of Azerbaijan, I started a rug-weaving project. My simple fascination with rugs became a practical necessity, as I sought to preserve the craft while providing an income opportunity for women in the villages. I would never have guessed that this experience would repeat itself ten years later in the Azeri region of Georgia.

My wife and I arrived in Georgia in fall 2011. She began working with Teach and Learn with Georgia, while I had a contract with an NGO. I immediately began investigating rug weaving in the region. Countless conversations and forays to local villages quickly demonstrated the dire condition of rug weaving among the Azeris in Georgia. Once a world-renowned rug-weaving region, this tradition had all but vanished.

Janet, the mother of 12 children, used to weave with the project. Today two of her daughters and her daughter-in-law are all weavers with the project. (Ryan Smith)

In centuries past, nearly every woman would weave. Mothers would spend endless hours weaving with their daughters, teaching them just as they had been taught by their mothers. Each mother and future bride wove a set of rugs together for the future bride's dowry.

Unfortunately, several forces of modernization drove weaving to near extinction. The introduction of cheap, machine-made carpets provided women with an effortless option for covering their floors and walls. These were eventually accepted in a bride's dowry, thus eliminating a significant drive to continue their weaving tradition.

Another major shift in the aesthetic of rugs happened in the late 19th century with the introduction of synthetic dyes. It was much easier to toss a packet of powder dye in a boiling cauldron to create colors never before imagined possible, rather than to painstakingly collect plant roots, petals and peels, along with specific minerals, to fix the pigments to the protein fibers.

The vivid colors on ancient textiles testify to the durability and beauty of natural dyes. And because the colors come from nature rather than a test tube, every color shares similar pigments in varying degrees, making the colors naturally harmonious.

Despite the absence of active weavers among Azeris in Georgia, there are plenty of local hand-woven rugs on the floors of village homes today. In stark contrast to the beauty of 19th century pieces, these rugs display garish synthetic colors, lifeless designs, and coarse weaving. Any rugs of value and beauty were traded out long ago.

After a year of discovering the near

extinction of rug weaving in the region, I held out for one last hope. A distant village where time was said to have stood still, Qaraçöp (pronounced Garachirp) is the name of an amalgamation of 7 villages in Kakheti with over 20,000 inhabitants.

Despite its size, Qaraçöp is still very much a traditional Azeri village. Women carry water to their homes on their backs in long-necked bronze jugs. The seasonal rhythm of the village includes taking herds to distant mountains in the spring, and shepherding them back in the fall. Winter is traditionally the season for rug weaving, when all the summer outdoor activity is complete.

I visited Qaraçöp in December 2012. After going door to door with a new local friend for four days, we finally found two women, sisters-in-law, who each accepted the challenge of weaving a rug. We provided them each with a historic rug design from the region, and a bag full of hand-spun, naturally-dyed yarn with the appropriate colors.

I had arrived at Qaraçöp with yarn and a faint hope of meeting some weavers. But I left having made new friends and with a muted optimism that a beautiful rug would emerge in the months to come. The midnight phone call for black yarn was further evidence that we were on the right path.

That was more than two years ago. Since then, some 30 women have combined to complete 34 rugs with reWoven, with more rugs on the loom today. Most of these women had not woven for 10-15 years, but took the bold step to try it again. They each accepted a bag of yarn and a design, and turned them into a reflection of centuries past. Each woman's own personal story intersected with their community's ancient tradition to birth a new treasure with their fingers, bringing to life what had only survived in faint memories.

Our very first weaver, Tukazvan, has continued to be our most skilled and productive. She takes great pride in her work, and it shows with each completed masterpiece. She is currently weaving her sixth rug, this time with her sister-in-law, Mebara. Tukazvan wove her first three rugs by herself before she convinced her sister-in-law to join her. Tukazvan's own sister and another sister-in-law also weave with our project. It is a family affair.

All of our rugs are woven in the weaver's home at her own pace. The weaving is intended to fill in the gaps when the women have free time beyond their other responsibilities. It is a way for them to earn supplemental income while practicing their craft.

reWoven is a non-profit project that is committed to insuring the maximum benefit for its weavers and their community. All of the proceeds of this project will remain within the local village. We are confident that our weavers are the highest paid in the Caucasus region. As we establish a market and ensure the financial viability of this project, we are eager to continue to raise the weavers' wages.

One challenge to the preservation of this craft is the naiveté of rug buyers and the misinformation, and even deceit, in the rug market. Most rug sellers, from Baku to Tbilisi, claim their rugs are locally woven and naturally dyed. But the vast majority of these rugs are from Iran, Afghanistan, and China and are made with chemical dyes, yet use Caucasian designs. They are woven by hands that are paid much less than Azeri weavers can afford to live on, thus undermining the local craft.

We attempt to overcome this challenge by maximizing the personal connection between the artist and the patron. Each reWoven rug includes a certificate that contains personal information about its artist and the history of its design. An even more personal connection can be made between customer and weaver by ordering a custom rug. Customers can pick from a catalog of historic designs and give input on the selection of colors and design elements. If the customer lives in Georgia, they are welcome to visit the home of the weaver and see their rug on the loom.

If you are interested in helping to continue this rich tradition, you can learn more about the project and view our available rugs at www.rewoven.net. To custom order a rug, please write us at info@rewoven.net. Each reWoven rug is deeply rooted in an ancient weaving tradition, and one small step toward insuring this tradition survives another generation.

The Artist from Svaneti: Guram Khetsuriani

ARTIST GURAM KHETSURIANI DRAWS FROM HIS FAMILY'S HISTORIC HOME IN ICONIC SVANETI TO CREATE MASTERPIECES OF LINE AND COLOR. HIS TALENT HAS TAKEN HIM FROM THE MOUNTAINS TO ART GALLERIES IN GEORGIA, THE U.S. AND EUROPE.

TATJANA MONTIK

Guram is extremely charming, but he is not a talker. He has a deeply Svanetian soul — silently keeping his inner world to himself, similar to one of the many tall stone towers in the mountainousSvanetian region of northwest Georgia. In reality, however, this is only a first impression, as Guram willingly shares his rich inner world with everyone—he speaks through his painting.

Entering his atelier, nestled in a cozy Italian-like courtyard on old Tbilisi's Leselidze Street, I am struck by the play of color that confronts me in his work. His paintings present an amazing interaction between people, between buildings and nature, between stillness and movement.

Color is ever present, although he prefers black and white to dominate his work. Perhaps it is the scarcity of brightly colored spots, mixed within the black and white that give his work anincredible liveliness and joy. Guram does not believe that an artist needs a muse to receive an idea; as he states, "To be an artist you need to live for your art, working at it every day."

What inspires him? Cityscapes, as well as natural surroundings. In a cityscape, he prefers old abandoned buildings, in which he finds inspiration. Guram admits, "If I see such an abandoned house or a ruin, I immediately imagine how life used to be here before. And although now everything seems to be dead here, I still can see people walking in the courtyard, working in the household, talking, arguing, laughing together, playing with kids. All this gives a lot of space for the play of my fantasy. For some people, abandoned buildings are scary. As for me, morbid stillness offers quite a lot to my imagination."

To Guram, drawing either nature or buildings brings immense artistic satisfaction. As he says, "Architecture is as close to me as nature. The most important issue is that architecture can only have a powerful appearance when it is in harmony with nature. Both of them, nature and buildings, must come to life in harmony at once on canvas."

As a schoolboy, Guram knew that he would be an artist and chose to pursue an intense art education. His father,Emzari Khetsuriani, is also an artist who engraves icons. His father supported Guram's interest in art, and as a child Guram spent many hours observing his father and other artists at their work. Afterwards, he studied at the Tbilisi Art Academy, which he feels provided him with a solid foundation.

There is a debate among contemporary artists regarding the value of academic art education versus artistic skills gained in practice. However, Guram feels that "an academic education has always been a classical one, and an artist always needs it! Then, of you like to try something new, something else, you can go for it. But first you need a solid basis under your feet."

In his opinion, it is not true that a real artist does not need to be understood and admired by his audience. Even more important is approval by the artist's family and by his friends, and Guram fully enjoys enjoy this support.

"Happiness is when you arrive at home and know that today you have created something really important: a drawing or even just an idea, something which will, sooner or later, come to live on canvas and which will be holding a certain sense. Happiness is to understand that this day of yours has not passed in vain."

What can brighten him up, what gives new power and sense in difficult situations?

"I don't try to escape a bad mood. I'd rather sit still and think at the same spot where I began to feel bad. And of course, wine and singing also help me a lot," he admits.

Guram's family has its origins in the village of Lechkhumi, in the Svaneti region. And although he grew up in Tbilisi, like many Georgians, Guram knows exactly what a small homeland means. The artist needs to spend at least one month each year in Lechkhumi, walking around in nature, letting the Svanetian scenery and the smells and views of his home village inspire him. There, he says, he is familiar with every stone, every tree and every path in the forest. His favorite food is, of course, a Svanetian one – he especially loves Lechkhumi ham and other local specialties.

His paintings seem to be full of joy, peace and love. In our world, there are people who are striving to find love, but they fail.

Maybe Guram can let us into his secret: Where does he manage to find that muchl ove? Guram smiles in his typical shy but rather conquering way: "Love is never hiding from us. Love is everywhere. It is only us people who often hide from love. We should stop doing it, and everything will be okay."

Wings for Life 2015 Kakheti

ON MAY 3, THE EASTERN GEORGIAN REGION OF KAKHETI WILL BE ONE OF THE LOCATIONS FOR THE INTERNATIONAL WINGS FOR LIFE WORLD RUN. THIS WILL BE GEORGIA'S SECOND YEAR AS A LOCATION FOR RUNNERS; 3000 PARTICIPANTS ARE SIGNED UP FOR THE RACE.

Wings for Life is an international not-for-profit spinal cord research foundation. Their mission is to find a cure for spinal cord injury. WFL funds world-class scientific research and clinical trials around the globe aimed at healing the injured spinal cord.

The driving forces behind Wings for Life are the two-time Motocross World Champion Heinz Kinigadner and the founder of Red Bull, Dietrich Mateschitz. In 2003, Kinigadner's son Hannes had a tragic accident which left him tetraplegic.

After this dreadful injury, Kinigadner and Mateschitz invited leading scientists from across the world to come to Salzburg. It soon became clear that, contrary to common opinion, there is legitimate reason to hope that traumatic spinal cord injury can be cured. Ground-breaking discoveries made by Prof. Dr. Sam David in 1981 and by Prof. Dr. Martin Schwab in the early 1990s showed that injured nerve cells in the spinal cord are capable of regeneration after specific types of treatment.

Kinigadner and Mateschitz set up the Wings for Life research foundation – with the goal of finding ways to cure all people affected.

WORLD RUN

The Wings for Life World Run a global running event, which saw thousands of athletes start at the very same time in 34 locations around the globe, generated €3.2 million to foster promising spinal cord research projects.The study, called The Big Idea, will test a new hypothesis of Dr. Harkemain in 36 individuals living with spinal cord injury that epidural stimulation can be used to recover a significant level of autonomic control. A special group of eight patients will be funded directly by the Wings for Life World Run 2014.This is what thousands worldwide ran for on May 4.

The Wings for Life Spinal Cord Research Foundation and the Christopher & Dana Reeve Foundation have joined their superpowers to drive Dr. Harkema and her team on the next step of their journey: a breakthrough clinical study that will likely commence in mid-2015.

Dr. Harkema's groundbreaking experimental therapy in epidural electrical stimulation is just the very start. There is still along way to go. Or better said, to run: May 3, 2015, thousands of people all around the world will unite again to run for those who can't … yet.

TAKING PART IN WINGS FOR LIFE 2015

Georgian companies can become part of the global movement of this unique run, which is not only sports event, but also an enormous charity project. All that companies need to do participate is to register online and pay the 20 lari fee.
Please visit www.wingsforlifeworldrun.com for more information.

NUTRITION TIPS FOR LONG DISTANCE RUNNING

When preparing for Wings for Life World Run, just working out is not enough to achieve your best results, according to Professor Davit Tatiashvili, the head of the Sport Medicine and Rehabilitation Center in Tbilisi. You also need a diet that is specially designed for runners.

Professor Tatishvili knows a thing or two about long distance running: in addition to his professional training, he has participated in 32 marathons and aims to run 40k for the World Run 2015.

To help prepare for the race, Professor Tatishvili recommends the following menu:

BREAKFAST

70 gr porridge (cereal, wheat)
200 ml skim milk
half of an apple
½ glass of peach juice
1 box of low-fat yogurt
1 glass of apple juice

LUNCH

140 gr pasta
100 gr grilled turkey breast meat
150 gr tomato pasta sauce
1 glass of apple juice
1 peach

SNACKS

1 box of low-fat yogurt
1 apple
1 handful of nuts

DINNER

1 haricot pastry
2 pieces of "lavash" bread
40 gr low-fat grated cheese
tomatoes and salad greens
1 glass of fresh orange juice

Energy value: 2800 kcal, 70% carbs, 15% protein, 15% fat

AMCHAM

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UNITED STATES-GEORGIA: TRADE AND ECONOMIC AGENDA

The Atlantic Council of Georgia, in cooperation with American Chamber of Commerce in Georgia and Georgia International Chamber of Commerce, hosted a panel discussion on United States-Georgia: Trade and Economic Agenda on March 12. The panel included Matthew Murray, Deputy Assistant Secretary for Europe, the Middle East, and Africa from the U.S. Department of Commerce, Sarah Williamson, President of AmCham Georgia, Mikheil Janelidze, Deputy Minister of Economy of Georgia, Fady Asly, Chairman of ICC Georgia and Nino Evgenidze, Executive Director of Economic Policy Research Center. The discussion was moderated by Batu Kutelia, Ambassador of the Atlantic Council.

Georgian Parliament Speaker Davit Usupashvili Outlines Parliament's Plan to Improve Business Climate

Georgian Parliament Speaker Davit Usupashvili spoke with AmCham members about steps the parliament is taking to improve the investment environment in Georgia, during the March 25 luncheon at Holiday Inn Tbilisi. During his speech, Mr. Usupashvili noted that Georgia tries to maintain peace in the region. He also focused on economics, social issues and democratic institutions.

In a candid question-and-answer session, the parliament speaker responded to members' questions on a wide range of timely issues, including the role of the parliament in the development of economic policy.

Mr. Usupashvili also told AmCham members that he would be glad to closely collaborate and strengthen the relationship between the parliament and AmCham.

GEORGIA'S SECOND, $140 MILLION MCA COMPACT – A PRESENTATION FOR AMCHAM MEMBERS

Magda Magradze, the CEO of the Millennium Challenge Account - Georgia and Kenneth Walsh, Dean of San Diego State University - Georgia spoke to AmCham members about the MCA's second compact and San Diego State University's plans during AmCham's roundtable event at the Tbilisi Marriott hotel on March 10.

The U.S. Millennium Challenge Corporation has approved a $140 million second compact for Georgia to promote economic growth and reduction of poverty.

The Compact seeks to assist Georgia in addressing its main constraint to economic growth by supporting strategic investments in general education, technical and vocational education and training (TVET), and higher education that will strengthen the quality of education with an emphasis on science, technology, engineering, and math (STEM) disciplines.

San Diego State University was selected and funded by the U.S. Millennium Challenge Corporation and the Government of Georgia to build STEM Workforce in Georgia, improve the capacity of higher education system and fuel economic growth. Dr. Walsh explained how SDSU - Georgia will help Georgian students earn US Degrees in Science and Engineering.

The presentations were followed by active Q & A and discussion.

DR. ALEXANDER RONDELI: CHALLENGES FOR GEORGIA FROM PUTIN'S RUSSIA

Dr. Alexander Rondeli, a well-known political scientist and the president of the Georgian Foundation for Strategic and International Studies, spoke to AmCham members about the increasingly complicated situation in the region and the potential ramifications for Georgia, during AmCham Georgia's monthly luncheon at the Radisson Blu on February 25.

In his speech, Dr. Rondeli stressed the geographical significance of Georgia and its complicated relations in the region. He also reviewed the current situation in Ukraine.

He noted that President Putin still tries to strengthen his areas of influence, and Putin views former Soviet republics like Georgia as an integral part of Russia's future as a major international power.

AMCHAM TOURISM COMMITTEE BRAINSTORMING SESSION TO BOLSTER TOURISM NUMBERS

The AmCham Tourism Committee recently discussed proposals to send to Ministry of Economy and Sustainable Development on advisory board for National Tourism Agency.

The new chair of Tourism Committee, Andreas Heidingsfelder, made a presentation on the current situation in the tourism sphere of Georgia during the March 31 committee meeting. Members agreed that the government needs to take effective steps to attract more tourists to Georgia. Attendees expressed their ideas about possible actions from AmCham to address the government on making an action plan for tourism development. In particular, the tourism committee members will discuss ideas on short-and long-term plans for development. A short list of the best ideas will be presented to the Ministry of Economy and Sustainable Development. Also, members discussed the creation of advisory board at Georgian National Tourism Agency.

CLT COMMITTEE DISCUSSES LATEST DRAFT OF MIGRATION LAW

The CLT Committee discussed recently introduced new draft amendments to "the law of Georgia on legal status of Aliens and Stateless Persons" (also known as the migration law) at its March 31 meeting. While the draft amendments are much more liberal than the current version of law and were generally supported by AmCham, the committee discussed additional amendments that would improve them further. The law on labor migration, the labor inspectorate and the law on the foreign ownership of agricultural land were also discussed.

MEMBERS OF CSR COMMITTEE DISCUSS PROJECTS TO PROMOTE SOCIAL RESPONSIBILITY

Paul Clark, president of TBSC, and Rusudan Kbilashvili, PR Manager of Wissol Group, have recently become co-chairs of the AmCham CSR committee. In this role, they contacted the full membership of AmCham and welcomed new members of the committee at the March 20 meeting.

Paul Clark introduced the meeting and asked different members of the group to explain the importance of CSR for their companies and the way in which they tried to implement CSR activities. Irina Ghughunishvili of EPF presented - "Students for Social Enterprise." The principal goal for the program is to increase the awareness of social enterprises among students and give them an opportunity to present their business vision to the broader society. The winner is awarded with GEL 15,000 and therefore can implement the business plan.

Paul Clark presented the AmCham CSR committee plan, including its Charter, which was presented and approved by the AmCham board.

Committee co-chairs explained the structure of working groups and talked about future development of subcommittees.

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HOW GRANT THORNTON'S "GLOBAL EXPERTISE, LOCAL FEEL" APPROACH ACHIEVED OVER 50% GROWTH IN 2014

GRANT THORNTON IS A LEADING PROFESSIONAL SERVICES NETWORK AND BUSINESS ADVISOR THAT HELPS DYNAMIC ORGANIZATIONS UNLOCK THEIR POTENTIAL FOR GROWTH. GRANT THORNTON HAS OVER 90 YEARS OF DYNAMIC DEVELOPMENT, ACCORDING TO GERNOT HEBESTREIT, GRANT THORNTON INTERNATIONAL'S GLOBAL LEADER FOR BUSINESS DEVELOPMENT AND MARKETS, AND GLOBAL HEAD FOR THE CIS REGION. HE BELIEVES THAT THE SECRET OF ITS SUCCESS IS A COMBINATION OF ITS GLOBAL EXPERTISE, ITS LOCAL FEEL, AND ITS DEDICATION TO MARKETS AND CLIENTS.

UNLOCKING GROWTH LOCALLY

In the CIS region, Grant Thornton has member firms in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine and Uzbekistan, employing more than 900 people overall. Last year showed considerable growth for the region, as revenue grew by 51.5% (41 million USD).

"This region, which we call CIS, has seen the fastest growth among Grant Thornton's network in recent years. Starting with three markets, we now have member firms in all but one country in the region. This year we also expect to establish a presence in Mongolia.

"Our firms deliver a distinctive service to clients in public and private sectors, and share a common outlook in supporting our clients in unlocking their potential for growth. Grant Thornton Georgia illustrates this approach; it is dynamic, growth-driven at its core,and has built a reputation as an excellent business adviser providing the best service that a combination of global and local can offer," Hebestreit said.

GLOBAL APPROACH

Grant Thornton's dedication to people, clients and communities underpins its approach, differentiating the network. It has industry teams with dedicated global leaders providing local teams with unique value propositions, industry-specific know-how and thought leadership. We also make continuous investment in delivering growth for our people and clients alike, Hebestreit said.

One example is the Grant Thornton Leadership Institute, which provides management training for member firm personnel in collaboration with Oxford University. In March, Grant Thornton International's Advanced Managers Programme, running since 2008, won the "Best Leadership Development Programme" award at the prestigious Managing Partners' Forum in London.

Another example is the Grant Thornton International Business Report (IBR), a major global research project providing key business insights for clients to use to increase profit and growth for 14 years in a row. "Our thought leadership is second to none," Hebestreit said, "and we give clients access to our experts to help them unlock growth in a wide range of industries, sectors and areas of business-critical interest, everything from hospitality to diversity to energy to technology."

"Grant Thornton clients find our global research immensely powerful," he said. "For example, our annual M&A snapshot on business leaders and their M&A intentions, released a few days ago, explains why companies are increasingly focused on high-quality, strategic transactions, with less time spent on investigating peripheral opportunities."

GLOBAL GROWTH

Grant Thornton's own business development model is based on the right combination of organic growth, mergers and acquisitions, and strategic investments, Hebestreit said. In 2012 and 2013, it recorded the highest revenue growth among the major professional services networks, followed by more than 100 M&A deals in 2014, increasing profit by $500 million USD in the past two years.

In 2014, Grant Thornton grew considerably as a result of M&A deals in key markets such as Australia, Brazil, Canada, China, Cyprus, Japan, Norway, South Africa, Switzerland and the United Kingdom, and added new member firms in other countries, including Russia, Singapore, British Virgin Islands, Cambodia and Pakistan.

GLORIOUS IN GEORGIA

In its ten years in Georgia, Grant Thornton has shown sustainable growth, with over $1million USD revenue in 2014, thanks to a market focus that delivers great commercial results for clients. Chartered certified accountants and auditors, licensed valuators, and business and legal advisers at its Tbilisi office provide high-quality services to clients across the country and help in cross-border assignments.

"We recognize that there is an impact from the political environment in this region, and we see how businesses are affected," Hebestreit said. "But we have a lot of experience in other global markets with different political and cultural settings. We know how to get good results in a variety of geopolitical environments, and this gives us an advantage in helping clients dealing with this."

In 2015, Grant Thornton Georgia announced a merger with a national firm, Akhvlediani Consulting, which brings additional tax and accounting capabilities into the merged firm. Hebestreit said that the deal boosts Grant Thornton's local expertise and highlights Grant Thornton's aspiration to grow further.This merger is unique for the Georgian professional services industryas it is the first time an international brand has joined forces with a national firm to combine global expertise and local knowledge.

"This is an exciting year for our firm in Georgia. The merger will give our clients more opportunities to benefit from our global resources and industry expertise, as well as domestic capabilities, expert knowledge and experience. There has never been a better time to work with us in Georgia and the region as a whole,"Herbestreit said.

ADJARA GROUP HOSPITALITY: TAKING GEORGIA'S LOVE OF GUESTS TO THE NEXT LEVEL

ADJARA GROUP HOSPITALITY (AGH), THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD) AND BANK OF GEORGIA SIGNED A $24 MILLION LOAN AGREEMENT OVER THE FINANCING FOR A FIVE-STAR INTERCONTINENTAL HOTEL ON FEBRUARY 27. INVESTOR.GE SPOKE WITH VALERI CHEKHERIA, CEO OF AGH, ABOUT THE GROUP'S NEW DEVELOPMENT AND WHAT GEORGIA NEEDS TO DO TO DEVELOP THE COUNTRY'S TOURISM INDUSTRY.

From Rooms Hotel Kazbegi in the mountains, to the Crowne Plaza hotel in Batumi, AGH is pushing Georgia's hospitality sector to a new level.

The new Intercontinental hotel development, which will be built in Tbilisi, is a chance for AGH to continue to grow and learn from IHG's "progressive" team, Valeri Chekheria said in an email interview with Investor.ge.

"From the very beginning, we were convinced that IHG is the largest and the most rapidly-growing hotel family internationally. But what interested us the most was their progressive team, from whom were eager to learn" he said.

The financing agreement with Bank of Georgia and EBRD was a product of a year of close work, he noted.

"After a yearlong working process with the European Bank of Reconstruction and Development, we finally reached an agreement that we are proud of, because after demonstrating our stellar track record in the Georgian hospitality industry to EBRD's local team, they appreciated what we had achieved and where we wanted to go from here," he said.

"So, it was difficult to get the financing, but not impossible for an eager team of young professionals interested in making a real difference and providing hundreds of new jobs on the market."

Chekheria noted that everyone in the tourism sector is "striving for a better future" for the industy.

"Our company is trying to develop hotels in three different locations: Tbilisi, Kazbegi and Batumi, in order to provide excellent guest experience in the entire country. Overall, I think the hotel and tourism industry is going develop at a fast pace in the next couple years due to the fact that we are seeing more and more hotels, despite recent shortage of incoming tourists," he said.

The recent drop in international visitors, Chekheria said, is just one more challenge AGH is ready to meet.

"Concerning the recent decrease in the number of visitors, we are always ready for challenges. Therefore, we keep growing and striving for excellence. We are also trying to reach new markets in order to resist problems related to decreased numbers of visitors," he said.

"In the end, I think this industry has a much greater potential in Georgia, especially because of all-year-round tourism destinations. A tourist may swim at the Black Sea coast and ski in the mountains within a few hours. That is something that we can definitely build on!"

He noted that Georgia requires more than just hotels to make its tourism industry a success.

"By 2017, we will have twice the amount of hotel rooms available in Tbilisi alone. However, building only new hotels does not solve the problem. I believe that the issue must be dealt with in a more coherent way," he said.

"Infrastructure needs a lot of work; beginning from the airport, ending with public toilets. The service sector is another issue that needs immediate attention. Georgia has amazing hospitality and traditions, but excellence in service has not yet been standardized in the country."

A government strategy for the tourism sector will help the industry, he noted, adding that private businesses should also be involved in creating the strategy, and planning ahead is imperative for the industry to develop its potential.

Chekheria noted that AGH is researching ways to expand in Georgia and abroad, as well as improve conditions for tourists in the areas the group already has hotels. For instance, AGH is negotiating to install artificial snow equipment at Rooms Hotel Kazbegi.

"We are especially interested in expanding internationally with the Rooms Hotel since it is a purely Georgian brand, owned and managed by our Adjara Group Hospitality," he said.

"Our team is not just looking for expansion or increased profits, but we want to inspire Georgian brands and show them that Georgian goods and services have potential in the international arena."

HILTON WORLDWIDE TO OPEN A NEW HOTEL IN GEORGIA

The global hotel chain is preparing to open its second hotel in the Caucasus in the Georgian seaside resort of Batumi. The 247 room hotel, adjacent to the Batumi Boulevard and located close to the city centre, is waiting to welcome its first guests in May 2015.

The third international property within the city, Hilton Batumi offers guests not only luxurious accommodation and the highest standard of service, but also access to unique features within the city. The guests will be swept off their feet with the amazing views of the sea, city and the mountains, which they can admire from their balconies (available in most rooms).

What is more, for the convenience of guests driving into the city, the hotel offers underground parking facilities (for up to 181 vehicles).

The unique eforea spa concept introduces exclusive treatments designed to take guests on a journey to the many worlds of rejuvenation.

The conference centre, catering to various types of meetings and events, is equipped with state of the art meeting solutions and the best team devoted to making each event successful.

Finally, the hotel is entering the local market with three unique dining concepts to cater to many different tastes.

PELION

Enjoy the delicacies of Georgian cuisine with freshly baked bread, meats prepared to order and served with seasonal garden vegetables, salads and traditional sauces. Make your lunch or dinner special watching our chefs prepare it in front of you while you sip traditional soft drinks, local Unesco protected wines and spirits.

Pelion is also the perfect location for a corporate or private event.

TANDILA

The perfect place to relax or meet people, this light and airy space offers views over the park and towards the lake. Enjoy savoury snacks complimented by traditional soft drinks and Georgian wines and spirtis, a wide range of coffee blends or indulge in a sweet treat in Tandila or on its spacious outside terrace.

NEPHELE

Indulge yourself in the remarkable views of the sea and the city from Nephele, located on the 20th top floor of Hilton Batumi.

Its stylish bar with a spacious outdoor terrace is an ideal place to enjoy the best cocktails in the town or the wide selection of Georgian and international wines, champagnes and spirits. Relax and treat yourself to a meal with an elevated view or delight in the large variety of snacks to accompany your drink.

If you are looking for a night of entertainment, Nephele is the place to dance into the night to some of the coolest music by the Black Sea.

NEW MEMBERS

CORP. B
BATUMI INTERNATIONAL CONTAINER TERMINAL LLC

Batumi International Container Terminal LLC (BICT) is the first and only maritime container terminal in Georgia where vessel handling and storage of containers are within the port area. From November 2007 the Container Terminal (berth 4/5), Ferry Bridge and General Cargo (berth 6) at the batumi Seaport have been operated by BICT.

BICT is a subsidiary of International Container Terminals Services, Inc., a Philippines- based company, widely recognized as a leading terminal operator.

Batumi International Container Terminal LLC officially started its containerized cargo handling service on March 2, 2008, with the arrival and service of M/V MSC GRANADA, the first ever container ship to dock in Adjara, Georgia. Over the years the company has handled various types of cargo, including non-containerized cargo and provides a wide range of services for vessel loading and discharge, cargo storage, container stripping/stuffing, receiving and delivery of cargo from trucks or rail wagons.

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INTERNATIONAL BLACK SEA UNIVERSITY LTD.

International Black Sea University (IBSU) ,founded in 1995, IBSU is a University that has the objective of training Georgian and foreign students in scientific, technical and professional fields of study, and of utilizing these studies in the field of pure and applied research for contributing to the economic and social necessities of Georgia and other developing countries. Since its inception, the language of instruction has been English. Exchange programs, study visits, trainings, summer schools and excursions abroad are offered to students, according to their GPA sand engagementi n social activities. The university has a wide partnership network all over the world.

ibsu.edu.ge

CORP. B
ROOMS HOTELS

Set in the heart of Tbilisi's neighborhood of Vera, Rooms Hotel Tbilisi's doors are open to anyone willing to get an invaluable experience. It is so much more than a 141 guest-room hotel. It is a destination of its own. Architects of this project have successfully transformed this former industrial building of an old publishing house into a contemporary 5-story hotel. The essence and history of the building is retained, capturing the raw post-industrial and offbeat bohemian vibe that has come to define this part of the capital city. Everything has a regal sophisticated feel, blended with a touch of tasteful modernism. Rich with character, it is designed for a flawless and comfortable stay. Everything here is delightfully unique and inspiring, and oozes class and sexiness. The neighborhood is a cool, laid-back hangout. Authentic experiences obtained at Rooms Hotel Tbilisi cannot be re-created any place else. Surely, there is a certain distinct New-York sensibility to the Hotel. Here you will encounter a contrasting crew of corporate types, artists, musicians and other creative people who congregate to eat, drink and socialize.

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AMCHAM CELEBRATES WOMEN'S HISTORY MONTH

In honor of Women's History Month in the USA, Sarah Williamson, President of AmCham hosted a reception and symposium celebrating the powerful women of AmCham and partners on March 19 at Rooms Hotel Tbilisi. Special guest Rania Anderson of TheWayWomenWork.com.spoke to guests on Paying it Forward: Creating Path to Success for Next-Generation Female Businesswomen.
Rania is an advisory board member of the Women's Employment Network, a member of the International Women's Forum, a former delegate to Vision 2020, a U.S. initiative to advocate gender and equality, and a mentor to young women around the world.
AmCham would like to thank UGT for sponsoring the event and US Embassy for their support in bringing Rania to share her experience with the women of AmCham.

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AMCHAM GEORGIA HOSTS A DINNER FOR US EXECUTIVE TRADE MISSION

AmCham Georgia hosted a dinner for the US Executive Trade Mission on March 11 at PurisSakhli. The trade mission included Matthew Murray, Deputy Assistant Secretary for Europe, the Middle East, and Africa from the U.S. Department of Commerce; US Ambassador, Richard Norland; USAID Director Stephen Haykin;nine US Companies with representation in Turkey;AmChamPresident Sarah Williamson and the AmCham Board.

DAS Matthew Murray led a U.S. trade mission with representatives of nine American companies to Georgia from March 11-13, 2015. The purpose of the trade mission was to help U.S. companies to identify business opportunities in Georgia, deepen U.S.-Georgia trade and investment, and promote integration of neighboring economies to contribute toward a prosperous, stable, and secure region.

PATRON MEMBERS
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AMCHAM'S COCKTAIL EVENING

AmCham members enjoyed the Chamber's new, monthly cocktail reception on April 2. The inaugural event was held at Rooms Hotel.

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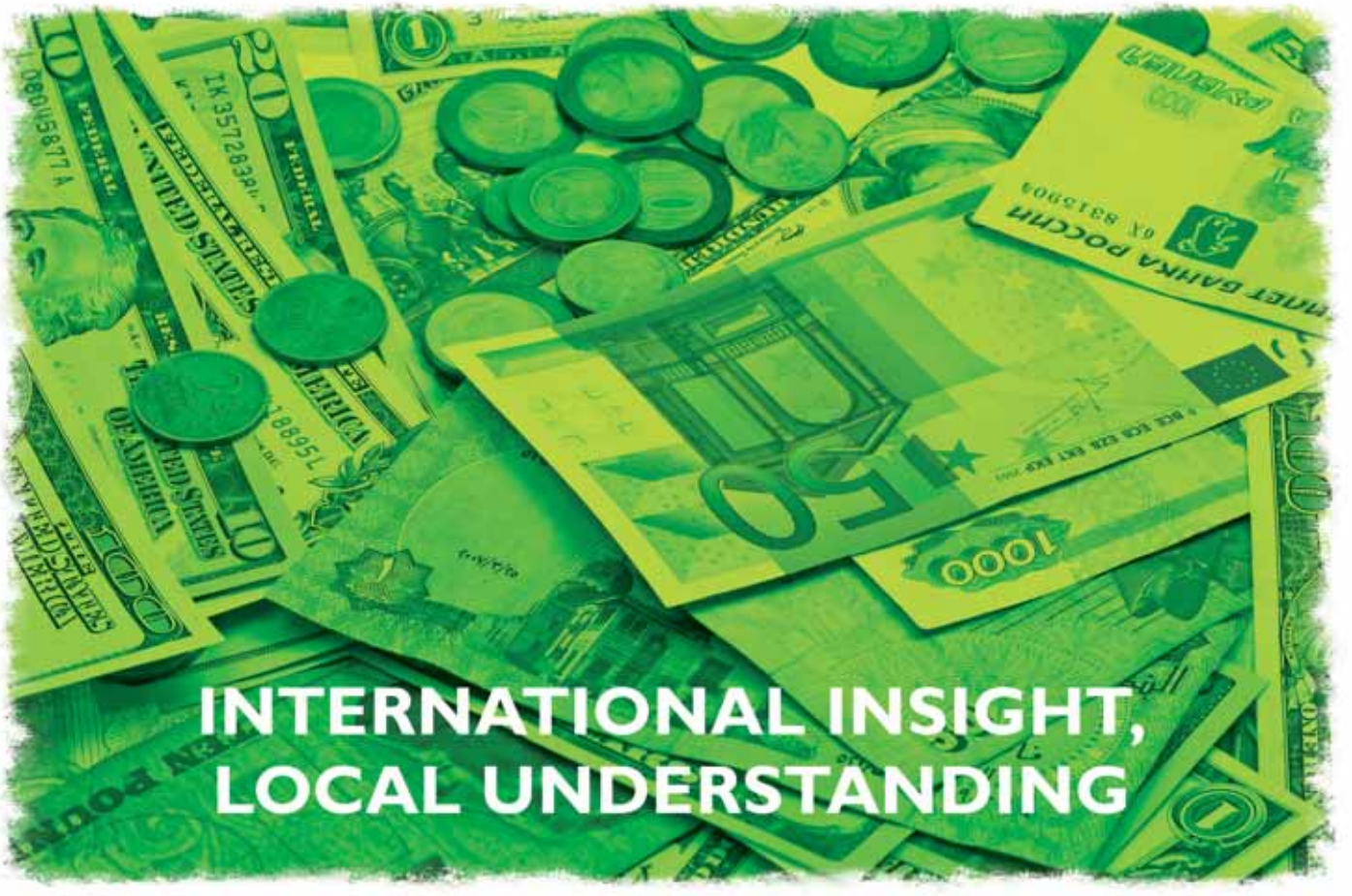

INTERNATIONAL INSIGHT, LOCAL UNDERSTANDING

We work together to meet our clients' requirements for the optimum structure to suit their investment needs and those of their investors.

The DLA Piper team is able to offer clients full service, and practical advice. Our expertise extends across the full range of collective investment vehicles and fund types, covering real estate funds, private equity funds, infrastructure funds and hedge funds, as well as retail and pension funds.

Fund structures commonly involve a complex interaction of various legal disciplines including, in addition to sector expertise, tax, corporate and securities, financial services, regulatory requirements and specialisms relating to the nature of the chosen vehicle.

In addition to our fund-specific practice, we offer comprehensive advice and practical support on the regulation, remuneration and taxation of asset management organisations, including matters such as the licensing or authorisation of asset management entities, employment issues relating to individual managers, and the efficient structuring of carried interest/performance fee arrangements.

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